

DCM SHRIRAM

DCM SHRIRAM INDUSTRIES LTD.

Annual Report 2004

DCM SHRIRAM INDUSTRIES LIMITED

Board of Directors

Dr. Banshi Dhar	<i>Chairman and Managing Director</i>
Shri Alok B. Shriram	<i>Dy. Managing Director</i>
Shri S.D. Nigam	<i>Whole - Time Director</i>
Shri Atam Parkash	
Shri A.N. Haksar	
Shri A.K. Bhan	<i>IFCI Nominee</i>
Shri K.K. Mudgil	<i>UTI Nominee</i>

Company Secretary

Shri B. P. Khandelwal	<i>Executive Director</i>
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Principal Executives

Shri Tilak Dhar	<i>Chief Executive Officer</i>
Shri D.C. Mittal	<i>President</i>
Shri G. Kumar	<i>Executive Director (Sugar)</i>
Shri Madhav B. Shriram	<i>Jt. President (Sugar)</i>
Shri V.K. Jhingon	<i>Vice-President (Rayons)</i>
Shri N.K. Jain	<i>Vice-President (Accounts & Finance)</i>

Bankers

State Bank of India
Punjab National Bank
Oriental Bank of Commerce
State Bank of Bikaner & Jaipur
Punjab and Sind Bank
The United Western Bank Ltd.
The Hongkong and Shanghai Banking Corporation Ltd.
Moradabad Zila Sahkari Bank Ltd.
Meerut Zila Sahkari Bank Ltd.
Ghaziabad Zila Sahkari Bank Ltd.

Auditors

A.F. Ferguson & Co.
New Delhi

Registered Office

Kanchenjunga Building,	Tele. No. :	(011) 2332 1413
6th Floor	Fax No. :	(011) 2335 0765
18, Barakhamba Road,	E-Mail :	dsil@dcmsr.com
New Delhi-110 001	Website :	http://www.dcmsr.com

DCM SHRIRAM INDUSTRIES LIMITED

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

NOTICE

The 13th Annual General Meeting of the Company will be held on Wednesday, the 23rd June, 2004 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 2004, and the Profit & Loss Account for the period ended on that date.
2. To appoint a Director in place of Shri Atam Parkash, 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 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, as may be required, approval of the Company be and is hereby accorded to the re-appointment of Dr. Banshi Dhar as Chairman & Managing Director of the Company for a period of 5 years, with effect from 1.10.2003 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/increase, vary or modify 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."
5. To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary 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, as may be required, approval of the Company be and is hereby accorded to the re-appointment of Shri Alok B. Shriram as Dy. Managing Director of the Company for a period of 5 years, with effect from 1.10.2003 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/increase, vary or modify 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 resolution, with or without modification, as an Ordinary 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, as may be required, approval of the Company be and is hereby accorded to the re-appointment of Shri S.D. Nigam as Whole-time Director for a period of 2 years, with effect from 1.2.2004 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/increase, vary or modify 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."
7. To consider and, if thought fit, to pass the following resolution, with or without modification, as a Special Resolution:
"Resolved that, subject to such consents and permissions, if any, as may be necessary, the equity shares of the Company be delisted from The Delhi Stock Exchange Association Ltd. and The Calcutta Stock Exchange Association Ltd."

By order of the Board
for DCM SHRIRAM INDUSTRIES LIMITED



(B.P. Khandelwal)
Executive Director & Co. Secretary

New Delhi
18th May, 2004

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 16.06.2004 to 23.06.2004 (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. Appointment /Re-appointment of Directors

At the ensuing Annual General Meeting Shri Atam Parkash retires by rotation and being eligible offers himself for re-appointment. The members' approval for re-appointment of Dr. Banshi Dhar (5 years), Shri Alok B. Shriram (5 years) and Shri S.D. Nigam (2 years) is also sought. The information as required under listing agreement in relation to the aforesaid Directors is as under:

a) Shri Atam Parkash, Director

Shri Atam Parkash, aged about 70 years, joined the Board on 23.8.1991. He has Graduated from Shriram College of Commerce in the year 1954. He has long experience especially in textile business. He is Chairman of the Audit Sub-Committee and Member of Shareholders' and Remuneration Committees of the Board. He is director on the following other company.

