



**ORGANIC  
COATINGS LIMITED**

*(AN ISO 9001 COMPANY)*

**46th ANNUAL REPORT  
2010 - 2011**

## BOARD OF DIRECTORS

MR. SUDHIR A. SATHE	CHAIRMAN (INDEPENDENT DIRECTOR)
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 (UPTO 15/07/2011)
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. 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.  
C/13, Pannaial Silk Mills Compound,  
L.B.S.Marg, Bhandup (W),  
Mumbai – 400 078.  
Tel : 2596 3838 Fax : 2594 6969

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46th Annual General Meeting will be held on Wednesday, the 28th September 2011 at 4.00 p.m. at Vishal Hall,  
Andheri –Kurla Road, Near Andheri Railway Station, Andheri (East), Mumbai – 400 069.

**NOTICE**

Notice is hereby given that the 46th 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 Wednesday, the 28th September, 2011 at 4.00 p.m. to transact the following business:

## Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account of the Company for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Manoj V. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Justice S.C.Pratap, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vilas K. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Uday Soman & Co. (ICAI Firm Registration No. 110352W) as auditors and fix their remuneration.

By Order of the Board of Directors

Date: June 20, 2011

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

Sudhir R. Shah  
Company Secretary

## NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE INSTEAD OF HIM. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialized form are requested to write their client ID and DPID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

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7. The Register of Members and the Share Transfer Books of the Company will be closed from 19/09/2011 to 28/09/2011 both days inclusive.
8. The relevant details in respect of the Directors, seeking re-appointments required to be provided pursuant to Clause 49 of the Listing Agreement are annexed hereto.
9. The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their Income Tax Permanent Account Number (PAN) card to the company / RTA while transacting in the securities market including transfer, transmission or any other corporate action. Accordingly, all the shareholders/transferee of shares (including joint holders) in physical form are requested to furnish a certified copy of their PAN Card to the company / RTA while transacting in the securities market including transfer, transmission or any other corporate action.
10. **Service of documents through Email – “Green Initiative in the Corporate Governance”**  
 Ministry of Corporate Affairs (“MCA”) has taken “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued Circulars No. 17/2011 dt. 21.04.2011 & 18/2011 dated 29.04.2011 stating that service of notices, documents including annual reports can be sent by e-mail to its members. Accordingly the company proposes to send documents like Shareholders Meeting Notice / other notices, audited financial statements, directors’ report, auditors’ report or any other document, to its members in electronic form at the email address provided by them and/or made available to the Company by their Depositories.  
 Members who have not yet registered their email id (including those who wish to change their already registered email id) may get the same registered/updated either with their Depositories or by writing to the company, by filling & sending the letter attached with the Annual Report.

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

Name of the Director	Mr. Manoj V. Mehta	Justice S.C.Pratap (Rtd.)	Mr. Vilas K. Shah
Date of Birth	12/12/1960	01/07/1930	01/12/1943
Date of Appointment	01/10/1994	21/08/1995	20/12/2005
Expertise in specific functional areas	Production of the Company	Retired Chief Justice of the Andhra Pradesh High Court.	Senior Chartered Accountant practicing in Mumbai for more than three decades. He has to his credit wide experience in the field of taxation and management consultancy services.
Qualifications	H.S.C.	B.A. (Hons) LLB	M.Com, LLB (Gen) FCA
No. of shares held in Organic Coatings Ltd.	81,500 (1.06%)	NIL	NIL
Directorship in other Companies	NIL	NIL	East Coast Steel Ltd.

**Membership of Committees in other Public Limited Companies:**

Audit Committee	NIL	NIL	East coast steel Ltd. Chairman of Audit Committee
Shareholders/ Investors' Grievance Committee	NIL	NIL	NIL

**DIRECTORS' REPORT**

**TO THE MEMBERS OF ORGANIC COATINGS LIMITED**

Your directors have pleasure in presenting their annual report together with audited statement of accounts of the Company for the year ended 31st March, 2011.

**1) Financial Results**

	(Rs. In Lacs)	
	2010 – 11	2009 - 10
Profit before Depreciation and Tax	89.00	206.70
Less: Depreciation	124.25	113.65
(Loss) / Profit for the year before tax	(35.25)	93.05
Less: Provision for taxation		
Current	–	15.00
Deferred	13.74	15.98
(Loss) / Profit after adjustment	(21.51)	62.07
Add / (Less): Prior year's Income Tax	(0.98)	(6.50)
(Loss) / Profit after tax	(22.49)	55.57
Previous Year's balance b/f	137.68	124.25
Amount available for appropriation	115.19	179.82
Transfer to General Reserve	–	1.75
Proposed Dividend	–	34.52
Corporate Dividend Tax	–	5.87
Balance carried forward	115.19	137.68

**2) Dividend**

In view of the loss for the year ended 31st March, 2011, the Directors do not recommend any dividend for the year under report.

**3) Operations**

During the year under report, your Company achieved a net turnover of Rs. 6365.53 Lacs as compared to Rs. 4546.95 Lacs in the previous year registering an increase of about 40%. The operating profit before depreciation and taxation for the year under review has gone down to Rs. 89.00 Lacs as against Rs. 206.70 Lacs in the previous year, decrease of over 56% arising out of increase in cost of all inputs. In spite of two price increases taken during the fiscal year 2010-11 (5% in June, 2010 and 10% in December, 2010) the company could not recover the total cost increase in the raw material prices. Due to competition there was no further scope to correct the situation. However, effective from 1st July, 2011 your company is once again going in for a steep price increase of 7% to 10% as well as internal corrections are being done to control cost at all levels.

The following were the salient features for the year:

- The Bank Note Press successfully used our Plasto Coat for enhancing the life of the currency in commercial production and your company made two supplies to them valuing around Rs. 80 Lacs.
- An exclusive distributor was appointed to penetrate and increase your company's businesses in Nepal, Bhutan and North Eastern States. It was a successful venture which resulted in additional business of Rs. 1 Crore a year.
- To increase the penetration of your Company in Saudi Arabia your company has transferred its Sales Manager – North to Saudi Arabia on an employee basis with the company's distributor to expand its businesses. Inquiries from Egypt and other neighbouring countries are in the pipeline and expect to result in business in this financial year.

- d) Since the US economy is showing signs of recovery, your company has re-entered US this year and the company's products have performed to their satisfaction. Your company expects good volume business from US this year.

The year also saw your company becoming a major supplier to large regional newspapers like Sakal, Lokmat, Nai Duniya and Matrubhumi.

As of today Times of India has also approved your company's products and commercial supplies are likely to start in next few weeks.

