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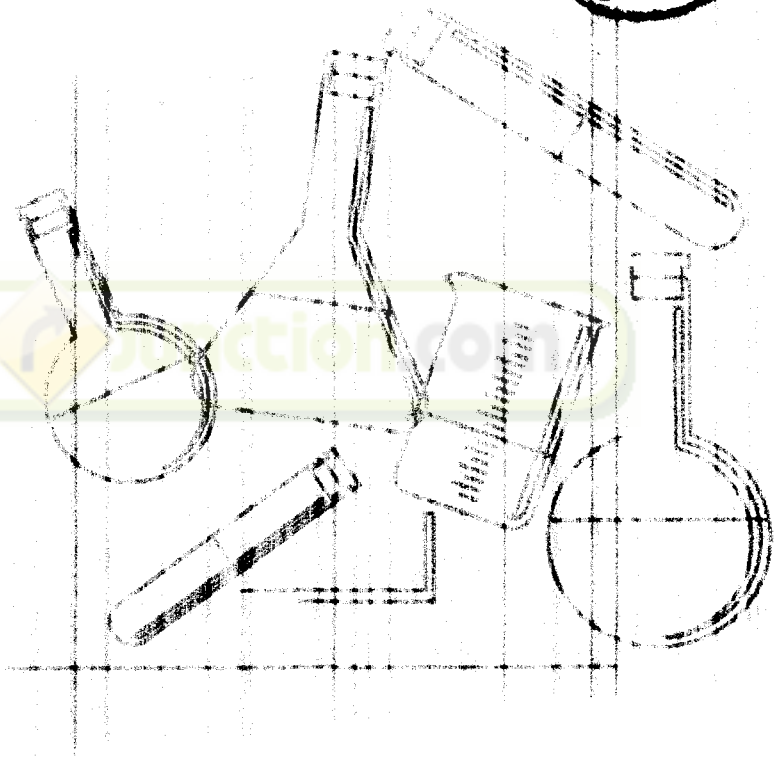
MD	✓			BKC	✓
CS	✓			DPY	✓
RO	✓			DIV	✓
TRA	✓			AC	✓
AGM	✓	✓		SHI	✓
YE	✓	✓	✓		

ANNUAL REPORT
1996-97



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DAURALA ORGANICS LIMITED

DAURALA ORGANICS

Board of Directors	Dr. Bansi Dhar	*Chairman*
	Shri Tilak Dhar	*Managing Director*
	Shri Anil Gujral	*Whole Time Director*
	Dr. Gurpreet Singh	*Director*
	Shri Ravi Bahadur	*Director*
	Dr. Ramesh C. Vaish	*Director*
	Shri S. N. Agarwal	*Director*
	Shri P. Murari	*Director*
	Shri R. S. Sharma	*Director (Nominee of IFCI)*
Company Secretary-Cum-Sr. Manager (Fin. & A/cs)	Shri K.K. Srivastava	
Bankers	State Bank of India Oriental Bank of Commerce	
Auditors	S.S. Kothari & Co. New Delhi	
Registered Office	I-89, Himalaya House, 8th Floor, 23, Kasturba Gandhi Marg, New Delhi – 110 001	
Works	P.O. Daurala Distt. Meerut (U.P.)–250221	
Share Transfer Agents	MCS Limited Shri Venktesh Bhawan 212-A, Shahpurjat Behind Panchsheel Club New Delhi - 110 049 Tel. No. 6494830, 6494831, 6494832 Fax No. (011) 6494152	

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DAURALA ORGANICS LIMITED

Registered Office : I-89, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi – 110 001

NOTICE

The 7th Annual General Meeting of the Company will be held on Tuesday, the 30th September, 1997, at 10.00 A.M at FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110 001 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Accounts of the Company for the Financial Year ended 31.3.1997, the Balance Sheet as at that date and the Report of Directors and the Auditors thereon.
2. To appoint Auditors and to fix their remuneration. The retiring Auditors, M/s S.S. Kothari & Co, Chartered Accountants are eligible for re-appointment.
3. To appoint a Director in place of Shri S.N. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution:**

   "**RESOLVED THAT** Shri P. Murari who was appointed as a Director to fill the casual vacancy caused by the resignation of Shri S.K. Lalbhai and whose term of office expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company."

