



DCM SHRIRAM

DCM SHRIRAM INDUSTRIES LTD.

*Annual Report 2006-07
(Abridged)*

DCM SHRIRAM INDUSTRIES LIMITED

Board of Directors	Shri Tilak Dhar	<i>Chairman & Managing Director</i>
	Shri Alok B. Shriram	<i>Dy. Managing Director</i>
	Shri Madhav B. Shriram	<i>Whole-Time Director</i>
	Shri G. Kumar	<i>Director – Sugar Operations</i>
	Shri Atam Parkash	
	Shri P.R. Khanna	
	Dr. V.L. Dutt	
	Shri S.P. Arora	<i>IFCI Nominee</i>
Company Secretary	Shri B.P. Khandelwal	<i>Sr. Executive Director</i>
Principal Executives	Shri D.C. Mittal	<i>President</i>
	Shri Anil Gujral	<i>Chief Executive Officer (Chemicals & Alcohol)</i>
	Shri K.N. Rao	<i>Chief Operating Officer (Rayons)</i>
	Shri P.V. Bakre	<i>Sr. Vice President</i>
	Shri N.K. Jain	<i>Chief Financial Officer</i>
Bankers	State Bank of India	
	Punjab National Bank	
	Oriental Bank of Commerce	
	State Bank of Bikaner & Jaipur	
	Punjab & Sind Bank	
	The Industrial Development Bank of India Ltd.	
	Karnataka Bank Ltd.	
	Syndicate Bank	
	State Bank of Hyderabad	
Auditors	A.F. Ferguson & Co.	
	New Delhi	
Registered Office	Kanchenjunga Building,	Tel. No. : (011) 2375 9300
	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 16th Annual General Meeting of the Company will be held on Tuesday, the 25th September, 2007 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 2007, and the Profit & Loss Account for the year 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 appoint a Director in place of Shri P. R. Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary 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/Audit Committee 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 Section 310 of the Companies Act, 1956 and subject to any other approval as may be required, in partial modification of the earlier respective shareholders resolutions in the matter, approval be and is hereby accorded for refixing and payment of minimum remuneration to Shri Tilak Dhar, Chairman & Managing Director, Shri Alok B. Shriram, Dy. Managing Director, Shri Madhav B. Shriram, Whole-time Director and Shri G. Kumar, Director (Sugar Operations) in the event of absence or inadequacy of profits in any financial year, as per and subject to the overall ceiling laid down in Section II of Part II - Para 1(B) of Schedule XIII of the Companies Act, effective from 01.04.2006, without changing any of the components of remuneration as per the shareholders' existing resolutions.

Resolved further that the above approval shall be in force for a period of 3 years from 1.4.2006 or till expiry of the current term of office of the above managerial personnel, whichever is earlier."

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

"Resolved that, pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for commencing and undertaking all or any of the businesses specified in Sub-Clause 46 of the Other Objects Clause of the Memorandum of Association of the Company".

7. 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, consent of the Company be and is hereby accorded for mortgaging and/or

charging the whole or substantially the whole of the Company's undertakings except the undertaking pertaining to Daurala Organics Unit, including the present and/or future properties whether movable or immovable in favour of State Bank of Indore for securing the term loan of Rs.1500 lac together with interest or any other charges, expenses and other monies payable to them in respect of the said term loan.

Resolved further that the security created/ to be created in the manner aforesaid in favour of the said bank to secure the said financial facility shall be by way of a 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 and or future borrowings.

Resolved further that the Board of Directors or a Committee thereof be and is hereby authorised to finalise 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 a 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 a Committee thereof be and are hereby confirmed and ratified."

8. 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, consent of the Company be and is hereby accorded for mortgaging and/or charging of all movable and immovable properties of the Sugar Division of the Company's Daurala Sugar Works Unit located at Daurala, Dist. Meerut (U.P.) on the basis of exclusive second charge to secure the term loan of Rs.2139.2 lac from the Sugar Development Fund, in favour of Department of Food and Public Distribution, Ministry of Consumer Affairs, Govt. of India.

