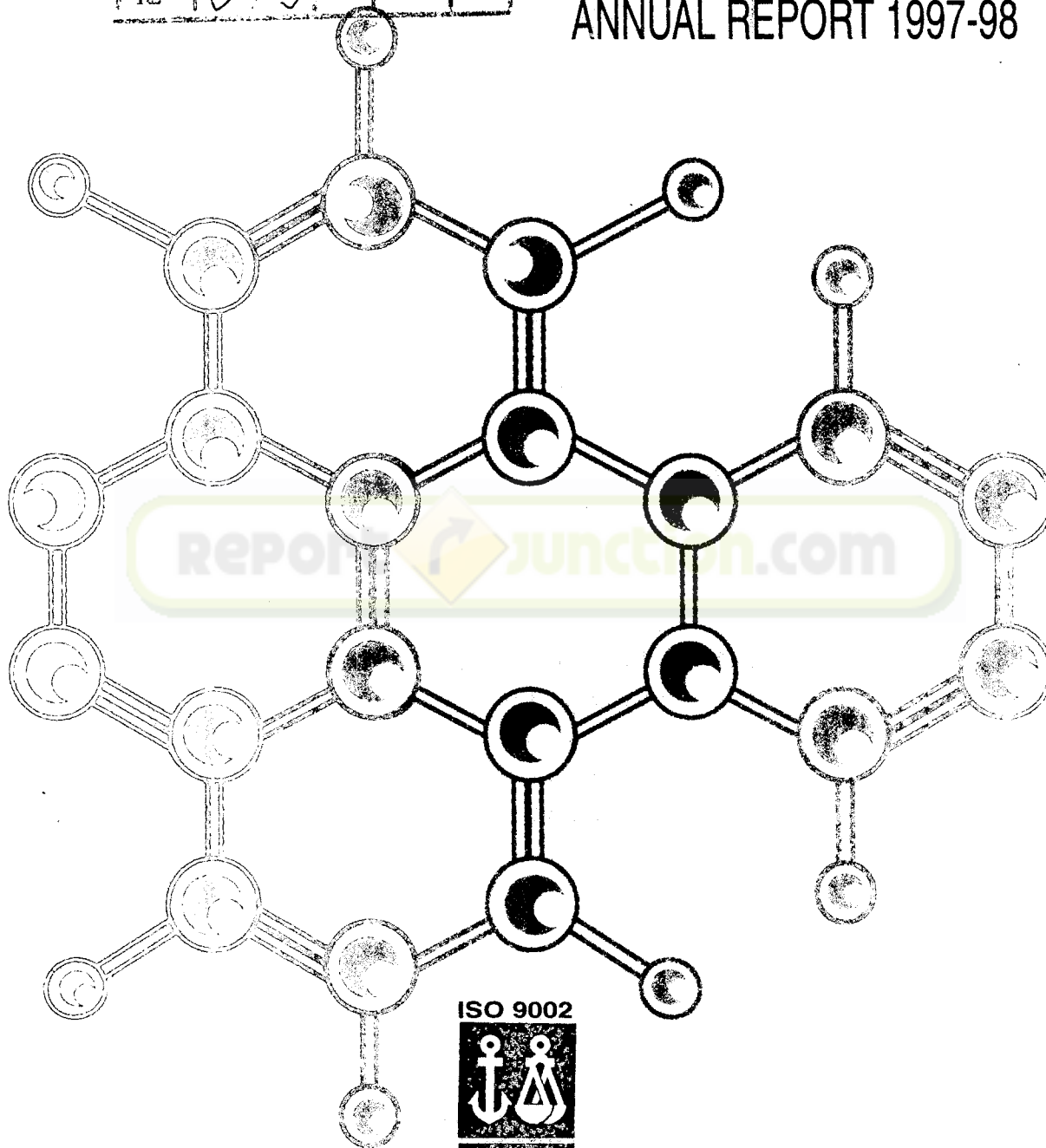


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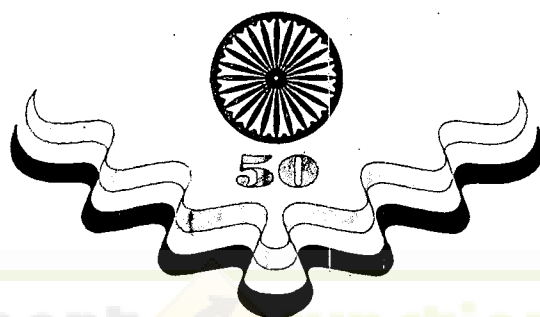
ANNUAL REPORT 1997-98



ISO 9002



DAURALA ORGANICS LTD.



