



**DAURALA
ORGANICS**

DAURALA ORGANICS LIMITED

ANNUAL REPORT 2002-03

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Looking Ahead

DAURALA ORGANICS LIMITED**Board of Directors**

| | |
|---------------------|----------------------------|
| Dr. Bansi Dhar | Chairman |
| Shri Tilak Dhar | Managing Director |
| Shri Anil Gujral | Whole Time Director |
| Dr. Ramesh C. Vaish | Director |
| Dr. Gurpreet Singh | Director |
| Shri Ravi Bahadur | Director |
| Shri P. Murari | Director |
| Shri S.N. Agarwal | Director |
| Shri Naveen Atrishi | Director (Nominee of IFCI) |

Company Secretary-cum-DGM (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

Share Transfer Agent

MCS Limited
Shri Venkatesh Bhawan,
212-A, Shahpurjat,
Behind Panchsheel Club,
New Delhi-110 049
Tel. No. : (011) 26494830
Fax No. : (011) 26494152

DAURALA ORGANICS LIMITED

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

NOTICE

The 13th Annual General Meeting of the Company will be held on Friday, the 26th September 2003 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 31.03.2003, 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 Sh. S.N. Agarwal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sh. P. Murari 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 in supersession to the earlier resolution dated 22.09.1998 and subject to the SEBI Guidelines on delisting dated 17.02.2003, approval be and is hereby accorded for delisting of the

Company's Shares from Delhi, Kanpur, Jaipur, Ahmedabad, Madras and Calcutta Stock Exchanges.”

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

(K.K. SRIVASTAVA)
Company Secretary-cum-
DGM (Fin. & A/cs)

Place : New Delhi
Date : 28.05.2003

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 17th September 2003 to 26th September 2003 (both days inclusive).
3. Shareholders are requested to address all communications regarding transfer/transmission/dematerialisation 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 are now compulsorily traded in Demat form for all investors. Shareholders are therefore advised to dematerialise their shareholding through any depository participant.

NOTICE (continued)

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 Companies Act, 1956 is attached.

Additional Information pursuant to Clause 49 of the Listing Agreement with Stock Exchanges in respect of Directors seeking re-election:

Item No. 3

Sh. S. N. Agarwal - Non Executive-Independent

Sh. S. N. Agarwal is an eminent Industrialist. He has served on various Industry Associations, Government Bodies and Committees. Presently, he is heading Bhoruka group of Companies. His other Directorships are as follows:

1. Bhoruka Gases Ltd.
2. Bhoruka Power Corporation Ltd.
3. Bhoruka Aluminium Ltd.
4. Irrupu Power Pvt. Ltd.
5. TCI Industries Ltd.
6. Transport Corporation of India Ltd.
7. Kirloskar Electric Company Ltd.
8. Karnataka Power Transmission Corporation Ltd.
9. Jamuna Power Corporation Pvt. Ltd.

Item No. 4

Sh. P. Murari - Non Executive-Independent

Sh. P. Murari is a retd. IAS officer. He was a former secretary to the President of India and has also served as Secretary/Addl. Secretary to the various ministries of Govt. of India/Tamil Nadu. Presently, he is Advisor to President of Federation of Indian Chambers of Commerce and Industry (FICCI). His other Directorships

are as follows:

1. Aban Loyd Chiles Offshore Ltd.
2. Bhoruka Power Corporation Ltd.
3. Credit Capital Asset Management Ltd.
4. HEG Ltd.
5. Glaxo SmithKline Consumer Healthcare Ltd.
6. South Asian Petrochem Ltd.
7. Moving Picture Company (India) Ltd.
8. XPRO India Ltd.
9. Indian Rayon & Industries Ltd.
10. SMV Consultants Pvt. Ltd.
11. Mukand Ltd.

ANNEXURE TO NOTICE

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

Item No. 5

The Shareholders in the AGM held on 22.09.98 had authorized the Board to delist the equity shares from Kanpur, Jaipur, Ahmedabad, Madras and Calcutta Stock Exchanges. However the Company was not able to implement it at that time due to certain conditions in the guidelines.

