

DAURALA ORGANICS LTD.

Annual Report

1998-99



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 **DAURALA
ORGANICS**

DAURALA ORGANICS LIMITED

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

NOTICE

The 9th Annual General Meeting of the Company will be held on Tuesday, the 28th September, 1999, at 10.00 A.M. at FICCI Auditorium, Federation House, Tansen Marg, New Delhi - 110001 to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Accounts of the Company for the Financial Year ended 31.03.1999, 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. Ramesh C. Vaish who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. Gurpreet Singh 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 an **Ordinary Resolution** :

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and any amendments/re-enactments thereof, and subject to such approvals as may be necessary, the Company hereby accords its consent to the re-appointment of Shri Anil Gujral as Whole-Time Director of the Company for a period of 5 years w.e.f. 01.04.1999 on the terms and conditions and remuneration, as set out in the Explanatory Statement to this resolution."

"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 Anil Gujral during his terms 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 resolution, with or without modifications, as an **Ordinary Resolution** :

"RESOLVED THAT pursuant Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the authorised share capital of the Company be and is hereby increased from Rs. 25,00,00,00 (Rupees Twenty Five Crores) divided into 2,49,95,000 (Two Crore Forty Nine Lac Ninety Five Thousand) equity shares of Rs. 10 (Rupees Ten) each and 500 (Five Hundred) 12.5% redeemable cumulative preference shares of Rs. 100 (Rupees One Hundred) each to Rs. 40,00,00,000 (Rupees Forty Crores) divided into 3,99,95,000 (Three Crore Ninety Nine Lac Ninety Five Thousand) equity shares of Rs. 10 (Rupees Ten) each and 500 (Five Hundred) 12.5% redeemable cumulative preference shares of Rs. 100 (Rupees One Hundred) each and consequently Clause V of the Memorandum of Association of the Company be altered by substituting the existing Clause V by the following :

- V. The authorised share capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 3,99,95,000 (Three Crore Ninety Nine Lac Ninety Five Thousand) equity shares of Rs. 10 (Rupees Ten) each and 500 (Five Hundred) 12.5% redeemable cumulative preference shares of Rs. 100 (Rupees One Hundred) each."

NOTICE (Continued)

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, if any, required, Article 4 of the Articles of Association of the Company be altered by substituting the existing Article 4 by the following :

4. The authorised share capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 3,99,95,000 (Three Crore Ninety Nine Lac Ninety Five Thousand) equity shares of Rs. 10 (Rupees Ten) each and 500 (Five Hundred) 12.5% redeemable cumulative preference shares of Rs. 100 (Rupees One Hundred each)."
8. To consider and, if thought fit, to pass the following resolution, with or without modifications, as a **Special Resolution** :

"RESOLVED THAT subject to such approvals, consents and/or permissions, as may be required, consent of the Company be and is hereby accorded in terms of Section 81(1A) and other applicable provisions of the Companies Act, 1956 in favour of the Board of Directors of the Company (hereinafter called "The Board") to issue and allot 1,26,00,000 equity shares of Rs. 10 each for cash at par, ranking pari passu with the existing equity shares to DCM Shriram Industries Ltd. and the Board be and is hereby authorised to accept any amendments, modifications or changes in the proposal as may be stipulated by the Institutions while according their approval."

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

(K.K. SRIVASTAVA)

Place : New Delhi **Company Secretary-cum-**
Date : 27th August, 1999 **AGM (Fin. & A/cs)**

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 14th September, 1999 to 21st September, 1999 (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 the Companies Act, 1956]

ITEM NO. 5

Shri Anil Gujral has been associated with the Company since its inception and has been instrumental in the growth of the Company. His term of office came to an end on 31st March, 1999. Since his continuance as the Whole-Time

NOTICE (continued)

Director of the Company is in the interest of the Company, the Board of Directors at its meeting held on 25.01.1999 re-appointed him for a further period of 5 years on the terms and conditions as set out hereunder, subject to the approval of shareholders and IFCI, the Lead Institution : —

TENURE : April 1, 1999 to March 31, 2004

SALARY : Rs. 35,000 P.M. in the grade of Rs. 35,000—50,000

INCREMENTS : As may be decided by the Board.

REWARD : Upto 50% of annual salary, as may be decided by the Board, based on performance.

PERQUISITES

He shall be entitled to the following perquisites in addition to the above remuneration.

PART 'A'1. **HOUSING**

- a) The expenditure incurred by the Company on hiring accommodation shall be subject to a ceiling of 60% of the salary.
- b) In case no accommodation is provided, he shall be entitled to house rent allowance, subject to the ceiling laid down above.
- c) The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary.

2. **MEDICAL REIMBURSEMENT** — Expenses incurred for self and family subject to a ceiling of one month's salary per year or five months' salary in a period of 5 years.

3. **LEAVE TRAVEL CONCESSION** — For self and family once in a year as per rules of the Company.

4. **CLUB FEES** — Fees of clubs, subject to a maximum of two clubs, admission and life membership fee not being allowed.

5. **PERSONAL ACCIDENT INSURANCE** — Premium not to exceed Rs. 4000/- per annum.

PART 'B'

1. **COMPANY'S CONTRIBUTION TOWARDS PROVIDENT FUND/SUPERANNUATION FUND** — As per rules of the Company.

2. **GRATUITY** — As per rules of the Company.

3. **EARNED/PRIVILEGE LEAVE** — As per rules of the Company, Leave accumulated but not availed of during his tenure may be allowed to be encashed as per rules of the Company.

PART 'C'

1. **CAR** — Provision of a chauffeur driven car.

2. **TELEPHONE** — Free telephone facility at residence, personal long distance calls to be paid for by him.