#### **4) Expansion**

Your company is pleased to inform of the Baroda Plant going into commercial production from July 2011. Since this plant is semi-automated your company expects huge savings in manpower cost, electricity cost, raw wastages and zero defect, which in turn will contribute towards profitability of the company.

The company is still awaiting the clearance from the Pollution Board to start manufacturing pigments / flushes at this unit which is part of your company's backward integration plan.

#### **5) Directors' Responsibility Statement**

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

- i) in the preparation of the annual accounts for the year ended 31st March, 2011 the applicable accounting standards have been followed;
  - ii) appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2011 and of the loss for the year ended on that date;
  - iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - iv) the annual accounts for year ended 31st March, 2011, have been prepared on a going concern basis.
- The above statements have been noted by the Audit Committee at its meeting held on 20th June, 2011.

#### **6) Directors**

Mr. Manoj V. Mehta, Justice S.C.Pratap and Mr. Vilas K. Shah retire by rotation and being eligible offer themselves for re-appointment at the ensuing annual general meeting.

Mr. Dhaval Nanavati has resigned as a Director and Executive Director of the Company and the Directors have placed on record the appreciation of the services rendered by him during his association with the Company.

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

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

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

#### **8) Fixed Deposits**

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

#### **9) Industrial Relations**

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

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

Information as required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is given in Annexure 'A' forming part of this report.

**11) Particulars of Employees**

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

**12) Auditors**

M/s. Soman Uday & Co. Chartered Accountants retire as Auditors at the forthcoming annual general meeting and being eligible offer themselves for re-appointment. The members are requested to consider reappointing them as Auditors and to fix their remuneration.

**13) Social responsibility**

100% Biodegradable Green ink has been developed to help reduce emission of volatile content into atmosphere and the same was launched in the market during the year under report.

**14) 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

R. K. Shah

Vice Chairman & Managing Director

Abha R. Shah

Joint Managing Director

Place : Mumbai

Date : June 20, 2011

## 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 2011	Year ended 31st March 2010
A. Power Consumption		
1 Electricity		
(a) Purchased Unit	21,13,164	18,73,183
Total Amount (Rs.)	1,39,36,505	1,31,55,357
Rate / Unit (Rs.)	6.59	7.02
(b) Own Generated Units	43	32
Total Amount (Rs.)	32,291	24,590
Rate / Unit (Rs.)	750.95	768.43
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.)	3.24	4.21

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&amp;D) AND ABSORPTION OF TECHNOLOGY

**B 1. Specific areas in which R&D carried out by the Company:**

As reported last year the company is still focusing in development of highest quality products for the following application:

- a. Publication Inks to print at 60,000 IPH speed.
- b. Plasto Coat to enhance the longevity of the currency note.
- c. Continuous improvement in Sheetfed Offset Ink to perform better on fast run machines as well as different substrates.
- d. Development of value added coatings to improve the aesthetic value of the printed material.
- e. Launching of Green Inks low VOC.

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

- a. Opening of doors at regional newspaper was the result of our R&D in Publication Inks.
- b. Value added products have given the company strong presence in packaging industry.

**3. Future plan of action:**

Investments in laboratory equipments to better analyze the products which would lead to improved quality in the finished products. Laboratory equipments worth Rs. 50 Lacs will be bought in current year.

**4. Expenditure on R&D**

(i) Capital Rs.	Rs. 236565.00
(ii) Recurring Rs.	Rs. 169007.00
(iii) Total Rs.	<u>Rs. 405572.00</u>
(iv) Total R&D expenditure as a percentage of total turnover	0.06%

**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 your company's products.

**C. Foreign Exchange earned & used**

The company has earned Rs. 380.99 Lacs in Foreign Exchange & used Rs. 1371.40 Lacs of Foreign Exchange.

**MANAGEMENT DISCUSSION AND ANALYSIS**

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

**Industry Structure and Development and Challenges:**

The year in view saw tremendous volatility in terms of raw material pricing as well as availability. The pollution norms in the country are also being implemented with more vigour which again results in cost increases. India as a country need to accept and face the challenges which the Western world had to face which is that we are no more going to be a cheap destination for manufacturing goods. As a responsible citizen the ink and pigment manufacturing industry in India are investing in ensuring that the effluent coming out of our factories are properly treated and does not affect the environment. Ink industry in the past year did get two price increases from their customers and are negotiating for one more as of now.

The growth of the industry is still in double digits and hence investments to enhance production at low cost is the key to success.

**Resources:**

The company's Working Capital Facilities with Bank of Maharashtra have been increased from Rs. 1700.00 Lacs to Rs. 2400.00 Lacs.

**Opportunities & Threats:**

The recovery path seen in Europe and USA which are the largest consumer of inks is the big opportunity that can be explored for years to come. Internally too with the increase in literacy rate, awareness towards hygiene and food products are being packed in printed cartons which in turn results in additional business scope.

Our Baroda Plant with its cost efficiencies will give us opportunity to aggressively enter the business of publication inks which are of high volume.

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

**Segmentwise or productwise performance:**

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

**Outlook, Risks and Concerns:**

In terms of turnover since past 2 years your company has grown by 27% to 40% respectively. We expect this trend to continue this year too and expect to achieve similar growth.

The Baroda Plant will de-bottle the supply constraints we faced during this year and would also lead to easing of constraints faced by us in our Mumbai Plant. Mumbai Plant will now focus on high value and high technological product which will earn the company better profitability and recognition in the industry.

The biggest risk affecting our businesses is continuous increase in the prices of raw material. Since we deal with large publishing house, the cost increase cannot be passed on to the customers immediately and hence the interim period leads to erosion of profit. The impact of Tsunami in Japan has started affecting availability of certain key raw material in our industry and has led to shortages and to overcome the same every company has to carry higher inventories. This again adds to your cash flow problem as well as increases the cost.

**Internal control systems and their adequacy:**

During the year the company has successfully implemented ERP Software Package provided by Microsoft. It is expected that this package will give us day-to-day reporting of our performance which will help the Management in taking business decisions for the benefit and growth of the company.

**Financial performance:**

Organic Coatings Ltd's (OCL's) net turnover for the financial year ended 31st March, 2011 has increased by over 40% to Rs. 6365.53 Lacs from Rs. 4546.95 Lacs in the previous year.

The operating profit (PBDIT) of the Company decreased to Rs. 89.00 Lacs during the year from Rs. 206.70 Lacs in the previous year.

Interest expenses for the year increased to Rs. 230.55 Lacs from Rs. 143.95 Lacs in the previous year due to increased working capital facilities.

Depreciation was at Rs. 124.25 Lacs as against Rs. 113.65 Lacs in the previous year.

Provision for taxation during the year was Rs. (13.74) Lacs (Deferred Tax) as against Rs. 30.98 Lacs (including current and deferred tax) in the previous year.

