



**DCM SHRIRAM INDUSTRIES LTD.**  
*Annual Report 2000-2001*

**DCM SHRIRAM INDUSTRIES LIMITED**

<b>Board of Directors</b>	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 S.D. Nigam	<i>Whole - Time Director</i>
	Dr. V. L. Dutt	
	Shri R. P. Khosla	
	Shri Atam Parkash	
	Shri A.N. Haksar	
	Shri B.S.S. Gupta	<i>IFCI Nominee</i>
	Shri P.C. Gupta	<i>UTI Nominee</i>
<b>Company Secretary</b>	Shri B. P. Khandelwal	<i>Executive Director</i>
<b>Principal Executives</b>	Shri G. Kumar	<i>Executive Director (Sugar)</i>
	Shri V.K. Jhington	<i>Vice-President (Rayons)</i>
	Shri N.K. Jain	<i>Vice-President (Accounts &amp; Finance)</i>
<b>Bankers</b>	State Bank of India	
	State Bank of Bikaner & Jaipur	
	Oriental Bank of Commerce	
	Punjab National Bank	
	The United Western Bank Ltd.	
	The Hongkong and Shanghai Banking Corporation Limited	
	Punjab and Sind Bank	
	Moradabad Zila Sahkari Bank Ltd.	
	Ghaziabad Zila Sahkari Bank Ltd.	
	Meerut Zila Sahkari Bank Ltd.	
<b>Auditors</b>	A.F. Ferguson & Co. New Delhi	
<b>Registered Office</b>	Kanchenjunga Building,	Tele. No. : (011) 332 1413
	18, Barakhamba Road,	Fax No. : (011) 335 0765
	New Delhi-110001.	E-Mail : dsil@dcmsr.com

## DCM SHRIRAM INDUSTRIES LIMITED

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

### NOTICE

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The 11th Annual General Meeting of the Company will be held on Friday, the 3rd August, 2001 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 2001, and the Profit & Loss Account for the year ended on that date.
2. (i) To appoint a Director in place of Shri Alok B. Shriram, who retires by rotation, and being eligible, offers himself for re-appointment.
- (ii) To appoint a Director in place of Shri D.C. Mittal, who retires by rotation, and being eligible, offers himself for re-appointment.
- (iii) To appoint a Director in place of Shri A.N. Haksar, who retires by rotation, and being eligible, offers himself for re-appointment.
3. 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."

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

"Resolved that, pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company or a Committee thereof be and is hereby authorised to 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 Company's any one or more of the undertakings or all the undertakings including the present and/or future properties, whether movable or immovable comprised in any existing or new undertaking or undertakings of the Company, as the case may be, in favour of IFCI Ltd. (IFCI) for securing the Secured Redeemable Non-Convertible Debentures (NCDs) of Rs. 1150 Lacs sanctioned by IFCI together with interest or any other charges, expenses and other monies payable to it in respect of the said debentures.

The security to be created in the manner afore-said in favour of IFCI to secure the above said debentures shall be by way of first 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 borrowings."

"Resolved further that the Board of Directors or a Committee thereof be and is hereby authorised to finalise with IFCI agreements and other documents and deeds for creating the aforesaid mortgage/charge and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt which may arise in relation thereto or otherwise considered by the Board of Directors or the Committee thereof in the best interest of the Company."

"Resolved further that the mortgage/charge created/to be created and/or agreements/documents executed/to be executed and all acts done in connection with creation of security in the manner stated above by and with the authority of the Board of Directors or Committee thereof be and are hereby confirmed and ratified."

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

"Resolved that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby amended as follows:

- (a) The definition of 'Member' appearing in Article 1 of the Articles of Association of the Company be substituted by the following:

*'Member' means a member as defined under Section 41 of the Companies Act, 1956.*

- (b) The following heading and Article be inserted as Article 57A after Article 57 of the Articles of Association of the Company.

### **Dematerialisation of Securities**

#### **Definitions**

#### **57A (1) For the purpose of this Article:**

*'Beneficial owner' means a person or persons whose name/s is/are recorded in the Register maintained by a Depository under the Depositories Act, 1996.*

*'SEBI' means the Securities and Exchange Board of India.*

*'Depository' means a Company formed and registered under the Act and which has been granted a certificate of registration by SEBI under the Securities & Exchange Board of India Act, 1992.*

*'Security' means such security as may be specified by SEBI from time to time.*

#### **(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 security by the Company shall 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 securities 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. The shares so rematerialised shall bear new distinctive numbers so as to identify them from the shares not dematerialised.*

#### **(4) Securities in 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 on behalf of a beneficial owner, nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply.*

#### **(5) Rights 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 in respect of the securities held by it.*

- (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 in respect of the securities held in the depository mode of which he is the beneficial owner.*

**NOTICE (Continued)****(6) Service of documents**

Notwithstanding anything contained in the Act or these Articles to the contrary, 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) Transfer of securities**

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

**(8) Distinctive numbers of securities held in the 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 securities held in the depository mode.

