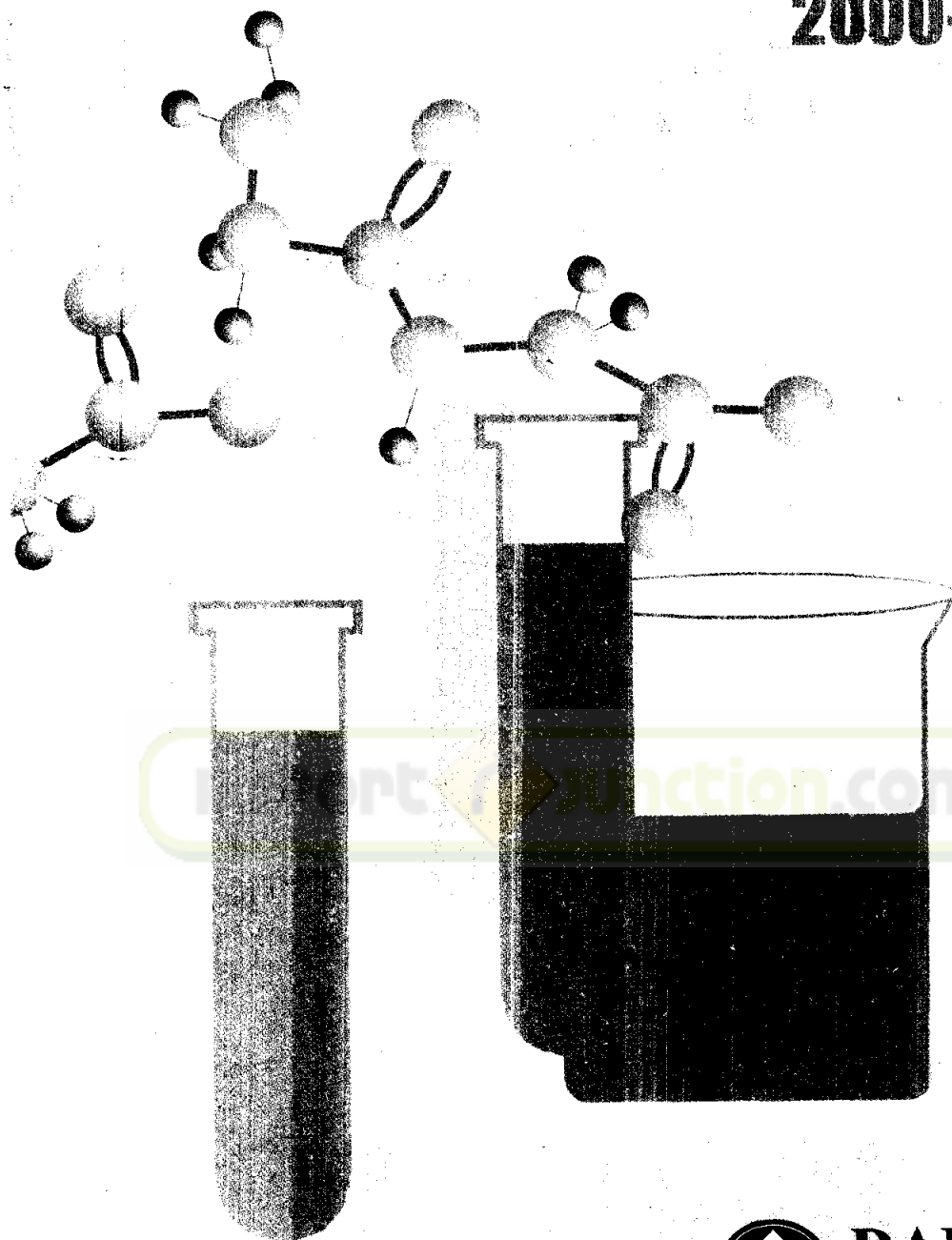


Annual Report

2000-2001



**DAURALA
ORGANICS**

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 N. K. Gupta	<i>Director (Nominee of IFCl)</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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DAURALA ORGANICS LIMITED