Net loss for the year was Rs. 21.51 Lacs as against net profit of Rs. 62.07 Lacs in the previous year.

The Company's net worth as on 31st March, 2011 stood at Rs. 1714.04 Lacs against Rs. 1640.34 Lacs in the last year.

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

During the year the negotiations with the union was successfully carried out and the negotiations will be valid for the next 3 years. The employee strength of the Company as on 31st March, 2011 was 145. 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.

The company believes in empowering people to perform at their best levels. Responsibilities are given with authority to change as per the needs. It is believed that every employee is motivated to perform at its best. It is the responsibility of the organization to create the environment to keep him motivated and do not behave in a way to de-motivate him. Human resource is the biggest asset the company has and it needs to be respected and taken care of as we would do to any other asset. The company also believes that it owes to its shareholders a true and transparent picture of the company's performance and work towards returning better results on their investments. Corporate Governance through a strong team of Independent Directors is achieved in all our reportings. This also strengthens our investors trust in us.

## 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 27/09/2010	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	4	Yes	Nil	Nil
Justice S.C.Pratap	Independent *NED	4	Yes	Nil	Nil
Mr. Abhay R. Shah	Promoter + Joint Managing Director	4	Yes	Nil	Nil
Mr. Manoj V. Mehta	Promoter & + ED	4	Yes	Nil	Nil
Mr. Ajay R. Shah	Promoter & + ED	4	Yes	Nil	Nil
Mr. Vilas K. Shah	Independent *NED	4	Yes	1	1
Mr. Vimal C. Mehra	Managing Director + ED	4	Yes	Nil	Nil
Mr. Dhaval J. Nanavati	Executive Director + ED	4	Yes	1	Nil
Mr. Sudhir Sathe Chairman	Independent *NED	4	N.A.	1	1

+ ED = Executive Director

\* NED = Non-Executive Director

**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.

**Meetings of the Board of Directors**

During the year 2010-2011, four Board Meetings were held on 19/05/10, 12/08/10, 09/11/10 and 03/02/11.

**3) Audit Committee**

The Company continued to derive immense benefit during the financial year from the deliberations of the Audit Committee comprising of Mr. Vilas K. Shah, Justice S.C.Pratap and Mr. Sudhir Sathe all being Independent Directors.

**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;

- o) discussion with internal auditors on any significant findings and follow up thereon.
- n) 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:
  - 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;
- o) to review the functioning of the Whistle Blower Mechanism, in case the same is existing;
- kl) 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. Vilas K. Shah	4	4
2)	Justice S.C.Pratap	4	4
3)	Mr. Sudhir Sathe	4	4

During the year 2010-2011, four Audit Committee Meetings were held on 19/05/10, 12/08/10, 09/11/10 & 03/02/11.

**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. 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 2010-11, three meetings of Remuneration Committee were held on 19/05/10, 09/11/10 & 03/02/11.

**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	1415346.00	249691.00	25000.00	105840.00	1795877.00
Mr. Abhay R. Shah	1270850.00	190286.00	25000.00	90720.00	1576856.00
Mr. Ajay R. Shah	781396.00	156467.00	25000.00	55020.00	1017883.00
Mr. Manoj V. Mehta	764706.00	133171.00	25000.00	55020.00	977897.00
Mr. Vimal C. Mehra	1492248.00	91640.00	25000.00	-	1608888.00
Mr. Dhaval J. Nanavati	1401582.00	39500.00	25000.00	90720.00	1556802.00
<b>Total</b>	<b>7126128.00</b>	<b>860755.00</b>	<b>150000.00</b>	<b>397320.00</b>	<b>8534203.00</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	320000.00
Mr. Vilas K. Shah	320000.00
Mr. Sudhir Sathe	320000.00
<b>Total</b>	<b>960000.00</b>

**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. Sudhir A. Sathe, Chairman. During the year the Committee met four times mainly to look into the status of investor grievances reported by Link Intime India Pvt. 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 :

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Sr. No.	Name of the members	No. of meetings held	No. of meetings attended
1)	Mr. Sudhir Sathe	4	4
2)	Justice S.C.Pratap	4	4
3)	Mr. Vilas K. Shah	4	4
4)	Mr. Abhay R. Shah	4	4
5)	Mr. Manoj V. Mehta	4	4

During the year 2010-2011, four Shareholders Committee Meetings were held on 19/05/10, 12/08/10, 09/11/10 & 03/02/11.

iv) No. of shareholders complaints received during the year	-	10	
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
2009 - 2010	Vishal Hall, Vishal Shopping Centre, Nr. Andheri Railway Station, Andheri (E), Mumbai – 400 069.	27/09/2010	3.00 P.M.
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.

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

Year ended 31/03/2010 - Seven special resolutions were passed empowering Board to increase Remunerations of Managing Directors, Executive Director and Wholetime Directors and payment of Commission to Non-Executive Directors of the company.

Year ended 31/03/2009 - Two special resolutions were passed.

Year ended 31/03/2008 - 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**

- Materially significant related party transaction - NIL
- 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

Day, Date, Time and Venue : Wednesday, 28th September, 2011 at 4.00 p.m. at Vishal Hall, Vishal Shopping Centre, Andheri-Kurla Road, Near Andheri Railway Station, Andheri (East), Mumbai – 400 069.

ii) Financial Calendar - 2011-2012

First Quarter Results : 14th August, 2011

Second Quarter Half Yearly Results : 14th November, 2011

Third Quarter Results : 14th February, 2012

iii) Date of Book Closure : 19/09/2011 to 28/09/2011 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 & CDSL

for Equity Shares : INE412E01011

vii) Stock Price Performance at Bombay Stock Exchange Ltd., Mumbai:

Month	Rate (Rs.)	
	High	Low
April '10	24.55	18.10
May '10	26.75	22.10
June '10	26.75	23.00
July '10	25.95	23.15
Aug. '10	26.80	23.10
Sept '10	25.90	20.60
Oct. '10	25.85	22.00
Nov. '10	24.80	20.00
Dec. '10	24.30	19.25
Jan. '11	20.95	16.50
Feb. '11	21.45	16.55
Mar. '11	20.55	16.15

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

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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.