**(9) Register and Index of Beneficial Owners**

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

**(10) 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.

By order of the Board  
for DCM SHRIRAM INDUSTRIES LIMITED

New Delhi  
June 7, 2001

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

**NOTES:**

1. Explanatory statement, as required under Section 173(2) of the Companies Act, 1956, is attached.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 20.07.2001 to 03.08.2001 (both days inclusive).
3. 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.
4. In terms of Section 109(A) of the Companies Act, 1956, a Share/Debenture holder of the Company may nominate a person on whom the shares or debentures held by him/her shall vest in the event of death. Share/ Debenture holders desirous of availing this facility may submit nomination in Form 2B, which can be obtained from the Company also.

**ANNEXURE TO NOTICE**

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

**ITEM NO. 3**

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. 4**

The Company has issued Secured Redeemable Non-convertible Debentures of the total face value of Rs. 1150 lacs on private placement basis to IFCI Ltd. for working capital requirements of the Company as stated in the resolution. The debentures so issued have to be secured by a first charge on the immovable assets of the Company. The creation of mortgage/charge requires the approval of the shareholders under Section 293(1)(a) of the Companies Act, 1956.

None of the directors is concerned with or interested in the resolution, except Shri B.S.S. Gupta, who as a nominee of IFCI may be deemed to be interested in the resolution.

**ITEM NO. 5**

The Securities and Exchange Board of India (SEBI) has made it compulsory to dematerialise the trading of shares in the Company by all classes of investors consequent to the enactment of the Depositories Act, 1996. Your Company will be entering into separate agreement with National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL) for admitting the shares in the Company in dematerialised trading form.

In order to give effect to the above provisions under the enactment, it has become necessary to alter the Articles of Association of the Company by incorporating the clauses as contained in the Resolution.

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.

**INSPECTION**

Copies of the loan agreements with IFCI (Resolution No. 4) and a copy of the Memorandum and Articles of Association of the Company (Resolution No. 5) will be open for inspection at the Registered Office of the Company at 6th Floor, Kanchenjunga Building, 18, Barakhamba Road, New Delhi- 110 001 on all working days between 11.00 A.M. to 1.00 P.M.

## DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and the Audited Accounts for the year ended 31st March, 2001.

### FINANCIAL RESULTS

During the year under review the operating profit has been lower at Rs. 36.6 cr. as compared to Rs. 44.9 cr. in the previous year. Gross profit at Rs. 6 cr. against Rs. 20.4 cr. in the previous year has also been lower. The profits were adversely affected due to set back in Rayon operations, charging of interest of Rs. 2.9 cr. relating to acquisition of certain machinery items, in accordance with mandatory accounting standard which came in force from 1.4.2000 and non-accrual of interest of Rs. 2.2 cr. on funds provided to a subsidiary company as per BIFR order.

Due to inadequacy of disposable profits, the directors are not recommending any dividend for the year.

### OPERATIONS

#### Daurala Complex

##### Sugar

Despite a somewhat better balance of domestic supply & demand the continuing distortions in international sugar trade did not allow for adequate exports from India. Sugar markets thus remained weak with high stocks at the Mills.

Consistent with the Mahajan Committee recommendations, towards the end of the year, the Government reduced the levy obligation and announced its decision to allow a futures market and forward trading for sugar. This should help pave the way for stability, as the industry moves towards greater deregulation.

Due to good recovery this year and efficient operations, our sugar unit has been able to improve its performance despite low prices. Recovery at DSW was again the highest in the State.

##### Alcohols

In spite of strict controls and excessive taxes and duties applicable in Uttar Pradesh, making the sale of distillery products unviable in neighbouring states, the capacity utilisation of our distillery improved by 10% over last year. This alongwith an improved products mix strategy and better market coverage, resulted in improved profitability.

U.P. Government has revised the policy for the year 2001-02 from auction to license system. Sales will now be governed by market forces and the Company is gearing itself to realise the benefit of the new policy.

