

# DCM SHRIRAM

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

10-10-98

DCM SHRIRAM INDUSTRIES LTD.

*Annual Report 1998*

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## DCM SHRIRAM INDUSTRIES LIMITED



**Registered Office :** Kanchenjunga Building,  
18, Barakhamba Road,  
New Delhi - 110 001.

## NOTICE

The 8th Annual General Meeting of the Company will be held on Wednesday, the 12th August, 1998 at 10.00 A.M. at the FICCI Auditorium, Federation House, Tansen Marg, New Delhi - 110 001 for transacting the following business :

1. To consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March 1998, and the Profit & Loss Account for the period ended on that date.
2. To appoint a Director in place of Shri Alok B. Shriram, who retires by rotation, and being eligible, offers himself for re-appointment.
3. i) To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :  

"Resolved that Shri A.N. Haksar who was appointed as a director in a casual vacancy in terms of Section 262 of the Companies Act, 1956, and holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

 ii) To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :  

"Resolved that Shri D.C. Mittal who was appointed as a director in a casual vacancy in terms of Section 262 of the Companies Act, 1956, and holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
4. To consider and, if thought fit, to pass the following resolution, with or without modification, as a Special Resolution :  

"Resolved that Messrs A.F. Ferguson & Co., Chartered Accountants, be and are hereby re-appointed auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company at a remuneration to be fixed by the Board of Directors plus reimbursement of travelling and other incidental expenses, if any, incurred in connection with the audit."
5. To consider and, if thought fit, to pass the following resolution, with or without modification, as a Special Resolution :  

"Resolved that, pursuant to Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, if any required, approval of the Company be and is hereby accorded to the appointment of Shri D.C. Mittal as Joint Managing Director for a period of 3 years with effect from 28.6.1997 on the terms and conditions and remuneration as set out in the explanatory statement."

"Resolved further that the Board of Directors be and is hereby authorised to alter, from time to time, the said terms including remuneration in such manner as it may deem fit within the limitations in that regard contained in Schedule XIII or other Sections of the said Act and any statutory modifications thereof."
6. To consider and, if thought fit, to pass the following resolutions, with or without modification, as Ordinary Resolutions :  
 i) "Resolved that, in supersession of resolution No. 7 passed at the Annual General Meeting dated 9.9.1994, consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging, on such terms and conditions and at such time or times, and in such form or manner, as it may deem fit, the whole or substantially the whole of the immovable & movable properties of chemical division of Company's unit Daurala Sugar works, both present and future, in favour of Oriental Bank of Commerce (OBC) and Punjab National Bank (PNB) in respect of working capital facilities aggregating to Rs.1857 Lakhs (both fund based and non-fund based) sanctioned by the said Banks to the Company, upon the terms and conditions as may be stipulated by the Banks to secure the said amount of the

facilities together with interest thereon or any enhanced facilities, further interest, if any, commitment charges, liquidated damages, costs, charges, expenses and other monies payable to Banks."

"Resolved further that the security created/to be created in the manner aforesaid in favour of OBC and PNB to secure the abovesaid financial assistance or any enhanced facilities shall be by way of second charge ranking pari passu in all respects with similar charges, if any, already created or to be created on the said properties to secure the existing/future borrowings."

"Resolved further that the mortgage/charge created/to be created and/or agreements/documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors be and are hereby confirmed and ratified."

- ii) "Resolved that, in supersession of resolution No. 8 passed at the Annual General Meeting dated 9.9.1994, the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging, on such terms and conditions and at such time or times, and in such form or manner, as it may deem fit, the whole or substantially the whole of the immovable & movable properties of sugar & distillery divisions of Company's unit Daurala Sugar works, both present and future, in favour of State Bank of India (SBI) and Punjab National Bank (PNB) in respect of working capital facilities aggregating to Rs.6957 Lakhs (both fund based and non-fund based) sanctioned by the said Banks to the Company, upon the terms and conditions as may be stipulated by the Banks to secure the said amount of the facilities together with interest thereon or any enhanced facilities, further interest, if any, commitment charges, liquidated damages, costs, charges, expenses and other monies payable to Banks."