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***Daurala Organics Ltd.
celebrates the spirit of independence
through its on-going research in,
and production of,
hi-tech, import substitution chemicals
that match the world's best.***

DAURALA ORGANICS LIMITED

Board of Directors	Dr. Banshi Dhar	<i>Chairman</i>
	Shri Tilak Dhar	<i>Managing Director</i>
	Shri Anil Gujral	<i>Whole Time Director</i>
	Dr. Gurpreet Singh	<i>Director</i>
	Shri Ravi Bahadur	<i>Director</i>
	Dr. Ramesh C. Vaish	<i>Director</i>
	Shri S. N. Agarwal	<i>Director</i>
	Shri P. Murari	<i>Director</i>
	Shri R. S. Sharma	<i>Director (Nominee of IFCl)</i>

Company Secretary-Cum-AGM (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 Venkatesh Bhawan
212-A, Shahpurjat
Behind Panchsheel Club
New Delhi - 110 049
Tel. No. 6494830, 6494831, 6494832
Fax No. (011) 6494152

DAURALA ORGANICS LIMITED

Registered Office : I-89, 8th Floor, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi - 110 001

NOTICE

The 8th Annual General Meeting of the Company will be held on Tuesday, the 22nd September, 1998, at 10.00 A.M. at FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110 001 to transact the following business:

ORDINARY BUSINESS:

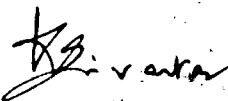
1. To consider and adopt the Audited Accounts of the Company for the Financial Year ended 31.03.1998, the Balance Sheet as at that date and the Report of Directors and the Auditors thereon.
2. To appoint Auditors and to fix their remuneration. The retiring Auditors, M/s S.S. Kothari & Co. Chartered Accountants are eligible for re-appointment.
3. To appoint a Director in place of Dr. Banshi Dhar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sh. Ravi Bahadur who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolution, with or without modifications, as a **Special Resolution**:

"RESOLVED THAT subject to the approval of the Stock Exchanges and/or any other authority as may be required, approval be and is hereby accorded for delisting of the Company's Shares from Kanpur, Madras, Jaipur, Ahmedabad and Calcutta Stock Exchanges."

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



(K.K. SRIVASTAVA)

Company Secretary-cum-
AGM (Fin. & A/cs)

Place: New Delhi.

Date : 17th June, 1998

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 9th September, 1998 to 16th September, 1998 (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. 5

The Company's shares are presently listed in Delhi, Mumbai, Madras, Calcutta, Kanpur, Ahmedabad and Jaipur Stock Exchanges. In addition, the shares are also traded actively on National Stock Exchange (NSE). The shares are infrequently traded on Madras, Calcutta, Kanpur, Ahmedabad and Jaipur Stock Exchanges. In some of the Exchanges, there have been no transactions for months together. However, the shares are actively traded on Delhi and Mumbai Stock Exchanges and also on NSE as a permitted security.

With the advent of electronic transaction, an investor can buy/ sell his securities in any of the Exchange(s) in the country without any problem. In view of this, there is no justification for keeping the shares listed on so many Exchanges, and thereby incurring avoidable expenditure. The Board of Directors had, accordingly, approved applications to Madras, Kanpur, Ahmedabad, Jaipur and Calcutta Stock Exchanges for delisting of the shares as the Company fulfilled the criteria laid down by the Finance Ministry in this respect. The matter is being pursued with the concerned Stock Exchanges.

However, as a matter of abundant precaution, it is proposed to obtain the approval of the shareholders to the proposed delisting of shares by a special resolution. None of the Directors is concerned or interested in the resolution.

