



**Organic Coatings Ltd.**  
Creating a Vibrant Chemistry

**45th Annual Report 2009-10**

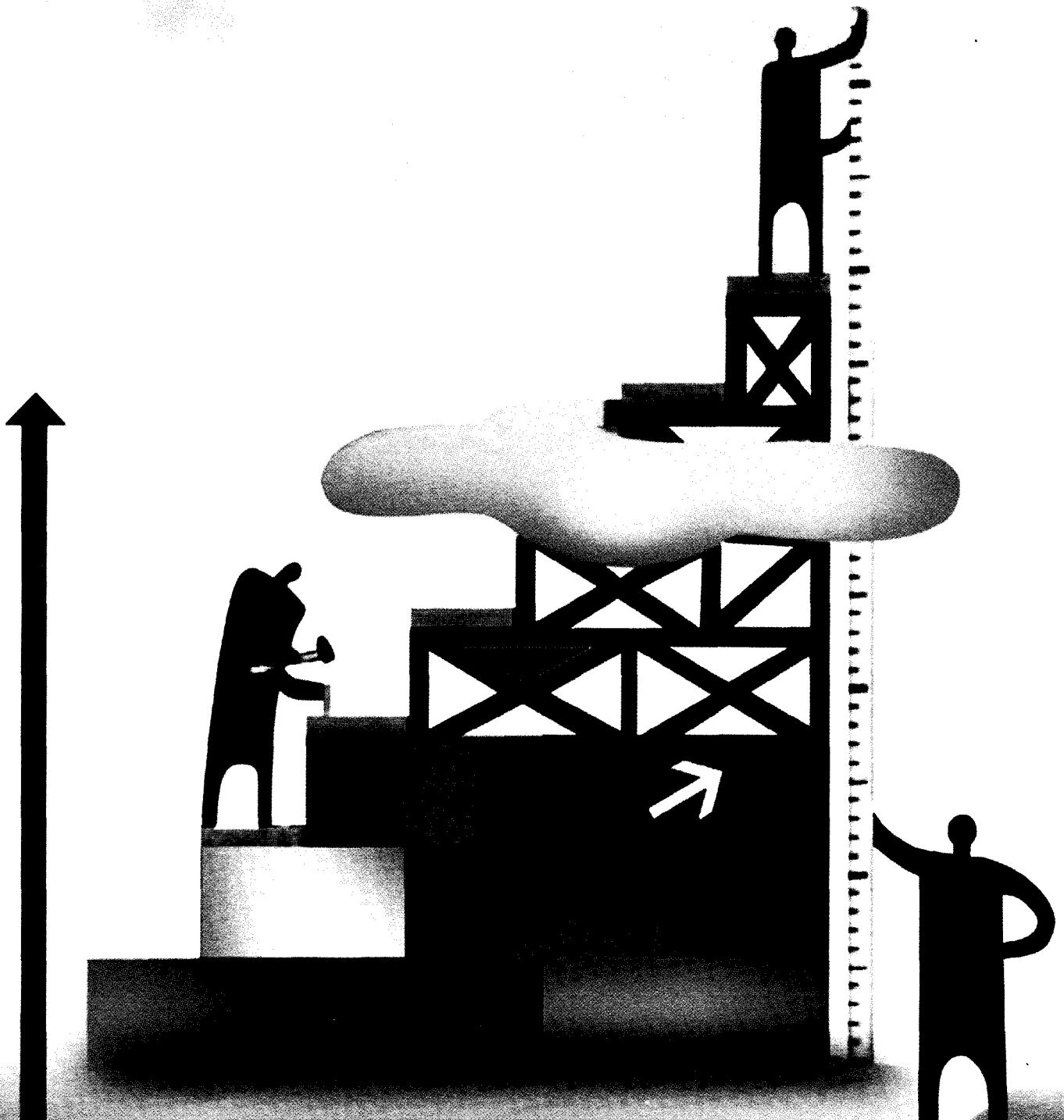
**Setting our sights higher !**



**Launch of Green Inks**

**Strategic Distribution Tie Ups**

**Expansion of Capacities**



**Not just growing... but also evolving with times.**



## MESSAGE FROM VICE CHAIRMAN

Dear Shareholders,

It gives me great pleasure to share with you the successful journey your company has taken in the last year. From modest sales growth of just 1% in the financial year 2008-09, your company **grew by more than 22% in the financial year 2009-10**. The growth was more phenomenal when it comes to profitability where your company **grew by 88%**. It gives me an immense pleasure to inform you that your Board has recommended a dividend of 5% (Rs.0.5 per equity share) to all the shareholders and we hope that this trend of giving dividend will continue for the future.

During the year your company reached optimum capacity utilization at its Mumbai facility and hence an investment had to be made to buy Land & Building in Vadodara to meet the increasing demand for our products. As I write this note, the Government approvals for starting the manufacturing plant at Vadodara has been received and we expect production to start for inks at Vadodara Plant before the end of the year.

During the year, Black Plant was also installed at our Mumbai factory and it added around 100 Tons per month of additional capacity of Black Ink. This in turn strengthens your company in gaining high market share in the publication industry.

The current trend is also very encouraging, our first quarter net sales for the financial year 2010-11 grew by 38 % and profit after tax also has shown growth of 69 % over the same quarter last year. Your company is now set on the momentum for continuous growth for this fiscal year and beyond. Some of the new products launched during this year have shown tremendous growth potential and the full impact of these products will be seen by the end of this year. The products launched were Plasto Coat for currency printing, Rich Green for environmentally friendly application, High Speed Coldset Inks for newspaper industry and Pantone bases based on eco-friendly technology.

I would also like to inform you that our labour negotiations with the Union were agreed and signed in the month of July 2010. This contract will be valid till 2013. I take this opportunity to thank the workers as well as the Union and all employees of the organization in settling all the issues related to negotiations amicably.

During the year company has launched a new redesigned website. It represents spirit in our company today which is upbeat about its future, agile and aggressive in its pursuit of growth and excellence, and emerging into a great place to work.

The current escalation and volatility with the prices and availability in critical raw material is an area of concern to the Management. We are trying to get into long term price and supply contracts to ensure that your company is least affected. However, to counter the effect of cost increase, the company has revised its prices upward during the month of June 2010.

My sincere thanks to all of you, management colleagues, independent directors and employees for continued support and trust.

Thank you,

**R. K. Shah**

## BOARD OF DIRECTORS

MR. R. K. SHAH	Vice Chairman & Managing Director
MR. VIMAL C. MEHRA	Managing Director
MR. ABHAY R. SHAH	Joint Managing Director
MR. DHAVAL J. NANAVATI	Executive Director
MR. AJAY R. SHAH	Whole Time Director
MR. MANOJ V. MEHTA	Whole Time Director
JUSTICE S. C. PRATAP (RETD.)	Independent Director
MR. VILAS K. SHAH	Independent Director
MR. SUDHIRA. SATHE	Independent Director (w.e.f. 17/02/2010)
MR. A. S. MEHENDALE	Independent Director (upto 09/02/2010)
MR. VIKRAM B. TRIVEDI	Independent Director (upto 09/02/2010)
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](mailto:organiccoatingsltd@organiccoatingsltd.com)

### FACTORY

S. V. Road,  
Ghodbunder Village,  
Post : Mira Road,  
Dist. Thane – 401 104.

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

Contents	Pages
Board of Directors .....	02
Notice .....	03-14
Directors' Report .....	15-18
Management Discussion & Analysis .....	19-20
Report on Corporate Governance .....	21-28
Auditor's Report .....	29-31
Balance Sheet .....	32
Profit & Loss Account .....	33
Cash Flow Statement .....	34
Schedules to the Accounts .....	35-39
Notes to Accounts .....	40-46
Balance Sheet Abstract & Business Profile .....	47
Attendance Slip/Proxy Form .....	48

## NOTICE

Notice is hereby given that the 45<sup>th</sup> Annual General Meeting of Organic Coatings Limited will be held at Vishal Hall, Vishal Shopping Centre, Andheri-Kurla Road, Near Andheri Station, Andheri (East), Mumbai – 400 069 on Monday the 27<sup>th</sup> September, 2010 at 3.00 p.m. to transact the following business:

### Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010 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 declare a Dividend.
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 a Director in place of Mr. Ajay R. Shah who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Vimal C. Mehra, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. Uday Soman & Co. (ICAI Firm Registration No. 110352W) as auditors and fix their remuneration.

### Special Business :

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

“RESOLVED THAT in partial modifications to the resolution passed on 28<sup>th</sup> August, 2009 and pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) (the act), read with Schedule XIII to the act, the approval of the members of the Company be and is hereby accorded to revise the scale of salary payable to Mr. Vimal Mehra as a Managing Director of the Company for the residual period of 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013 from Rs. 1,25,000/- p.m. upto Rs. 2,50,000/- p.m. as set out in the explanatory statement with authority to the Board of Directors of the Company (which herein referred to as “the Board” which term shall be deemed to include the Remuneration Committee of the Directors) to determine his remuneration from time to time within the said scale and to fix the allowances and other benefits and perquisites vary, modify, alter the terms including the remuneration as may be agreed by the Board and Mr. Vimal Mehra within the overall limits laid down in Schedule XIII to the act as may be modified from time to time”.

“RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the aforesaid Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Managing Director remuneration by way of salary, bonus, allowances and perquisites as above and the agreement entered into with him by the Company”.

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

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

“RESOLVED THAT in partial modifications to the resolution passed on 28<sup>th</sup> August, 2009 and pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) (the act), read with Schedule XIII to the act, the approval of the members of the Company be and is hereby accorded to revise the scale of salary payable to Mr. Dhaval Nanavati as a Executive Director of the Company for the residual period of 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013 from Rs. 1,25,000/- p.m. upto Rs. 2,50,000/- p.m. as set out in the explanatory statement with authority to the Board of Directors of the Company (which herein referred to as “the Board” which term shall be deemed to include the Remuneration Committee of the Directors) to determine his remuneration from time to time within the said scale and to fix the allowances and other benefits and perquisites vary, modify, alter the terms including the remuneration as may be agreed by the Board and Mr. Dhaval Nanavati within the overall limits laid down in Schedule XIII to the act as may be modified from time to time”.

“RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the aforesaid Executive Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Executive Director remuneration by way of salary, bonus, allowances and perquisites as above and the agreement entered into with him by the Company”.

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

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

“RESOLVED THAT in partial modifications to the resolution passed on 28<sup>th</sup> August, 2009 and pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) (the act), read with Schedule XIII to the act, the approval of the members of the Company be and is hereby accorded to revise the scale of salary payable to Mr. R. K. Shah as a Vice Chairman & Managing Director of the Company for the residual period of 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013 from Rs. 1,25,000/- p.m. upto Rs. 2,50,000/- p.m. as set out in the explanatory statement with authority to the Board of Directors of the Company (which herein referred to as “the Board” which term shall be deemed to include the Remuneration Committee of

the Directors) to determine his remuneration from time to time within the said scale and to fix the allowances and other benefits and perquisites vary, modify, alter the terms including the remuneration as may be agreed by the Board and Mr. R. K. Shah within the overall limits laid down in Schedule XIII to the act as may be modified from time to time".

"RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the aforesaid Vice Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Vice Chairman & Managing Director remuneration by way of salary, bonus, allowances and perquisites as above and the agreement entered into with him by the Company".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps, as may be necessary, proper or expedient and to do such acts, deeds, matters and things to give effect to this resolution".

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

"RESOLVED THAT in partial modifications to the resolution passed on 28<sup>th</sup> August, 2009 and pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) (the act), read with Schedule XIII to the act, the approval of the members of the Company be and is hereby accorded to revise the scale of salary payable to Mr. Abhay R. Shah as a Joint Managing Director of the Company for the residual period of 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013 from Rs. 1,25,000/- p.m. upto Rs. 2,50,000/- p.m. as set out in the explanatory statement with authority to the Board of Directors of the Company (which herein referred to as "the Board" which term shall be deemed to include the Remuneration Committee of the Directors) to determine his remuneration from time to time within the said scale and to fix the allowances and other benefits and perquisites vary, modify, alter the terms including the remuneration as may be agreed by the Board and Mr. Abhay R. Shah within the overall limits laid down in Schedule XIII to the act as may be modified from time to time".

"RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the aforesaid Joint Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Joint Managing Director remuneration by way of salary, bonus, allowances and perquisites as above and the agreement entered into with him by the Company".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps, as may be necessary, proper or expedient and to do such acts, deeds, matters and things to give effect to this resolution".

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

"RESOLVED THAT in partial modifications to the resolution passed on 28<sup>th</sup> August, 2009 and pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) (the act), read with Schedule XIII to the act, the approval of the members of the Company be and is hereby accorded to revise the scale of salary payable to Mr. Manoj V. Mehta as a Whole Time Director of the Company for the residual period of 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013 upto Rs. 2,50,000/- p.m. as set out in the explanatory statement with authority to the Board of Directors of the Company (which herein referred to as "the Board" which term shall be deemed to include the Remuneration Committee of the Directors) to determine his remuneration from time to time within the said scale and to fix the allowances and other benefits and perquisites vary, modify, alter the terms including the remuneration as may be agreed by the Board and Mr. Manoj V. Mehta within the overall limits laid down in Schedule XIII to the act as may be modified from time to time".

"RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the aforesaid Whole Time Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Whole Time Director remuneration by way of salary, bonus, allowances and perquisites as above and the agreement entered into with him by the Company".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps, as may be necessary, proper or expedient and to do such acts, deeds, matters and things to give effect to this resolution".

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

"RESOLVED THAT in partial modifications to the resolution passed on 28<sup>th</sup> August, 2009 and pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) (the act), read with Schedule XIII to the act, the approval of the members of the Company be and is hereby accorded to revise the scale of salary payable to Mr. Ajay R. Shah as a Whole Time Director of the Company for the residual period of 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013 upto Rs. 2,50,000/- p.m. as set out in the explanatory statement with authority to the Board of Directors of the Company (which herein referred to as "the Board" which term shall be deemed to include the Remuneration Committee of the Directors) to determine his remuneration from time to time within the said scale and to fix the allowances and other benefits and perquisites vary, modify, alter the terms including the remuneration as may be agreed by the Board and Mr. Ajay R. Shah within the overall limits laid down in Schedule XIII to the act as may be modified from time to time".

"RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the aforesaid Whole Time Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Whole Time Director remuneration by way of salary, bonus, allowances and perquisites as above and the agreement entered into with him by the Company".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps, as may be necessary, proper or expedient and to do such acts, deeds, matters and things to give effect to this resolution".