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

NOTICE

The 11th Annual General Meeting of the Company will be held on Thursday, the 27th September, 2001 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 31.03.2001, 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. Bansi 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 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 amendment/re-enactment thereof, and subject to such approvals, as may be necessary, the Company hereby accords its consent to re-appointment of Shri Tilak Dhar as the Managing Director of the Company for a period of 5 years w.e.f. 01.10.2001 as per the terms and conditions 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 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 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/or the provisions of other statutes as may be applicable and/or subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby amended by insertion of a new Article numbered 59-A after Article no. 59 of the Articles of Association of the Company as follows :"

59-A : Dematerialisation of Securities

- (1) Definitions:

For the purpose of this Article :-

"Beneficial owner" means a person or persons whose name is recorded in the Register maintained by a Depository under the Depositories Act, 1996 (22 of 1996).

"SEBI" means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992 (15 of 1992).

"Security" means such security as may be specified by SEBI from time to time and includes all kinds of shares or debentures which may be issued from time to time by the Company and which are entitled to be dematerialised.

"Members" in respect of dematerialised shares means the beneficial owner thereof, i.e. the person or persons whose name is recorded as a beneficial owner in

NOTICE (Continued)

the register maintained by a Depository under the Depositories Act, 1996 and in respect of the shares, the person or persons whose name is duly registered as a holder of a share in the Company from time to time and includes the subscribers to the Memorandum of Association.

"Corporate benefits" means and includes the benefits like dividend on the shares, interest on debentures, rights, options and bonus entitlements which may at any time be bestowed on the holders of the securities by virtue of holding the securities.

2. Dematerialisation of securities :

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the provisions of the Depositories Act, 1996 or otherwise.

3. Issue of securities and option for investors :

Notwithstanding anything contained in these Articles, every issue of securities by the Company may be in the dematerialised form and the Company shall intimate the details of allotment to the depository immediately on allotment of such securities.

Investors in a new issue and the beneficial owners shall have the option to rematerialise the shares subsequent to the allotment or dematerialisation, as the case may be in which event the Company shall issue to the investor/beneficiary the required certificates of securities subject to the provisions of applicable laws, rules, regulations or guidelines.

4. Securities of the depository mode to be in fungible form :

All securities held in the depository mode with a depository shall be dematerialised and be in fungible form. To such securities held by a depository owner, nothing contained in Sections 153, 153A, 153B, 187B, 187C, 372, 372A of the Act shall apply in accordance with Section 9(2) of the Depositories Act, 1996 (22 of 1996).

5. Right of Depositories and Beneficial Owners :

a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have other membership rights or be entitled to the corporate benefits that may accrue to the members of the Company.

c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the register maintained by a depository shall be deemed to be a member of the Company. The beneficial owner of securities shall alone be entitled to all the rights and benefits and be subject to all the liabilities like payment of unpaid call moneys and furnishing of such information as may be necessary to enable the Company to enter his name in the register and index of beneficial owners or other records as applicable, in respect of the securities held in the depository mode of which he is the beneficial owner.

6) Service of documents on Company :

Notwithstanding anything contained in the Act or these Articles of the Company, where securities are held in a depository mode, the records of the beneficial owner may be served by a depository on the Company by means of electronic mode or by delivery of floppies or discs.

7) Service of notice on beneficial owners :

Wherever required, the Company may serve a notice for any purpose under the Act in accordance with the provisions of Section 53 of the Act or as permissible under any law or statute for the time being in force.

NOTICE (Continued)**8) Transfer of securities :**

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered in the Register maintained under the Depositories Act, 1996 (22 of 1996)

9) Distinctive numbers of securities held in depository mode :

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to the securities held in the depository mode.

10) Register and Index of Members :

a) The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions of the Act and the Depositories Act, 1996 (22 of 1996) with details of shares in material and dematerialised forms in any media as may be permitted by law, including in any form of electronic media.

b) The Register and Index of Beneficial Owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be Register and Index of Members and holders of securities for the purpose of these Articles and the Act.