(ix) A) Distribution of shareholdings as on March 31, 2011 :

Shares held	No. of Holders	%	No. of Shares	%
1 - 500	2,170	71.85	4,27,458	5.57
501 - 1000	428	14.17	3,84,384	5.01
1001 - 5000	302	10.00	7,08,128	9.23
5001 - 10000	49	1.63	3,62,289	4.72
10001 and above	71	2.35	57,92,341	75.47
<b>Total</b>	<b>3,020</b>	<b>100.00</b>	<b>76,74,600</b>	<b>100.00</b>

B) Categories of Shareholders as on March 31, 2011 :

Categories	No. of Shares	% in Capital
A. Promoters & Persons acting in concert	25,74,324	33.54
B. Financial Institutions, Banks etc.	50,000	0.65
C. Bodies Corporate	4,34,751	5.66
D. NRIs / OCBs	1,87,535	2.46
E. Indian Public	44,27,990	57.69
<b>Total</b>	<b>76,74,600</b>	<b>100.00</b>

C) Shareholders holding more than 1% of the share capital of the Company as at March 31, 2011 :

Sr. No.	Name of the Shareholder	No. of Shares Held	% to share capital
1	Mr. Rajnikant Kodariyal Shah	7,73,524	10.08
2	Mrs. Padmaja Rajnikant Shah	2,32,500	3.03
3	Mr. Abhay Rajnikant Shah	2,50,250	3.26
4	Mrs. Minal Abhay Shah	1,61,865	2.11
5	Mr. Ajay Rajnikant Shah	4,13,870	5.39
6	Mrs. Aparna Ajay Shah	1,91,815	2.50
7	Mr. Manoj Vasantlal Mehta	81,500	1.06
8	Mrs. Kanchan Vasantlal Mehta	2,98,000	3.88
9	Mr. Dhaval Janardan Nanavati	7,51,000	9.79
10	Mr. Vimal Chimanlal Mehra	8,00,000	10.42
11	Premji & Sons Trading Pvt. Ltd.	2,51,003	3.27
12	Mr. Shashikant G. Badani	1,62,185	2.11
13	Mr. Dipak K. Shah	1,02,000	1.33

- 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 31.03.2011, a total of 71,12,300 equity shares of the Company, forming 92.67% of the share capital of the Company, stand dematerialized (NSDL – 5256660 CDSL - 1855640).
- xi) Outstanding GDR/ADR/warrants - NIL
- xii) Plants location - 1) S. V. Road, Ghodbunder Village, Post Mira,  
Dist. Thane -- 401 104.  
2) Block No. 395, 437, 450  
Umraya Village, Padra Taluka,  
Vadodara District,  
Gujarat - 391 440.
- xiii) Address 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 Vice Chairman & 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 Director 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 31st March, 2011 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                   | 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  
R. K. Shah  
Vice Chairman & Managing Director  
Abhay R. Shah

Place : Mumbai  
Date : June 20, 2011

Joint Managing Director

**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 31st March, 2011 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 certify 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 31st March, 2011 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  
June 20, 2011

## 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 2011 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 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 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 2011;
  - b) in the case of the Profit and Loss Account, of the Loss 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.

Mumbai

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

June 20, 2011

Uday Soman,  
Proprietor  
Membership No. 39870

**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) The Company has not taken loan from parties covered in the register maintained under Section 301 of the Companies Act, 1956. 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:
- (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 or 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:

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- (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 31st March 2011 for a period of more than six months from the date they became payable;
- (b) According to the information and explanation given to us, there are no disputed dues of Income Tax, Wealth Tax and Excise Duty/Cess;
- (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 explanation 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 allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act, 1956 of 7,69,840 equity shares of Rs. 10 each at a premium of Rs. 4 per share, aggregating to Rs. 76,98,400 to Share Warrants holders exercising their right to apply for one equity share 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;

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- (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.

Mumbai

For Soman Uday & Co.

Chartered Accountants

June 20, 2011

Firm Regn. No. 110352W

Uday Soman

Proprietor

Membership No. 38870



## 46<sup>th</sup> ANNUAL REPORT

### ORGANIC COATINGS LIMITED BALANCE SHEET AS AT 31st MARCH 2011

Schedule	As At 31st March 2011 Rupees	As At 31st March 2010 Rupees
<b>I. SOURCES OF FUNDS</b>		
<b>1. Shareholders Funds :</b>		
(a) Share Capital	76,866,000	70,245,376
(b) Reserves & Surplus	95,769,468	95,113,890
<b>2. Loan Funds :</b>		
(a) Secured Loans	265,206,363	168,773,836
	265,206,363	168,773,836
<b>3. Deferred Tax Liability (Net)</b> (Refer Note No. 19 of Schedule K)	11,040,191	12,414,531
	448,882,022	346,547,633
<b>II. APPLICATION OF FUNDS</b>		
<b>1. Fixed Assets :</b>		
(a) Gross Block	250,740,730	218,390,913
(b) Less Depreciation	106,098,233	94,300,650
(c) Net Block	144,642,497	124,090,263
(d) Capital Work In Progress	36,657,536	29,090,723
<b>2. Investments :</b>		
<b>3. Current Assets, Loans &amp; Advances :</b>		
(a) Inventories	154,647,213	119,214,090
(b) Sundry Debtors	188,797,272	165,142,176
(c) Cash & Bank Balances	15,032,856	9,029,622
(d) Loans & Advances	29,462,571	18,286,464
	387,939,912	311,672,352
<b>Less : Current Liabilities &amp; Provisions</b>		311,672,352
(a) Liabilities	113,913,229	110,505,448
(b) Provisions	6,444,694	7,800,257
	120,357,923	118,305,705
<b>Net Current Assets</b>	267,581,989	193,366,647
	448,882,022	346,547,633
Notes to Accounts	K	