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 309(4) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and the Articles of Association of the Company

and subject to applicable statutory approval(s) including that of the Central Government, if necessary, the Company do pay to Non-Executive Independent Directors of the Company (Directors who are neither in the Whole-time employment of the Company nor a Managing Director) for a period of five years from the financial year commencing from 1<sup>st</sup> April 2010, in addition to the sitting fees and reimbursement of expenses for attending the meetings of the Board and/or Committee thereof, commission, not exceeding in the aggregate, one percent of the net profits of the Company as computed in the manner specified under Section 198(1) of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof to be divided equally amongst the Non-Executive Independent Directors”.

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

By Order of the Board of Directors

**Sudhir R. Shah**  
Company Secretary

Date : August 12, 2010

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

## **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 20th September, 2010 to 27th September, 2010 both days inclusive, for the purpose of ascertaining the names of the shareholders to whom the dividend which, if declared at the annual general meeting is payable. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished to National Securities Depository Ltd. and Central Depository Services (India) Limited, for the purpose.
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 and shall be forming part of the notice. The disclosure pursuant to sub-clause (iv) under the proviso to subparagraph (B) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956 and the relevant details in respect of the Directors, seeking re-appointments required to be provided pursuant to Clause 49 of the Listing Agreement are also annexed hereto.

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 FORMS PART OF THE NOTICE OF ANNUAL GENERAL MEETING****Item 7**

Mr. Vimal C. Mehra was appointed as an additional director of the Company by the Board of Directors on 12<sup>th</sup> November, 2008.

The Board of Directors of the Company had also appointed Mr. Vimal Mehra as Managing Director w.e.f. 1<sup>st</sup> December, 2008 for a period of 5 years, and his appointment was approved by the shareholders of the Company at the Annual General Meeting held on 28<sup>th</sup> August, 2009 on the following terms :

1) Period of appointment : 5 years from 1<sup>st</sup> December, 2008.

2) Remuneration

Particulars	Amount per month (Rs.)
Basic	67200
Bonus (Fixed)	2084
Perquisites	53817

**Notes :**

- 1) Club Fees : He shall be entitled to reimbursement of fees towards membership of 2 clubs. However, he shall not be entitled to reimbursement of any admission and/or fees payable towards life membership.
- 2) Telephone : He shall be entitled for telephone and broadband expenses incurred at his residence as well as mobile phones for local calls and long distance calls.
- 3) Provident Fund: He shall be entitled to company's contribution towards provident fund as per the rules of the Company.
- 4) Gratuity: He shall be entitled to payment of gratuity wherever applicable as per the payment of Gratuity Act, 1972 and amended from time to time as per the rules of the company.
- 5) Leave Encashment : He shall be entitled for leave encashment of accumulated leave (at the rate of basic salary), standing to his credit encashable at the end of his tenure, which shall not lapse during his tenure.
- 6) Car : He shall be provided chauffeur driven car by the Company for official purpose.
- 7) He shall not be entitled to any sitting fees for attending the meetings of the Board of Directors of the Company or any Committee or committees thereof.
- 8) He shall not so long as he functions as such, become interested or otherwise concerned directly or through his wife/minor children in any selling agency of the Company in future without the prior approval of the appropriate authority under the Companies Act, 1956.

**MINIMUM REMUNERATION**

Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the aforesaid Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Managing Director remuneration by way of Salary, Bonus, Perquisites and Allowances as specified above.

**TERMINATION**

The agreement with the aforesaid Managing Director can be terminated by giving 6 months notice in writing by either party.

The above remuneration was fixed in line with Schedule XIII Part II Section II 1(A) to the Companies Act, 1956 i.e. monthly remuneration payable not exceeding Rs. 1,25,000/- p.m. by passing Ordinary Resolution on 28<sup>th</sup> August, 2009.

In view of the increasing role and responsibilities of the aforesaid Managing Director in the current competitive environment and also considering the amount of time devoted and the contribution made by him, it is felt that the Board of Directors be authorized to determine the remuneration of the Managing Director upto an amount of Rs. 2,50,000/- plus other terminal benefits like provident fund, gratuity and encashment of leave at the end of the tenure as laid down in Schedule XIII Part II Section II (B) to the Companies Act, 1956 by passing Special Resolution in this behalf. The revision in remuneration as above is approved by a resolution passed by the remuneration committee of the Company.

It is now proposed to revise the remuneration of Mr. Vimal Mehra as Managing Director of the Company as under for a period of 3 years :

1) Period : 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013.

2) Remuneration :

Particulars	Amount per month (Rs.)
Basic	67200
Bonus (Fixed)	2084



The aforesaid Managing Director will be given minimum annual increment of 10% of the basic salary with effect from 1/10/2010. The Managing Director shall be entitled for the following perquisites and benefits :

- 1) HRA : He shall be entitled for HRA of Rs. 32,800/- p.m.
- 2) Medical : He shall be entitled to reimbursement of medical expenses incurred by him subject to overall limit of one month's basic salary in a year.
- 3) LTA - He shall be entitled to reimbursement of actual leave travel allowance once in a year for himself and his family to any destination in India by air/rail/ road, however, which shall not exceed one month's basic salary.
- 4) Club Fees : He shall be entitled to reimbursement of fees towards membership of 2 clubs. However, he shall not be entitled to reimbursement of any admission and/or fees payable towards life membership.
- 5) Electricity : He shall be entitled for allowance of Rs. 10,000/- p.m. towards electricity expenses.
- 6) Gas : He shall be entitled for allowance upto an amount of Rs. 4,000/- p.m. towards expenses for gas at his residence.
- 7) Telephone : He shall be entitled for telephone and broadband expenses incurred at his residence as well as mobile phones for local calls and long distance calls.
- 8) Personal Accident Insurance : He shall be entitled for personal accident insurance the premium of which shall be limited to Rs. 4,400/- p.a.
- 9) Provident Fund: He shall be entitled to company's contribution towards provident fund as per the rules of the Company.
- 10) Gratuity: He shall be entitled to payment of gratuity wherever applicable as per the payment of Gratuity Act, 1972 and amended from time to time as per the rules of the company.
- 11) Leave Encashment : He shall be entitled for leave encashment of accumulated leave (at the rate of basic salary), standing to his credit encashable at the end of his tenure, which shall not lapse during his tenure.
- 12) Car : He shall be provided chauffeur driven car by the Company for official purpose.
- 13) He shall not be entitled to any sitting fees for attending the meetings of the Board of Directors of the Company or any Committee or committees thereof.
- 14) He shall not so long as he functions as such, become interested or otherwise concerned directly or through his wife/minor children in any selling agency of the Company in future without the prior approval of the appropriate authority under the Companies Act, 1956.

The Board of Directors is empowered to determine the remuneration of Managing Director upto an amount of Rs. 2,50,000/- p.m. plus other terminable benefits like provident fund, gratuity and encashment of leave at the end of tenure as laid down in Schedule XIII Part II Section II B to the Companies Act, 1956.

#### MINIMUM REMUNERATION

Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the aforesaid Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Managing Director remuneration by way of Salary, Bonus, Perquisites and Allowances as specified above.

#### TERMINATION

The agreement with the aforesaid Managing Director can be terminated by giving 6 months notice in writing by either party.

#### MEMORANDUM OF INTEREST

None of the directors of the Company except Mr. Vimal Mehra is in any way concerned or interested in the resolution.

A statement containing the information required to be given to the shareholders pursuant to Schedule XIII Part II Section II (B)(IV) is given in the Annexure hereto.

The copy of the supplemental agreement for the revision in remuneration of Mr. Vimal Mehra as a Managing Director of the Company is open for inspection by the members at the registered office of the Company on any working days between 11.00 a.m. and 1.00 p.m.

This may also be treated as an abstract under the provisions of Section 302 of the Companies Act, 1956 as amended. The Board recommends the special resolution as set out in Item No. 7 of this notice.

#### Item 8

Mr. Dhaval J. Nanavati was appointed as an additional director of the Company by the Board of Directors on 12<sup>th</sup> November, 2008.

The Board of Directors of the Company had appointed Mr. Dhaval Nanavati as Wholtime Director w.e.f. 1<sup>st</sup> December, 2008 for a period of 5 years and his appointment was approved by the shareholders of the Company at the Annual General Meeting held on 28/08/2009 on the following terms :

- 1) Period of appointment : 5 years from 1<sup>st</sup> December, 2008.
- 2) Remuneration :

Particulars	Amount per month (Rs.)
Basic	60000
Bonus (Fixed)	2084
Perquisites	53217

# ORGANIC COATINGS LIMITED

## Notes

- 1) Club Fees: He shall be entitled to reimbursement of fees towards membership of 2 clubs. However, he shall not be entitled to reimbursement of any admission and/or fees payable towards life membership.
- 2) Telephone: He shall be entitled for telephone and broadband expenses incurred at his residence as well as mobile phones for local calls and long distance calls.
- 3) Provident Fund: He shall be entitled to company's contribution towards provident fund as per the rules of the Company.
- 4) Gratuity: He shall be entitled to payment of gratuity wherever applicable as per the payment of Gratuity Act, 1972 amended from time to time as per the rules of the company.
- 5) Leave Encashment : He shall be entitled for leave encashment of accumulated leave (at the rate of basic salary), standing to his credit encashable at the end of his tenure, which shall not lapse during his tenure.
- 6) Car : He shall be provided chauffeur driven car by the Company for official use.
- 7) He shall not be entitled to any sitting fees for attending the meetings of the Board of Directors of the Company or any Committee or committees thereof.
- 8) He shall not so long as he functions as such, become interested or otherwise concerned directly or through his wife/minor children in any selling agency of the Company in future without the prior approval of the appropriate authority under the Companies Act, 1956.

## MINIMUM REMUNERATION

Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the aforesaid Executive Director, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Executive Director remuneration by way of Salary, Bonus, Perquisites and Allowances as specified above.

## TERMINATION

The agreement with the aforesaid Executive Director can be terminated by giving 6 months notice in writing by either party.

The above remuneration was fixed in line with Schedule XIII Part II Section II 1(A) to the Companies Act, 1956 i.e. monthly remuneration payable not exceeding Rs. 1,25,000/- p.m. by passing Ordinary Resolution on 28<sup>th</sup> August, 2009.

In view of the increasing role and responsibilities of the aforesaid Executive Director in the current competitive environment and also considering the amount of time devoted and the contribution made by him, it is felt that the Board of Directors be authorized to determine the remuneration of the Executive Director upto an amount of Rs. 2,50,000/- plus other terminal benefits like provident fund, gratuity and encashment of leave at the end of the tenure as laid down in Schedule XIII Part II Section II (B) to the Companies Act, 1956 by passing Special Resolution in this behalf. The revision in remuneration as above is approved by a resolution passed by the remuneration committee of the Company.

It is now proposed to revise the remuneration of Mr. Dhaval Nanavati as Executive Director of the Company as under for a period of 3 years:

- 1) Period : 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013.
- 2) Remuneration :

Particulars	Amount per month (Rs.)
Basic	60000
Bonus (Fixed)	2084

The aforesaid Executive Director will be given minimum annual increment of 10% of the basic salary with effect from 1/10/2010. The Executive Director shall be entitled for the following perquisites and benefits :

- 1) HRA : He shall be entitled for HRA of Rs. 32,800/- p.m.
- 2) Medical : He shall be entitled to reimbursement of medical expenses incurred by him subject to overall limit of one month's basic salary in a year.
- 3) LTA : He shall be entitled to reimbursement of actual leave travel allowance once in a year for himself and his family to any destination in India by air/rail/ road, however, which shall not exceed one month's basic salary.
- 4) Club Fees : He shall be entitled to reimbursement of fees towards membership of 2 clubs. However, he shall not be entitled to reimbursement of any admission and/or fees payable towards life membership.
- 5) Electricity : He shall be entitled for allowance of Rs. 10,000/- p.m. towards electricity expenses.
- 6) Gas : He shall be entitled for allowance upto an amount of Rs. 4,000/- p.m. towards expenses for gas at his residence.
- 7) Telephone : He shall be entitled for telephone and broadband expenses incurred at his residence as well as mobile phones for local calls and long distance calls.
- 8) Personal Accident Insurance : He shall be entitled for personal accident insurance the premium of which shall be limited to Rs. 4,400/- p.a.
- 9) Provident Fund: He shall be entitled to company's contribution towards provident fund as per the rules of the Company.
- 10) Gratuity: He shall be entitled to payment of gratuity wherever applicable as per the payment of Gratuity Act, 1972 and amended from time to time as per the rules of the company.

- 11) Leave Encashment : He shall be entitled for leave encashment of accumulated leave ( at the rate of basic salary ) standing to his credit encashable at the end of his tenure, which shall not lapse during his tenure.
- 12) Car : He shall be provided chauffeur driven car by the Company for official purpose.
- 13) He shall not be entitled to any sitting fees for attending the meetings of the Board of Directors of the Company or any Committee or committees thereof.
- 14) He shall not so long as he functions as such, become interested or otherwise concerned directly or through his wife/minor children in any selling agency of the Company in future without the prior approval of the appropriate authority under the Companies Act, 1956.

The Board of Directors is empowered to determine the remuneration of Executive Director upto an amount of Rs. 2,50,000/- p.m. plus other terminable benefits like provident fund, gratuity and encashment of leave at the end of tenure as laid down in Schedule XIII Part II Section II B to the Companies Act, 1956.

#### TERMINATION

The agreement with the aforesaid Executive Director can be terminated by giving 6 months notice in writing by either party.

#### MEMORANDUM OF INTEREST

None of the directors of the Company except Mr. Dhaval Nanavati is in any way concerned or interested in the resolution.

A statement containing the information required to be given to the shareholders pursuant to Schedule XIII Part II Section II (B)(IV) is given in the Annexure hereto.

The copy of the supplemental agreement for the revision in remuneration of Mr. Dhaval Nanavati as a Executive Director of the Company is open for inspection by the members at the registered office of the Company on any working days between 11.00 a.m. and 1.00 p.m.

This may also be treated as an abstract under the provisions of Section 302 of the Companies Act, 1956 as amended. The Board recommends the special resolution as set out in Item No. 8 of this notice.

#### Item 9, 10, 11 & 12

The Board of Directors of the Company at its meeting held on 13<sup>th</sup> June, 2009 re-appointed Mr. R.K.Shah as Vice Chairman & Managing Director, Mr. Abhay R. Shah as Joint Managing Director, Mr. Manoj V. Mehta as Whole Time Director and Mr. Ajay R. Shah as Whole Time Director for a period of 5 years from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2014 and their appointments were approved by the shareholders of the Company at the Annual General Meeting held on 28<sup>th</sup> August, 2009 on the following remuneration and other terms and conditions :

Particulars	Mr. R. K. Shah (Rs. p. m.)	Mr. Abhay R. Shah (Rs. p. m.)	Mr. Manoj V. Mehta (Rs. p.m.)	Mr. Ajay R. Shah (Rs. p.m.)
Basic	70000	60000	35000	35000
Bonus	2083	2083	2083	2083
Perquisites	52851	56967	33926	33926

The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors will be given minimum annual increment of 5% of the basic salary. However, the Board of Directors will have discretion to consider on merit basis, higher increment taking into account the company's performance and subject to ceiling of 10% of the basic salary which shall be within the overall limits prescribed under Schedule XIII to the Companies Act, 1956 as amended.