SEBI has now notified fresh guidelines for voluntary delisting which provide for the following conditions:

- (i) Shares should continue to be listed on National Stock Exchange (NSE)/Mumbai Stock Exchange (BSE) having nation-wide trading terminals.
- (ii) To obtain prior approval of the shareholders by a special resolution.

As the shares of the Company are actively traded at BSE, having nation-wide trading terminals, it is proposed to delist the shares from Delhi, Kanpur, Jaipur, Ahmedabad, Madras and Calcutta Stock Exchanges, where no trading takes place.

The proposal is now being placed for the approval of the shareholders as a special resolution.

None of the directors is concerned or interested in the resolution.

DIRECTORS' REPORT



Your Directors have pleasure in presenting the Annual Report and the audited accounts of the Company for the year ended 31st March 2003.

FINANCIAL RESULTS

During the year, the Company registered all round improvement in its operations, turnover and profitability in the face of an increasingly competitive market.

The total income during the year increased by 24% to Rs. 104.8 Crores from Rs. 84.8 Crores in the previous year. The gross profit (PBDT) was higher by 36% at Rs. 11.4 Crores against Rs. 8.4 Crores in the previous year. The net profit (PBT) increased by 53% to Rs. 6.8 Crores from Rs. 4.4 Crores in the previous year.

The Company has now wiped out all accumulated losses.

OPERATIONS AND FUTURE OUTLOOK

The momentum in the improvement of the Company's operations was maintained during the year in a highly competitive market. The improved results were achieved through multipronged strategies, aimed at increasing market penetration and sales (including exports), diversification into new products, improved efficiencies and tight control over costs.

Exports continued to perform well, and reached an all time high of Rs. 16.4 Crs. representing a growth of 28% over the previous year. This reaffirms the acceptability of the Company's products internationally.

The outlook for the current year appears to be rather difficult due to depreciation of the US dollar, which has adversely affected not only export realizations, but domestic prices as well. Intensified world-wide competition and poor monsoons have resulted in sluggish demand for some of the Company's products, in particular, those used in the manufacture of agro-chemicals.

The Company is endeavouring to mitigate the impact through increasing market share and reducing costs.

FINANCE

During the year the Company restructured its term loans with IFCL Ltd. and ICICI Bank Ltd. and made one-time settlements with LIC and UTI. This will reduce interest costs and make the Company stronger to face competitive market conditions.

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 processes and efficiencies and developing new products. The Company will continue with its focus on R&D.

OTHER INFORMATION

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

DIRECTORS' REPORT (continued)



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 compliance is given in Annexure-III.

DIRECTORS

During the year IFCI Ltd. nominated Shri Naveen Atrishi in place of Shri N.K. Gupta on the Board of the Company. The Board places on record its appreciation of the services rendered by Shri N.K. Gupta during his tenure as Director.

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

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 judgments 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 : 28.05.2003

BANSI DHAR
CHAIRMAN

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:

- Installation of alternate refrigeration system to save power.
- Use of steam condensate in some processes to reduce steam consumption.
- Use of steam condensate from new refrigeration system for desuperheating thereby reducing steam consumption.
- Use of more efficient compressor to save power.

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

- Investment on more efficient cooling systems.
- Investment in new systems for generation of high pressure air.

c) Impact of the above measures:

- Saving in power, steam and refrigerant use in various products.

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) | 1640.30 |
| Foreign Exchange Used (Rs./Lacs) | 1400.32 |

FORM - A

| PARTICULARS | 2002-2003 | 2001-2002 |
|---|-----------|-----------|
| A. POWER AND FUEL CONSUMPTION | | |
| 1. Electricity - (Lacs/KWH) | 127.58 | 114.58 |
| 2. Coal (mixed grade) | - | - |
| 3. Furnace Oil | - | - |
| 4. Others/ Internal generation | - | - |
| B. CONSUMPTION PER UNIT OF PRODUCTION (ALL PLANTS) | | |
| - Electricity (KWH/KG) | 2.78 | 2.99 |
| - Steam (KG/KG) | 13.71 | 12.78 |

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

- Improvement in process efficiencies for existing products, by implementing work done on lab and pilot plant level.
- Commercialisation of process for a new drug intermediate.