"Resolved further that the security created/to be created in the manner aforesaid in favour of SBI and PNB to secure the abovesaid financial assistance or any enhanced facilities shall be by way of second charge ranking pari passu in all respects with similar charges, if any, already created or to be created on the said properties to secure the existing/future borrowings."

"Resolved further that the mortgage/charge created/to be created and/or agreements/documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors be and are hereby confirmed and ratified."

- iii) "Resolved that, in supersession of resolution No. 9 passed at the Annual General Meeting dated 9.9.1994, the action taken by the Company in creating mortgage/charge on the assets of the Company's erstwhile undertaking, Hindon River Mills in favour of State Bank of India (SBI), Punjab National Bank (PNB) and Indian Bank (IB) to secure the working capital facilities aggregating to Rs.3800 lacs (both fund based and non-fund based) sanctioned by the respective Banks to the Company upon the terms and conditions as stipulated by the Banks, to secure the said amount together with interest thereon, further interest, if any, commitment charges, liquidated damages, costs, charges, expenses and other monies payable to the Banks, be and is here by approved and ratified."

"Resolved further that the security created in the manner aforesaid in favour of SBI, PNB and IB to secure the abovesaid financial assistance shall be by way of second charge ranking pari passu in all respects with similar charges, if any, already created, on the assets of the said undertaking."

By order of the Board  
for DCM SHRIRAM INDUSTRIES LIMITED



New Delhi  
July 4, 1998

(B.P. KHANDLWAL)  
EXECUTIVE DIRECTOR & CO. SECRETARY

**NOTES:**

1. Explanatory statement, as required under Section 173(2) of the Companies Act, 1956, is attached.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 1.8.1998 to 12.8.1998 (both days inclusive).
4. As per provisions of Section 205A of the Companies Act, 1956 the unclaimed dividend for the Y.E. 31.3.1994 has been transferred to the General Revenue Account of the Central Government on 29.10.1997. Members, who have not encashed dividend for the said period, can claim directly from the Registrar of Companies, Delhi & Haryana, Paryavaran Bhawan, C.G.O. Complex, Lodi Road, New Delhi.  
  
The unclaimed dividend for the Y.E. 31.3.1995 is to be transferred to the Central Govt. by 17.10.1998. Those who have not claimed the dividend may write to the Company for duplicate warrants.
5. The share/debenture transfer work is being handled by the Company in-house at the Registered Office of the Company w.e.f. 1.1.1998. All communications relating to shares/ debentures may be sent to the Registered Office.

**ANNEXURE TO NOTICE**

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

**ITEM NO. 3 (i) & (ii)**

Shri A.N. Haksar and Shri D.C. Mittal were appointed as Directors in the casual vacancies caused by the resignation of Shri Vinod L. Doshi and Shri B.K. Puri, respectively. In terms of Section 262 of the Companies Act, 1956, they hold office upto the ensuing Annual General Meeting. Notices u/s 257 of the Companies Act, 1956, have been received from some members signifying their intention to propose their candidature for the office of director at the forthcoming Annual General Meeting.

Except Shri A.N. Haksar and Shri D.C. Mittal, no other Director of the Company is concerned in the resolution.

**ITEM NO.4**

A Special Resolution is required for appointment of Auditors under Section 224A of the Companies Act, 1956, as over 25% of the subscribed share capital of the Company is held by the institutions specified in that Section. The Auditors have confirmed that their re-appointment, if made, will be within the limits specified in Section 224(1B) of the Companies Act, 1956.

**ITEM NO.5**

Shri D.C. Mittal has to his credit over five decades of varied experience in senior positions, a major part of which was with DCM Ltd. At a time when the Company has been passing through difficult times, the Board of Directors thought it fit to appoint Shri D.C. Mittal as Joint Managing Director(JMD) for a period of 3 years from 28.6.1997 to derive the benefit of his experience and further strengthen the management set up.

The remuneration proposed for the JMD is within the limits set out in Schedule XIII of the Companies Act, 1956.