5. To consider and, if thought fit, to pass the following resolutions, with or without modifications, as **Ordinary Resolutions:**

   "**RESOLVED THAT** in accordance with the provisions of sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and any amendments/re-enactments thereof, the Company hereby accords its consent to the re-appointment of Shri Tilak Dhar as Managing Director of the Company for a period of 5 years w.e.f. 01.04.1997."

   "**RESOLVED FURTHER THAT** Shri Tilak Dhar will not draw any remuneration from the Company."

   "**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to alter the terms and conditions of appointment of Shri Tilak Dhar during his term of office, as may be permitted or authorised in accordance with any provisions under the Companies Act, 1956 or Schedules appended thereto, or any statutory modification or re-enactment thereof and/or in rules or regulations promulgated thereunder."

6. To consider, and if thought fit, to pass the following resolutions, with or without modifications, as **Ordinary Resolutions:**

   "**RESOLVED THAT** pursuant to Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such consents and approvals as may be necessary, the Board of Directors of the Company be and is hereby authorised to mortgage and/or charge all or any of the present and future movable and immovable properties and the whole of the undertaking of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, for the purpose of securing the additional borrowings/financial assistance not exceeding Rs. 20 crores from Financial Institutions/Banks/Bodies Corporate and/or other term lending Institutions together with interest at the agreed rates, commitment charges, premium on repayment and other monies payable by the Company and that such mortgage or charge to rank pari-passu with the mortgage or charge created/to be created by the Company to secure the financial facilities/borrowings already availed by the Company from the Financial Institutions/Banks/Mutual Funds/Bodies Corporate and/or other term lending institutions or in any other form as may be mutually agreed by the Company and the Lender/s."

   "**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to do and execute all such acts, deeds and things, as may be necessary, for giving effect to this resolution."

By order of the Board
For **DAURALA ORGANICS LIMITED**

Place : New Delhi.
Date : 12th August, 1997

(K.K. SRIVASTAVA)
Company Secretary

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NOTICE (Continued)

DAURALA ORGANICS

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM IS ATTACHED HEREWITH.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 18th September, 1997 to 25th September, 1997 (both days inclusive).
3. Members who are holding shares in identical names in more than one folio are requested to write to the Company/ MCS Ltd. for consolidation of their holdings in one folio.
4. Shareholders are requested to address all communications regarding transfer/transmission of shares/ change of address, etc., to M/s. MCS Ltd., Srivenkatesh Bhawan, 212 A, Shahpurjat, Behind Panchsheel Club, New Delhi -110 049.
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary of the Company atleast ten days before the date of the meeting, so that the information required may be made available at the meeting.
6. Explanatory statement, as required under Section 173 (2) of the Companies Act, 1956, is attached.

ANNEXURE TO NOTICE

[Explanatory statement Under Section 173 (2) of Companies Act, 1956]

ITEM NO. 4

The Board in its meeting held on 26.04.1996 appointed Shri P. Murari as a director in the casual vacancy caused by the resignation of Shri S.K. Lalbhai, who was elected on 14.09.1994. Shri S.K. Lalbhai, had he continued in office, would have retired by rotation at this Annual General Meeting. Accordingly, Shri P. Murari holds office upto the date of this meeting. Certain members have given notice under Section 257 of the Companies Act, 1956 of their intention to propose Shri P. Murari's re-appointment as Director at the meeting.

Except Shri P. Murari, no other Director is concerned or interested in the Resolution.

ITEM NO. 5

Shri Tilak Dhar was appointed as the Managing Director of the Company for a period of five years w.e.f. 1.4.1992. Subsequently, on his appointment as the Jt. Managing Director in DCM-Shriram Industries Ltd., his terms of appointment in Daurala Organics Ltd. were revised w.e.f. 1.4.1994 and it was decided that he will not be drawing any renumeration from the Company. The Board of Directors have reappointed him for a further period of five years w.e.f. 1.4.1997 on the existing terms and conditions of his appointment. He will not draw any remuneration from the Company.