Directorship

1. M.R. Ramchand & Co. (P) Ltd.
2. Raghushree Sales (P) Ltd.
3. B.H.P.C. Clothing Co. (P) Ltd.

b) Dr. Banshi Dhar, CMD

Dr. Banshi Dhar, aged 74 years, joined the Company in 21.05.1990 as CMD. Prior to this, he was Chairman & Senior Managing Director of DCM Limited. He has over 5 decades of experience in senior management positions. In DCM Ltd. he had been managing operations such as textiles, vanaspati, sugar, chemicals, alcohol, rayon, fertilisers and cement etc. from time to time.

He is an alumnus of the Advanced Management Programme, Harvard University, USA. He is also a fellow of the Indian Institute of Chemical Engineers and All India Management Association. He was Member/Head of various trade and industrial organisations including FICCI.

He is a Member of the Shareholders' Committee of the Company. He is Director on the following other companies:

Directorship

1. Daurala Organics Ltd.
2. DCM Hyundai Ltd.
3. Indital Tintoria Ltd.
4. Deltron Ltd.
5. Daurala Foods & Beverages Pvt. Ltd.
6. Hindustan Vacuum Glass Pvt. Ltd.

Chairman / Member of the Committee of the Board

- Share Transfer-cum-Shareholders' Grievance Committee (Chairman)
- Audit Sub-Committee
- Remuneration Committee.

c) Shri Alok B. Shriram, DMD

Shri Alok B. Shriram, aged 44 years, has over 20 years of experience in various management positions. He has done his Graduation from Shriram College of Commerce. He is looking after the Rayons Division. He is also Managing Director of DCM Hyundai Limited.

He is a Member of the Shareholders' Committee of the Company. He is Director on the following other companies:

Directorship

1. DCM Hyundai Ltd.
2. Indital Tintoria Ltd.
3. Hi-Vac Wares Pvt. Ltd.
4. Quick Lithographers Pvt. Ltd.
5. Pee Kay Alkalies Pvt. Ltd.
6. Labels International Pvt. Ltd.

Member of the Committee of the Board

- Audit Sub-Committee
- Remuneration Committee.

NOTICE (Continued)**d) Shri S.D. Nigam, WTD**

Shri S.D. Nigam, aged 61 years, has about 39 years of experience. He is an Electrical Engineer. He joined the Company in 1997 and is responsible for the day to day operations of Rayons Unit. He is a Member of the Audit Sub-Committee. He is not a Director in any other company.

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, 5 & 6

Dr. Banshi Dhar, Chairman & Managing Director (CMD) and Shri Alok B. Shriram, Dy. Managing Director (DMD) were re-appointed for a period of 5 years with effect from 1.10.1998. Shri S.D. Nigam, Whole-time Director (WTD) was re-appointed for a period of 2 years with effect from 1.2.2002. The term of office of Dr. Banshi Dhar and Shri Alok B. Shriram expired on 30.9.2003 and that of Shri S.D. Nigam on 31.1.2004. Considering their contribution to the growth of the Company, the Board of Directors, on the recommendation of the Remuneration Committee, reappointed Dr. Banshi Dhar and Shri Alok B. Shriram for a further period of 5 years from 1.10.2003 and Shri S.D. Nigam for a further period of 2 years w.e.f. 1.2.2004. The reappointments are subject to the approval of IFCI Ltd., Central Government and any other approvals as may be required. Approval of IFCI Limited has already been received. Applications have been made to the Central Government for its approval. The approval of the Central Government is required because of the delay in repayment of some debentures/loans by the Company. The terms and conditions and the remuneration proposed for the managerial personnel are set out below: These are within the limits laid down under Schedule XIII of the Companies Act, 1956.