**Salary (Per Month)** - To be decided by the Board on year to year basis, subject to a ceiling of Rs.40,000 (Presently - Rs.35,000).

**Commission on profits :**

Equal to one year salary in a year, subject to the overall limits u/s 198 and 309 of the Companies Act, 1956 or any amendments thereto or any other provisions as may be applicable.

**Perquisites****Part - A**

1. Housing
  - a) The expenditure incurred by the Company on hiring suitable accommodation.
  - b) In case no accommodation is provided, the managerial personnel shall be entitled to house rent allowance of 60% of the salary.

- c) The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income-tax Rules, 1962. This will, however, be subject to a ceiling of 10% of salary of the managerial personnel.
2. Medical Reimbursement - Not exceeding three months' salary during the tenure.
3. Leave Travel Concession - For self and family once in a year as per rules specified by the Company.
4. Club Fees - Fees of Clubs, subject to a maximum of two clubs, admission and life membership fees not being allowed.
5. Personnel Accident Insurance - Premium not to exceed Rs.4,000 per annum.

**Part - B**

Provident Fund - As per rules of the Company.

Gratuity - Not exceeding 15 days salary for each completed year of service.

Superannuation - An amount equal to 15% of salary drawn during the tenure in lieu of Superannuation at the time of cessation of service.

**Part - C**

Earned/Privilege Leave - As per rules of the Company. Leave accumulated but not availed of during their tenure may be allowed to be encashed as per rules of the Company.

**Part - D**

1. Car - Provision of a chauffeur driven car.
2. Telephone - Free telephone facility at residence, personal long distance calls to be paid for by the managerial personnel.
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 Sections 198/309 of the Act.

**Other terms applicable to the appointment**

1. Remuneration for part of the year will be computed on pro-rata basis.
2. JMD shall not be entitled to 'sitting fee' for attending the meetings of the Board of Directors or Committee/s thereof.
3. JMD shall not become interested or otherwise concerned personally or through their wives, sons or unmarried daughters, in any selling agency of the Company, without the prior approval of the Company Law Board.
4. In the event of loss or inadequacy of profits in any financial year, subject to the overall limits laid down under Section II of Part II of Schedule XIII, the aforesaid remuneration including perquisites will be paid to JMD as minimum remuneration.
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 D.C. Mittal, no other Director is concerned or interested in the resolution.

**ITEM NOS. 6 (i), (ii) & (iii)**

The Company has been availing various fund-based and non-fund based credit facilities from the said banks. One of the conditions of the facilities is that the credit will be secured by second charge on the fixed assets of the respective Units of the Company, apart from first charge on the movable assets. Shareholders had approved creation of second charge in favour of the banks in their meeting held on 9.9.1994. Since then the limits have been enhanced by the banks and hence the resolutions dated 9.9.1994 are being superseded with the proposed new limits and the action taken in creating the mortgages are proposed to be ratified.

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

**INTEREST**

Except as indicated under the respective items none of the directors is interested in any of the aforementioned resolutions.

**DCM SHRIRAM INDUSTRIES LIMITED****Board of Directors**

Dr. Bansi Dhar	<i>Chairman and Managing Director</i>
Shri Tilak Dhar	<i>Vice Chairman</i>
Shri D.C. Mittal	<i>Jt. Managing Director</i>
Shri Alok B. Shriram	<i>Dy. Managing Director</i>
Shri P. R. Khanna	
Dr. V. L. Dutt	
Shri R. P. Khosla	
Shri Atam Parkash	
Shri A.N. Haksar	
Shri J.B. Dadachanji	

**Principal Executives**

Shri N. N. Joshi	<i>Executive Director (Sugar)</i>
Shri S.D. Nigam	<i>Executive Director (Rayons)</i>
Shri P. S. Sharma	<i>Executive Director (Rayons)</i>

**Company Secretary**

Shri B. P. Khandelwal	<i>Executive Director</i>
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**Bankers**

State Bank of India
State Bank of Bikaner & Jaipur
Oriental Bank of Commerce
Punjab National Bank
Indian Bank
The United Western Bank Ltd.
Societe Generale
The Hongkong and Shanghai Banking Corporation Limited

**Auditors**

A.F. Ferguson & Co.
New Delhi

**Registered Office**

Kanchenjunga Building, 18, Barakhamba Road, New Delhi-110 001. Tele. No. 332 1413 Fax No. (011) 331 5424
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## DIRECTORS' REPORT

The directors have pleasure in presenting the annual report on the business and operations of the Company and the audited accounts for the 18 months period ended 31st March, 1998.