#### Notes :

- 1) Medical : Mr. Abhay R. Shah, Mr. Manoj V. Mehta and Mr. Ajay R. Shah shall be entitled to reimbursement of medical expenses incurred by them subject to overall limit of one months basic salary in a year.
- 2) LTA : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled to reimbursement of actual leave travel expenses once in a year for themselves and their family to any destination in India by air/rail/road, however which shall not exceed one month's basic salary respectively.
- 3) Club Fees : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled to reimbursement of fees towards membership of 2 clubs. However, they shall not be entitled to reimbursement of any admission and/or fees payable towards life membership.
- 4) Electricity : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled to reimbursement of actual expenses incurred by them or the amount specified above against their respective names whichever is lower.
- 5) Telephone : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled for telephone and broadband expenses incurred at their residences as well as mobile phones for local calls and long distance calls.
- 6) Provident Fund : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled to company's contribution towards provident fund as per the rules of the Company.
- 7) Gratuity : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled to payment of gratuity wherever applicable as per the payment of Gratuity Act, 1972 and amended from time to time as per the rules of the company.
- 8) Leave Encashment : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled for leave encashment of accumulated leave (at the rate of basic salary), standing to their credit encashable at the end of their tenure, which shall not lapse during their tenure.

# ORGANIC COATINGS LIMITED

- 9) Car : The aforesaid Managing Director, Joint Managing Director and the Whole Time Directors will be provided with chauffeur driven cars by the Company, which shall be used by them for official purposes only.
- 10) The aforesaid Managing Director, Joint Managing Director and Whole Time Directors shall not be entitled to any sitting fees for attending the meetings of the Board of Directors of the Company or any Committee or committees thereof.
- 11) The aforesaid Managing Director, Joint Managing Director and Whole Time Directors shall not so long as they function as such, become interested or otherwise concerned directly or through their wives/minor children in any selling agency of the Company in future without the prior approval of the appropriate authority under the Companies Act, 1956.

## MINIMUM REMUNERATION

Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the aforesaid Managing Director, Joint Managing Director and the Whole Time Directors, the Company has no profits or its profits are inadequate, the Company will pay to the aforesaid Managing Director, Joint Managing Director and the Whole Time Directors remuneration by way of Salary, Bonus, Perquisites and Allowances as specified above.

The above remunerations are well within the limits specified in Sections 198, 309 and Schedule XIII to the Companies Act, 1956.

In terms of Sub – Clause (c)(ii) of part I of Schedule XIII to the Companies Act, 1956, the resolution regarding the re-appointment of Mr. R.K.Shah as Vice Chairman & Managing Director was made by special resolution since he has attained age of more than 70 years.

The above remuneration was fixed in line with Schedule XIII Part II Section II 1(A) to the Companies Act, 1956 i.e. monthly remuneration payable not exceeding Rs. 1,25,000/- p.m plus other benefits by passing Special Resolution and Ordinary Resolutions on 28<sup>th</sup> August, 2009.

In view of the increasing role and responsibilities of the aforesaid Managing Directors and Whole Time Directors in the current competitive environment and also considering the amount of time devoted and the contribution made by them, it is felt that the Board of Directors be authorized to determine their remuneration upto an amount of Rs. 2,50,000/- plus other terminal benefits like provident fund, gratuity and encashment of leave at the end of the tenure as laid down in Schedule XIII Part II Section II (B) to the Companies Act, 1956 by passing Special Resolutions in this behalf. The revision in remunerations as under are approved by a resolution passed by the remuneration committee of the Company:

Period : 3 years from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013.

Particulars	Mr. R. K. Shah (Rs. p. m.)	Mr. Abhay R. Shah (Rs. p. m.)	Mr. Manoj V. Mehta (Rs. p.m.)	Mr. Ajay R. Shah (Rs. p.m.)
Basic	70000	60000	38500	38500
Bonus	2084	2084	2084	2084

The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors will be given minimum annual increment of 10% of the basic salary with effect from 1/10/2010. The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the Whole Time Directors shall be entitled for the following perquisites and benefits :

- 1) HRA : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled to HRA of Rs. 37,750/- p.m., Rs. 32,800/- p.m. and two Whole Time Directors Rs. 20,000/- p.m. respectively.
- 2) Medical : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled to reimbursement of medical expenses incurred by them subject to overall limit of one months basic salary in a year respectively.
- 3) LTA : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled to reimbursement of actual leave travel expenses once in a year for themselves and their family to any destination in India by air/rail/road, however which shall not exceed one month's basic salary respectively.
- 4) Club Fees : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled to reimbursement of fees towards membership of 2 clubs. However, they shall not be entitled to reimbursement of any admission and/or fees payable towards life membership.
- 5) Electricity : The aforesaid Vice Chairman & Managing Director and Joint Managing Director shall be entitled for allowance towards electricity of an amount of Rs. 10,000/- p.m. respectively and the two Whole Time Directors shall be entitled for allowance towards electricity of an amount of Rs. 5,000/- p.m. respectively.
- 6) Gas : The aforesaid Vice Chairman & Managing Director shall be entitled for Gas Allowance of Rs. 2,300/- p.m., the Joint Managing Director shall be entitled for Gas Allowance of Rs. 4,000/- p.m. and the two Whole Time Directors shall be entitled for Gas Allowance of Rs. 2,800/- p.m.
- 7) Telephone : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled for telephone and broadband expenses incurred at their residences as well as mobile phones for local calls and long distance calls.
- 8) Personal Accident Insurance : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled for personal accident insurance the premium of which shall be limited to Rs. 4,400/- p.a. for each of them.
- 9) Provident Fund : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled to company's contribution towards provident fund as per the rules of the Company.
- 10) Gratuity : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled to payment of gratuity wherever applicable as per the payment of Gratuity Act, 1972 and amended from time to time as per the rules of the company.

- 11) Leave Encashment : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall be entitled for leave encashment of accumulated leave (at the rate of basic salary), standing to their credit encashable at the end of their tenure, which shall not lapse during their tenure.
- 12) Car : The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors will be provided with chauffeur driven cars by the Company, which shall be used by them for official purposes only.
- 13) The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall not be entitled to any sitting fees for attending the meetings of the Board of Directors of the Company or any Committee or committees thereof.
- 14) The aforesaid Vice Chairman & Managing Director, Joint Managing Director and the two Whole Time Directors shall not so long as they function as such, become interested or otherwise concerned directly or through their wives/minor children in any selling agency of the Company in future without the prior approval of the appropriate authority under the Companies Act, 1956.

**MEMORANDUM OF INTEREST**

Mr. R.K.Shah is the father of Mr. Abhay R. Shah and Mr. Ajay R. Shah. Accordingly, each of them may be deemed to be interested or concerned in the resolutions at Item No. 9, 10 & 12.

Mr. Manoj V. Mehta alone is interested or concerned in the resolution at Item No. 11.

A statement containing the information required to be given to the shareholders pursuant to Schedule XIII Part II Section II (B)(IV) is given in the Annexure hereto.

The copies of the supplemental agreements for the revision in remuneration of Mr. R.K.Shah as a Vice Chairman & Managing Director, Mr. Abhay R. Shah as a Joint Managing Director, Mr. Manoj V. Mehta as a Whole Time Director and Mr. Ajay R. Shah as a Whole Time Director of the Company are open for inspection by the members at the registered office of the Company on any working days between 11.00 a.m. and 1.00 p.m.

This may also be treated as an abstract under the provisions of Section 302 of the Companies Act, 1956 as amended.

The Board recommends the special resolutions as set out in Item No. 9, 10, 11 & 12 of this notice.

**Item No. 13**

Presently the Non-Executive/Independent Directors are paid sitting fees for attending the meetings of the Board and/or Committee thereof of an amount of Rs. 20,000/- per meeting and reimbursement of expenses.

In view of the increasing role and responsibilities of the Directors in the current competitive environment and also considering the amount of time devoted and the contribution made by them, it is desirable that payment of commission to the Non-Executive/Independent Directors be made.

It is proposed to pay to Non-Executive / Independent Directors of the Company, commission not exceeding 1% of the net profits of the company as computed in the manner specified u/s 198(1) of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, in addition to the sitting fees and reimbursement of expenses for attending the meetings of the Board and/or Committee thereof for a period of 5 years for the financial year commencing from 1<sup>st</sup> April, 2010.

In terms of provisions of section 309(4) of the Companies Act, 1956, since the Company has Managing Directors and Whole Time Directors, the Company make the aforesaid payment to the Non-Executive/Independent Directors to an extent not exceeding 1% of the net profits of the Company, if so, authorized by a Special Resolution of the shareholders.

Justice S.C.Pratap, Mr. Vilas K. Shah and Mr. Sudhir Sathe may be deemed to be concerned or interested in the resolution.

Your Directors recommend the special resolution as set out at Item No. 13 of the notice for your approval.

By Order of the Board of Directors

**Sudhir R. Shah**  
Company Secretary

Date : August 12, 2010

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

# ORGANIC COATINGS LIMITED

## Disclosure Pursuant to sub-clause (iv) under the proviso to sub-paragraph (B) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956

### I] General Information :

1)	Nature of Industry	The Company is engaged in the manufacturing and marketing of printing inks.	
2)	Date or expected date of commencement of commercial production	April 1965	
3)	Financial performance based on given indicators during the two financial years.	(Rs. in Lacs)	
		2009-10	2008-09
	Total Sales	4548	3720
	Expenses	4492	3687
	Profit after tax	56	33
	EPS	0.90	0.49
	P/E Ratio	21	35
	Total Assets	4649	3468
	Accumulated Profit	138	124
4)	Export performance and net foreign exchange collaborations	The company has made export of Rs. 407.00 Lacs for the year ended 31 <sup>st</sup> March, 2010. The company had foreign exchange outgo of Rs. 721.69 Lacs for the financial year ended 31 <sup>st</sup> March, 2010	
5)	Foreign investments or collaborators, if any	NIL	

### II] Information about the appointees

Sr. No.	Particulars	(1) Mr. Vimal C. Mehra	(2) Mr. Dhaval J. Nanavati	(3) Mr. R. K. Shah
1)	Background details	As per attached Annexure 1	As per attached Annexure 1	As per attached Annexure 1
2)	Past remuneration	Mr. Vimal Mehra continues to be a Managing Director of Organic Coatings Ltd. and his remuneration for the year 2009-10 was approximately Rs. 15.40 Lacs	Mr. Dhaval J. Nanavati continues to be a Executive Director of Organic Coatings Ltd. and his remuneration for the year 2009-10 was approximately Rs. 14.95 Lacs	Mr. R. K. Shah continues to be a Vice Chairman & Managing Director of Organic Coatings Ltd. and his remuneration for the year 2009-10 was approximately Rs. 16.26 Lacs
3)	Recognition or awards	—	—	He was conferred upon Life Time Achievement Award by All India Federation Master Printers (AIFMP). The award comprised of a commemorative gold medal and Plaque, presented to him by the Hon'ble Mr. Arun Gujarathi, then the Speaker, Maharashtra Legislative Assembly on 26 <sup>th</sup> September, 2003. He is also the Vice President of All India Printing Ink Manufacturers Association Ltd.
4)	Job Profile and its suitability	Refer Annexure 1	Refer Annexure 1	Refer Annexure 1
5)	Remuneration proposed	upto Rs. 2.50 Lacs p.m. plus terminal benefits like Gratuity, Provident Fund, Leave Encashment.	upto Rs. 2.50 Lacs p.m. plus terminal benefits like Gratuity, Provident Fund, Leave Encashment.	upto Rs. 2.50 Lacs p.m. plus terminal benefits like Gratuity, Provident Fund, Leave Encashment.
6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	Information about remuneration of Managing Directors / Executive Director/ Wholetime Directors of ink industries of comparable	Information about remuneration of Managing Directors / Executive Director / Wholetime Directors of ink industries of comparable size and	Information about remuneration of Managing Directors / Executive Director/ Wholetime Directors of ink industries of comparable size and business profile is not

Sr. No.	Particulars	Mr. Vimal C. Mehra	Mr. Dhaval J. Nanavati	Mr. R. K. Shah
		size and business profile is not available in public domain. The proposed remuneration is commensurate with his qualifications, experience and challenge confronting the printing ink sector in general and the company in particular.	business profile is not available in public domain. The proposed remuneration is commensurate with his qualifications, experience and challenge confronting the printing ink sector in general and the company in particular.	available in public domain. The proposed remuneration is commensurate with his qualifications, experience and challenge confronting the printing ink sector in general and the company in particular.
7)	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	Apart from holding the offices of Director and Managing Director of the company Mr. Vimal C. Mehra has no pecuniary relationship with the company or any other managerial personnel	Apart from holding the offices of Director and Executive Director of the company Mr. Dhaval J. Nanavati has no pecuniary relationship with the company or any other managerial personnel	Apart from holding the offices of Director and Vice Chairman & Managing Director of the company Mr. R.K. Shah is father of Mr. Abhay R. Shah, Joint Managing Director and Mr. Ajay R. Shah, Wholetime Director of the company.