3. **ENTERTAINMENT EXPENSES** —

Reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.

These will not be considered as perquisites for the purpose of ceiling under Section 198/309 of the Companies Act, 1956.

OTHER TERMS AND CONDITIONS

1. He shall not be paid any sitting fee for attending the meetings of the Board or Committee/s thereof.

2. The Board may revise the existing or allow any other facilities/perquisites, from time to time, within the overall ceiling laid down by the Central Government from time to time.

3. In the event of absence or inadequacy of profits in any financial year, he will be paid the above remuneration subject to the overall ceilings laid down in Section II of part II of Schedule XIII.

4. He shall not become interested or otherwise concerned personally or through his wife, sons or unmarried daughters, in any selling

NOTICE (Continued)

agency of the Company, without the prior approval of the Company Law Board.

5. The appointment may be terminated by either party giving to the other six calendar months' notice in writing or lesser notice as may be agreed to.

In the event of termination of the appointment by the Company he shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

Except Shri Anil Gujral no other Director is concerned or interested in the resolution.

ITEM NOS. 6, 7 & 8

The Company commenced production in 1994. Because of the unforeseen market situation and the high technology involved, it took considerable time for the operations to stabilise. This coupled with high interest cost resulted in erosion of more than 50% of the networth and the Company became a potentially sick company in the year 1996-97. However, with concerted efforts, the Company could be turned around in the year 1997-98 and the trend is continuing. However, the profits are adversely affected by the high cost of borrowings. The Promoter Company, DCM Shriram Industries Ltd. (DCMSR) had provided funds to the tune of Rs. 10 cr. to the Company by subscribing to zero per cent NCDs in May, 1995. The NCDs were to be redeemed on 1.5.1998 at a premium of Rs. 26 per NCD of Rs. 100. However, because of tight cash flow position, the Company had requested DCMSR to roll over the NCDs alongwith the premium payable of Rs. 2.6 cr. for a further period of 3 years. In order to bring more stability to the operations and improve profitability the Company requires to undertake some financial restructuring. As a part of this, the Company requested DCMSR to take up equity shares in the Company by redeeming the NCDs, subject to necessary approvals. The total amount to be so redeemed/issued by way of equity shares will be Rs. 12.6 cr. Pro-rata premium on these NCDs from 1.5.1998 to the date of such

redemption will be paid over to DCMSR. According to SEBI Guidelines, the issue price of equity shares works out to Rs. 6.50 per share. As the price worked out is less than the face value, it is proposed to issue the shares at par. Accordingly, 1,26,00,000 equity shares of Rs. 10 each will be issued and allotted to DCM Shriram industries Ltd. With this issue, the paid-up equity capital of the Company will go up to Rs. 34.53 cr. wherein the holding of the Promoters will be 57.52% out of which DCM Shriram industries Ltd. will be holding 54.59%, the holding of the Financial institutions/Mutual Funds will be 5.07% and the holding of the public will be 37.42%. The proposed issue of equity shares will not result in any change in the management or Board of Directors of the Company.

The issue and allotment of shares as proposed is subject to the approval of the concerned Financial institutions.

In order to give effect to the resolution for further issue of capital, the Authorised Capital of the Company is proposed to be increased from Rs. 25 cr. to Rs. 40 cr. and it is also proposed to make consequential changes in the Memorandum and Articles of Association.

INSPECTION

The necessary certificate from the statutory auditors of the Company to the effect that the issue is being made in accordance with SEBI guidelines for preferential issue of capital, will be open for inspection between 11 AM to 1 PM on all working days at the Registered Office of the Company.

INTEREST

Dr. Bansil Dhar and Shri Tilak Dhar being Directors in both the Companies may be deemed to be interested in the Resolutions.

DAURALA ORGANICS LIMITED

Board of Directors	Dr. Bansi 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 IFCI)</i>

Company Secretary-Cum-AGM (Fin. & A/cs)	Shri K.K. Srivastava
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Bankers	State Bank of India Oriental Bank of Commerce
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Auditors	S.S. Kothari & Co. New Delhi
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Registered Office	I-89, Himalaya House, 8th Floor, 23, Kasturba Gandhi Marg, New Delhi - 110 001
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Works	P.O. Daurala Distt. Meerut (U.P.) - 250 221
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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
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DIRECTORS' REPORT



Your Directors are pleased to present the annual report and the audited accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

Despite continuing competitive conditions, the Company was able to maintain its operations broadly at last year's level with improvement in sales and profits.

Sales and other income during the year amounted to Rs. 38.7 crores against Rs. 37.8 crores in the previous year. The gross profit (PBDT) improved to Rs. 3.8 crores against Rs. 3.3 crores in the previous year and the net profit (PAT) was also higher at Rs. 0.6 crores against Rs. 0.3 crores in the previous year.

OPERATIONS & FUTURE OUTLOOK

The turn-around in the Company's operations, which commenced in the previous year was further consolidated during the year under review, inspite of depressed market conditions. Through greater market penetration and exports, together with cost reduction and productivity increases, the Company was able to improve its profitability, inspite of declining prices. Exports more than tripled over the previous year.

Two new products were developed during the year. Manufacturing facilities for these were set up towards the end of the year, whose benefits should accrue in the current year.

The Company proposes to continue with the above strategies during the present year, in its endeavour to accelerate the improvement in its operations and financial results.

RESEARCH & DEVELOPMENT

During the year production processes were improved by in-house efforts resulting in productivity improvement and cost reduction with minimal investment. Two new products were developed as referred to above, which will yield benefits in the current year. The Company proposes to continue its focus on R&D activities.

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. Ramesh C. Vaish and Dr. Gurpreet Singh, 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 : 26th May, 1999

BANSI DHAR
CHAIRMAN