Except Shri Tilak Dhar and Dr. Bansi Dhar (being related to Shri Tilak Dhar), no other Director is concerned or interested in the Resolution.

ITEM NO. 6

The Company has been granted Sales Tax Deferment for a period of 8 years under the Uttar Pradesh Trade Tax Act. However, Govt. of Uttar Pradesh had promulgated the scheme operated through PICUP, under which interest free loan is granted in lieu of Sales Tax Deferment. Company has already availed interest free loan for the last 4 years, and the loan shall be further available for next 4 years. The loan is secured by a second charge on the assets (both movable & immovable) of the Company.

Company is also proposing to avail the enhanced working capital requirements from Banks/Financial Institutions/ Bodies Corporate and/or other lending Institutions. Such borrowings have to be secured by charge/mortgage on the assets of the Company, both movable and immovable, in the manner as may be desired by the lenders and agreed by the Company. Creation of charge/mortgage on the assets of the Company requires the approval of the Share-holders under Section 293 (1) (a) of the Companies Act, 1956. The Institutions/Banks have already committed Rs. 44 crs. loans to the Company against the existing limit of Rs. 40 crs.

It is therefore, proposed to increase this limit by authorising the Board to create charge/mortgage for an additional borrowings of Rs. 20 crs. This will augment the future working capital requirement also.

INTEREST

Except as indicated under the respective items, none of the Directors is interested or concerned in any of the above resolutions.

INSPECTION

A copy of Memorandum & Articles of Association of the Company, terms of appointment of Shri Tilak Dhar (Resolution no. 5) and copies of sanction letters received from the PICUP/Banks (Resolution no. 6) will be open for inspection at the Registered Office of the Company on all working days between 11:00 am. to 1:00 pm.

By order of the Board
For **DAURALA ORGANICS LIMITED**

Place : New Delhi.
Date : 12th August, 1997

(K.K. SRIVASTAVA)
Company Secretary

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DAURALA ORGANICS LIMITED

Registered Office : I-89, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi – 110 001

NOTICE

NOTICE is hereby given that an Extra-ordinary General Meeting of the members will be held on Tuesday, the 30th September, 1997 at FICCI Auditorium, Federation House, Tansen Marg, New Delhi 110 001 immediately after the conclusion of proceedings of the 7th Annual General Meeting scheduled at 10:00 a.m., to consider the erosion of more than 50% of the peak net worth of the company, as required under Section 23(1) (a) (ii) of Sick Industrial Companies (Special Provisions) Act, 1985.

By order of the Board
For **DAURALA ORGANICS LIMITED**

Place : New Delhi. (K.K. SRIVASTAVA)
Date : 12th August, 1997 **Company Secretary**

NOTES:

1. Explanatory statement as required under Section 173(2) of the Companies Act, 1956 is attached herewith.
2. A copy of the report of Directors is enclosed.

ANNEXURE TO NOTICE

[Explanatory statement under Section 173(2) of the Companies Act, 1956]

The accumulated losses of the Company, at the end of the financial year ended 31st March, 1997 have resulted in erosion of more than 50% of the peak net worth during the immediately preceding four financial years. According to the provisions of Section 23(1)(a)(ii) of the Sick Industrial Companies (Special Provisions) Act, 1985, the Company is required to hold on an Extra-ordinary General Meeting of its Shareholders for considering and noting such erosion. A report of the Board of Directors as to such erosion and it's causes, in accordance with the provisions of Section 23(1)(b) of the said Act is annexed.

The Company in terms of Section 23(1)(a)(i) of the Act is also taking necessary steps to report the fact of such erosion to the Board for Industrial and Financial Reconstruction.

None of the Directors is concerned or interested in the above business.

By order of the Board
For **DAURALA ORGANICS LIMITED**

Place : New Delhi. (K.K. SRIVASTAVA)
Date : 12th August, 1997 **Company Secretary**

REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS UNDER SECTION 23 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

The Board of Directors report that as on 31st March, 1997, the accumulated losses of the Company amounted to Rs. 14.68 crs. This has resulted in erosion of more than 50% of the peak net worth of the Company during the immediately preceding four financial years, which is Rs. 21.93 crs.