Sr. No.	Particulars	(4) Mr. Abhay R. Shah	(5) Mr. Manoj V. Mehta	(6) Mr. Ajay R. Shah
1)	Background details	As per attached Annexure 1	As per attached Annexure 1	As per attached Annexure 1
2)	Past remuneration	Mr. Abhay R. Shah continues to be a Joint Managing Director of Organic Coatings Ltd. and his remuneration for the year 2009-10 was approximately Rs. 15.34 Lacs	Mr. Manoj V. Mehta continues to be a Wholetime Director of Organic Coatings Ltd. and his remuneration for the year 2009-10 was approximately Rs. 8.98 Lacs	Mr. Ajay R. Shah continues to be a Wholetime Director of Organic Coatings Ltd. and his remuneration for the year 2009-10 was approximately Rs. 9.60 Lacs
3)	Recognition or awards	—	—	—
4)	Job Profile and its suitability	Refer Annexure 1	Refer Annexure 1	Refer Annexure 1
5)	Remuneration proposed	upto Rs. 2.50 Lacs p.m. plus terminal benefits like Gratuity, Provident Fund, Leave Encashment.	upto Rs. 2.50 Lacs p.m. plus terminal benefits like Gratuity, Provident Fund, Leave Encashment.	upto Rs. 2.50 Lacs p.m. plus terminal benefits like Gratuity, Provident Fund, Leave Encashment.
6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	Information about remuneration of Managing Directors / Executive Director / Wholetime Directors of ink industries of comparable size and business profile is not available in public domain. The proposed remuneration is commensurate with his qualifications, experience and challenge confronting the printing ink sector in general and the company in particular.	Information about remuneration of Managing Directors/Executive Director/ Wholetime Directors of ink industries of comparable size and business profile is not available in public domain. The proposed remuneration is commensurate with his qualifications, experience and challenge confronting the printing ink sector in general and the company in particular.	Information about remuneration of Managing Directors/ Executive Director/ Wholetime Directors of ink industries of comparable size and business profile is not available in public domain. The proposed remuneration is commensurate with his qualifications, experience and challenge confronting the printing ink sector in general and the company in particular.
7)	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	Apart from holding the offices of Director & Joint Managing Director of the company Mr. Abhay R. Shah is son of Mr. R. K. Shah, Vice Chairman & Managing Director and brother of Mr. Ajay R. Shah, Wholetime Director of the company.	Apart from holding the offices of Director and whole time Director of the company Mr. Manoj V. Mehta has no pecuniary relationship with the company.	Apart from holding the offices of Director and Wholetime Director of the company Mr. Ajay R. Shah is son of Mr. R. K. Shah, Vice Chairman & Managing Director and brother of Mr. Abhay R. Shah, Joint Managing Director of the company.

# ORGANIC COATINGS LIMITED

## Other Information:

1)	Reasons for loss or inadequate profits	<p>The Company's inadequacy of profits can be attributed to three major costs elements viz. depreciation, finance charges and increase in salaries and wages.</p> <p>The reasons for increase in depreciation are large investments in plant &amp; machineries. The reasons for high financial charges is due to availment of substantial loans for part finance with capital investments and increase in working capital funds.</p> <p>The reason for increase in salaries and wages is due to addition of technical and marketing staff.</p> <p>Besides the above the company also has capacity constraints to meet the demand.</p>
2)	Steps taken or proposed to be taken for improvement	<p>The company is in the process to set up a new manufacturing plant at Vadodara which will provide additional capacity to meet the higher demand. Additional volume will lower the overhead cost. Appointment of new distributors, opening of new matching centers will open avenues for higher sales.</p>
3)	Expected increase in productivity and profits in measurable terms	<p>The company expects to achieve sales for the year ending 31<sup>st</sup> March, 2011 to Rs. 60 Crores and estimated nett profit of about Rs. 1.60 Crores.</p>



## 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, 2010.

#### 1) Financial Results

	(Rs. In Lacs)	
	2009 - 10	2008 - 09
Profit before Depreciation and Tax	206.69	161.24
Less: Depreciation	113.65	95.29
Profit for the year before tax	93.04	65.95
Less : Provision for Taxation		
Current	15.00	6.25
Deferred	15.97	21.56
Fringe Benefit Tax	—	5.20
Profit after adjustment	62.07	32.94
Less : Prior year's Income Tax	6.50	—
Profit after tax	55.57	32.94
Previous Year's balance b/f	124.25	91.31
Amount available for appropriation	179.82	124.25
Transfer to General Reserve	1.75	—
Proposed Dividend	34.52	—
Corporate Dividend Tax	5.87	—
Balance carried forward	137.68	124.25

#### 2) Dividend

Your Directors are pleased to recommend subject to your approval a dividend aggregating to Rs. 34,52,380 on a total paid-up capital of the company, which is equivalent to Re. 0.50 per equity share (5%) on 69,04,760 Equity Shares of the face value of Rs. 10/- each.

#### 3) Operations

During the year under report, the Company achieved a net turnover of Rs. 4546.95 Lacs as compared to Rs. 3720.32 Lacs in the previous year registering an increase of about 22.22%. The operating profit before depreciation and taxation for the year under review has gone up to Rs. 206.69 Lacs as against Rs. 161.24 Lacs in the previous year, an increase of about 33.94%.

The following were the achievements for the year:

- 1) Expanding business of Bank Note Press in India.
- 2) Strengthening distribution network in neighbouring countries like Nepal, Bhutan and Sri Lanka.
- 3) Expanding export to new countries like Saudi Arabia, Egypt and South East Asia.
- 4) Focus on large distribution houses in India and to convert them in promoting our products.
- 5) Penetration in rural and semi rural areas of U.P., Bihar and North Eastern states.

#### 4) Issue and allotment of equity shares to share warrant holders

In terms of the approval of the shareholders of the Company granted pursuant to Section 81(1A) of the Companies Act, 1956 and guidelines for Preferential Issues contained in the SEBI (Disclosure and Investor Protection) Guidelines, 2000 at an Extra Ordinary General Meeting held on 10<sup>th</sup> November, 2008, the Board of Directors of the Company has allotted 10,00,000 Equity Shares of the face value of Rs. 10/- each at a price of Rs. 14/- per share aggregating to Rs. 140.00 Lacs on exercising rights by the share warrant holders to apply for equity shares of the company for the each warrant on payment of balance price of 90% of the issued price in two tranches as under:

# ORGANIC COATINGS LIMITED

Date of allotment	No. of Equity Shares allotted	Price in Rs.	Total amount (Rs.)
27/01/2010	2,30,160	14.00	32,22,240.00
11/05/2010	7,69,840	14.00	1,07,77,760.00
<b>Total</b>	<b>10,00,000</b>		<b>1,40,00,000.00</b>

## 5) Expansion

Due to the increased demand for company's products, we expanded our capacity by adding a state of the art Cobra Mill from Buhler, Switzerland at a total cost of Rs. 2.10 Crore. Due to this addition it is expected that capacity will increase by 200 Tons per month of Black Ink. To meet the growing demand of Color Inks, the company has further invested into buying a Land & Building in Padra, Baroda. This property was purchased in the month of November 2009 and when ready will give us additional capacity of 500-600 Tons per month. The company will use this plant for backward integration to make pigments, flushes and inks. The total cost of this project is estimated at about Rs. 10 Crores.

## 6) Directors' Responsibility Statement

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

- in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2010, the applicable accounting standards have been followed;
- 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 31<sup>st</sup> March 2010 and of the profit 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 31<sup>st</sup> March, 2010, have been prepared on a going concern basis.

The above statements have been noted by the Audit Committee at its meeting held on 19<sup>th</sup> May, 2010.

## 7) Directors

Mr. Abhay R. Shah, Mr. Ajay R. Shah and Mr. Vimal C. Mehra retire by rotation and being eligible offer themselves for re-appointment at the ensuing annual general meeting.

Mr. Avinash Mehendale and Mr. Vikram Trivedi resigned as Independent Directors of the company effective from 09/02/2010. They also ceased to be members of the Audit Committee, Shareholders Committee and Remuneration Committee on their resignation as Directors of the Company. The Directors have placed on record the appreciation of the services rendered by them during their long association with the company.

Mr. Sudhir Sathe has been appointed as an Independent Director of the company effective from 17<sup>th</sup> February, 2010 to fill the casual vacancy caused by the resignation of Mr. Avinash Mehendale.

The Board of Directors has proposed special resolutions authorizing the Board to determine the salaries of the Managing Directors, Joint Managing Director, Executive Director, Wholtime Directors upto an amount of Rs. 2,50,000/- p.m. plus other benefits as laid down in the proposed resolutions. The Board of Directors recommends the aforesaid special resolutions.

## 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) Social responsibility**

Water harvesting plant is being installed by making investment of Rs. 8 Lacs at our factory at Ghodbunder, Post Mira, Dist. Thane. This would help in saving the scarce resource like water.

100% Biodegradable Green Ink has been developed to help reduce emission of volatile content into atmosphere.

**15) Acknowledgements**

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

Managing Director

Place: Mumbai

Date : August 12, 2010

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, 2010	Year ended 31st March, 2009
<b>A. Power Consumption</b>		
1. Electricity		
(a) Purchased Unit	18,73,183	14,40,024
Total Amount (Rs.)	1,31,55,357	1,19,55,520
Rate / Unit (Rs.)	7.02	8.30
(b) Own Generated Units	32	28
Total Amount (Rs.)	24,590	4,108
Rate / Unit (Rs.)	768.43	146.71
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 (Rs.)	4.21	5.51

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:**
- Development of Publication Inks for fifth generation high speed machines.
  - Development of Plasto Coat for currency printing.
  - Development of Bio-degradable Inks for creating green and clean environment.
- 2. Benefits derived as a result of the above R&D:**
- This would open up new avenues of business to your company which upto now was not available due to technological gap.
- 3. Future plan of action:**
- Investment in latest instruments for developing and testing of finished products.
  - Investment in equipments for testing various raw materials and ingredients for usage in printing inks.
- 4. Expenditure on R&D**
- |  |                       |
|--|-----------------------|
| (i) Capital  | Rs. 7,03,381/-        |
| (ii) Recurring   | Rs. 1,09,958/-        |
| (iii) Total  | <u>Rs. 8,13,339/-</u> |
| (iv) Total R&D expenditure as a percentage of total turnover | 0.18%                 |
- 5. Technology absorption, adaptation and innovation:**
- Due to the development of new raw material and its application, the R&D department continuously remains in touch with such developments and uses them to improve performance of our products.

**C. Foreign Exchange earned & used**

The company has earned Rs. 299.88 Lacs in Foreign Exchange & used Rs. 721.69 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:

In the current year printing ink industry and graphic art industry saw lot of consolidation taking place in the international market. In India too the multinational companies invested in expanding their capacities to meet their growing demand. Gujarat seems to be the pet destination of all multinational companies for future expansion and so also your company has taken a forward step in investing in the second plant in Baroda. In the very recent past, raw material prices have started escalating which is affecting the bottom line of all the ink companies. The ink companies are in the process of going for a price increase to recover cost and maintain the profitability. The good sign is that printing ink industry is still growing at the rate of 11% to 12% per annum. The backward integration plant is moving as per schedule and before the end of this year we will be able to reap the benefits of this plant.

### Resources:

In terms of the approval of the shareholders of the Company granted pursuant to Section 81(1A) of the Companies Act, 1956 and guidelines for Preferential Issues contained in the SEBI (Disclosure and Investor Protection) Guidelines, 2000 at an Extra Ordinary General Meeting held on 10<sup>th</sup> November, 2008, the Board of Directors of the Company has allotted 10,00,000 Equity Shares of the face value of Rs. 10/- each at a price of Rs. 14/- per share aggregating to Rs. 140.00 Lacs on exercising rights by share warrant holders to apply for equity shares of the company for the each warrant on payment of balance price of 90% of the issued price of Rs. 14/- each in two tranches as under:

Date of allotment	No. of Equity Shares allotted	Price in Rs.	Total amount (Rs.)
27/01/2010	2,30,160	14.00	32,22,240.00
10/05/2010	7,69,840	14.00	1,07,77,760.00
<b>Total</b>	<b>10,00,000</b>		<b>1,40,00,000.00</b>

During the year the Company's working capital facilities with Bank of Maharashtra were increased from Rs. 1170.00 Lacs to Rs. 1300.00 Lacs and also Term Loan of Rs. 110.00 Lacs (outstanding as on 31/03/2010) from the said Bank for the project at Baroda for Color Ink.

### Opportunities & Threats:

In spite of the recession affecting Europe and USA, the Indian scenario still showed strength and achieved a GDP growth of almost 7% in the year 2009-10. The strengthening of the Indian rupee for past few months has helped the company in its imports and has offsetted to some extent the increased cost of raw material. Although it also affected our realization for exports but since we are a net importer, it was advantageous for the company. Newer opportunities were explored and a special coat for the security printing helped the company to enter a new area of business. If this project is accepted in its totality by the currency printing units, it will add huge volumes of business for your company. Similar efforts are also undertaken to offer a 100% biodegradable ink. This is the first time in the world that such an ink is been offered. Promotional activities for marketing this product are under way and its success can add a new feather to our cap.

### 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:

OCL is poised to take big steps forward and emerge as a very strong technologically competent ink company in the country. Our entry into currency printing as well as thrust on exports to various developed and developing countries in the world can boost our businesses to newer heights. Our expansion plans once implemented will be fully utilized and will also give us much wider basket of new products. These products have wider usage and offer more profitability.

OCL is exposed to certain risks that are particular to its businesses and the environment within which it operates, including interest rate volatility, economic cycle, market risks and credit risks. OCL manages these risks by maintaining conservative financial profile and by following prudent business and risk management practices.

### 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. However, we are also now in the process of implementing an ERP package to ensure correctness of the information. This tool will also help us in getting online information and will help us in taking faster decisions.

# ORGANIC COATINGS LIMITED

## **Financial performance:**

Organic Coatings Ltd's (OCL's) net turnover for the financial year ended 31<sup>st</sup> March, 2010 has increased by 22.22% to Rs. 4546.95 Lacs from Rs. 3720.32 Lacs in the previous year.

The operating profit (PBDIT) of the Company increased to Rs. 206.69 Lacs during the year from Rs. 161.24 Lacs in the previous year.

Interest expenses for the year decreased to Rs. 143.95 Lacs from Rs. 148.08 Lacs in the previous year due to reduction in rate of interest by the Bank.

Depreciation was at Rs. 113.65 Lacs as against Rs. 95.28 Lacs in the previous year.

Provision for taxation during the year was Rs. 15.00 Lacs as against Rs. 6.25 Lacs in the previous year.

Net profit for the year increased to Rs. 62.07 Lacs as against net profit of Rs. 32.94 Lacs in the previous year.

The Company's net worth as on 31<sup>st</sup> March, 2010 stood at Rs. 1640.34 Lacs against Rs. 1596.83 Lacs in the last year.

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

The company is in the process of renegotiating wages and salaries of the unionized staff. This negotiation is for the years 2010 to 2012 (3 years). The employee strength of the Company as on 31<sup>st</sup> March, 2010 was 137. 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.

## REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below:

### A. MANDATORY REQUIREMENTS

#### 1) Company's Philosophy

Your Company believes that the Corporate Governance is a powerful medium to serve the long term interest of all stakeholders. Corporate Governance strengthens investors' trust and ensures a long term partnerships, which helps your Company in fulfilling its quest for achieving significant growth and profits. A sound Governance process consists of a combination of business practices, which results in enhanced shareholder value and enable the Company to fulfill its commitment to customers, employees, lenders and society in general. Your Company further believes that such practices are founded upon the core values of transparency, empowerment, accountability and independent monitoring.