Salary (Per Month)

Dr. Banshi Dhar, (CMD)	Rs. 70,000 in the range of 70,000 - 5,000 - 90,000
Shri Alok B. Shriram, (DMD)	Rs. 50,000 in the range of 50,000 - 5,000 - 70,000
Shri S.D. Nigam, (WTD)	Rs. 42,000 in the grade of 42,000 - 4,000 - 46,000

Commission: CMD and DMD

As may be decided by the Board from year to year, provided that the total remuneration including salary, perquisites and Commission to Dr. Banshi Dhar and Shri Alok B. Shriram shall not exceed 4% and 2%, respectively of the net profits of the Company in a particular 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.

Reward : WTD

Not exceeding annual salary, as may be decided by the Board.

Perquisites

Housing:

CMD and DMD

- Company maintained furnished accommodation will be provided.
- The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income-tax Rules, 1962.

WTD

- Suitable accommodation will be provided. In case no accommodation is provided, WTD shall be entitled to house rent allowance @ 60% of the salary.
- The expenditure incurred by the Company on Gas, Electricity, Water & Furnishing will be actual to be valued as per the Income-tax Rules, 1962, subject to a ceiling of 10% of the salary.

Medical -

CMD - Reimbursement of actual medical expenses incurred for self and family.

DMD - Reimbursement of one month's salary in a year or 5 months' salary in a period of 5 years.

WTD - Reimbursement of one month's salary in a year or 2 months' salary in a period of 2 years.

Leave Travel Concession - For self and family once in a year as per Company rules.

Club Fees - Fees of Clubs, subject to a maximum of two clubs, admission and life membership fees not being allowed.

Personal Accident Insurance - Premium not to exceed Rs.4,000 per annum plus service tax applicable.

Provident Fund/Superannuation/Gratuity - As per Company rules.

Leave - As per Company rules, leave accumulated but not availed of during their tenure encashable as per Company rules.

Car - Provision of a chauffeur driven car.

Telephone - Free telephone facility at residence, personal long distance calls to be paid for by them.

Entertainment - Reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.

Other terms applicable to the re-appointments

Total salary and perquisites in a year shall not exceed 10% of the net profits computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

Remuneration for part of the year will be computed on pro-rata basis.

In the event of absence or inadequacy of profits in any financial year they will be paid the above remuneration subject to the overall ceilings laid down in Section II of Part II of Schedule XIII.

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, they shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act.

Except Dr. Bansi Dhar, Shri Alok B. Shriram and Shri S.D. Nigam, none of the other directors of the Company is interested in the resolution.

ITEM NO. 7

Equity shares of the Company are presently listed at Delhi, Mumbai and Calcutta Stock Exchanges for quite some time, there has been hardly any trading in the equity shares of the Company at the Delhi Stock Exchange Association Limited (DSE) as well as the Calcutta Stock Exchange Association Limited (CSE). Recently, SEBI has promulgated the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, which permits the listed companies to delist voluntarily their securities from the Stock Exchanges, including the Regional Stock Exchange.

It is, therefore, proposed to delist the equity shares of the Company from DSE and CSE, which requires approval of the Members by way of Special Resolution.

Equity shares in the Company are regularly traded in the Stock Exchange, Mumbai, which has trading facilities throughout the Country and therefore, delisting will not affect the trading in the shares of the Company in any way.

None of the Directors is concerned 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 Board Resolution dated 30.09.2003 & 28.01.2004 and approvals of IFCI Limited dated 10.3.2004 & 15.4.2004 of the reappointment of above managerial personnel and copies of the applications to the Central Government (Resolution Nos. 4,5 and 6) and a copy of the Memorandum and Articles of Association of the Company 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 18 month period ended 31st March 2004.

The accounting year was extended to 31.3.2004 with necessary approvals, and now aligns with financial year under the Income-tax Act.

As reported in the previous year, with a view to bring the high cost long term debt to a sustainable level, your Company had submitted restructuring proposals to the financial institutions/creditors. Approvals to the reschedulement proposals with reduction in future interest rates as also waiver of interest for the past have been received from many of the institutions and approvals from others are at an advanced stage. The dues of smaller creditors have been settled/paid off during the year. Your Company considers this a major achievement and is hopeful that this will have a positive effect on the future prospects.