As per our report of even date  
For Soman Uday & Co.  
Chartered Accountants

For Organic Coatings Limited  
(R. K. SHAH)  
Vice Chairman & Managing Director

(VIMAL MEHRA)  
Managing Director

UDAY SOMAN  
Proprietor

(ABHAY R. SHAH)  
Jt. Managing Director

(DHAVAL NANAVATI)  
Director

Mumbai  
June 20, 2011

(AJAY R. SHAH)  
Director

(MANOJ V. MEHTA)  
Director

(SUDHIR R. SHAH)  
Company Secretary

**ORGANIC COATINGS LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011**

	Schedule	Year ended 31st March 2011 Rupees	Year ended 31st March 2010 Rupees
<b>INCOME</b>			
Sales (Gross)		706,310,088	499,045,777
Less : Excise Duty on Sales		69,756,785	44,350,402
Sales (Net)		636,553,303	454,695,375
Other Income	G (A)	4,769,549	2,834,229
		<b>641,322,852</b>	<b>457,529,604</b>
<b>EXPENDITURE</b>			
Materials Consumed	H	461,956,354	306,197,367
Manufacturing Expenses	I	24,170,143	22,400,564
Selling & Administrative Expenses	J	123,230,094	93,851,774
Financial Expenses		23,055,009	14,395,366
	(B)	<b>632,411,600</b>	<b>436,845,091</b>
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>	(A-B)	8,911,252	20,684,513
Depreciation	12,520,102	11,459,855	
Transferred from Revaluation Reserve	95,101	95,100	
		12,425,001	11,364,755
<b>PROFIT BEFORE TAX &amp; PRIOR PERIOD ITEMS</b>		<b>(3,513,749)</b>	<b>9,319,756</b>
Prior period Expenses		11,612	14,892
<b>PROFIT BEFORE TAX</b>		<b>(3,525,361)</b>	<b>9,304,863</b>
Provision for Taxation			1,500,000
Current Tax			
Deferred Tax (Credit)	(1,374,340)	1,597,658	
		(1,374,340)	3,097,658
<b>PROFIT AFTER TAX</b>		<b>(2,151,021)</b>	<b>6,207,210</b>
Balance brought forward from previous year		13,768,410	12,424,821
Add: Excess provision written back		3,745	
Less : Income Tax of earlier year		101,989	649,509
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>11,519,145</b>	<b>17,982,522</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		11,519,145	13,768,410
		11,519,145	17,982,522
Earnings per Equity Share [Refer Note no. 17 of Schedule K] (Face Value of Rs. 10 per share)			
Basic		(0.31)	0.93
Diluted		(0.28)	0.90
Notes to Accounts	K		

For Organic Coatings Limited

As per our report of even date

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

**UDAY SOMAN**  
Proprietor  
Membership No. 38870  
Mumbai  
June 20, 2011

**(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

## 46<sup>th</sup> ANNUAL REPORT

### ORGANIC COATINGS LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	For the Year 31st March 2011	For the Year 31st March 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) Before Tax	(3,525,361)	9,304,868
Adjustments		
Exceptional Item (Bad Debts recovered)	(2,117,534)	1,169,474
Depreciation	12,425,001	11,364,755
Interest	23,055,009	14,395,366
Interest Earned	(372,666)	(689,684)
Profit/Loss on Assets	410,442	(202,236)
<b>Operating Profit Before Working Capital Changes</b>	<b>29,874,891</b>	<b>35,342,543</b>
Adjustments For:		
Loans And Advances :	17,241,468	166,140
Trade Payables & Provisions	2,052,218	36,290,404
Debtors	(23,655,096)	(33,725,320)
Bad Debt	312,466	(1,169,474)
Inventory	(35,433,123)	(36,745,560)
<b>Cash Generated From Operation</b>	<b>(9,607,176)</b>	<b>158,733</b>
Less: Taxes Paid	2,529,974	2,299,128
<b>NET CASH FROM OPERATION</b>	<b>(7,077,202)</b>	<b>(2,140,395)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase Of Fixed Assets	(70,620,316)	(61,374,087)
Sale Of Fixed Assets	330,000	4,090,000
Interest Income	372,666	689,684
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(69,917,650)</b>	<b>(56,594,403)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Capital	9,620,568	2,831,490
Secured Loans	96,432,527	75,513,181
Unsecured Loans	-	(3,600,000)
Interest paid	(23,055,009)	(14,395,366)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>82,998,086</b>	<b>60,349,305</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>6,003,234</b>	<b>1,614,507</b>
<b>OPENING CASH &amp; CASH EQUIVALENT</b>	<b>9,029,622</b>	<b>7,415,115</b>
<b>CLOSING CASH &amp; CASH EQUIVALENT</b>	<b>15,032,856</b>	<b>9,029,622</b>
<b>NET INCREASE/(DECREASE)</b>	<b>6,003,234</b>	<b>1,614,507</b>

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, 2011. 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 - June 20, 2011

ORGANIC COATINGS LIMITED  
**SCHEDULES FORMING PART OF THE BALANCE SHEET**  
**AS AT 31ST MARCH 2011**

	As At 31st Mar 2011 Rupees	As At 31st Mar 2010 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>		
77,00,000 (Previous Year 69,30,160) Equity Shares of Rs. 10/- each	77,000,000	69,301,600
<b>Subscribed &amp; Paid Up :</b>		
76,74,600 Equity Shares of Rs. 10/- each fully paid up (Previous year 69,04,760 shares of Rs.10/- each fully paid up) (Refer Note No. 2 of Schedule K)	76,746,000	69,047,600
Less : Calls in Arrears	7,000	7,000
	76,739,000	69,040,600
Add : Amount paid-up on shares forfeited	127,000	127,000
	76,866,000	69,167,600
<b>Share Warrants Application Money :</b>		
Nil (Previous Year 10,00,000) Share Warrant of Rs.14/- each, Rs. 1.40/- paid up (Refer Note No. 2 of Schedule K)	-	1,077,776
	76,866,000	70,245,376
<b>SCHEDULE B : RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Account :</b>		
As per Last Balance Sheet	74,844,767	73,992,653
Add : Received during the year	3,079,360	920,640
Less : Share Issue Expenses	79,416	68,526
	77,844,711	74,844,767
<b>General Reserve :</b>		
As per Last Balance Sheet	5,175,000	5,000,000
Add : Transfer during the year	-	175,000
	5,175,000	5,175,000
<b>Revaluation Reserve :</b>		
As per Last Balance Sheet	1,325,713	1,420,813
Less: Depreciation as per contra	95,101	95,100
	1,230,612	1,325,713
<b>Profit &amp; Loss Account :</b>		
Balance brought forward	11,519,145	13,768,410
	<b>95,769,468</b>	<b>95,113,890</b>
<b>SCHEDULE C : SECURED LOANS</b>		
From Banks :		
(i) For Working Capital	193,405,181	131,781,766
(ii) Term Loan for Plant & Machinery	67,470,220	32,917,990
(iii) Vehicles	4,330,962	4,074,080
(Refer Note No. 4(a) & 4(b) of Schedule K)	<b>265,206,363</b>	<b>168,773,836</b>

