



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. Ramesh C. Vaish	<i>Director</i>
	Dr. Gurpreet Singh	<i>Director</i>
	Shri Ravi Bahadur	<i>Director</i>
	Shri P. Murari	<i>Director</i>
	Shri S.N. Agarwal	<i>Director</i>
	Shri N. K. Gupta	<i>Director (Nominee of IFCI)</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	405 - 406, 4th Floor, Akashdeep Building, 26-A, Barakhamba Road, New Delhi - 110 001
--------------------------	-----------------------------------------------------------------------------------------------

Works	P.O. Daurala Distt. Meerut (U.P.) - 250 221
--------------	------------------------------------------------

Investor Relation Centre	Daurala Organics Ltd., 6th Floor, Kanchenjunga Building, 18, Barakhamba Road, New Delhi - 110001 Tel. No. (011) 3321413 Fax No. (011) 3350765
---------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------

DAURALA ORGANICS LIMITED

Regd. Office : 405-406, 4th Floor, Akashdeep Building, 26-A, Barakhamba Road, New Delhi - 110 001

NOTICE

The 12th Annual General Meeting of the Company will be held on Friday, the 27th September 2002 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 31.03.2002, 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 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 approvals, if any required, as may be necessary, the Company hereby accords its consent to revision in payment of remuneration to Shri Tilak Dhar, Managing Director of the Company w.e.f. 01.12.2001 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 an **Ordinary Resolution**.

"RESOLVED THAT pursuant to Section 94 and all other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 25,00,00,000/- (Rupees Twenty Five Crores only) divided into 2,49,95,000 (Two Crores Forty Nine Lacs Ninety Five Thousand) Equity Shares of Rs.10/- (Rupees Ten) each and 500 (Five Hundred) 12.5% Redeemable Non-cumulative Preference Shares of Rs.100/- (Rupees One Hundred) each to Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 3,49,95,000/- (Three Crores Forty Nine Lacs Ninety Five Thousand only) Equity Shares of Rs.10/- (Rupees Ten) each and 500 (Five Hundred) 12.5% Redeemable Non-cumulative Preference shares of Rs.100/- (Rupees One Hundred) each."

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

"RESOLVED THAT 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.35,00,00,000/- (Rupees thirty Five Crores only) divided into 3,49,95,000 (Three Crores Forty Nine Lacs Ninety Five Thousand) Equity Shares of Rs.10/- (Rupees Ten) each and 500 (Five Hundred) 12.5% Redeemable Non-cumulative Preference Shares of Rs.100/- (Rupees One Hundred) each."

NOTICE (Continued)

8. 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, the Articles of Association of the Company be altered as follows:

For the existing Article 4, the following Article be substituted:

4. The authorised share capital of the Company is Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 3,49,95,000 (Three Crore Forty Nine Lacs Ninety Five Thousand) Equity Shares of Rs.10/- (Rupees Ten) each and 500 (Five Hundred) 12.5% Redeemable Non-cumulative Preference Shares of Rs.100/- (Rupees One Hundred) each."

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

"RESOLVED THAT under Section 293(1)(a) of the Companies Act, 1956, the Board of Directors or a Committee thereof be and is hereby authorised, subject to such approvals as may be necessary, to secure debentures or any other debt instruments or borrowings of any other form upto an amount of Rs.25 Crs. by creation of mortgage/charge of the immovable and/or movable properties of the Company, both present and future on such terms and conditions as may be approved by the Board or a Committee thereof and such charges to rank, pari-passu or subordinate, subsequent and secondary to the mortgages/charges created/to be created for existing and future borrowings as the Board/Committee thereof may decide in their absolute discretion."

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

Place : New Delhi

Date : 24.05.2002

(K.K. SRIVASTAVA)
Company Secretary-cum-
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 18th September 2002 to 27th September 2002 (both days inclusive).
3. Shareholders are requested to address all communications regarding transfer/transmission/dematerialisation of shares/change of address etc. to "Investor Relation Centre, Daurala Organics Limited, 6th floor, Kanchenjunga Building, 18, Barakhamba Road, New Delhi-110 001".
4. The shares of the Company are now compulsorily traded in Demat form for all investors. Shareholders are therefore advised to dematerialise their shareholding through any depository participant.
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 the Registered office address 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 annexed.

ANNEXURE TO NOTICE

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

Item No. 5

The Members in their last meeting on 27th September 2001, approved the terms of reappointment of Shri Tilak Dhar as the Managing Director for a period of 5 years from 01.10.2001. As per the terms, 50% of total remuneration received by Shri Tilak Dhar from DCM Shriram Industries Limited (DSIL) subject to a ceiling of

DAURALA ORGANICS LIMITED

Rs. 6 Lacs p.a., was to be reimbursed to DSIL of which he was Joint Managing Director.