DIRECTORS' REPORT



Your Directors are pleased to present the annual report and the audited accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

There was all round improvement in the operations, turnover and profitability of the Company. Sales & other income during the year amounted to Rs. 38.4 crs., reflecting a growth of 32% over the previous year. The operating profit (PBDIT) increased by 40% and the gross profit (PBDT) improved to Rs. 3.3 crs. against a loss of Rs. 1.1 crs. in the previous year.

OPERATIONS & FUTURE OUTLOOK

During the year, the market for the user anti-biotics, i.e. Ampicillin and Cephalixin, became still more competitive, putting pressure on the items manufactured by us. In spite of this, the Company improved its operations /profitability through multiprolonged strategies such as increasing market penetration, debottlenecking of capacities and reducing costs particularly through significant reduction in energy usage. Exports got off the ground with a turnover of about Rs. 1 crore. It is planned to continue with this thrust, besides exploring new products and also ways and means to reduce the interest burden.

The Directors are happy to report that during the year, the Company was accredited with ISO 9002 certification.

RESEARCH & DEVELOPMENT

The Company continued its emphasis on research & development. The existing processes were improved by in-house effort. Capacities of the Plants were debottlenecked to improve productivity with minimum investment.

During the current year the focus of R&D activities will continue on further improvement in quality, reduction in costs, and development of new products/ processes.

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 and outgo is given in Annexure-II.

DIRECTORS

Dr. Bansi Dhar and Sh. Ravi Bahadur, directors of the Company will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

ACKNOWLEDGMENT

Your Directors wish to record their sincere gratitude for the co-operation and assistance received from Financial

Institutions, Banks, Government Agencies, Shareholders, Dealers, Suppliers, Customers and Technical Collaborators.

The Directors also 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 : 17th June, 1998

BANSI DHAR
CHAIRMAN

AUDITORS' REPORT

To the Members of Daurala Organics Limited

We have audited the attached Balance Sheet of Daurala Organics Limited, New Delhi as at March 31, 1998 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by Company Law Board in terms of Section 227 (4A) 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.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b) 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.
 - c) The attached Balance Sheet and Profit & Loss Account are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Accounting Policies and Notes to Accounts given in Schedule No. 13, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) in case of Balance Sheet of the state of affairs of the company as at March 31, 1998 and
 - ii) in case of Profit & Loss Account of the profit of the company for the year ended on that date.

FOR S. S. KOTHARI & CO.
Chartered Accountants

Arun K. Tulsian
Partner

New Delhi
17th June, 1998

ANNEXURE

(Annexure referred to in paragraph 1 of our report of even date to the Members of Daurala Organics Limited on the accounts for the year ended March 31, 1998.)

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified by the management and no material discrepancy with respect to book records was noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials of the Company have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
7. The Company has not taken any loans, secured or unsecured from Companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956. As explained to us, there are no companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
9. The Company has given advances in the nature of loans to employees and other who are regular in repayment of the principal amounts and interest wherever stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with

AUDITORS' REPORT (Continued)

regard to purchases of stores, raw materials including components, plant and machinery, equipment and other similar assets and for the sale of goods.

11. There are no transactions of purchase of goods and materials and sale of goods, materials and services during the year aggregating to Rs. 50,000 or more in respect of each party in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. No such items have been determined by the Company during the year.
13. In our opinion, and according to the information and explanations given to us the Company has complied with the provisions of section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap and by products.
15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the Company's products.
17. The Company has been generally regular in depositing the provident fund dues with appropriate authorities. There are no arrears of such dues as at the close of the year. The provisions of Employees State Insurance Act, 1948 are not applicable to the Company as explained to us.
18. There are no undisputed amounts payable in respect of income tax, sales tax, custom duty and excise duty outstanding as at March 31, 1998 for a period of more than six months from the date they become payable.
19. During the course of our examination of books of accounts carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses other than expenses under contractual obligation with the Company's employees, and/or generally accepted business practices, which have been charged to revenue account.

20. The Company is not a Sick Industrial Company within the meaning of section 3(1)(0) of the Sick Industrial Companies (Special Provisions), Act, 1985.

FOR S. S. KOTHARI & CO.
Chartered Accountants

Arun K. Tulsian
Partner

New Delhi
17th June, 1998