**ORGANIC COATINGS LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st March 2011**

**SCHEDULE D : FIXED ASSETS**

Particulars	GROSS BLOCK		As at 31st March 2011 Rupees	For the year Rupees	DEPRECIATION		NET BLOCK As at 31st March 2011 Rupees
	As at 1st April 2010 Rupees	Additions/ Adjustments Rupees			Deductions/ Adjustments Rupees	Deductions/ Adjustments Rupees	
Free Hold Land	9,324,070 (9,324,070)	7,957,772	17,281,842 (9,324,070)	-	-	-	17,281,842 (9,324,070)
Buildings	20,378,884 (2,34,67,037)	17,619,397 (14,06,682)	37,998,281 (2,03,76,884)	714,362 (6,81,267)	-	8,701,999 (79,87,637)	29,296,282 (1,23,91,247)
Plant & Machinery	168,965,156 (14,36,81,559)	5,320,127 (2,52,83,598)	174,285,283 (16,89,65,157)	10,675,967 (93,34,257)	-	91,375,595 (8,06,99,728)	82,909,688 (8,82,65,429)
Furniture & Fixtures	4,891,207 (47,23,908)	632,561 (1,67,299)	5,523,768 (48,91,207)	301,686 (2,80,254)	-	2,037,995 (17,36,309)	3,485,773 (31,54,898)
Vehicles	14,155,335 (95,29,029)	2,432,923 (54,25,784)	14,975,296 (1,41,55,335)	778,009 (11,13,899)	-	3,706,732 (36,51,242)	11,268,564 (1,05,04,093)
Patents	676,260 (6,76,260)	-	676,260 (6,76,260)	50,178 (50,178)	-	275,912 (2,25,734)	400,348 (4,50,526)
<b>Total</b>	218,390,912 (19,14,01,863)	33,962,780 (3,22,83,363)	250,740,730 (21,83,90,913)	12,520,102 (1,14,59,855)	-	106,098,233 (9,43,00,650)	144,642,497 (12,40,90,263)
Capital Work in Progress (including Advances on Capital Account and Capital Work in Progress, at cost)							
<b>36,657,536</b> <b>(2,90,90,723)</b>							

NOTE : Figures in bracket are in respect of Previous year.

ORGANIC COATINGS LIMITED  
**SCHEDULES FORMING PART OF THE BALANCE SHEET**  
**AS AT 31ST MARCH 2011**

	As At 31st March 2011 Rupees	As At 31st March 2010 Rupees
<b>SCHEDULE E : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
(As taken, valued and certified by management)		
<b>INVENTORIES:</b>		
(Refer Note No. 1(iii) of Schedule K)		
Consumable Stores	2,249,132	1,489,766
Raw Material	52,169,274	45,795,370
Packing Material	2,820,133	2,166,136
Work-in-progress	14,362,349	9,244,789
Finished Goods	83,046,325	60,518,029
	154,647,213	119,214,090
<b>SUNDRY DEBTORS</b>		
(Unsecured & considered good)		
Debts outstanding for a period exceeding six months	16,844,258	13,643,237
Other Debts	171,953,014	151,498,939
	188,797,272	165,142,176
<b>CASH &amp; BANK BALANCES</b>		
Cash in Hand	251,326	475,641
Bank Balance with Scheduled Banks :		
In Current Accounts	6,043,695	3,091,489
In Fixed & Recurring Deposit Accounts	8,172,113	4,993,917
Interest Accrued on Bank Deposits	565,722	468,575
	15,032,856	9,029,622
<b>LOANS &amp; ADVANCES</b>		
<b>Unsecured and considered good</b>		
Advances recoverable in cash		
Other Advances	6,504,941	2,972,716
Balance with Central Excise, Service Tax & Vat authorities	16,328,491	10,678,379
Advance Tax {Net of Provision of Rs. 26,79,042/- (previous year Rs. 36,14,410/-)}	6,629,139	4,635,369
	29,462,571	18,286,464
<b>SCHEDULE F : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors (Refer Note No. 15 of Schedule K)	113,913,229	110,505,448
Provisions :		
Gratuity	2,149,242	595,811
Leave encashment	4,178,325	3,149,620
Wealth Tax	19,651	15,714
Unclaimed Dividend on Equity Shares	97,476	3,452,380
Corporate Dividend Tax	-	586,732
	6,444,694	7,800,257
	120,357,923	118,305,705

**46<sup>th</sup> ANNUAL REPORT**

ORGANIC COATINGS LIMITED  
**SCHEDULES FORMING PART OF THE BALANCE SHEET  
AS AT 31ST MARCH 2011**

	Year ended 31st March 2011 Rupees	Year ended 31st March 2010 Rupees
<b>SCHEDULE G : OTHER INCOME</b>		
Interest Gross (Tax deducted at source Rs. 29,974 -); Previous Year Rs. 29,128 -)	372,666	689,684
Profit on Sale of Assets	150,000	483,479
Miscellaneous Income	3,881,595	1,628,320
Insurance Claim Received	365,288	32,746
	4,769,549	2,834,229
<b>SCHEDULE H : CONSUMPTION OF MATERIALS</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	45,795,370	45,192,314
Add : Purchases	463,732,437	315,563,754
	509,527,807	360,756,068
Less : Closing Stock	52,169,274	45,795,370
	457,358,533	314,960,698
<b>Packing Material Consumed</b>		
Opening Stock	2,166,136	1,608,298
Add : Purchases	32,897,674	27,264,575
	35,063,810	28,872,873
Less : Closing Stock	2,820,133	2,166,136
	32,243,677	26,706,737
<b>Increase / Decrease in :</b>		
<b>Work in Progress</b>		
Opening Stock	9,244,789	9,749,839
Less : Closing Stock	14,362,349	9,244,789
	(5,117,560)	505,050
<b>Finished Goods</b>		
Opening Stock	60,518,029	24,542,911
Less : Closing Stock	83,046,325	60,518,029
	(22,528,296)	(35,975,118)
	<b>461,956,354</b>	<b>306,197,367</b>

ORGANIC COATINGS LIMITED  
**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT  
 FOR THE YEAR ENDED 31ST MARCH 2011**

	Year ended 31st March 2011 Rupees	Year ended 31st March 2010 Rupees
<b>SCHEDULE I : MANUFACTURING EXPENSES</b>		
Consumable Stores	2,346,936	1,685,302
Power & Fuel	17,772,669	17,116,627
Labour Work	359,984	108,757
Repairs to Machinery	3,690,554	3,489,898
	24,170,143	22,400,584
<b>SCHEDULE J : SELLING AND ADMINISTRATIVE EXPENSES</b>		
Rent, Rates & Taxes	2,566,428	1,615,711
Repairs to Building	324,927	259,030
Salaries, Wages & Bonus	33,344,440	25,489,585
Contribution to Provident Fund & Gratuity	4,061,381	1,930,114
Workmen & Staff Welfare Expenses	1,006,964	805,279
Insurance	926,018	807,513
Payment to Auditors (Refer Note No. 10 of Schedule K)	240,175	217,071
Travelling & Conveyance	4,918,275	3,908,682
Commission & Discount	21,131,196	15,454,075
Motor Car Expenses	5,283,412	3,856,338
Director's Remuneration	9,494,203	9,393,799
Professional Fees	4,142,616	4,657,944
Freight	22,921,895	13,554,933
Loss on Sale of Assets	560,442	281,243
Bad Debts	312,466	1,169,474
Miscellaneous Expenses	11,995,256	10,450,983
	123,230,094	93,851,774



**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH 2011**

## SCHEDULE K : 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. 1st 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 1st 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.