### Chemicals

Production levels during the year have significantly improved. Exports have improved during the year and continuous efforts are on to explore new markets for our products. While prices of raw materials increased, those of the final products continued to be under pressure. This affected the profitability of the plant somewhat. Consequently the Unit's focus continued on increasing productivity, cost reduction, increase in exports and introduction of new products. This strategy has started showing good results.

### Shriram Rayons

#### Rayons

Rayon operations have been adversely affected. This is the result of international competition putting pressure on price coupled with steep depreciation of the Euro, and hardening of pulp and other input prices. Reduction in export incentives rates has also adversely affected the profits.

Rayon exports have been lower both in terms of quantity and value as compared to the previous year. The management continues its efforts to improve operations through cost reduction, quality improvement and development of new customers.

#### Nylon

Though the Nylon business has remained under pressure due to recession in the domestic tyre industry, more focus is planned to increase volumes in the current year.

### Power generation

The existing co-generation facility of power continued to function satisfactorily. Recent indications from Government are that some policy changes may be made to provide further impetus to co-generation in the sugar industry. This should provide further opportunity for development of this business.

### EXPORTS

During the year, the exports of the Company's products increased further to Rs. 85 cr. (Rs. 80 cr.) and constituted 28% of the turnover. Export earnings would have been higher but for the steep depreciation of the Euro. In the year under report sugar exports were also undertaken through export houses.

### PROMOTED COMPANIES

#### Daurala Organics Ltd.

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

The market for the Company's products continues to

be competitive with a further decline in prices of some of its products. The Company's strategy to counter this has been to increase market penetration and exports. Exports during the year more than doubled from Rs. 6 cr. to Rs. 14.5 cr. The thrust on R&D and development of new products were other ingredients of the Company's strategy.

#### **DCM Hyundai Ltd.**

The major revenue stream of the Company continues to be affected by the glut in the world market as well as slow down in Indian exports. The Company's efforts to develop Indian market for containers is receiving some encouraging response. Trials of a new high value product have been commenced. The initial contracts have been executed successfully. DHL continues to be under BIFR. The revival package submitted by your Company is under review of the Operating Agency, ICICI.

#### **DCM Remy Ltd.**

The Company has taken various steps to improve its operations, including financial restructuring, closing down unviable markets and cost reduction. The Company is considering operations in new and promising areas.

#### **SUBSIDIARY COMPANIES**

##### **Indital Tintoria Ltd.**

- The operations of the Company improved in terms of export sales after the changes in quota policy made by the Government. However, sales in the domestic market were adversely affected due to restriction imposed on 100% EOUs by the Government. To overcome these restrictions, debonding of the unit has been done in the current year. Rehabilitation package of the Company was approved by the BIFR and the same is under implementation.

##### **DCM Shriram Leasing & Finance Ltd.**

The Company has shown some improvement in financial results and is continuing to focus on recovery of overdues from market.

#### **RESEARCH & DEVELOPMENT**

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

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, your Directors state:

- While preparing annual accounts the applicable accounting standards have been followed.

- The Company had selected such accounting policies and applied them consistently and made judgements that are reasonable and prudent 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 or loss of the Company for the period;
- That the Company had taken proper and sufficient care 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.
- That the Company had prepared the annual accounts on a going concern basis.

#### **CORPORATE GOVERNANCE**

Report on Corporate Governance is given in Annexure-I.

#### **DIRECTORS**

Shri J.B. Dadachanji and Shri D. Basu resigned from the Board.

Shri P.C. Gupta has joined the Board as nominee of the Unit Trust of India.

Shri Alok B. Shriram, Shri D.C. Mittal and Shri A.N. Haksar retire by rotation and are eligible for re-appointment.

#### **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, relating to particulars of employees is given in Annexure-II to this report.

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

#### **ACKNOWLEDGEMENT**

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

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

For and on behalf of the Board

New Delhi  
June 7, 2001



CHAIRMAN

## **DIRECTORS' REPORT (continued)**

### **ANNEXURE I**

#### **CORPORATE GOVERNANCE**

DCM Shriram Industries Limited came into being in 1990, inheriting a century old corporate ethos from DCM Ltd., which was a pioneer in introducing many of the Corporate Governance norms introduced recently through the Listing Agreement. The Corporate Governance Code is applicable to the Company from the financial year 2001-02 only. The Company appreciates the importance of good Corporate Governance and as such has been adhering to most of the norms already.