### FINANCIAL RESULTS

The gross profit for the period, before depreciation and taxes, was Rs. 13.0 cr. against a loss of Rs.34.6 cr. in the previous period. The turnaround has been possible due to steps taken in re-structuring of the Company's businesses and focusing on core businesses. This has resulted in an all-round improvement in the operations of the Company.

Contribution from the disinvestment of textile undertakings to the profits was set off by the losses incurred in the textile operations during the period.

### DIVIDEND

In view of the carried forward loss, your directors are unable to recommend any dividend for the period.

### OPERATIONS

#### Sugar Operations

Sugar industry saw a revival during the period as a result of change in Govt. policies. Your Company's sugar operations registered appreciable improvement all-round. Production, recovery and efficiencies were better, and upgradation of the Power House provided greater stability to the operations.

A high powered official committee on sugar industry has made significant recommendations. It is expected that their implementation will provide greater stability to the industry.

Performance and profitability of the distillery showed improvement.

The chemicals business performed satisfactorily despite difficult market conditions due to over-supply and depressed prices.

The division is expected to maintain the improvement in the current year.

#### Rayon Operations

Rayon operations continued to be affected by severe international competition and pressure on prices. However, the business is showing signs of recovery and the financial results were better than the previous period due to operational upgradation, cost control and organisational improvements.

A Business Process Re-engineering programme has been conducted at the Unit by the Arthur Andersen Consultants,

for optimisation of operations and cost reduction. This is expected to result in long term benefit to the Unit.

Despite difficult market conditions, export levels were maintained. The Unit received awards for outstanding export performance from the Silk and Rayon Export Promotion Council for the preceding two years.

Your directors expect a turnaround in operations in the current year.

### Textile Operations

As approved by shareholders in the general meeting held on 17.2.1997, and subsequently by financial institutions and banks, the Company's two textile Units have been spun off into a subsidiary company, Hindon River Mills Ltd., with effect from 15.7.1997 on a going concern basis. The S. Kumars group, who have extensive interests in textile business, are being associated with the operations.

The Company continues to be in the textile business by operating a small Unit at Dasna.

### PROMOTED COMPANIES

#### Daurala Organics Ltd.

The Company registered all-round improvement in operations, turnover and profitability in the year ended March, 1998.

The market for the company's products continues to be very competitive. The Company has undertaken diversification and upgradation measures. ISO 9002 quality systems certification has been obtained and a start has been made with exports.

#### DCM Hyundai Ltd.

Operations of the company were affected by a severely depressed global market for shipping containers, mainly due to predatory pricing by Chinese suppliers. Market conditions got aggravated during the year leading to drastically reduced capacity utilisation.

As required under the provisions of SICA, the company, on erosion of networth, has made a reference to BIFR. It is hoped that under the aegis of BIFR and with the support of financial institutions and banks, a revival package will be worked out and implemented, to turn the company around.

#### DCM Remy Ltd.

This joint venture of the Company with the Highland Distilleries Company plc. of Scotland and Remy Cointreau of France commenced commercial production and marketing of its liquors during the period.



## SUBSIDIARY COMPANIES

### Indital Intoria Limited

Operations of this company continued to be affected adversely by the export quotas policy and liquidity problems.

Considerable progress has been made in upgrading product quality, and new markets have been accessed; these steps are expected to lead to improvement in operations.

As required under the provisions of SICA, the company on erosion of network, has made a reference to BIFR. A revival package is being prepared by the Operating Agency. It is hoped that under the aegis of BIFR and with the support of financial institutions and banks, the revival package will be implemented to turn the company around.