Shri Tilak Dhar is now required to devote more time to Daurala Organics Ltd., considering the expansion in its operations and the new project. Shri Tilak Dhar has also demitted office as Director/Jt. Managing Director in DSIL as on 30.11.2001. It was, therefore, proposed to pay him full remuneration from the Company w.e.f. 01.12.2001. Considering the position the Board of Directors, in their meeting held on 29.01.2002 has revised Shri Tilak Dhar's remuneration subject to such approvals as may be required, as set out below w.e.f. 01.12.2001 :

Salary

Rs. 50,000/- per month in the grade of Rs. 40,000-5,000-60,000 (Annual increment within the grade to be due on 1st of April).

Commission on Profits

As may be decided by the Board from year to year, provided that the total remuneration including commission, shall not exceed 2% of the net profit arrived at as per Section 349 and subject to the limits laid down under the Companies Act, 1956.

Perquisites:

Housing:- Company maintained furnished accommodation. In case no accommodation is provided, the Managing Director will be entitled to house rent allowance @ 60% of the salary.

Gas, Electricity, Water & Furnishing :- Actuals.

Medical :- Not exceeding one month's salary in a year and five month's salary in a period of 5 years. The Board may however, increase the ceiling within the overall limits.

Leave Travel Concession:- For self and family once in a year as per Rules of the Company.

Personal Accident Insurance:- Premium not to exceed Rs. 4,000/- per annum.

Club Fees :- Fees of a maximum of two clubs, life membership fees not being allowed.

Provident Fund, Superannuation and Gratuity:- As per Rules of the Company.

Earned/Privilege Leave :- As per Rules of the Company. Leave accumulated but not availed during the tenure can be encashed.

Car :- Provision of a chauffeur driven car.

Telephone:- Free telephone facility at residence.

All other terms remain unchanged as per shareholders' resolution dated 27.09.2001.

The remuneration is same as he was drawing in DSIL and are within the limit laid down under Schedule XIII of the Companies Act, 1956.

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 to 8

At present, the authorised share capital of the Company is Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into 2,49,95,000 Equity Shares of Rs.10/- each and 500 (Five Hundred) 12.5% Redeemable non-cumulative preference shares of Rs.100/- each.

The Company is exploring the possibility of raising funds by issue of capital/debt instruments for meeting working capital requirements, normal capital expenditure etc.

The authorised share capital of the Company is, therefore, proposed to be increased from Rs.25,00,00,000/- to Rs.35,00,00,000/- by creation of additional 1,00,00,000 equity shares of the Rs.10/- each. Consequently Clauses V of the Memorandum of Association and Article 4 of the Articles of Association are required to be altered as proposed in the Resolutions 7 & 8.

None of the Directors of the Company is, concerned or interested in these Resolutions.

Item No. 9

As part of the fund raising exercise, the Company is exploring the possibility of issuing debt instruments on rights/private placement basis to the existing shareholders/financial institutions/banks/other lending institutions. Such borrowings are required to be secured by creation of charge/mortgage of the immovable and movable properties of the Company. The proposed resolution is an enabling resolution authorising the Board of Directors/Committee thereof to take/authorise to take necessary action to secure such borrowings by mortgage/creation of charge on the assets of the Company on the terms and conditions as may be approved by the Board/Committee thereof to secure loans of upto Rs.15 Crs.

None of the Directors of the Company is, concerned or interested in these Resolutions.

DIRECTORS' REPORT



Your Directors have pleasure in presenting the Annual Report and the audited accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

During the year, the Company continued to register all round improvement in its operations, turnover and profitability.

The total income during the year increased by 16% to Rs. 84.8 Crores from Rs. 73.4 Crores in the previous year. The gross profit (PBDT) was higher by 20% Rs. 8.4 Crores against Rs. 7.0 Crores in the previous year. The net profit (PBT) increased by 29% to Rs. 4.4 Crores from Rs. 3.4 Crores in the previous year.

OPERATIONS AND FUTURE OUTLOOK

The improved results were achieved through multipronged strategies, mainly increasing market share, diversification into new products, improved efficiencies, tight control over costs and steady exports. Due to these measures, your company was able to counteract the squeeze on margins due to the competitive market situation. Towards the close of the year a plant to manufacture a new drug intermediate was successfully commissioned which will contribute towards further improvement in the financial performance of the Company.

RESEARCH & DEVELOPMENT

In-house R&D has been the mainstay of the Company's operations and synergetic diversification. 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. A certificate from the Statutory Auditors confirming the compliance is given in Annexure-III.