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH 2011**

## 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.

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH 2011**

(vi) Provision for Taxation :

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

2. On payment of balance price of 90% of the Issue price, the share warrants holders have exercised their rights to apply for 769840 Equity Shares and accordingly 769840 Equity Shares of Rs. 10/- each were allotted during the year @ a premium of Rs. 4/- per share.
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 31st March, 1994. The difference between the fair market value and written down value as on 31st 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 :

	<b>Year ended 31st March 2011 Rupees</b>	<b>Year ended 31st March 2010 Rupees</b>
(a) Against Capital Expenditure (net of Advances)	3,39,90,287	5,75,500
(b) Against Non-receipt of C & F Forms	1,89,739	10,51,048
6. (i) Loans and Advances includes -		
Advances for Capital Expenditure	2,43,46,588	7,48,410

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT**

**31ST MARCH 2011**

			Year ended 31st March 2011 Rupees	Year ended 31st March 2010 Rupees
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 :			42,98,443	31,15,564
Acrylic Polymer :			2,875	10,425
Actual Production of Printing Inks excludes Captive Consumption of Phenolic & Alkyd/Malic Resins			16,208	30,816
<b>Printing Inks :</b>	<b>(in Kgs.)</b>	<b>Rupees</b>	<b>(in Kgs.)</b>	<b>Rupees</b>
Opening Stock	3,60,651	6,05,18,029	1,46,042	2,45,42,911
Closing Stock	4,41,946	8,30,46,325	3,60,651	6,05,18,029
e) Turnover :	<b>(in Kgs.)</b>	<b>Rupees</b>	<b>(in Kgs.)</b>	<b>Rupees</b>
(i) Finished Goods :	42,20,023	70,52,48,642	29,11,380	49,71,71,476
(ii) Trading :	2,873	9,91,346	7,115	17,87,481
8. (a) Details of raw materials consumed :				
	<b>(in Kgs.)</b>	<b>Rupees</b>	<b>(in Kgs.)</b>	<b>Rupees</b>
1. Chemicals	4,64,619	7,84,55,718	3,27,628	4,98,34,067
2. Pigment	7,97,777	13,14,68,160	6,42,545	9,16,26,778
3. Resins	11,16,316	10,82,79,282	8,97,033	7,54,23,676
4. Oils & Miscellaneous.	20,24,062	13,91,55,373	13,97,154	9,80,76,177
			45,73,58,533	31,49,60,698
b) Raw Material Consumption includes cost of raw material sold		9,91,346		17,87,481
9. Directors Remuneration includes:				
a) Salaries		71,26,128		69,10,637
b) Perquisites		8,60,755		5,94,034
c) Contribution to Provident Fund		3,97,320		3,98,928
d) Siting Fees		9,60,000		13,40,000
e) Bonus		1,50,000		1,50,000

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 there is a loss during the year.

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH 2011**

		<b>Year ended 31st March 2011 Rupees</b>		<b>Year ended 31st March 2010 Rupees</b>
10. Auditors Fees includes:				
a) Audit Fees		1,75,000		90,000
b) Tax Audit		25,000		10,000
c) MVAT Audit		25,000		25,000
d) Reimbursement of service tax		25,746		12,875
e) Certification Charges		24,964		22,346
f) Income Tax / Other matters		12,500		55,490
g) Out of pocket expenses		1,401		1,360
11. Expenditure in foreign currency (on payment basis)				
Travelling expenses		Nil		71,240
Purchase of Raw Material		15,46,453		Nil
Commission on Exports		54,243		Nil
12. Value of imports calculated on C.I.F. basis (excluding imported materials purchased locally)				
Raw Materials		13,36,12,769		6,55,97,208
Plant & Machinery		Nil		40,10,558
Components and Spare Parts		19,27,522		24,89,725
13. Value of imported and indigenous raw materials, components and spare parts consumed:				
	%		%	
1. Imported	30.84	14,10,71,851	31.43	9,90,03,624
2. Indigenous	69.16	31,62,86,682	68.57	21,59,57,074
	100.00	45,73,58,533	100.00	31,49,60,698
	=====	=====	=====	=====
14. Earnings in foreign exchange :				
Export of goods on F.O.B. basis		3,80,99,004		2,99,88,272
15. The Company has not received any intimation from suppliers regarding their status under " Micro, Small and Medium Enterprises Development Act, 2006", and hence, disclosures, if any relating to amounts unpaid as at the year end together with interest paid/ payable as required under the said Act has not been given.				
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.				

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH 2011**

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 31st March 2011 (Rupees)	As At 31st March 2010 (Rupees)
A	Amounts used as the numerators		
	Net Profit/(Loss) after tax	(21,51,021)	62,07,210
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.)	(0.31)	0.93

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

	Particulars	As At 31st March 2011 (Rupees)	As At 31st March 2010 (Rupees)
A	Amounts used as the numerators		
	Net Profit/(Loss) after tax	(21,51,021)	62,07,210
B	Weighted average number of equity shares (Nos.)	76,74,600	69,04,760
C	Nominal Value of Shares (in Rs.)	10.00	10.00
D	Basic Earning Per Share (in Rs.)	(0.28)	0.90

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

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH 2011**

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

Name of Transactions	Year ended 31st March 2011 (Rupees)	Year ended 31st March 2010 (Rupees)
Sales		
Organic Sales & Services Pvt. Ltd.	Nil	461,869
Remuneration to Directors		
Mr. Rajnikant K. Shah	17,95,877	1,626,108
Mr. Vimal C. Mehra	16,08,888	1,539,951
Mr. Abhay R. Shah	15,76,856	1,534,074
Mr. Dhava J. Nanavati	15,56,802	1,495,492
Mr. Manoj V. Mehta	9,77,897	898,392
Mr. Ajay R. Shah	10,17,883	959,781
Interest on Unsecured Loans		
Mr. Rajnikant K. Shah	Nil	119,192
M. Abhay R. Shah	Nil	136,222
Mr. Ajay R. Shah	Nil	37,312
Salary & Stipend		
Mr. Chirag M. Mehta	67,903	Nil
Rent		
R. K. Shah (HUF)	1,29,000	70,000

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 31st March 2011 (Rupees)	Year ended 31st March 2010 (Rupees)
1) Deferred Tax Liability on account of :		
Depreciation Difference	1,21,74,594	1,28,16,194
<b>Total</b>	<b>1,21,74,594</b>	<b>1,28,16,194</b>
2) Deferred Tax asset on account of :		
Provision for Gratuity	4,80,010	75,956
Provision for Bonus	3,36,524	2,88,646
Provision for Leave Salary	3,17,869	37,061
<b>Total</b>	<b>11,34,403</b>	<b>4,01,663</b>
Net Deferred Tax Liability	1,10,40,191	1,24,14,531