2. Benefits derived as a result of above R&D

- Reduced cost of production for existing products.
- Commercial production of new drug intermediate commenced.

3. Future Plan of Action

- Continuous efforts for cost reduction and increase in efficiency & quality.
- Development of technology for new processes/products and commercial exploitation of the same.

4. Expenditure on R&D

| | <u>(Rs. Lacs)</u> |
|--------------|-------------------|
| a) Capital | 4.40 |
| b) Recurring | 10.24 |
| c) Total | <u>14.64</u> |

d) Total R&D expenditure as a percentage of total turnover - 0.139%.

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief

- Work done to improve process technologies and quality.
- In house development of new processes.
- Commercial application of an innovative technology for a new product.

2. Benefits derived

- Commercial production of new Import substitution products.

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"

Company's philosophy on code of governance:

1. Good corporate practices enable the Board to direct and control the affairs of a Company in an efficient manner and to achieve its ultimate goal of maximizing shareholders value and the goodwill of the Company. Your Company is committed towards achieving the highest standards of Corporate Governance and has always been at the forefront to benchmark its internal systems and policies with international standards. Your Company has implemented the guidelines and the existing practices and policies, which are significantly in conformity with the requirements stipulated by SEBI under Clause 49 of the Listing Agreement. Given below is the Report of the Directors on the compliance of 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. Bansl Dhar | Non Executive | 2 | Yes | 7 |
| Sh. Tilak Dhar | Executive | 5 | Yes | 5 |
| Sh. Anil Gujral | Executive | 5 | Yes | 2 |
| Dr. Ramesh C. Vaish | Non Executive-Independent | 5 | Yes | 13 |
| Dr. Gurpreet Singh | Non Executive-Independent | 3 | Yes | 6 |
| Sh. Ravi Bahadur | Non Executive-Independent | 3 | No | 5 |
| Sh. P. Murari | Non Executive-Independent | 3 | No | 11 |
| Sh. S. N. Agarwal | Non Executive-Independent | 1 | Yes | 9 |
| Sh. N. K. Gupta** | Non Executive-IFCI | 2 | No | - |
| Sh. Naveen Atrishi | Non Executive-IFCI | 2 | Yes | 2 |

* Five Board meetings held in the year on 24.05.2002, 25.07.2002, 27.09.2002, 28.10.2002 & 24.01.2003.

**Nomination withdrawn during the year.

B. Committee position held by the Directors :

| Name of Directors | Category | Committee Position | | Total |
|---------------------|---------------------|--------------------|------------|-----------|
| | | Chairman (A) | Member (B) | (A) + (B) |
| Dr. Bansl 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 | 8 | 10 |
| Dr. Gurpreet Singh | Director | Nil | 1 | 1 |
| Sh. Ravi Bahadur | Director | Nil | 1 | 1 |
| Sh. P. Murari | Director | 2 | 6 | 8 |
| Sh. S. N. Agarwal | Director | 1 | 3 | 4 |
| Sh. Naveen Atrishi | Nominee | Nil | 3 | 3 |

3. Audit Committee :

Composition & terms of reference :

The Company has an Audit Committee consisting of four Independent Non Executive Directors. Its terms of reference are as laid down under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

| Name of Directors | Category | Attendance at Audit Sub Committee Meetings* |
|--------------------------------|--|---|
| Dr. Ramesh C. Vaish - Chairman | Non Executive-Independent (Chartered Accountant) | 4 |
| Dr. Gurpreet Singh | Non Executive-Independent | 2 |
| Sh. P. Murari | Non Executive-Independent | 3 |
| Sh. Naveen Atrishi | Non Executive-IFCI Nominee | 2 |

* Four Audit Sub-Committee Meetings held in the year on 24.05.2002, 25.07.2002, 28.10.2002 & 24.01.2003.

Company Secretary, Mr. K.K. Srivastava is the Secretary of the Committee.