DIRECTORS

Dr. Gurpreet Singh and Dr. Ramesh C. Vaish, 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

Place : New Delhi
Date : 24.05.2002

BANSI DHAR
CHAIRMAN

Annexures to the Directors' Report



Annexure-I

Information as required under Section 217(1)(e) of the Companies Act, 1956, 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 :

- Modification in utilities systems to reduce costs.
- Recycle of condensate to reduce steam consumption.
- Modification in material flow to reduce power consumption.
- Heat recovery from condensate.

b) Additional Investments and proposals for reduction of consumption of energy :

- Installation of more efficient Refrigeration system.
- Installation of steam saving devices.
- Investment in new systems for generation of high pressure Air.
- 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:

	<u>Amount</u>
Foreign Exchange Earned (Rs./Lacs)	1281.49
Foreign Exchange Used (Rs./Lacs)	765.84

FORM - A

PARTICULARS	2001-2002	2000-2001
A. POWER AND FUEL CONSUMPTION		
1. Electricity - (Lacs/KWH)	114.58	90.35
2. Coal (mixed grade)	—	—
3. Furnace Oil	—	—
4. Others/ Internal generation	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION (ALL PLANTS)		
— Electricity (KWH/KG)	2.99	2.50
— Steam (KG/KG)	12.70	9.83

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

- R&D work to improve process efficiency resulting in reduced cost of production.
- Commercialisation of process developed on lab and pilot plant.

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.
- More products identified for development on pilot plant level.

4. Expenditure on R&D

	<u>(Rs. Lacs)</u>
a) Capital	12.17
b) Recurring	13.29
c) Total	<u>25.46</u>
d) Total R&D expenditure as a percentage of total turnover - 0.30%.	

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. |

Annexures to the Directors' Report (continued)



ANNEXURE - II

REPORT ON "CORPORATE GOVERNANCE"

1. Company's philosophy on code of governance :

With increasing globalisation, competitive pressure and social obligations of Industry, Corporate Governance is in sharp focus presently. Also the increasing diversity of the investing community and integration of global capital markets make corporate governance a key factor for potential investors/customers/suppliers in evaluating any Company. The importance of good Corporate Governance has always been recognised by your Company as it strives to improve its performance each year. In line with the Guidelines prescribed by SEBI under Clause 49 of the Listing Agreement given below is the Report of the Directors on the Corporate Governance code in your Company :-

2. A. Board of Directors :

Name of Directors	Category	Attendance At Board Meetings*	Attendance At last AGM	Membership of other Boards
Dr. Bansil Dhar	Non Executive	5	Yes	8
Sh. Tilak Dhar	Executive	5	Yes	5
Sh. Anil Gujral	Executive	5	Yes	2
Dr. Ramesh C. Vaish	Non Executive-Independent	5	Yes	10
Dr. Gurpreet Singh	Non Executive-Independent	2	Yes	5
Sh. Ravi Bahadur	Non Executive-Independent	4	Yes	5
Sh. P. Murari	Non Executive-Independent	3	No	12
Sh. S. N. Agarwal	Non Executive-Independent	2	No	11
Sh. N. K. Gupta	Non Executive-IFCI Nominee	2	No	2

* Five Board meetings held in the year on 24.05.2001, 26.07.2001, 27.09.2001, 31.10.2001 & 29.01.2002.

B. Committee position held by the Directors :

Name of Directors	Category	Committ Position		Total
		Chairman (A)	Member (B)	(A) + (B)
Dr. Bansil Dhar	Chairman	2	Nil	2
Sh. Tilak Dhar	Managing Director	Nil	1	1
Sh. Anil Gujral	Whole Time Director	Nil	Nil	Nil
Dr. Ramesh C. Vaish	Director	2	4	6
Dr. Gurpreet Singh	Director	Nil	1	1
Sh. Ravi Bahadur	Director	Nil	1	1
Sh. P. Murari	Director	2	8	10
Sh. S. N. Agarwal	Director	1	3	4
Sh. N. K. Gupta	Nominee	Nil	3	3

C. Information about Directors seeking Reappointment :

Name of Directors	Brief Resume and Expiience	Other Directorship/Membership of the Board/Board Committees.
Dr. Ramesh C. Vaish Non Executive Independent	Dr. Ramesh C. Vaish is an eminent Chartered Accountant and is highly regarded in the fields of Taxation and Management Consultancy profession. He retired as Chairman of Investment Advisory Services of Cooper and Lybrand in India.	1. Annsal Properties & Industries Ltd. 2. Express News Papers Ltd. 3. Goetze (India) Ltd. 4. Jaiprakash Hydroventures Ltd. 5. Jaypee Hotels Ltd. 6. Mayar India Ltd. 7. Modi Holdings Ltd. 8. Omax Autos Ltd. 9. Bharat Consultants Pvt. Ltd. 10. Saraswati Consultants Pvt. Ltd.
Dr. Gurpreet Singh Non Executive Independent	Dr. Gurpreet Singh is an eminent Industrialist. He has served on various Industry Associations, Government Bodies and Committees. He is the former President of Confederation of Indian Industries (CII), All India Management Association (AIMA) and Delhi Management Association (DMA).	1. Continental Devices India Ltd. 2. Deltron Ltd. 3. Delta Electronics Pvt. Ltd. 4. National Cold Storage & Refrigeration Pvt. Ltd. 5. Simran Electronics Pvt. Ltd.