#### 2) Board of Directors

Composition, attendance at the Board Meetings and the last Annual General Meeting :

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 28/08/2009	No. of other Companies in which Director	No. of Committees (other than Organic Coatings Limited) in which member
Mr. R.K.Shah Vice Chairman & Managing Director	Promoter + ED	7	Yes	NIL	NIL
Justice S.C.Pratap	Independent *NED	7	Yes	NIL	NIL
** Mr. A.S.Mehendale	Independent *NED	6	Yes	1	NIL
** Mr. Vikram B. Trivedi	Independent *NED	6	No	2	NIL
Mr. Abhay R. Shah	Promoter & + ED	7	Yes	NIL	NIL
Mr. Manoj V. Mehta	Promoter & + ED	7	Yes	NIL	NIL
Mr. Ajay R. Shah	Promoter & + ED	7	Yes	NIL	NIL
Mr. Vilas K. Shah	Independent *NED	7	Yes	1	1
Mr. Vimal C. Mehra	Managing Director	7	Yes	NIL	NIL
Mr. Dhaval J. Nanavati	+ ED	5	Yes	1	NIL
*** Mr. Sudhir Sathe Chairman	Independent *NED	1	N. A.	NIL	NIL

+ ED = Executive Director

\* NED = Non-Executive Director

\*\* Resigned w.e.f. 09/02/2010

\*\*\* Appointed as Director w.e.f. 17/02/10

#### Board's Functioning & Procedure

The Company holds a minimum of four Board Meetings in a year, one each per quarter. Additional Board Meetings are convened as and when necessary to address the specific needs of the Company. The Board also approves urgent matters by passing resolutions by circulations. The Meetings of the Board are held at the Company's registered office or its factory at Ghodbunder Village or at a hall in South Mumbai depending on the circumstances.

Agenda papers are circulated to the directors in advance and all material information is incorporated in the Agenda papers for facilitating meaningful and focused discussions at the Meeting. Where it is not practicable to attach any document to the Agenda, the same are placed on the table at the meeting. In special and exceptional circumstances, additional or supplementary items on Agenda are permitted.

The information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board in every meeting.

# ORGANIC COATINGS LIMITED

## Meetings of the Board of Directors

During the year 2009-2010, seven Board Meetings were held on 28/05/09, 13/06/09, 28/07/09, 14/10/09, 29/10/09, 27/01/10 and 17/02/10.

## 3) Audit Committee

The Company continued to derive immense benefit during the financial year from the deliberations of the Audit Committee comprising of Mr. A.S.Mehendale, Justice S.C.Pratap, Mr. Vikram Trivedi and Mr. Vilas K. Shah all being Independent Directors. Mr. A.S.Mehendale and Mr. Vikram B. Trivedi, Independent Directors ceased to be members of Audit Committee on their resignations as Directors of the Company w.e.f. 09/02/2010.

Mr. Sudhir Sathe has been appointed as Member of Audit Committee w.e.f. 17/02/2010.

## Terms of Reference

The role and terms of reference of this Committee are wide enough to cover the matters specified for the Audit Committee under Clause 49 of the listing agreement as well as in Section 292 A of the Companies Act, 1956 and are as follows:

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) To review with Management the financial statements at the end of a quarter, half year and the annual financial statements before submission to the Board for approval, focusing particularly on:
  - (i) matters required to be included in the Director's Responsibility Statement which form part of the Board's reporting in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
  - (ii) changes, if any, in accounting policies and practices and reasons for the same;
  - (iii) major accounting entries involving estimates based on the exercise of judgment by management;
  - (iv) significant adjustments made in the financial statements arising out of audit findings;
  - (v) compliance with listing and other legal requirements relating to financial statements;
  - (vi) disclosure of any related party transactions; and
  - (vii) qualifications in the draft audit report
- c) to consider the appointment or re-appointment of the statutory auditors, the audit fee, any questions of resignation or dismissal and payment to statutory auditors for any other services rendered by them;
- d) to discuss with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern (in absence of management, wherever necessary);
- e) reviewing with management, performance of statutory and internal auditors, adequacy of the internal control systems and discuss the same periodically with the statutory auditors, prior to the Board making its statement thereon;
- f) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- g) discussion with internal auditors on any significant findings and follow up thereon.
- h) reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- i) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- j) to review the functioning of the Whistle Blower Mechanism, in case the same is existing;
- k) to review the external auditors' audit reports and presentations and management's response thereto;
- l) to ensure co-ordination between the internal and external auditors, and to request internal audit to undertake specific audit projects, having informed management of their intentions;
- m) to consider any material breaches or exposure to breaches of regulatory requirements or of ethical codes of practice to which the Company subscribes, or of any related codes, policies and procedures, which could have a material effect on the financial position or contingent liabilities of the Company;
- n) to review policies and procedures with respect to directors' and officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or the external auditors;
- o) to consider other topics, as defined by the Board;



- p) to review the following information :
- i) Management discussion and analysis of financial condition and results of operations;
  - ii) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - iii) Management letter/letters of internal control weaknesses issued by the statutory auditors;
  - iv) Internal audit reports relating control weaknesses; and
  - v) The appointment, removal and terms of remuneration of the Internal Auditor.

**Details of attendance at the meetings of Audit Committee:**

Sr. No.	Name of the members	No. of meetings held	No. of meetings attended
1)	* Mr. A. S. Mehendale	5	5
2)	Justice S.C.Pratap	5	5
3)	* Mr. Vikram Trivedi	5	5
4)	Mr. Vilas K. Shah	5	5
5)	** Mr. Sudhir Sathe	N. A.	N. A.

\* Resigned w.e.f. 09/02/2010

\*\* Appointed w.e.f. 17/02/2010

During the year 2009-2010, five Audit Committee Meetings were held on 28/05/09, 13/06/09, 28/07/09, 29/10/09 & 27/01/10.

**4) Remuneration Committee (Non-Mandatory) :**

The Remuneration Committee comprises of Justice S.C.Pratap, Mr. Vilas K. Shah and Mr. Sudhir Sathe all being Independent Directors. Justice S.C.Pratap is the Chairman of the Remuneration Committee. Mr. A.S.Mehendale and Mr. Vikram B. Trivedi ceased to be member of Remuneration Committee w.e.f. 09/02/2010 on their resignations as Directors of the Company. The Remuneration Committee of the Board is constituted to formulate and recommend to the Board from time to time, a compensation structure for Managing Directors/Whole-time Directors and Managerial Personnel of the Company.

During the year 2009-10, one meeting of Remuneration Committee was held on 13/06/09.

**5) a) Details of remuneration paid to Managing Directors/Whole Time Directors during the year**

Name of Director	Salary & Allowances (Rs.)	Perquisites (Rs.)	Bonus (Rs.)	P.F. Cont. (Rs.)	Total (Rs.)
Mr. R.K.Shah	1365655.00	134653.00	25000.00	100800.00	1626108.00
Mr. Abhay R. Shah	1286007.00	130175.15	25000.00	92892.00	1534074.15
Mr. Ajay R. Shah	759800.00	118089.25	25000.00	56892.00	959781.25
Mr. Manoj V. Mehta	756335.00	60165.11	25000.00	56892.00	898392.11
Mr. Vimal C. Mehra	1424000.00	90951.00	25000.00	—	1539951.00
Mr. Dhaval J. Nanavati	1319040.00	60000.00	25000.00	91452.00	1495492.00
<b>Total</b>	<b>6910837.00</b>	<b>594033.51</b>	<b>150000.00</b>	<b>398928.00</b>	<b>8053798.51</b>

**b) Details of Sitting Fees paid during the year**

The sitting fees are paid to Non-Executive and Independent Directors for attending meetings of the Board of Directors and its Committees:

Name of Director	Amount (Rs.)
Justice S.C.Pratap	340000.00
Mr. A.S.Mehendale	320000.00
Mr. Vikram Trivedi	320000.00
Mr. Vilas K. Shah	340000.00
Mr. Sudhir Sathe	20000.00
<b>Total</b>	<b>1340000.00</b>

# ORGANIC COATINGS LIMITED

**c) Stock options details**

Company does not have scheme of stock options.

**d) Service Contract**

6 months' notice or salary in lieu thereof in respect of Mr. Vimal C. Mehra and Mr. Dhaval J. Nanavati.

**6) Shareholders Committee**

i) Name of non-executive director heading the Committee – Mr. Vikram Trivedi ceased to be member of Shareholders Committee on his resignation as a Director of the Company. Mr. Sudhir Sathe has been appointed as a Committee Member of the Shareholders Committee w.e.f. 17/02/2010 and has been elected as a Chairman of the Committee. During the year the Committee met four times mainly to look into the status of investor grievances reported by Link Intime India Pvt. Ltd. (formerly known as Intime Spectrum Registry Ltd.) Registrar & Transfer Agent and proper minutes of the meetings were kept and signed by the Chairman.

ii) Name and designation of Compliance Officer –

Mr. Sudhir R. Shah, Company Secretary

iii) Details of attendance at the meetings of Shareholders Committee :

Sr. No.	Name of the members	No. of meetings held	No. of meetings attended
1)	* Mr. Vikram B. Trivedi	4	4
2)	Mr. Abhay R. Shah	4	4
3)	Mr. Manoj V. Mehta	4	4
4)	Justice S.C.Pratap	4	4
5)	* Mr. Avinash S. Mehendale	4	4
6)	Mr. Vilas K. Shah	4	4
7)	** Mr. Sudhir Sathe	N. A.	N. A.

\* Resigned w.e.f. 09/02/2010

\*\* Appointed w.e.f. 17/02/2010

During the year 2009-2010, four Shareholders Committee Meetings were held on 13/06/09, 28/07/09, 29/10/09 & 27/01/10.

- iv) No. of shareholders complaints received during the year - 3  
 v) No. of complaints not solved to the satisfaction of the shareholders - NIL  
 vi) No. of pending shareholders complaints - NIL

**7) General Body Meetings**

Location and time of last three Annual General Meetings are as under:

Year	Venue	Date	Time
2008 - 2009	Vishal Hall, Vishal Shopping Centre, Nr. Andheri Railway Station, Andheri (E), Mumbai – 400 069.	28/08/2009	4.30 p.m.
2007 - 2008	Vishal Hall, Vishal Shopping Centre, Nr. Andheri Railway Station, Andheri (E), Mumbai – 400 069.	27/09/2008	4.30 p.m.
2006 - 2007	Vishal Hall, Vishal Shopping Centre, Nr. Andheri Railway Station, Andheri (E), Mumbai – 400 069.	28/09/2007	4.30 p.m.

**Special Resolutions passed at the last three AGMs**

- Year ended 31/03/2009 – Two special resolutions were passed one for the revision of remuneration of Mr. R.K.Shah and his re-appointment for a period of 5 years as Vice Chairman & Managing Director of the company.  
 Year ended 31/03/2008 – No special resolution was passed.  
 Year ended 31/03/2007 – No Special Resolution was passed.

## 8) Postal Ballot

During the year, no resolution was passed by Postal Ballot and no resolution is proposed to be passed through postal ballot.

## 9) Disclosures

- a) Materially significant related party transaction - NIL
- b) No penalties or strictures were imposed on the Company by any of the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to capital markets during last three years.

## 10) Means of Communication

Unaudited quarterly financial results as well as yearly financial results are published in Free Press Journal and Navshakti within the time permitted by the Exchanges.

## 11) General Shareholder Information

- i) Annual General Meeting : Monday, 27/09/2010 at 3.00 p.m.  
Day, Date, Time and Venue : Vishal Hall, Vishal Shopping Centre,  
Andheri-Kurla Road, Near Andheri Railway Station,  
Andheri (E), Mumbai – 400 069.
- ii) Financial Calendar : 2010-2011  
First Quarter Results : 14th August, 2010  
Second Quarter/Half Yearly Results : 14th November, 2010  
Third Quarter Results : 14th February, 2011
- iii) Date of Book Closure : 20/09/2010 to 27/09/2010  
both days inclusive
- iv) Listing on Stock Exchange : Shares of the Company are listed at  
Bombay Stock Exchange Ltd., Mumbai.
- v) Stock Code : BSE Code No. 531157
- vi) Demat ISIN Numbers in NSDL & : INE412E01011  
CDSL for Equity Shares
- vii) Stock Price Performance at Bombay Stock Exchange Ltd., Mumbai:

Month	Rate (Rs.)	
	High	Low
April '09	13.50	10.00
May '09	17.60	10.00
June '09	22.00	15.00
July '09	20.00	14.00
Aug. '09	22.00	15.05
Sept '09	19.90	16.65
Oct. '09	21.45	14.55
Nov. '09	18.00	14.02
Dec. '09	19.70	14.80
Jan. '10	26.60	16.30
Feb. '10	24.75	18.55
Mar. '10	24.40	18.00

- viii) Share Transfer System - With a view to expedite the process of share transfers, the Board of Directors of the Company has delegated the power of share transfer to some of the Directors who are members of the Share Transfer Committee which attends to share transfer formalities. The shares for transfer received in physical form are transferred expeditiously, provided the documents are complete and the shares under transfer are not under any dispute. The share certificates duly endorsed are returned immediately to shareholders who prefer to retain the shares in the physical form. Confirmation in respect of the requests for dematerialization of shares is sent to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) expeditiously. These jobs are being handled by Link Intime India Pvt. Ltd. All requests for transfer are being received by them either directly or through the Company for processing. Approval of the Share Transfer Committee is being sought by them from time to time. The details of the shares transferred are reported to the Board of Directors from time to time.