FINANCIAL RESULTS

During the period under review, there has been significant improvement in the operating results of the Company. The turnover including other income was Rs.615 crs compared to Rs.523 crs in the previous period. The gross profit is higher at Rs.32 crs compared to Rs.12 crs in the previous period.

Due to continuing adverse business conditions, the rehabilitation of Indital Tintoria Limited became unachievable. It was therefore considered prudent, to discontinue the business and write off Rs.23 crs of the investment made in that company. This together with the benefit arising out of restructuring, has necessitated provisioning for Rs. 8 crs under exceptional items. After providing for depreciation, current tax and deferred tax as per the Accounting Standards, the net profit is Rs.3 crs.

Considering the need to strengthen the finances, the Directors do not recommend any dividend for the year under review.

OPERATIONS

Daurala Complex

Sugar

Cane crushing and sugar production at Daurala were the highest achieved due to significant steps taken to improve productivity. Recoveries were slightly lower than the previous year due to agro-climatic conditions. We shall be continuing our efforts to improve productivity in the field and in the factory.

For the most part of the year the situation of excess sugar availability and stocks and consequent low domestic prices continued. International price of sugar also remained low whereby exports were limited. As a result the profitability of the sugar unit was constrained.

Towards the end of the financial year when it became apparent that the national production this year would be about 25% lower than the last year, the market sentiment firmed up. The fall in production should result in normalisation of the inventory situation in the country, and an overall better environment for the sugar industry.

On the cane price front in the northern region, a change had taken place whereby factories started paying a Centrally administered price in place of the State advised price in the past. The situation is still somewhat uncertain.

Alcohols

The scenario of alcohol continued to remain relatively stable and results were satisfactory.

During the year, we commenced production and supply of Anhydrous Alcohol to the oil companies for admixing with petrol. This has opened a new avenue for sale.

On the environmental front the company is working actively towards the new norms which are to be achieved by the end of 2005. Programs for bio-composting of press mud and ferti-irrigation as recommended by the Pollution Control Boards have been taken up.

Chemicals

During the period, due to steps taken to improve productivity and efficiencies, Profitability was maintained despite increasing raw material prices and international competition. Production levels as also exports were the highest achieved.

Shriram Rayon

Rayons

Continuous and focused attention on cost reduction, energy conservation and operational efficiencies showed good results during the period. Special emphasis was put on sale of value added products and development of new customers. These steps coupled with a strong Euro helped the unit achieve a major turn around.

The production, sales and profits have been the best achieved by the Unit. Exports increased by 33% during the period.

The Unit received the award for the highest exports by the Silk and Rayon Export Promotion Council for the year 2002-03.

Nylon

Growth of automobile/manufacturing sector has resulted in an increased demand for tyres which in turn has improved our nylon business. Efforts are being made to increase volumes to improve profitability.

PROMOTED COMPANIES

Daurala Organics Ltd.

The company was successful in maintaining profits at previous years level despite severe pressure on selling prices and margins, as international competition intensified, compounded by the strengthening rupee and lowering import duties. This was achieved by increased sales volumes and all-round cost reduction.

DCM Hyundai Ltd.

The operations of the Company continue to be adversely affected by aggressive policies of the Chinese producers and continuous upsurge in steel prices.

Diversification efforts in the previous year have yielded results and the main thrust of operations continues to be in this direction.

The company's rehabilitation scheme is under consideration of the operating agency. Settlements done with working capital lenders have resulted in substantial relief.

Daurala Foods & Beverages Pvt.Ltd.

There was all-round improvement in the operations of the Company, led by the increase in production of licensed brands. Consequently, the Company started earning an operational profit.

Others

Your Company has discontinued the yarn dyeing and financial service businesses, pursued through Indital Tintoria Limited and DCM Shriram Leasing & Finance Limited respectively, for giving more attention to its core businesses.