11) Issue of Share Certificates :

In the case of transfer and transmission of shares where the Company has not issued any certificates and where such shares are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

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, 2001 to 27th September, 2001 (both days inclusive).

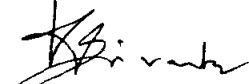
3. Shareholders are requested to address all communications regarding transfer/transmission of shares/change of address etc. to M/s MCS Ltd., Srivenkatesh Bhawan, 212 A, Shahpurjat, Behind Panchsheel Club, New Delhi-110 049.

4. The shares of the Company have been included in the list of securities for compulsory trading in dematerialised form for all investors. Shareholders are therefore advised to dematerialise their shareholdings to avoid inconvenience in future. The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), to enable the shareholders to dematerialise their shareholdings in the Company, for which they may contact the depository participants of either of above Depositories.

5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries in writing to the Company Secretary at least 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.

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


(K.K. SRIVASTAVA)

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

Place : New Delhi
Date : 24.05.2001

NOTICE (Continued)**ANNEXURE TO NOTICE**

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

Item No. 5

Shri Tilak Dhar was re-appointed as the Managing Director of the Company for a period of five years from 01.04.1997. The Managing Director was not receiving any remuneration from the Company as the Company was in gestation period and in the process of consolidation. The financials of the Company have improved considerably and the Company has taken up expansion in the areas having synergy with the present operations. Shri Tilak Dhar's contribution in turning around the Company has been plausible. The Board of Directors, therefore, has re-appointed Shri Tilak Dhar for a period of five years w.e.f. 01.10.2001 on a token remuneration given below :

- The Managing Director shall discharge duties and functions assigned to him by the Board of Directors, from time to time.
- Shri Tilak Dhar, who is the Vice Chairman of DCM Shriram Industries Ltd. and has been drawing remuneration from that Company, shall be remunerated by way of reimbursement to DCM Shriram Industries Limited 50% of the remuneration being paid by that Company to him, subject to a limit of Rs. 6 lacs in a financial year. The reimbursement for part of the year will be on pro rata basis.
- Shri Tilak Dhar shall not become interested or otherwise concerned directly or through his wife or minor children, in any selling agency of the Company, without prior approval of the Central Government.

- The above appointment may be terminated by either party giving to the other party six calendar months' notice in writing.
- The above appointment is subject to the approval of the shareholders under the Companies Act, 1956 and any other approval(s), as may be necessary.
- The above may be treated as an abstract under Section 302 of the Act.

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

Item No. 6

The Securities and Exchange Board of India (SEBI) has notified the equity shares of the Company for compulsory trading in dematerialised form by all classes of investors.

The Company has accordingly entered into Tripartite Agreements with National Securities Depository Ltd. (NSDL), the Central Depository Services (India) Ltd. (CDSL) and the Registrar and Transfer Agents, M/s. MCS Ltd. to facilitate electronic trading of its shares. In this respect certain consequential changes are required to be made in the Articles of Association of the Company as given in the draft resolution. Your Directors therefore, recommend this resolution for approval.

None of the Directors is concerned or interested in the resolution. A copy of the Memorandum and Articles of Association of the Company and the Tripartite Agreement mentioned above are available in the Registered Office of the Company for perusal of the shareholders on any working day from 11:00 A.M. to 1:00 P.M. up to the date of the Annual General Meeting.

DIRECTORS' REPORT



Your Directors are pleased to present the Annual Report and the audited accounts of the Company for the year ended 31st March' 2001.

FINANCIAL RESULTS

During the year, the Company registered all round improvement in its operations, turnover and profitability despite continuing competitive market conditions.

The gross total income during the year increased by 27% to Rs. 73.4 Crores from Rs. 57.9 Crores in the previous year. The gross profit (PBDT) was higher at Rs. 7.0 Crores against Rs. 5.2 Crores in the previous year. The net profit (PBT) doubled to Rs. 3.4 Crores from Rs. 1.7 Crores in the previous year.