# ORGANIC COATINGS LIMITED

ix) A) Distribution of shareholdings as on March 31, 2010 :

Shares held	No. of Holders	%	No. of Shares	%
1 - 500	2,415	72.33	4,92,045	7.13
501 - 1000	470	14.07	4,22,356	6.11
1001 - 5000	331	9.92	7,81,527	11.32
5001 - 10000	57	1.70	4,36,158	6.32
10001 and above	67	1.98	47,72,674	69.12
<b>Total</b>	<b>3,340</b>	<b>100.00</b>	<b>69,04,760</b>	<b>100.00</b>

B) Categories of Shareholders as on March 31, 2010

Categories	No. of Shares	% in Capital
A. Promoters & Persons acting in concert	25,74,324	37.28
B. Financial Institutions, Banks etc.	50,000	0.72
C. Bodies Corporate	5,36,524	7.77
D. NRIs/OCBs	1,51,865	2.20
E. Indian Public	35,92,047	52.03
<b>Total</b>	<b>69,04,760</b>	<b>100.00</b>

C) Shareholders holding more than 1% of the share capital of the Company as at March 31, 2010:

Sr. No.	Name of the Shareholder	No. of Shares Held	% to share capital
1	Mr. Rajnikant Kodarlal Shah	7,73,524	11.20
2	Mrs. Padmaja Rajnikant Shah	2,32,500	3.37
3	Mr. Abhay Rajnikant Shah	2,50,250	3.62
4	Mrs. Minal Abhay Shah	1,61,865	2.34
5	Mr. Ajay Rajnikant Shah	4,13,870	5.99
6	Mrs. Aparna Ajay Shah	1,91,815	2.78
7	Mr. Manoj Vasantlal Mehta	81,500	1.18
8	Mrs. Kanchan Vasantlal Mehta	2,98,000	4.31
9	Mr. Dhaval Janardan Nanavati	4,66,080	6.75
10	Mr. Vimal Chimanlal Mehra	4,65,080	6.73
11	Premji & Sons Trading Pvt. Ltd.	2,51,003	3.63
12	Mr. Shashikant G. Balani	1,02,479	1.48
13	Mr. Dipak K. Shah	84,270	1.22

x) Dematerialization of Shares - The Shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both the National Securities Depository Limited and the Central Depository Services (India) Limited. As on 31.03.2010, a total of 58,42,490 equity shares of the Company, forming 84.62% of the share capital of the Company, stand dematerialized (NSDL - 4638322 CDSL - 1204168).

xi) Outstanding GDR/ADR/warrants - Share Warrants - 7,69,840 Share Warrants of the face value of Rs. 14/- each with a option to apply for one equity share at a price not exceeding Rs. 14/- per share as on 31/03/2010 (since then allotted on 11/05/2010 - 7,69,840 Equity Shares on exercising the right by share warrant holders to apply for equity shares on payment of balance 90% of the price).

xii) Plant location - S. V. Road, Ghodbunder Village, Post Mira, Dist. Thane - 401 104.

xiii) Addresses for correspondence - (1) Plot No. 31, Vimal Pushpa, Tarun Bharat Society, Chakala, Andheri (East),  
Mumbai - 400 099

(2) S. V. Road, Ghodbunder Village, Post Mira, Dist. Thane - 401 104.

xiv) Compliance Certificate from Auditors of the Company - published elsewhere in this report.

xv) Compliance with other mandatory requirements.

### 1. Management Discussion and Analysis

Management Discussion and Analysis Report forms part of the Annual Report and includes discussions on various matters specified under clause 49(iv)(F) of the Listing Agreement is attached.

### 2. Disclosures

#### 2.1 Related party Transactions

The details of all transactions with related parties are placed before the audit committee.

#### 2.2 Disclosure of Accounting Treatment

In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

### 3. Code of Conduct

The Board has formulated a code of conduct for the Board members and senior management of the Company. The same has also been posted on the website of the Company. All board members and superior personnel have affirmed their compliance with code. A declaration to this effect signed by the Managing Director and Joint Managing Director of the Company is given elsewhere in the Annual Report.

### 4. CEO/CFO certification

A Certificate from Vice Chairman & Managing and Whole Time Director on the financial statements of the Company was placed before the Board.

### 5. Review of Directors' Responsibility statement

The Board in its report have confirmed that the annual accounts for the year ended 31<sup>st</sup> March, 2010 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

### NON-MANDATORY REQUIREMENTS

- |   |   |
|---|---|
| a) Any qualification in Auditors Report   | NIL   |
| b) Remuneration Committee   | Remuneration Committee has been constituted.  |
| c) Shareholder Rights<br>The half yearly declaration of financial performance including summary of the significant events in last six months should be sent to each household of shareholders | The Company's Quarterly results are published in English and Marathi newspapers having wide circulation. In view of the above, the half yearly declaration of financial performance including summary of the significant events in the last six months are not sent. The audited Results for the financial year are communicated to the Shareholders through the Annual Report. |

The Board would review implementation of non-mandatory requirements of Corporate Governance code regarding Tenure of independent directors on the board, Training of Board Members, Mechanism for evaluating non-executive board members and Whistle Blower Policy at appropriate time.

### Declaration on compliance with code of conduct

The Board has formulated a code of conduct for the Board members and senior management of the Company, which has been posted on the web site of the Company.

It is hereby affirmed that all the Directors and Senior management personnel have complied with the code of conduct framed by the Company and a confirmation to that effect has been obtained from the directors and senior management.

On behalf of the Board of Directors

Managing Director

Place : Mumbai  
Date : August 12, 2010

Joint Managing Director

# ORGANIC COATINGS LIMITED

To The Members of  
**Organic Coatings Limited**

We have examined the compliance of the condition of Corporate Governance by Organic Coatings Limited for the year ended 31<sup>st</sup> March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Ltd., Mumbai.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedure and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we verify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, We have to state that based on the report given by the Registrars of the Company to the Investor Grievance Committee as on 31<sup>st</sup> March, 2010, there were no investor grievance matters against the Company remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Soman Uday & Co.**  
Chartered Accountants  
Membership No. 38870

**Uday Soman**  
Proprietor

Mumbai  
August 12, 2010

**AUDITOR'S REPORT****TO THE MEMBERS OF  
ORGANIC COATINGS LIMITED**

1. We have audited the attached Balance Sheet of **ORGANIC COATINGS LIMITED** as at 31st March 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act;
  - (v) on the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
    - b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - c) in the case of the Cash Flow Statement of the cash flows for the year ended on that date.

For **Soman Uday & Co.**  
Chartered Accountants  
Firm Regn. No. 110352W

**UDAY SOMAN**  
Proprietor  
Membership No. 38870

Mumbai  
May 19, 2010

**ANNEXURE TO THE AUDITORS REPORT**

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) As explained to us the fixed assets have been physically verified by the management at reasonable intervals during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification;
- (c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected;
- (ii) (a) As explained to us inventories have been physically verified by the management at regular intervals during the year;
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business;
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material, having regard to the size of the operations of the Company, and the same have been properly dealt with in the books of accounts;
- (iii) (a) The Company had taken loan from three parties covered in the register maintained under Section 301 of the Companies Act, 1956, which was repaid during the year. The amount involved during the year was Rs.Nil and there was no year-end balance of loan taken from such other parties. There are no Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 to whom the Company has granted loans;
- (b) In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions on which the loans had been taken from other parties listed in the register maintained under Section 301 of the Companies Act, 1956 were not, *prima-facie*, prejudicial to the interest of the Company;
- (c) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest;
- (d) There were no overdue amount of loans taken from three parties listed in the register maintained under Section 301 of the Companies Act, 1956;
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weakness in the internal controls;
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of all contracts of arrangements that needed to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered;
- (b) In our opinion and according to the explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, did not exceed the value of Rs. Five Lakhs in respect of any party during the year and have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available;
- (vi) In our opinion and according to the explanations given to us, the Company has not accepted deposits from the public during the period covered by our audit report;
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business;
- (viii) According to the information and explanation given to us, maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956;
- (ix) (a) According to the information and explanation given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales-tax, wealth tax, Service tax, custom duty, excise duty, cess and other applicable statutory dues and there are no undisputed amounts payable in respect of the aforesaid dues that were outstanding as at 31<sup>st</sup> March 2010 for a period of more than six months from the date they became payable;
- (x) The Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year;
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution, or bank;
- (xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities;



- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors Report) Order 2003 are not applicable to the Company;
- (xiv) In our opinion and according to the information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly the provisions of clause (xiv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company;
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions;
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised;
- (xvii) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment;
- (xviii) According to the information and explanations given to us, the Company has made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act, 1956 of 2,30,160 equity shares of Rs. 10/- each at a premium of Rs. 4/- per share, aggregating to Rs. 32,22,240/- Share Warrants holders having a right to apply for one equity shares of the company per warrant pursuant to terms of issue of the said Warrants and that the price at which shares have been issued is not prejudicial to the interest of the Company;
- (xix) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause 4(xix) of the Companies (Auditors Report) Order 2003, are not applicable to the Company;
- (xx) During the period covered by our audit report, the Company has not raised any money by public issues;
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit;

**For Soman Uday & Co.**  
Chartered Accountants  
Firm Regn. No. 110352W

**UDAY SOMAN**  
Proprietor  
Membership No. 38870

Mumbai  
May 19, 2010

# ORGANIC COATINGS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	As At 31st March, 2010 Rupees	As At 31st March, 2009 Rupees
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders Funds :</b>			
(a) Share Capital	A	70,245,376	68,266,000
(b) Reserves & Surplus	B	95,113,890	92,838,287
<b>2. Loan Funds :</b>			
(a) Secured Loans	C	168,773,836	93,260,655
(b) Unsecured Loans	D	—	3,600,000
		168,773,836	96,860,655
<b>3. Deferred Tax Liability (Net)</b> (Refer Note No. 19 of Schedule L)		12,414,531	10,816,873
		<b>346,547,633</b>	<b>268,781,815</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets :</b>			
(a) Gross Block	E	218,390,913	191,401,863
(b) Less Depreciation		94,300,650	84,247,344
(c) Net Block		124,090,263	107,154,519
(d) Capital Work In Progress		29,090,723	—
<b>2. Investments</b>			
		—	—
<b>3. Current Assets, Loans &amp; Advances :</b>			
(a) Inventories	F	119,214,090	82,468,530
(b) Sundry Debtors		165,142,176	131,416,856
(c) Cash & Bank Balances		9,029,622	7,415,115
(d) Loans & Advances		18,286,464	18,302,984
		311,672,352	239,603,485
<b>Less : Current Liabilities &amp; Provisions</b>			
(a) Liabilities	G	110,505,448	74,374,548
(b) Provisions		7,800,257	3,601,641
		118,305,705	77,976,189
<b>Net Current Assets</b>	(F - G)	193,366,647	161,627,296
		<b>346,547,633</b>	<b>268,781,815</b>
Notes to Accounts	L		

As per our report of even date

For Soman Uday & Co.

Chartered Accountants

Membership No. 38870

UDAY SOMAN

Proprietor

Mumbai

May 19, 2010

For Organic Coatings Limited

(R. K. SHAH)

Vice Chairman & Managing Director

(ABHAY R. SHAH)

Jt. Managing Director

(AJAY R. SHAH)

Director

(VIMAL MEHRA)

Managing Director

(DHAVAL NANAVATI)

Director

(MANOJ V. MEHTA)

Director

(SUDHIR R. SHAH)

Company Secretary

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule		Year ended 31st March 2010 Rupees		Year ended 31st March 2009 Rupees
<b>INCOME</b>					
Sales (Gross)			499,045,777		417,994,150
Less : Excise Duty			44,350,402		45,962,213
Sales (Net)			454,695,375		372,031,937
Other Income	H		2,834,229		4,856,550
	(A)		<b>457,529,604</b>		<b>376,888,487</b>
<b>EXPENDITURE</b>					
Materials Consumed	I		306,197,367		260,381,896
Manufacturing Expenses	J		22,400,584		17,514,362
Selling & Administrative Expenses	K		93,866,664		68,061,003
Financial Expenses			14,395,366		14,807,569
	(B)		<b>436,859,981</b>		<b>360,764,830</b>
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>	(A-B)		20,669,623		16,123,657
Depreciation		11,459,855		9,623,296	
Transferred from Revaluation Reserve		95,100		95,100	
			11,364,755		9,528,196
<b>PROFIT BEFORE TAX</b>			<b>9,304,868</b>		<b>6,595,461</b>
Provision for Taxation					
Current Tax		1,500,000		625,000	
Deferred Tax		1,597,658		2,156,583	
Fringe Benefit Tax		—		520,026	
			3,097,658		3,301,609
<b>PROFIT AFTER TAX</b>			<b>6,207,210</b>		<b>3,293,852</b>
Balance brought forward from previous year			12,424,821		9,130,969
Less : Income Tax of earlier year			649,509		—
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			<b>17,982,522</b>		<b>12,424,821</b>
Transfer to General Reserve			175,000		—
Proposed Dividend on Equity Shares			3,452,380		—
Corporate Dividend Tax			586,732		—
Surplus Carried to Balance Sheet			13,768,410		12,424,821
			17,982,522		12,424,821
Earnings per Equity Share [Refer Note no. 17 of Schedule L] (Face Value of Rs. 10 per share)					
Basic			0.93		0.55
Diluted			0.90		0.49
Notes to Accounts	L				

As per our report of even date

For **Soman Uday & Co.**

Chartered Accountants

Membership No. 38870

**UDAY SOMAN**

Proprietor

Mumbai

May 19, 2010

For **Organic Coatings Limited**

(**R. K. SHAH**)

Vice Chairman & Managing Director

(**ABHAY R. SHAH**)

Jt. Managing Director

(**AJAY R. SHAH**)

Director

(**VIMAL MEHRA**)

Managing Director

(**DHAVAL NANAVATI**)

Director

(**MANOJ V. MEHTA**)

Director

(**SUDHIR R. SHAH**)

Company Secretary

# ORGANIC COATINGS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

Amount in Rupees

PARTICULARS	For the Year 31st March 2010	For the Year 31st March 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	9,304,868	6,595,461
Adjustments		
Exceptional Item (Bad Debt)	1,169,474	63,395
Foreign Exchange Loss	—	202,867
Depreciation	11,364,755	9,528,196
Interest	14,395,366	14,807,569
Interest Earned	(689,684)	(643,420)
(Profit) / Loss on Assets	(202,236)	—
<b>Operating Profit Before Working Capital Changes</b>	<b>35,342,543</b>	<b>30,554,068</b>
Adjustments For:		
Loans And Advances(Assets):	166,140	9,567,972
Trade Payables & Provisions	36,290,404	(27,612,938)
Debtors	(33,725,320)	12,083,614
Bad Debt	(1,169,474)	(63,395)
Inventory	(36,745,560)	6,897,571
<b>Cash Generated From Operation</b>	<b>158,733</b>	<b>31,426,892</b>
Less: Taxes Paid	2,299,128	4,034,843
<b>NET CASH FROM OPERATION</b>	<b>(2,140,395)</b>	<b>27,392,049</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(61,374,087)	(13,572,235)
Sale of Fixed Assets	4,090,000	—
Interest Income	689,684	643,420
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(56,594,403)</b>	<b>(12,928,815)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Capital	2,831,490	11,062,953
Secured Loans	75,513,181	(13,196,574)
Unsecured Loans	(3,600,000)	(1,311,133)
Interest paid	(14,395,366)	(14,807,569)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>60,349,305</b>	<b>(18,252,323)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1,614,507</b>	<b>(3,789,089)</b>
<b>OPENING CASH &amp; CASH EQUIVALENT</b>	<b>7,415,115</b>	<b>11,407,071</b>
<b>CLOSING CASH &amp; CASH EQUIVALENT</b>	<b>9,029,622</b>	<b>7,415,115</b>
NET INCREASE/(DECREASE)	1,614,507	(3,991,956)
Foreign Exchange Loss	—	(202,867)

To,  
The Board of Directors  
ORGANIC COATINGS LIMITED  
Mumbai - 400059

### AUDITORS CERTIFICATE

We have examined the Cash Flow Statement of Organic Coatings Limited for the year ended 31st March, 2010. The statement has been prepared in accordance with Listing Agreement Clause 32 with Bombay Stock Exchange Limited and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date to the members of the Company.