**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT**

**31ST MARCH 2011**

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 31st March 2011 Rupees	Year ended 31st March 2010 Rupees
Employer's Contribution to Provident Fund	16,09,184	12,94,060

**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.

I. Assumptions:	Year ended 31st March 2011 (Rupees)
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	4.00%
Salary Escalation Current Period	6.00%
<b>II. Table Showing Change in Benefit Obligation:</b>	
Liability at the beginning of the Period	4,164,914
Interest Cost	325,391
Current Service Cost	300,917
Past Service Cost	1,049,406
Benefit Paid	(294,727)
Actuarial (gain)/loss on obligations	10,66,416
Liability at the end of the Period	<b>6,612,317</b>
<b>III. Tables of Fair value of Plan Assets:</b>	
Fair Value of Plan Assets at the beginning of the Period	4,262,085
Expected Return on Plan Assets	297,273
Contributions	245,811
Benefit Paid	(294,727)
Actuarial gain/(loss) on Plan Assets	98,391
Fair Value of Plan Assets at the end of the Period	<b>4,608,833</b>
Total Actuarial Gain/(Loss) To Be Recognized	<b>968,025</b>



**SCHEDULE TO PROFIT & LOSS ACCOUNT & BALANCE SHEET AS AT  
31ST MARCH 2011**

IV. Amount Recognised in the Balance Sheet:	Year ended 31st March 2011 (Rupees)
Liability at the end of the Period	6,612,317
Fair Value of Plan Assets at the end of the Period	4,608,833
Difference	2,003,484
Amount Recognised in the Balance Sheet	2,003,484
<b>V. Expenses Recognised in the Income Statement:</b>	
Current Service Cost	300,917
Interest Cost	325,391
Expected Return on Plan Assets	(297,273)
Net Actuarial (Gain)/Loss To Be Recognised	968,025
Past Service Cost	1,049,406
Expense Recognised in P&L	2,346,466

21. Previous figures have been regrouped/ rearranged / recast wherever necessary to confirm to current years presentation.

As per our report of even date  
**For SOMAN UDAY & CO.**  
Chartered Accountants

**For Organic Coatings Limited**

UDAY SOMAN  
Proprietor  
Membership No. 38870

**(R. K. SHAH)**  
Vice-Chairman & Managing Director

**(VIMAL MEHRA)**  
Managing Director

**(ABHAY R. SHAH)**  
Jt. Managing Director

**(DHAVAL NANAVATI)**  
Director

Mumbai  
June 20, 2011

**(AJAY SHAH)**  
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 31.03.11

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

Public Issue	Preferential Issue
Nil	7698
Bonus Issue	Preferential Placement
Nil	Nil

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

Total Liabilities	Total Assets
4,48,882	4,48,882
Sources of Fund	Reserves & Surplus
Paid up Capital	95,769
76,866	Unsecured Loans
Secured Loans	Nil
2,65,207	Deferred Tax Liability
11,040	Application of Funds
Net Fixed Assets	Investments
1,81,300	Nil
Net Current Assets	Miscellaneous Expenditure
2,67,582	Nil

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

Turnover	Total Expenditure
6,41,323	6,44,837
Profit Before Tax	Profit/(Loss) After Tax
(3,514)	(2,151)
Earnings per share in Rs.	Dividend Rate %
Basic (0.31)/Diluted (0.28)	Nil

**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

For Organic Coatings Limited

(R. K. SHAH)	(VIMAL MEHRA)
Vice-Chairman & Managing Director	Managing Director
(ABHAY R. SHAH)	(DHAVAL NANAVATI)
Jt. Managing Director	Director

Mumbai  
 June 20, 2011

(AJAY SHAH)	(MANOJ V. MEHTA)
Director	Director
(SUDHIR R. SHAH)	Company Secretary

## 46<sup>th</sup> ANNUAL REPORT

### ORGANIC COATINGS LIMITED

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

#### ATTENDANCE SLIP

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 46th ANNUAL GENERAL MEETING of the Company held on Wednesday, the 28th September, 2011 at 4.00 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.

#### PROXY FORM

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 46th ANNUAL GENERAL MEETING of

the Company to be held on Wednesday, the 28th September, 2011 at 4.00 p.m. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Affix a  
30 Paise  
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.

**E-service of documents through Email**

Dear Member,

Ministry of Corporate Affairs ("MCA") has vide Circular No. 17/2011 dt. 21st April, 2011 & No. 18/2011 dated 29th April, 2011, allowed the service of documents on members by a company through electronic mode.

Accordingly the company is now permitted to send documents like Shareholders' Meeting Notice/other notices, audited financial statements, directors' report, auditors' report or any other document, to its members in electronic form at the email address provided by him/her and/or made available to the Company by his/her Depository. Please note that these documents shall be available at the Company's website [www.organiccoatingsltd.com](http://www.organiccoatingsltd.com) for download by the shareholders.

In case you have not yet registered your email id (or you wish to change your already registered email id) you may get the same registered/updated either with your Depository or by writing to the company (by filling and sending this letter).

In case you do not possess any email id you are requested to obtain one and inform the same to the Company (by filling & sending this letter).

Kindly note that, as a member of the Company, in addition to receiving documents by e-mail, you will be entitled to receive, free of cost, a copy of the documents referred above upon receipt of a request from you.

We are sure that as a responsible citizen, you will wholeheartedly support and cooperate with the Company in this initiative of MCA.

**For Organic Coatings Ltd.**

Sudhir R. Shah  
[Company Secretary]

Date: \_\_\_\_\_

To,  
The Company Secretary  
Organic Coatings Ltd.  
S.V.Road, Ghodbunder Village,  
Post Mira, Dist. Thane – 401 104.

Re: E-mail Updation for e-service of documents

Dear Sir,

(Please tick & fill 1 or 2)

1) I/We do hereby wish to receive all future correspondence / documents including Notices of Shareholders' Meeting, Audited Financial Statements, Auditors Report, Directors Report, etc. of the Company at the following e-mail id.

E-mail id \_\_\_\_\_

**OR**

2) I wish to get all communications in physical form. However my Email id is

E-mail id \_\_\_\_\_

Folio No. / DP ID - Client ID: \_\_\_\_\_

Name of First Holder \_\_\_\_\_ s/o, d/o, w/o \_\_\_\_\_

You are requested to kindly update the same in your records.

\_\_\_\_\_  
Signature  
(1st Holder)

**BOOK POST**  
PRINTED MATTER

*If undelivered, please return to :*



**ORGANIC COATINGS LTD.**

Plot No. 31, Vimal Pushpa, Tarun Bharat Society,  
Chakala, Andheri (East), Mumbai - 400 099.  
Phone : 2845 8704 \* Fax : (022) 2845 4119