OPERATIONS AND FUTURE OUTLOOK

The momentum in improvement of the Company's operations was maintained during the year in spite of difficult market conditions. The improved results were achieved through multipronged strategies aimed at increasing market penetration and sales (including exports) and improving process efficiencies.

Exports during the year at Rs. 14.4 Crores were more than double of the previous year's figure of Rs. 5.9 Crores. This indicates an increasing worldwide acceptance of the Company's products. A plant to manufacture a new product is being set up in the current financial year which will contribute towards improving the financial performance of the Company.

RESEARCH & DEVELOPMENT

Intensive R&D efforts have helped in continuously upgrading quality, improving efficiencies and introducing new products.

OTHER INFORMATION

Information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure-I.

During the year, there was no employee in receipt of remuneration in excess of the limits laid down under Section 217(2A) of the Companies Act, 1956.

Report on Corporate Governance in compliance

with clause 49 of the Listing Agreement with the Stock Exchanges is given in Annexure-II.

DIRECTORS

Dr. Banshi Dhar and Sh. Ravi Bahadur, Directors of the Company will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors confirm that in the preparation of the annual accounts :-

- i) the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) such accounting policies have been selected and applied consistently and reasonable and prudent judgements and estimates made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

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.

ON BEHALF OF THE BOARD

BANSI DHAR
CHAIRMAN

Place : New Delhi
Date : 24.05.2001

Annexures to the Directors' Report



Annexure-I

Information as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) CONSERVATION OF ENERGY :

- a) Major energy conservation measures taken :
 - Use of alternate medium for cooling/heating the process liquids.
 - Modification in material flow to reduce power consumption.
 - Heat recovery from condensate.
- b) Additional investments and proposals for reduction of consumption of energy:
 - Alternate Refrigeration system.
 - Introduction of better systems for creating vacuums.
- c) Impact of the above measures :
 - Saving in power, steam and refrigerant usage.
- d) Total energy consumption and energy consumption per unit of production are furnished in Form 'A'.

B) TECHNOLOGY ABSORPTION:

- Please see Form 'B'.

C) FOREIGN EXCHANGE EARNINGS & OUTGO:

	Amount
Foreign Exchange Earned (Rs./Lacs)	1,444.32
Foreign Exchange Used (Rs./Lacs)	835.32

FORM -A

PARTICULARS	2000- 2001	1999-2000
A. POWER AND FUEL CONSUMPTION		
1. Electricity — (Lacs/KWH)	90.35	86.45
2. Coal (mixed grade)	—	—
3. Furnace Oil	—	—
4. Others/Internal generation	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION (ALL PLANTS)		
— Electricity (KWH/KG)	2.50	2.72
— Steam (KG/KG)	9.83	8.64

Note : Steam consumption per kg is higher due to change in product mix.

FORM -B

Form for disclosure of particulars with respect to Absorption.

A) RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company :
 - Improvements in processes to increase through put and reduce cost of production.
 - Development at lab and pilot plant level of products synergistic to our present products.
2. Benefits derived as a result of above R&D :
 - Higher production levels and cost reduction of existing products.
 - Pilot plant production started for new intermediates for the Agro and Pharma industries.
3. Future Plan of Action :
 - Continuous work towards improving efficiencies and quality.
 - Setting up of commercial plants for exploration of technology developed on pilot plant.
4. Expenditure on R&D :

(Rs. Lacs)

a) Capital	2.01
b) Recurring	13.38
c) Total	15.39
d) Total R&D expenditure as a percentage of total turnover - 0.25%	

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief :
 - Quality improvements made in the products to make world class products.
 - New Processes developed with in-house efforts.
2. Benefits derived :
 - Import substitution items produced on Pilot Plant scale.
3. Technology imported during last 5 years :
 - a) Technology imported.
 - Process technology for manufacture of a drug intermediate
 - b) Year of import
 - 2000-01
 - c) Has technology been fully absorbed?
 - Yes
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.
 - N.A.