Resolved further that the Board of Directors or a Committee thereof be and is hereby authorised to finalise 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 a 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 a Committee thereof be and are hereby confirmed and ratified."

By order of the Board
for DCM SHRIRAM INDUSTRIES LIMITED



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

New Delhi
30th July, 2007

NOTICE (Continued)

NOTES:

1. Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956, is attached.
2. Please notify change of address if any. Shareholders who have not received the share certificate/s against the shares held in the erstwhile Daurala Organics Limited may write to the Registrar M/s. Karvy Computershare Pvt. Ltd., 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 or 105-108, Arunachal Building, 19, Barakhamba Road, New Delhi - 110 001.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 18.09.2007 to 25.09.2007 (both days inclusive).
4. 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.
5. At the ensuing Annual General Meeting Shri Atam Parkash and Shri P.R. Khanna, retire by rotation and being eligible offer themselves for re-appointment (Item Nos. 2 & 3). Brief resume and other requisite information about these Directors are given below. They have confirmed that they are not disqualified for being appointed as a Director of the Company and have filed Form No. DD-A with the Company, for the purpose.
 - a) Shri Atam Parkash, aged about 73 years, joined the Board on 23.8.1991. He is a Commerce Graduate and has long business experience especially in textiles. He is a Member of the Board's Audit and Remuneration and Borrowing Committees and Chairman of the Shareholders' Committee. He is director on the Boards of M.R.Ramchand & Co. (P) Ltd., Raghushree Sales (P) Ltd. and BHPC Clothing Co. (P) Ltd. Shri Atam Parkash holds 1003 equity shares in the Company.
 - b) Shri P.R. Khanna, aged 74 years, is a Chartered Accountant and was a partner of Khanna & Annadhanam, Chartered Accountants. He has vast experience in the area of financial management and auditing. He was a director of State Bank of India. He is Chairman of the Audit Committee and Member of the Remuneration, Shareholders' and Borrowing Committees of the Board. He is a director on the Boards of following other companies:

Directorships

1. UTI Asset Management Co.Pvt. Ltd.

2. Ansal Properties & Infrastructure Ltd.

3. Control & Switchgears Contractors Ltd.

4. Indag Rubber Ltd.

5. Uniproducts India Ltd.

Chairman/Member of the Committee of the Board

– Risk Management Committee (Chairman)

– Audit Committee (Member)

– Remuneration Committee (Member)

– Audit Committee (Member)

– Directors Committee (Member)

– Shareholders/Investors Grievances Committee (Member)

– Resource Planning & Review Committee (Member)

– Remuneration Committee (Member)

– Audit Committee (Member)

– Remuneration Committee (Member)

– Audit Committee (Member)

Shri P.R. Khanna holds 960 equity shares in the Company.

ANNEXURE TO NOTICE

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

ITEM NO. 5

The shareholders had approved the appointments and terms and conditions and remuneration of Shri Tilak Dhar, CMD, Shri Madhav B. Shriram, WTD, Shri Alok B. Shriram, DMD and Shri G. Kumar, DS by Ordinary resolutions dated 15.12.2005 (CMD and WTD), 23.6.2004 (DMD) and 18.8.2006 (DS) for a period of 5 years w.e.f. 5.10.2005 (CMD & WTD), 1.10.2003 (DMD), and for a period of 3 years w.e.f. 1.2.2006 (DS). The terms of remuneration of Shri Alok B. Shriram were partially amended by the Board as per authority conferred on it by the shareholders effective from 1.3.2006. The remuneration payable to these managerial personnel as per approvals referred to above is as under:

Particulars	Shri Tilak Dhar	Shri Alok B. Shriram	Shri Madhav B. Shriram	Shri G. Kumar
Salary grade (p.m.)	Rs.1,25,000 - 15,000 - 2,00,000	Rs.1,15,000 - 15,000 - 1,45,000	Rs.1,00,000 - 15,000 - 1,75,000	Rs.60,000 - 5,000 - 70,000
Housing	Company maintained furnished accommodation or HRA at 60%* of salary	Company maintained furnished accommodation or HRA at 60%* of salary	Company maintained furnished accommodation or HRA at 60%* of salary	Suitable accommodation or HRA at 60% of salary
Gas, Electricity & water	Actuals	Actuals	Actuals	Actuals
Medical	Actuals	Actuals	Actuals	One month salary in a year
LTC	As per Company Rules	As per Company Rules	As per Company Rules	As per Company Rules
Club Fees	Subject to a maximum of 2 clubs	Subject to a maximum of 2 clubs	Subject to a maximum of 2 clubs	Subject to a maximum of 2 clubs
PA Insurance	Premium not to exceed Rs.4000 per annum + Service tax.	Premium not to exceed Rs.4000 per annum + Service tax.	Premium not to exceed Rs.4000 per annum + Service tax.	Premium not to exceed Rs.4000 per annum + Service tax.
PF/Superannuation/Gratuity/Leave	As per Company Rules	As per Company Rules	As per Company Rules	As per Company Rules
Commission on profits	As may be decided by the Board but including remuneration not to exceed 2% of Net Profit as per Section 198 of the Act.	As may be decided by the Board but including remuneration not to exceed 2% of Net Profit as per Section 198 of the Act.	As may be decided by the Board but including remuneration not to exceed 1.5% of Net Profit as per Section 198 of the Act.	Reward – Upto 50% of annual salary, as may be decided by the Board.
Minimum remuneration in the absence or inadequacy of profits	The above remuneration without commission	The above remuneration without commission	The above remuneration without commission	The above remuneration

* Option of HRA approved by the Board in the meeting held on 27.6.2007 effective from 1.4.2007.

NOTICE (Continued)

During the year 2006-07 because of unprecedented high production and the resultant depressed market conditions for sugar, profits in sugar industry have fallen steeply. Sugar being its core product, the Company's operations also suffered especially in the later part of the year resulting in inadequacy of profits as per Section 198 of the Companies Act for the purpose of managerial remuneration. As a result, as per the existing resolutions the minimum remuneration have to be limited to Rs.2 lacs per month per managerial personnel. The remuneration drawn by CMD, DMD and WTD for the year 2006-07 have exceeded by Rs.5.19 lacs, Rs.3.35 lacs and Rs.5.05 lacs respectively. Considering the contributions of these managerial personnel in running the affairs of the Company during this difficult phase and the fact that the fall in profits was because of the industry conditions, the Board on the recommendation of the Remuneration Committee, decided to seek the approval of the shareholders by Special resolution pursuant to Section 310 of the Companies Act, 1956, read with Section II of part II – para 1(B) of Schedule XIII of the Companies Act for payment of minimum remuneration of not exceeding Rs.4 lacs per month all inclusive without any change in the existing components of remuneration and other terms and conditions as approved by the shareholders and set out above to the managerial personnel of the Company effective from 1.4.2006.

Additional information required to be given along with notice calling General Meeting as per sub-para (B) of Para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956, is given hereunder:

I. General Information				
(1) Nature of Industry		The Company operates in sugar, alcohol, chemicals and rayon.		
(2) Date or expected date of commencement of commercial production		The Company has been in the business for many years.		
(3) Financial performance based on given indicators (Rs./ cr.)		2004-05	2005-06	2006-07
- Turnover		554.96	719.28	633.49
- Net profit (as computed u/s.198)		—	51.33	6.88
- Net profit / (loss) as per Profit & Loss Account		24.84	29.09	1.58
- Amount of dividend paid		—	1.53	—
- Rate of dividend declared		—	10%	—
4.Export performance and net foreign exchange earnings		139	186	167
5.Foreign investments or collaborations if any		—	—	—
II. Information about the appointees				
(1) Background details	Shri Tilak Dhar	Shri Alok B. Shriram	Shri Madhav B. Shriram	Shri G. Kumar
Designation	Chairman & Managing Director	Dy. Managing Director	Whole-time Director	Whole-time Director
Father's name	Late Dr. Bansri Dhar	Late Dr. Bansri Dhar	Late Dr. Bansri Dhar	Late Shri Giriraj Kumar
Nationality	Indian	Indian	Indian	Indian
Date of birth	04.02.1956	30.11.1960	08.10.1964	10.07.1942
Qualification	B.Com,MBA & CA (Inter)	B.Com.(Hons.)	B.Com, MBA	Mech. Engg.
Experience	27 years	27 years	19 years	42 years
(2) Past remuneration (2005-06) (Rs./ lacs/ per annum)				
Salary and perks	15.48*	20.63	13.11*	1.79*
Commission	34.58*	82.02	24.83*	--