### DCM Shriram Leasing & Finance Ltd.

This company had a set back due to the sharp recession that has affected Non-Banking Finance Companies (NBFCs). Sluggish recoveries of lease and hire-purchase rentals and compliance with the Reserve Bank of India's stringent prudential norms further affected the operations during the year.

### DCM Shriram International B.V.

Activities of this company have been kept in abeyance for the time being.

## RESEARCH & DEVELOPMENT

R & D continues to be a thrust area of the Company's operations with focus on quality, costs and new product development.

## DIRECTORS

Shri Alok B. Shriram and Shri A.N. Haksar retire by rotation and are eligible for re-appointment. Shri D.C. Mittal, who was appointed in the casual vacancy caused by the resignation of Shri B.K. Puri, will hold office upto the annual general meeting and is eligible for re-appointment.

Shri D.C. Mittal, on his induction to the Board, has been appointed as Joint Managing Director for three years from 28.6.1997.

The Industrial Finance Corporation of India has withdrawn its nominee, Shri S.C. Kumar as a director.

## AUDITORS' OBSERVATIONS

The observations of the Auditors are explained, wherever necessary, in appropriate notes to the accounts.

## OTHER INFORMATION

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules framed thereunder relating to particulars of employees is given in Annexure-I to this report.

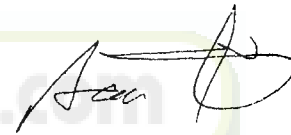
The information pertaining to conservation of energy, technology absorption and foreign exchange earnings/outgo is given in Annexure -II.

## ACKNOWLEDGMENT

The directors acknowledge with great pleasure the continued co-operation and support received from the financial institutions, banks and various official agencies, and all our business collaborators and associates.

The directors also wish to place on record their appreciation of the contribution made by employees at all levels.

For and on behalf of the Board



CHAIRMAN

New Delhi  
July 4, 1998

## AUDITORS' REPORT

To the Members of

### DCM Shriram Industries Limited

We have audited the attached balance sheet of DCM Shriram Industries Limited as at March 31, 1998 and also the profit and loss account of the Company for the period October 1, 1996 to March 31, 1998, annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto 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:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
  - (d) i) various matters arisen/arising out of the reorganisation arrangement will be settled and accounted for as and when the liabilities/benefits are finally determined. The effect of these cannot be determined at this stage (refer to note 9).
  - ii) attention is invited to note 11 regarding the transfer of the Company's undertakings namely Hindon River Mills and DCM Clusone Spinning Mills to a subsidiary. The Company has incorporated the entries relating to the transfer of the relevant assets, liabilities, contingent liabilities, etc. with effect from July 14, 1997.
  - iii) attention is invited to note 12 regarding capitalisation of detention charges, concor charges, etc. of Rs. 261.84 lacs during the period and Rs. 594.19 lacs during the previous period, incurred on account of delays in respect of certain machinery items not cleared from customs warehouses. In our opinion, these expenses are not directly attributable to the acquisition of the related fixed assets and should have been written off in the profit and loss

account. Had these expenses been written off, the profit for the period would have been lower by Rs. 261.84 lacs, the debit balance in the profit and loss account would have been higher by Rs. 856.03 lacs and capital work in progress in schedule 4 would have been lower by Rs. 856.03 lacs.

- iv) attention is invited to note 14 regarding investments aggregating Rs. 2447.00 lacs, receivables aggregating Rs. 1378.27 lacs, and guarantees aggregating Rs. 3073.36 lacs given on behalf of subsidiary / promoted companies referred to therein. We are unable to express an opinion on the recoverability or otherwise of the investments and receivables and any possible loss that may arise in respect of the guarantees, and the consequential effect, if any, on the debit balance in the profit and loss account, as this is dependent on the outcome and successful implementation of the rehabilitation packages submitted / to be submitted by these companies to the Board for Industrial and Financial Reconstruction.

subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 1998; and
- b) in the case of the profit and loss account, of the results of the Company for the period October 1, 1996 to March 31, 1998.

For A.F. FERGUSON & CO.

Chartered Accountants

R.K. Puri  
Partner

New Delhi  
July 4, 1998