For Soman Uday & Co.  
Chartered Accountants  
Membership No. 38870

UDAY SOMAN  
Proprietor

Mumbai  
May 19, 2010

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010**

	As At 31st Mar 2010 Rupees	As At 31st Mar 2009 Rupees
<b>SCHEDULE A : SHARE CAPITAL</b>		
<b>Authorised :</b>		
1,00,00,000 (Previous Year 1,00,00,000) Equity Shares of Rs. 10/- each	100,000,000	100,000,000
<b>Issued :</b>		
69,30,160 (Previous Year 67,00,000) Equity Shares of Rs. 10/- each	69,301,600	67,000,000
<b>Subscribed &amp; Paid Up :</b>		
69,04,760 Equity Shares of Rs. 10/- each fully paid up (Previous year 66,74,600 shares of Rs. 10/- each fully paid up) (Refer Note No. 2 (a) of Schedule L)	69,047,600	66,746,000
Less : Calls in Arrears	7,000	7,000
	69,040,600	66,739,000
Add : Amount paid-up on shares forfeited	127,000	127,000
	69,167,600	66,866,000
<b>Share Warrants Application Money :</b>		
7,69,840(Previous Year 10,00,000)Share Warrant of Rs. 14/- each, Rs. 1.40/- paid up (Refer Note No. 2(b) of Schedule L)	1,077,776	1,400,000
	70,245,376	68,266,000
<b>SCHEDULE B : RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Account :</b>		
As per Last Balance Sheet	73,992,653	71,329,700
Add : Received during the year	920,640	2,800,000
Less : Preferential Share Issue Expenses	68,526	137,047
	74,844,767	73,992,653
<b>General Reserve :</b>		
As per Last Balance Sheet	5,000,000	5,000,000
Add : Transfer during the year	175,000	—
	5,175,000	5,000,000
<b>Revaluation Reserve :</b>		
As per Last Balance Sheet	1,420,813	1,515,913
Less: Depreciation as per contra	95,100	95,100
	1,325,713	1,420,813
<b>Profit &amp; Loss Account :</b>		
Balance brought forward	13,768,410	12,424,821
	<b>95,113,890</b>	<b>92,838,287</b>
<b>SCHEDULE C : SECURED LOANS</b>		
From Banks :		
(i) For Working Capital	131,781,766	89,397,932
(ii) Term Loan for Plant & Machinery	10,899,008	1,768,524
(iii) Vehicles	4,074,080	2,094,199
(iv) Vadodara Project (Refer Note No. 4(a) & 4(b) of Schedule L)	22,018,982	—
	<b>168,773,836</b>	<b>93,260,655</b>
<b>SCHEDULE D : UNSECURED LOANS</b>		
Loan from Directors :	—	3,600,000
	—	<b>3,600,000</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST March, 2010**

**SCHEDULE E : FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK
	As at 1st April 2009 Rupees	Additions/ Adjustments Rupees	Deductions/ Adjustments Rupees	As at 31st March, 2010 Rupees	For the year Rupees	Deductions/ Adjustments Rupees	As at 31st March, 2010 Rupees	As at 31st March, 2010 Rupees
Free Hold Land	9,324,070	—	—	9,324,070	—	—	—	9,324,070
	(9,324,070)	(—)	(—)	(9,324,070)	(—)	(—)	(—)	(9,324,070)
Buildings	23,467,037	1,406,682	4,494,835	20,378,884	681,267	978,314	7,987,637	12,391,247
	(22,729,358)	(737,679)	(—)	(23,467,037)	(683,138)	(—)	(8,284,684)	(15,182,353)
Plant & Machinery	143,681,559	25,283,598	—	168,965,157	9,334,257	—	80,699,728	88,265,429
	(134,401,333)	(9,280,226)	(—)	(143,681,559)	(7,923,332)	(—)	(71,365,471)	(72,316,088)
Furniture & Fixtures	4,723,908	167,299	—	4,891,207	280,254	—	1,736,309	3,154,898
	(2,292,471)	(2,431,437)	(—)	(4,723,908)	(140,885)	(—)	(1,456,055)	(3,267,853)
Vehicles	9,529,029	5,425,784	799,478	14,155,335	1,113,899	428,235	3,651,242	10,504,093
	(8,406,136)	(1,122,893)	(—)	(9,529,029)	(825,763)	(—)	(2,965,578)	(6,563,451)
Patents	676,260	—	—	676,260	50,178	—	225,734	450,526
	(676,260)	(—)	(—)	(676,260)	(50,178)	(—)	(175,556)	(500,704)
	<b>191,401,863</b>	<b>32,283,364</b>	<b>5,294,313</b>	<b>218,390,913</b>	<b>11,459,855</b>	<b>1,406,549</b>	<b>94,300,650</b>	<b>124,090,263</b>
Capital Work in Progress (including Advances on Capital Account and Capital Work in Progress, at cost)								29,090,723
								<b>153,180,986</b>
<b>Total</b>	<b>(177,829,628)</b>	<b>(13,572,235)</b>	<b>(—)</b>	<b>(191,401,863)</b>	<b>(9,623,296)</b>	<b>(—)</b>	<b>(84,247,344)</b>	<b>(107,154,519)</b>

**NOTE:** 1) Building includes Rs. Nil (Previous year Rs. 500/-) invested in Shares of Co-op. Housing Society Ltd. Of which the company was a member.

2) Figures in bracket are in respect of Previous year.

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	As At 31st Mar 2010 Rupees	As At 31st Mar 2009 Rupees
<b>SCHEDULE F : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>INVENTORIES:</b>		
(Refer Note No. 1(iii) of Schedule L)		
Consumable Stores	1,489,766	1,375,168
Raw Material	45,795,370	45,192,314
Packing Material	2,166,136	1,608,298
Work-in-progress	9,244,789	9,749,839
Finished Goods	60,518,029	24,542,911
	119,214,090	82,468,530
<b>SUNDRY DEBTORS</b>		
(Unsecured & considered good)		
Debts outstanding for a period exceeding six months	13,643,237	22,403,754
Other Debts	151,498,939	109,013,102
	165,142,176	131,416,856
<b>CASH &amp; BANK BALANCES</b>		
Cash in Hand	475,641	61,256
Bank Balance with Scheduled Banks :		
In Current Accounts	3,091,489	1,259,824
In Fixed & Recurring Deposit Accounts	4,993,917	5,559,648
Interest Accrued on Bank Deposits	468,575	534,387
	9,029,622	7,415,115
<b>LOANS &amp; ADVANCES</b>		
<b>Unsecured and considered good</b>		
Advances recoverable in cash		
or in kind or for value to be received	9,007,159	6,197,248
Balance with Central Excise	4,643,936	5,354,030
Advance Tax (Net of Provisions)	4,635,369	6,751,706
	18,286,464	18,302,984
<b>SCHEDULE G : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors (Refer Note No. 15 of Schedule L)	110,505,448	74,374,548
Provisions :		
Gratuity	595,811	553,038
Leave encachment	3,149,620	3,029,679
Wealth Tax	15,714	18,924
Proposed Dividend on Equity Shares	3,452,380	—
Corporate Dividend Tax	586,732	—
	7,800,257	3,601,641
	118,305,705	77,976,189

# ORGANIC COATINGS LIMITED

## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>SCHEDULE H : OTHER INCOME</b>		
Interest Gross (Tax deducted at source Rs.29128/- (Previous Year Rs. 89,843/-))	689,684	643,420
Profit on Sale of Assets	483,479	—
Miscellaneous Income	1,628,320	1,189,411
Insurance Claim Received	32,746	3,023,719
	2,834,229	4,856,550
<b>SCHEDULE I : CONSUMPTION OF MATERIALS</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	45,192,314	44,110,013
Add : Purchases	315,563,754	234,076,712
	360,756,068	278,186,725
Less : Closing Stock	45,795,370	45,192,314
	314,960,698	232,994,411
<b>Packing Material Consumed</b>		
Opening Stock	1,608,298	2,242,769
Add : Purchases	27,264,575	19,654,196
	28,872,873	21,896,965
Less : Closing Stock	2,166,136	1,608,298
	26,706,737	20,288,667
<b>Increase / Decrease in :</b>		
<b>Work in Progress</b>		
Opening Stock	9,749,839	10,980,323
Less : Closing Stock	9,244,789	9,749,839
	505,050	1,230,484
<b>Finished Goods</b>		
Opening Stock	24,542,911	30,411,245
Less : Closing Stock	60,518,029	24,542,911
	(35,975,118)	5,868,334
	306,197,367	260,381,896



**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>SCHEDULE J : MANUFACTURING EXPENSES</b>		
Consumable Stores	1,685,302	1,355,347
Power & Fuel	17,116,627	13,753,628
Labour Work	108,757	—
Repairs to Machinery	3,489,898	2,405,387
	<b>22,400,584</b>	<b>17,514,362</b>
<b>SCHEDULE K : SELLING AND ADMINISTRATIVE EXPENSES</b>		
Rent, Rates & Taxes	1,615,711	1,180,074
Repairs to Building	259,030	215,354
Salaries, Wages & Bonus	25,489,585	19,944,030
Contribution to Provident Fund & Gratuity	1,930,114	1,668,538
Workmen & Staff Welfare Expenses	805,279	627,266
Insurance	807,513	1,063,422
Payment to Auditors (Refer Note No. 10 of Schedule L)	217,071	171,366
Travelling & Conveyance	3,908,682	3,848,896
Commission & Discount	15,454,075	6,497,200
Motor Car Expenses	3,856,338	2,530,185
Director's Remuneration	9,393,799	6,933,970
Professional Fees	4,657,944	2,216,493
Freight	14,232,163	9,819,814
Loss on Sale of Assets	281,243	—
Bad Debts	1,169,474	63,395
Miscellaneous Expenses	9,788,643	11,281,000
	<b>93,866,664</b>	<b>68,061,003</b>

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH, 2010****SCHEDULE L : NOTES TO ACCOUNTS****1. SIGNIFICANT ACCOUNTING POLICIES :**

## i) Basis of Preparation of Financial Statement

- a) The financial statements have been prepared under the historical cost concept in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
- b) The company follows mercantile system of accounting and recognises income and expenditure on accrual basis.

## ii) Fixed Assets &amp; Depreciation :

## (A) Fixed Assets :

Fixed Assets are stated at cost of acquisition net of cenvat including any cost, directly attributable to bringing the assets to their working condition less accumulated depreciation, except for certain fixed assets, which have been revalued.

## (B) Depreciation :

Depreciation has been provided on Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act 1956 w.e.f. 1<sup>st</sup> April 1994 in accordance with the Accounting Standard on Depreciation Accounting (Revised) (AS-6) issued by the Institute of Chartered Accountants of India. Prior to 1<sup>st</sup> April 1994 depreciation was charged on written down value method as per rates prescribed under the Income Tax Act, 1961.

## (C) Impairment:

The carrying cost of assets is reviewed at each Balance Sheet date for any indication of impairment based on internal/ external factors. An impairment loss is recognised whenever the carrying amount of an assets exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital.

Post impairment depreciation is provided on the revised carrying value of the assets over its remaining useful life.

## iii) Valuation of Inventories:

In terms of Accounting Standard "Valuation of Inventories" (Revised) (AS-2) issued by the Institute of Chartered Accountants of India, inventories are valued on First in First out Basis (FIFO). Inventories of Raw Materials, Consumable Stores, Packing Material, Work in Progress & Finished Goods are valued at lower of cost and net realizable value. Cost comprises all cost of purchase and other cost incurred in bringing inventories to their present location and condition.

Work in progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty. Imported raw material, stock in transit are valued at cost and custom duty thereon.

## iv) Research &amp; Development:

Revenue Expenditure on Research and Development is charged off fully in the Profit and Loss Account of the year in which it is incurred. Capital Expenditure on Research and Development is added to Fixed Assets and depreciation provided as stated.

## v) Foreign Currency Transactions :

Transaction in Foreign currency are recorded at the rate of exchange in force on the date of the transaction. Foreign currency Receivable/Liabilities are stated at the rate of exchange prevailing as on 31st March. All exchange differences arising on revenue transaction are charged to Profit & Loss Account. Exchange differences in respect of liability incurred to acquire fixed assets are adjusted in the carrying cost of such assets.

## vi) Employee Benefit : In terms of Accounting Standard 15 "Accounting for Retirement Benefits in the financial statements of the employers issued by the Institute of Chartered Accountants of India;

Short term employee benefit obligations are estimated and provided for;

Post employment benefits and other long term employee benefits :-

Define contribution plans :

Company's contribution to provident fund, employees state insurance and other funds are determined under relevant schemes and are charged to revenue.

Define benefit plans and compensated absences :

Company's liability towards gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue.

Terminal benefits are recognised as an expense as and when incurred.

## vii) Provision for Taxation :

Income Tax is provided for as per the provisions of the Income Tax Act, 1961.