* part of the year

(3) Job profile and suitability	
<p>a) Shri Tilak Dhar, CMD, looks after the day-to-day operations of the Company under the overall superintendence and control of the Board of Directors. He has over 27 years experience at various management positions mostly in sugar, alcohol and chemical industries. He was the past president of ISMA and is actively involved in matters relating to sugar industry. The Company greatly benefits from his experience and vision.</p> <p>b) Shri Alok B. Shriram, DMD looks after the Rayon Division, which is mainly an Export Oriented Operation. He has over 27 years of experience at various management positions. He is also Chairman and Managing Director of DCM Hyundai Ltd., a promoted company. His long experience and knowledge of the export market is greatly beneficial to the Company operations.</p> <p>c) Shri Madhav B. Shriram, WTD, is supporting CMD in the operations of Sugar Division. He has over 19 years experience in various positions. He is widely travelled and has an intimate knowledge of the Industry.</p> <p>d) Shri G. Kumar, DS, who has over 42 years of experience in various Senior Management positions is responsible for the day to day operations of the Sugar Division under the overall supervision of CMD.</p>	
(4) Remuneration proposed	The proposal is to pay the above managerial personnel minimum remuneration in the absence or inadequacy of profits in any financial year as per sub-para 1(B) of Part II of Section II of Schedule XIII of the Companies Act, which stipulates a limit of not exceeding Rs.4 lacs p.m./ Rs.48 lacs p.a.
(5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).	The remuneration being paid to these managerial personnel are comparatively lower than what is prevalent in the industry.
(6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	The pecuniary relationship the Company had with the managerial personnel other than the remuneration being paid to them are given under related party transactions in the notes to accounts in the annual report/ abridged version thereof.
III. Other Information	
(1) Reasons of loss or inadequate profits	In the year 2005-06 the Company recorded a net profit of Rs. 29 cr. This has come down to Rs. 1.6 cr. during the year ended 2006-07 due to the down turn in the sugar industry because of unprecedented high sugar production, low prices and high State administered cane price.
(2) Steps taken or proposed to be taken for improvement	The Company has taken various steps to cut costs in all possible areas. The Central and State Governments are also expected to take appropriate action to help the industry to surmount this unusual situation.
(3) Expected increase in productivity and profits in measurable terms	The position is expected to improve in the current financial year provided the State and Central Government provide adequate relief to tide over the glut.
IV. Disclosure	
	The remuneration packages of the managerial personnel are given above. All elements of remuneration package for the year 2006-07 are also given in the Corporate Governance Report. The services are on contract basis and can be determined by giving 6 months notice. The Company does not have any Scheme for grant of Stock Options.

The above may also be treated as an abstract u/s 302 of the Companies Act.

Except Shri Tilak Dhar, Shri Alok B. Shriram, Shri Madhav B. Shriram and Shri G. Kumar, none of the other directors of the Company is interested in the resolution.

NOTICE (Continued)

ITEM NO.6

The Company has been exploring the business prospects of importing various energy efficient equipment/ products running on non-conventional and conventional energy sources, Engineering and Electronic equipments and market them after value addition wherever necessary. There is considerable market for these products. Pursuing this new business, which is covered under Sub-Clause 46 of the Other Objects Clause of the Memorandum of Association of the Company, shareholders' approval is required under Section 149(2A) of the Companies Act, 1956, by a Special Resolution.

None of the directors is interested in the Resolution.

ITEM NO.7

The Company has availed of a Term Loan of Rs.1500 lacs from State Bank of Indore to shore up net working capital. As per the terms and conditions the loan is to be secured inter-alia by a first parri passu charge on the fixed assets of the Company except those of Daurala Organics Unit. Creation of charge as above requires the approval of the shareholders under Section 293(1)(a) of the Companies Act, 1956.