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' REPORT (continued)

DIRECTORS' RESPONSIBILITY STATEMENT

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

- While preparing annual accounts the applicable accounting standards had 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.

AUDITORS' OBSERVATIONS

The observations of the Auditors in their Report on the accounts for the period are on the lines of their observations on the accounts for the previous period. These observations have been explained in detail in the notes to the accounts.

CORPORATE GOVERNANCE

Corporate Governance and Management Discussion and Analysis report are given in Annexure-I.

DIRECTORS

Shri Atam Parkash retires by rotation and is eligible for re-appointment.

Dr. Bansi Dhar, Chairman & Managing Director and Shri Alok B. Shriram, Dy. Managing Director have been reappointed for a further period of 5 years with effect from 01.10.2003 and the term of Shri S.D.Nigam, Whole-time Director has been extended for another two years from 01.02.2004. These are subject to the approvals of the shareholders and the Central Government.

OTHER INFORMATION

There is no employee in the Company whose particulars are required to be given under section 217 (2A) of the Companies Act.

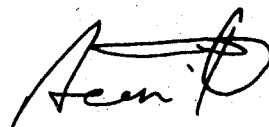
The information pursuant to Section 217 (1) (e) of the Companies Act on conservation of energy, technology absorption and foreign exchange earnings/outgo is given in Annexure-II.

ACKNOWLEDGEMENT

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



Chairman

New Delhi
18th May 2004

CORPORATE GOVERNANCE REPORT**Annexure - I****Corporate Governance Philosophy**

Your Company continues to believe in conduct of its business with high standards of integrity, ethical behaviour, compliances of laws and strong and effective audit controls in all areas of operations. The Company has from inception an elaborate internal audit system in place. An Audit Sub-committee of the Board oversees the systems and procedures and financial matters on a regular basis. The suggestions emerging are implemented sincerely.

A brief report on Corporate Governance for the 18 months period ended on 31.03.2004 as required under Clause 49 of the Listing Agreement is given below:

Board of Directors

As at 31.03.2004 the Board of Directors comprised of 7 Directors, of which 3 are Whole-time Directors. The Independent Non-Executive Directors are persons of eminence and experience in the field of trade and industry and two of them are nominated by financial institutions. The Board's composition is in line with the Corporate Governance requirements.

Meetings and attendance

During the period 8 Board meetings were held on 22.11.2002, 27.12.2002, 25.03.2003, 30.05.2003, 28.08.2003, 30.09.2003, 29.11.2003 and 28.01.2004. Attendance and other details are given below:

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	Other Directorships*	No. of Committee Memberships	
						Member	Chairman
1	Dr. Bansi Dhar	CMD	5	No	4	2	1
2	Sh. Alok B. Shriram **	DMD	8	Yes	2	2	Nil
3	Sh. S.D. Nigam	WTD	8	Yes	—	N.A	N.A
4	Sh. Atam Parkash	Non-Executive/ independent	8	Yes	—	N.A	N.A
5	Sh. A.N. Haksar	— do —	7	Yes	—	N.A	N.A
6	Sh. K.K. Mudgil (UTI Nominee)	— do —	8	Yes	1	1	1
7	Sh. A.K. Bhan (IFCI Nominee)	— do —	8	Yes	2	2	Nil

* Excludes Directorship in private limited companies/ foreign companies.

** Presided over the AGM in the absence of CMD

Audit Committee

The Audit Committee of the Board was constituted in the year 1991. Its terms of reference are in conformity with Clause 49 of the Listing Agreement and Section 292A of the Companies Act. The Committee reviews various areas of Audit and Accounts. All important financial statements such as Budgets/ periodical Unaudited/ Audited Results, are reviewed/ approved by the Committee before forwarding to the Board. It lays down internal audit schedules, reviews internal audit reports and follow-up action thereon.

The Audit Committee as on 31.03.2004 comprises of four Non-executive Independent Directors and one Executive Director. The Company Secretary is the Secretary of this Committee. The Committee held 8 meetings during the 18 months period ended 31.03.2004. The attendance at these meetings were as follows :