The Company believes that as a corporate entity it has certain social obligations to be discharged as a part of Corporate Governance. In line with this philosophy, the Company runs Higher Secondary level schools at Daurala and Kota for the benefit of children of the employees and others. The Company is actively involved in health care and promotion of art and culture at the above locations. The Cane Development activities are well appreciated.

A brief report on Corporate Governance for the financial year ended on 31.3.2001 is given below :

#### **Composition of the Board**

The Board comprises of 12 Directors of which 5 are Whole-time Directors. The Independent Non-Executive Directors are persons of eminence and experience drawn from various facets of corporate affairs. Two of them are representing financial / investment institutions.

#### **Meetings and attendance**

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings Attended*	Attendance at last AGM	No. of Other Directorships**	No. of Other Committee Memberships
1.	Dr. Bansi Dhar	CMD	4	Yes	8	6
2.	Sh. Tilak Dhar	VC & JMD	3	Yes	4	4
3.	Sh. D.C. Mittal	JMD	2	Yes	1	9
4.	Sh. Alok B. Shriram	DMD	3	Yes	4	4
5.	Sh. S.D. Nigam	WTD	4	Yes	—	—
6.	Dr. V. L. Dutt	Independent Non-Executive	4	Yes	9	1
7.	Sh. R.P. Khosla	— do —	3	Yes	3	7
8.	Sh. Atam Parkash	— do —	3	Yes	1	2
9.	Sh. A.N. Haksar	— do —	4	Yes	1	1
10.	Sh. D. Basu***	— do —	2	Yes	10	6
11.	Sh. J.B. Dadachanji***	— do —	2	Yes	19	—
12.	Sh. B.S.S. Gupta	IFCI Nominee	4	Yes	1	—

\* During the financial year 4 Board meetings were held.

\*\* Excludes Directorship in private limited companies.

\*\*\* Resigned from the Board.

Shri P.C. Gupta, Zonal Manager has been nominated by UTI recently.

#### **Audit Committee**

The Audit Committee of the Board was constituted in 1991, to review various areas of audit and accounts. All financial statements of import, including quarterly, half-yearly and annual unaudited / audited results are first reviewed and approved by the Audit Committee before forwarding to the Board for approval. The Audit Committee also approves internal audit programmes, reviews Internal Audit reports and follow-up measures taken by the Management in their implementation. The terms of reference of the Audit Committee are being widened to be in conformity with Clause 49 of the Listing Agreement.

The Audit Committee comprises of 3 non-executive independent Directors. The Committee held 4 meetings during the year. The attendance at these meetings were as follows :

Name of the Member	Status	No. of Meetings attended
Sh. R.P. Khosla	Chairman	3
Sh. Atam Parkash	Member	4
Sh. B.S.S. Gupta	Member	3

The Company Secretary is the Secretary of the Audit Committee.

#### Remuneration Committee

The Company has not formed a remuneration committee.

Details of remuneration of Directors for the y.e. 31.3.2001 are given below :

#### Whole-time Directors

Name	Salary (Rs.)	Commission / Reward (Rs.)	Perquisites (Rs.)	Retirement Benefits (Rs.)
Dr. Bansi Dhar (CMD)	600000	—	771217	162000
Sh. Tilak Dhar (VC & JMD)	540000	—	458957	145800
Sh. D.C. Mittal (JMD)	525500	—	345308	63060
Sh. Alok B. Shriram (DMD)	450000	—	523002	121500
Sh. S.D. Nigam (WTD)	426000	100000	279070	115020

The appointments are contractual in nature and can be determined at any time by either party giving 6 months' notice in writing.

No stock options were issued by the Company to its Directors / Employees.

#### Non-Executive Directors

The non-executive directors are paid sitting fees for attending the Board / Committee Meetings. The sitting fees paid during the year are given below :

Name of Directors	Sitting Fees paid (Rs.)
Sh. R.P. Khosla	21500
Sh. Atam Parkash	10250
Sh. B.S.S. Gupta*	10750
Sh. J.B. Dadachanji	18500
Dr. V.L. Dutt	7000
Sh. A.N. Haksar	7000
Sh. D. Basu	3500

\*Sitting Fee in respect of Sh. B.S.S. Gupta has been paid to IFCI Ltd.

#### Share Transfer Committee

All matters related to transfer / transmission of shares and debentures have been entrusted to the share transfer committee comprising of the following :

Name of Directors	Status
Dr. Bansi Dhar	Chairman
Sh. Tilak Dhar	Member
Sh. D.C. Mittal	Member
Sh. Alok B. Shriram	Member
Sh. J.B. Dadachanji	Member