None of the directors is interested in the Resolution.

ITEM NO.8

Department of Food & Public Distribution, Government of India has sanctioned a Sugar Development Fund Term Loan of Rs.2139.20 lacs for modernization-cum-capacity expansion of the sugar plant of the Company's unit Daurala Sugar Works, at Daurala, Distt. Meerut, U.P. As per terms and conditions of the loan the said loan has to be secured by way of mortgage of all immovable and movable properties of the sugar factory at Daurala on the basis of exclusive second charge. Creation of charge as above requires the approval of the shareholders under Section 293(1)(a) of the Companies Act, 1956.

None of the directors is 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 shareholders resolutions for appointment of managerial personnel dated 23.06.2004, 15.12.2005, 18.8.2006 and Board resolution dated 27.06.2007, (item No.5) a copy of the Memorandum and Articles of Associations (item No.6) and terms and conditions of Term Loan from State Bank of Indore and Sugar Development Fund (items 7 & 8) 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 of your Company for the year ended 31st March 2007.

After an extremely encouraging year 2005-06, the momentum could not be maintained for the year 2006-07 due to the unprecedented sugar production in the year resulting in steep fall in sugar prices, especially in the later part of the year.

FINANCIAL RESULTS

The turn over for the year including other income at Rs.633 cr. was lower compared to Rs.719 cr. in the previous year because of low sugar prices and planned maintenance shut down at the Rayon plant during the year. The Gross Profit and the Net Profit were Rs. 19.1 cr. and Rs. 1.6 cr. compared to Rs.63 cr. and Rs.29 cr. respectively in the previous year. Exports of the Company were Rs.167 cr. against Rs.186 cr. in the previous year.

Looking into the limited surplus available for the year and commitments on account of debt servicing the Board of Directors have not recommended any dividend for the year.

OPERATIONS

Sugar

2006-07 turned out to be one of the worst years for the sugar industry. Daurala Sugar Works was no exception, despite significant steps taken to improve productivity and good operation of the plant. The depressed sugar market sentiment due to an all time high production of about 28 million MT for the season against a consumption of about 20 million MT, brought about a steep fall in the selling price of sugar. The unwarranted ban on export of sugar in the early part of the year, when international prices were favourable, resulted in building up of inventory which further impacted the prices. This phenomenon has severely affected the working of the Unit. Of late a few measures such as some support for exports and creation of a buffer stock of 5 million MT have been announced by the Central Government. More is required to be done in the present situation. The State Government has also been approached to consider some relief measures as in the past, and like some other states to help the industry to face the crisis.

The Uttar Pradesh Government has scrapped the existing Sugar Incentive Policy, which was put in place by the previous Government as being excessive and unjustifiably tilted towards large Units/ Groups. The State Government is reportedly considering a new policy, which hopefully may provide similar benefits to all units, which have undertaken expansion of capacities.

During the year, cane crushing at DSW at 14.27 lac MT and sugar production at 1.37 lac MT was the highest ever so far. An active cane development programme is being undertaken to be able to achieve better recovery in future.

During the year, under the second phase of expansion/ modernisation, crushing capacity was enhanced and modernisation of sugar plant and power house undertaken. This has taken the total crushing capacity to 11000 TCD. The project shall be completed in the current year. The Company is actively pursuing the upgradation of its co-generation facility to export surplus power so as to reduce the cyclicity of its sugar business.

Alcohols

The overall scenario of the Company's Alcohol business was positive with stable sales volumes and higher profitability. Use of Anhydrous Alcohol by Oil Companies improved with the introduction of the Ethanol blending programme in a few more States. This market is slated to steadily grow.

Chemicals

The chemical business of the Company showed higher revenues and operating profits during the year, despite higher input prices, greater competition and the appreciation of the Rupee. This was due to increased sales volume and cost reduction. Exports were at an all time high, indicating international acceptance and confidence in the Company's products. During the year Daurala Organics Unit was accredited with ISO 14001:2004 and OHSAS 18001 Certification for environment, and occupational health and safety management systems respectively.