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT 31ST MARCH, 2010**

2. (a) On payment of 90% of the issue price and in terms of the requisite approval and the provisions Of Chapter XIII of the Sebi (Disclosure and Investment protection) guidelines 2000, the Company has allotted 230160 Equity Shares of Rs. 10/- each to share warrant holders @ premium of Rs. 4/- per share.
- (b) 769840 share warrants of Rs. 14/- each on which Rs. 1.40 (10%) is received as a application money aggregating to Rs. 1,07,77,760/-, have a right to apply for one equity shares of the company on payment of balance price of 90% of the Issue price on before expiry of eighteen months from the 12<sup>th</sup> November, 2008 in one and more tranches.
3. The company had revalued its Fixed Assets viz. Land, Factory Building, Plant & Machinery, Office Premises & Furniture Fixtures based on valuation reports of approved valuers as on 31<sup>st</sup> March, 1994. The difference between the fair market value and written down value as on 31<sup>st</sup> March, 1994 amounting to Rs. 3,70,68,059/- was credited to Revaluation Reserve.
4. (a) Term Loan for Plant & Machinery and Working Capital facilities from Bank of Maharashtra are secured by first charge against mortgage of Land & Building, Hypothecation of Plant & Machinery, Stock-in-trade and Book Debts and are further guaranteed by some of the Directors in their personal Capacities.
- (b) Vehicle loans are secured by hypothecation of vehicles.
5. Contingent Liabilities not provided for :

	Year ended 31 <sup>st</sup> March, 2010	Year ended 31 <sup>st</sup> March, 2009
(a) Against Capital Expenditure	5,75,500	—
(b) Against Non-receipt of C & F Forms	10,51,048	4,89,660
(c) Disputed Income Tax Demands	—	11,33,960
6. (i) Loans and Advances includes -		
Advances for Capital Expenditure	7,48,410	6,05,458
(ii) Provision for Taxation includes:		
Provision for Wealth Tax	15,714	18,924
Provision for Fringe Benefit Tax	—	5,20,083

7. Details of licensed capacity and installed capacity, production stock & turnover (as certified by management)

a) Class of goods manufactured : Printing Inks & Allied Products				
b) Licenced capacity		Not Applicable		Not Applicable
c) Installed capacity (in Kgs.)		43,46,000		43,46,000
d) Actual production (in Kgs.) :				
Printing Inks :		31,15,564		21,55,106
Acrylic Polymer :		10,425		13,300
Actual Production of Printing Inks excludes Captive Consumption of Phenolic & Alkyd/Malic Resins		30,816		53,332
Printing Inks :	(in Kgs.)	Rupees	(in Kgs.)	Rupees
Opening Stock	1,46,042	2,45,42,911	1,42,729	2,39,75,803
Closing Stock	3,60,651	6,05,18,029	1,46,042	2,45,42,911
e) Turnover :	(in Kgs.)	Rupees	(in Kgs.)	Rupees
(i) Finished Goods :	29,11,380	49,71,71,476	21,65,093	41,78,13,341
(ii) Trading :	7,115	17,87,481	1,525	1,30,500

# ORGANIC COATINGS LIMITED

## SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT 31ST MARCH, 2010

	Year ended 31 <sup>st</sup> March, 2010		Year ended 31 <sup>st</sup> March, 2009	
	(in Kgs.)	Rupees	(in Kgs.)	Rupees
8. (a) Details of raw materials consumed :				
1. Chemicals	3,27,628	4,98,34,067	2,91,657	3,31,26,164
2. Pigment	6,42,545	9,16,26,778	3,90,678	6,55,89,879
3. Resins	8,97,033	7,54,23,676	5,31,622	5,26,79,325
4. Oils & Miscellaneous	13,97,154	9,80,76,177	10,17,125	8,15,99,043
		<u>31,49,60,698</u>		<u>23,29,94,411</u>
Raw Material Consumption includes cost of raw material sold		17,87,481		1,30,500
9. Directors Remuneration includes:				
a) Salaries		69,10,837		40,25,288
b) Perquisites		5,94,034		7,53,066
c) Contribution to Provident Fund		3,98,928		2,98,952
d) Siting Fees		13,40,000		17,40,000
e) Bonus		1,50,000		1,16,664
Statement showing computation of net profits in accordance with Section 349 of the Companies Act, 1956 with relevant details of the calculation of the commission payable by way of percentage of such profits to the Directors is not given as no commissions have been paid to the Directors.				
10. Auditors Fees includes:				
a) Audit Fees		90,000		90,000
b) Tax Audit		10,000		10,000
c) MVAT Audit		25,000		25,000
d) Reimbursement of service tax		12,875		12,875
e) Certification Charges		22,346		20,705
f) Income Tax / Other matters		55,490		10,000
g) Out of pocket expenses		1,360		2,786
11. Expenditure in foreign currency (on payment basis)				
Travelling expenses		71,240		2,82,770
12. Value of imports calculated on C.I.F. basis (excluding imported materials purchased locally)				
Raw Materials		6,55,97,208		6,53,21,229
Plant & Machinery		40,10,558		21,43,570
Components and Spare Parts		24,89,725		4,20,896
13. Value of imported and indigenous raw materials, components and spare parts consumed:				
		%		%
1. Imported	31.43	9,90,03,624	32.79	7,64,16,241
2. Indigenous	68.57	21,59,57,074	67.21	15,65,78,170
	100.00	<u>31,49,60,698</u>	100.00	<u>23,29,94,411</u>
14. Earnings in foreign exchange :				
Export of goods on F.O.B. basis		2,99,88,272		3,65,58,626

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH, 2010**

15. Under "The Micro, Small and Medium Enterprises Development Act, 2006", the Company has not received any intimation from any of its suppliers regarding their status under the said Act.
16. The Company does not have different segments and hence segment wise reporting in terms of Accounting Standard Segment Reporting – (AS-17) issued by the Institute of Chartered Accountants of India is not applicable.
17. Basic and Diluted Earning per share

i) For the purpose of calculation of Basic Earning Per Share the following amounts are considered :

	Particulars	As At 31 <sup>st</sup> March, 2010 (Rupees)	As At 31 <sup>st</sup> March, 2009 (Rupees)
A	Amounts used as the numerators Net Profit/(Loss) after tax	62,07,210	32,93,852
B	Weighted average number of equity shares (Nos.)	66,74,600	59,74,600
C	Nominal Value of Shares (in Rs.)	10.00	10.00
D	Basic Earning Per Share (in Rs.)	0.93	0.55

ii) For the purpose of calculation of Diluted Earning Per Share the following amounts are considered :

	Particulars	As At 31 <sup>st</sup> March, 2010 (Rupees)	As At 31 <sup>st</sup> March, 2009 (Rupees)
A	Amounts used as the numerators Net Profit/(Loss) after tax	62,07,210	32,93,852
B	Weighted average number of equity shares (Nos.)	69,04,760	66,74,600
C	Nominal Value of Shares (in Rs.)	10.00	10.00
D	Basic Earning Per Share (in Rs.)	0.90	0.49

18. In terms of Accounting Standard regarding Related Party Disclosures (AS-18) issued by the Institute of Chartered Accountants of India the Related Party transactions are as under:-

A. List of related parties :

- i) Parties where control exists : None
- ii) Other parties with whom the Company has entered into transactions during the year :
- (a) Name of Associate Company : Organic Sales & Services Private Limited
- (b) Key Management Personnel and their Relatives

Mr. Rajnikant K. Shah	Vice Chairman & Managing Director
Mr. Vimal C. Mehra	Managing Director
Mr. Abhay R. Shah	Joint Managing Director
Mr. Dhaval J. Nanavati	Wholetime Director
Mr. Manoj V. Mehta	Wholetime Director
Mr. Ajay R. Shah	Wholetime Director

# ORGANIC COATINGS LIMITED

## SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT 31ST MARCH, 2010

B. Transactions carried out with related parties in the ordinary course of business:

Name of Transactions	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
<b>Sales</b>		
Organic Sales & Services Pvt. Ltd.	461,869	265,623
<b>Remuneration to Directors</b>		
Mr. Rajnikant K. Shah	1,626,108	1,499,518
Mr. Vimal C. Mehra	1,539,951	408,332
Mr. Abhay R. Shah	1,534,074	1,219,875
Mr. Dhaval J. Nanavati	1,495,492	408,332
Mr. Manoj V. Mehta	898,392	856,265
Mr. Ajay R. Shah	959,781	801,648
<b>Interest on Unsecured Loans</b>		
Mr. Rajnikant K. Shah	119,192	148,076
Mr. Abhay R. Shah	136,222	125,773
Mr. Ajay R. Shah	37,312	38,739

In view of Accounting Standard interpretation (ASI) 21 issued by the Institute of Chartered Accountants of India payments to Non Executive Directors are not included in the above details.

19. The Company follows AS-22' Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India and provision for the same has been made accordingly in the Books of Accounts. Deferred Tax is recognised subject to the consideration of prudence for timing differences between the book profits and Tax profits and is accounted for using the tax rates and laws that have been enacted. Deferred Tax Assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred asset can be realised.

Computation of Deferred Tax Asset/Liability :

Name of Transactions	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
1) Deferred Tax Liability on account of :		
Depreciation Difference	1,28,16,194	1,16,77,351
Total	1,28,16,194	1,16,77,351
2) Deferred Tax asset on account of :		
Provisions	4,01,663	8,60,478
Total	4,01,663	8,60,478
Net Deferred Tax Liability	1,24,14,531	1,08,16,873

20. As per Accounting Standard (AS) 15 "Employees Benefits" – (Revised 2005)", the disclosures of Employee benefits as defined in the Account Standard are given below :-

### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expense for the year are as under :

	Year ended 31 <sup>st</sup> March, 2010 Rupees	Year ended 31 <sup>st</sup> March, 2009 Rupees
Employer's Contribution to Provident Fund	12,94,060	10,25,904

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH, 2010**

**Defined Benefit Plan**

The employees gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

	Year ended 31 <sup>st</sup> March, 2010 (Rupees)
<b>I. Assumptions:</b>	
Discount Rate Previous Period	8.00%
Discount Rate Current Period	8.00%
Rate of Return on Plan Assets Previous Period	7.50%
Rate of Return on Plan Assets Current Period	7.50%
Salary Escalation Previous Period	5.00%
Salary Escalation Current Period	4.00%
<b>II. Table Showing Change in Benefit Obligation:</b>	
Liability at the beginning of the Period	3,957,569
Interest Cost	297,932
Current Service Cost	214,520
Benefit Paid	(390,782)
Actuarial (gain)/loss on obligations	85,675
Liability at the end of the Period	<b>4,164,914</b>
<b>III. Tables of Fair value of Plan Assets:</b>	
Fair Value of Plan Assets at the beginning of the Period	4,082,282
Expected Return on Plan Assets	272,576
Contributions	203,038
Benefit Paid	(390,782)
Actuarial gain/(loss) on Plan Assets	94,971
Fair Value of Plan Assets at the end of the Period	<b>4,262,085</b>
Total Actuarial Gain/(Loss) To Be Recognised	<b>(9,296)</b>
<b>IV. Amount Recognised in the Balance Sheet:</b>	
Liability at the end of the Period	4,164,914
Fair Value of Plan Assets at the end of the Period	4,262,085
Difference	(97,171)
Amount Recognised in the Balance Sheet	(97,171)
<b>V. Expenses Recognised in the Income Statement:</b>	
Current Service Cost	214,520
Interest Cost	297,932
Expected Return on Plan Assets	(272,576)
Net Actuarial (Gain)/Loss To Be Recognised	(9,296)
Expense Recognised in P&L	<b>230,580</b>

# ORGANIC COATINGS LIMITED

## SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT 31ST MARCH, 2010

21. The figures of the previous year have been regrouped to confirm of this year's classification.

As per our report of even date

For **Soman Uday & Co.**

Chartered Accountants

Membership No. 38870

**UDAY SOMAN**

Proprietor

Mumbai

May 19, 2010

For **Organic Coatings Limited**

**(R. K. SHAH)**

Vice Chairman & Managing Director

**(ABHAY R. SHAH)**

Jt. Managing Director

**(AJAY R. SHAH)**

Director

**(VIMAL MEHRA)**

Managing Director

**(DHAVAL NANAVATI)**

Director

**(MANOJ V. MEHTA)**

Director

**(SUDHIR R. SHAH)**

Company Secretary



Additional Information as required under Part IV of Schedule VI of the Companies Act, 1956

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No. U24220MH1965PTC013187 State Code 11

Balance Sheet Date 31.03.10

### II. Capital Raised during the year (Amount in Rs. Thousands)

**Public Issue** **Preferential Issue**

Nil 230

**Bonus Issue** **Preferential Placement**

Nil Nil

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

**Total Liabilities** **Total Assets**

3,46,548 3,46,548

#### Sources of Funds

**Paid up Capital** **Reserves & Surplus**

70,245 95,114

**Secured Loans** **Unsecured Loans**

1,68,774 Nil

**Deferred Tax Liability**

12,415

#### Application of Funds

**Net Fixed Assets** **Investments**

1,53,181 Nil

**Net Current Assets** **Miscellaneous Expenditure**

1,93,367 Nil

### IV. Performance of Company (Amount in Rs. Thousands)

**Turnover** **Total Expenditure**

4,57,530 4,36,860

**Profit Before Tax** **Profit/(Loss) After Tax**

20,670 6,207

**Earnings per share in Rs.** **Dividend Rate %**

0.90 5

### V. Generic Names of Two Principal Products/Services of Company (as per monetary terms)

**Item Code No. (ITC Code)** 32151100

**Product Description** Printing Inks

**Item Code No. (ITC Code)** 32082000

**Product Description** Industrial Coatings

As per our report of even date

For Soman Uday & Co.

Chartered Accountants

Membership No. 38870

**UDAY SOMAN**

Proprietor

Mumbai

May 19, 2010

For Organic Coatings Limited

(R. K. SHAH)

Vice Chairman & Managing Director

(VIMAL MEHRA)

Managing Director

(ABHAY R. SHAH)

Jt. Managing Director

(DHAVAL NANAVATI)

Director

(AJAY R. SHAH)

Director

(MANOJ V. MEHTA)

Director

(SUDHIR R. SHAH)

Company Secretary

# ORGANIC COATINGS LIMITED

## ORGANIC COATINGS LIMITED

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

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Joint shareholders may obtain additional Slip at the venue of the meeting.

DP Id\* \_\_\_\_\_ Master Folio No. \_\_\_\_\_ Client ID\* \_\_\_\_\_

NAME AND ADDRESS OF THE SHAREHOLDER \_\_\_\_\_

No. of Share(s) held: \_\_\_\_\_

I hereby record my presence at the 45<sup>th</sup> ANNUAL GENERAL MEETING of the Company held on Monday, the 27<sup>th</sup> September, 2010 at 3.0 p.m. at Vishal Hall, Vishal Shopping Centre, Andheri-Kurla Road, Near Andheri Railway Station, Andheri (East), Mumbai - 400 069.

\_\_\_\_\_  
Signature of the shareholder or proxy

\* Applicable for investors holding shares in electronic form.

## ORGANIC COATINGS LIMITED

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

DP Id\* \_\_\_\_\_ Master Folio No. \_\_\_\_\_ Client ID\* \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ being a

member/members of Organic Coatings Limited hereby appoint \_\_\_\_\_ of

\_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of

\_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 45<sup>th</sup> ANNUAL GENERAL MEETING

of the Company to be held on Monday, the 27<sup>th</sup> September, 2010 at 3.0 p.m. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Affix a  
Re. 1  
revenue stamp

\* Applicable for investors holding shares in electronic form.

### NOTES:

- (1) The proxy in order to be effective should be duly stamped, completed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
- (2) Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.



*organicgreen*

**Our concern expressed through inks**

---



# WE PLEDGE...

**To create an environmentally safe  
range of printing inks.**

**Organic Green -  
bio-degradable four colour inks.**

**Made from 100% vegetable oils and  
100% VOC free materials.**

**It is the voice of our conscience.**

**The voice of a clean, beautiful and  
better future for the generations to come.**





**Organic Coatings Ltd.**

**Creating a Vibrant Chemistry**

S.V. Road, Ghodbunder Village, Post Mira, District Thane - 401104.

**Tel. :** +91-22-2845 4543, 2845 8704, 28458740 **Fax. :** +91-22-2845 4119

**Email.:** [organiccoatingsltd@organiccoatingsltd.com](mailto:organiccoatingsltd@organiccoatingsltd.com) **Website:** [www.organiccoatingsltd.com](http://www.organiccoatingsltd.com)