Main reasons for accumulated losses are :–

1. Delay in commissioning of the plant due to disturbances in some parts of the country and delay in supply of critical components/equipments resulting in increased interest and overheads, consequently affecting profitability.
2. Consequent upon the change in pattern of demand for the class of products produced by the Company, the product mix as well as the quantity and quality levels for different intermediates/ end products had to be suitably adjusted, resulting in variation in profit levels.
3. Stiff competition, both domestic & international for PGCL, resulting in drop in prices and extended credit period to the customers.
4. High interest burden, as the Company had contracted long term loans in 1992 with Financial Institutions/ Banks at the then prevailing rate of 20%.

The Company has taken/is envisaging the following measures to improve the situation :

1. Intensive R&D work is in progress to improve yields and reduce costs, besides improving the quality.
2. New items have been added to the product range which are already contributing to profits. More are being planned.
3. Ways and means are being explored to replace existing high cost loans, with cheaper funds (as interest rates have declined significantly).

ON BEHALF OF THE BOARD

Place : New Delhi. BANSI DHAR
Date : 12th August, 1997 **CHAIRMAN**

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DIRECTORS' REPORT

DAURALA ORGANICS

Your Directors are pleased to present the annual report and the audited accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

During the year the sales of the Company were Rs. 29.2 crores against Rs. 28.4 crores in the previous year. There was an operating profit of Rs. 7.4 crores against Rs. 7.2 crores in the previous year. Eventhough the operating profit (PBDIT) was higher, the Company incurred a net loss of Rs. 4.1 crs. due to higher financial charges in the current financial year on account of debentures issued in the previous year.

The accumulated losses of the Company on 31st March 1997 amounting to Rs. 14.7 crores have resulted in erosion of more than 50% of the net worth of the Company. The Company therefore now comes under the definition of "potentially sick company" as per the existing SICA, 1985 and accordingly a reference needs to be made to BIFR. The Report of the Directors, stating causes for erosion is annexed to the EGM Notice.

OPERATIONS AND FUTURE OUTLOOK

The year under review represented the third year of commercial operations. Sales of PGCH were lower in 1996-97 over the previous year largely due to substitution by low priced PG-Dane Salt. DOL was however, able to maintain the same sales turnover in value terms due to timely increase in production & sales of PG-Dane Salt.

Intense competition both domestic and international, in particular from China, continued to keep margins on our products under severe pressure. The Company is endeavouring to improve the operations/profitability by increasing market share of its products, lowering interest burden by tighter funds management and exploring new product lines.

RESEARCH & DEVELOPMENT

The Company continued its emphasis on research & development. In its drive for cost reduction, better yields and efficiencies, the existing processes were improved by inhouse effort. Further, capacities of the Plants were debottlenecked to improve productivity with minimum investment.

During the current year the focus of research & development will be on further improvement in quality and reduction in costs.

OTHER INFORMATION

The information required to be furnished under Section 217(2A) of the Companies Act. 1956 is given in Annexure-I to this report.

The information pertaining to conservation of energy, technology absorption, and foreign exchange earnings/ outgo is given in Annexure-II.

DIRECTORS

Sh. S.N. Agarwal and Sh. P. Murari, Directors of the Company will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Sh. Tilak Dhar, Managing Director has been reappointed for a further period of 5 years w.e.f. 1st April 1997 on the existing terms and conditions of his appointment. He will not draw any remuneration from the Company as hitherto.

ACKNOWLEDGEMENT

Your Directors wish to acknowledge their gratitude to the co-operation and assistance received from financial institutions, Banks, Government agencies, shareholders, dealers, suppliers, customers and technical collaborators.

The Directors express their appreciation for the support given and contribution made by the employees at all levels, including those of the promoter company associated with the Company.

ON BEHALF OF THE BOARD

Place : New Delhi
Date : 12th August, 1997

BANSI DHAR
CHAIRMAN

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