



**DCM
SHRIRAM**

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DCM SHRIRAM INDUSTRIES LTD.

*Annual Report 2007-08
(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. B. Mathur	
	Shri Ravinder Narain	
	Shri L. Mishra	<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	
	IDBI Bank Ltd.	
	Karnataka Bank Ltd.	
	Syndicate Bank	
	State Bank of Hyderabad	
	Ghaziabad Zila Sahkari Bank Ltd.	
Auditors	Bijnor Zila Sahkari Bank Ltd.	
	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 17th Annual General Meeting of the Company will be held on Thursday, the 25th September 2008 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 2008, and the Profit & Loss Account for the year ended on that date.
2. To appoint a Director in place of Dr. V.L. Dutt, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Madhav B. Shriram, 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 Shri S. B. Mathur, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 with effect from 14.01.2008, and whose term of office expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"Resolved that Shri Ravinder Narain, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 with effect from 29.01.2008, and whose term of office expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. 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."

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, 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 except those excluded

specifically, as the case may be, in favour of the following Banks for securing the financial facilities provided by them and mentioned against each of them below, or any future enhancement thereof together with interest or any other charges, expenses and other monies payable to them :-

Banks	Nature of facility	Amount (Rs./Cr.)	Type of Security
State Bank of India	Term Loan	15.00	1st pari passu charge on the fixed assets of the Company's unit Daurala Organics.
State Bank of India	Excise Loan	7.15	Residual charge on the fixed assets of the Sugar undertaking at Daurala Sugar Works, Daurala.
Punjab National Bank	- do -	7.86	- do -
Oriental Bank of Commerce	- do -	2.60	- do -
Punjab & Sind Bank	- do -	1.75	- do -
Syndicate Bank	- do -	2.00	- do -

and that the security to be created in the manner aforesaid in favour of the said Banks to secure the said financial facilities shall be by way of first or residual charge basis as indicated above, 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 the 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 duly authorised Committee thereof in the best interest of the Company."

"Resolved also that the Board of Directors or a duly authorised Committee thereof be and is hereby authorised to approve the execution of any documents to extend the charge/s created pursuant to this resolution in favour of any other Bank/s to secure working capital facilities which may be extended by them in future without requiring a fresh resolution of the Shareholders."

"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 duly authorised 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
25th June, 2008

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 Registrars, 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 11. 09.2008 to 25. 09.2008 (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 Dr. V. L. Dutt and Shri Madhav B. Shriram, 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) Dr. V.L. Dutt, aged 70 years, is an industrialist of repute. He is Chairman & Managing Director of KCP Ltd. and past President of FICCI. Dr. V.L. Dutt has vast experience and knowledge in industry and business, especially sugar and cement. He is Chairman of the Remuneration Committee of the Company.
 Dr. V.L. Dutt holds 3700 equity shares in the Company. Other directorships held by Dr. Dutt are:-
 The K.C.P. Ltd., Fives Cail- KCP, KCP Biotech Ltd., KCP Vietnam Industries Ltd. and V. Ramakrishna Sons Pvt. Ltd.
 Except Dr. V.L. Dutt, none of the other directors of the Company is interested in the resolution.
 - b) Shri Madhav B. Shriram, aged 43 years, has an MBA background. He has 17 years of experience at various levels in the Company and is presently a Whole-time Director.
 Shri Madhav B. Shriram holds 15466 equity shares in the Company. He is a director in:-
 Divine Investments Pvt. Ltd. and Varuna Overseas Pvt. Ltd.
 Except Shri Tilak Dhar, Shri Alok B. Shriram, who are related to Shri Madhav B. Shriram, and Shri Madhav B. Shriram, none of the other directors of the Company is interested in the resolution.

ANNEXURE TO NOTICE

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

ITEM NO. 4

The Board of Directors in their meeting held on 14.01.2008 has co-opted Shri S. B. Mathur as an Additional Director on the Board as per Section 260 of the Companies Act. He holds office until the ensuing Annual General Meeting. Notice u/s 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Shri Mathur's candidature for the office of director at the forthcoming Annual General Meeting.

Shri S. B. Mathur, aged 63 years is FCA and ICWA (London). He was Chairman of LIC and is presently Chairman of National Stock Exchange of India Limited. He has very long experience in Insurance and Financial Sector.

Other Directorships**Chairman/Member of the Committee of the Board**

- | | | |
|--------------------------------------------------|-------------------|------------|
| 1. National Stock Exchange of India Ltd. | | |
| 2. National Collateral Management Services Ltd. | | |
| 3. Subhiksha Trading Services Ltd. | - Audit Committee | (Member) |
| 4. Orbis Financial Corporation Ltd. | | |
| 5. Havell's India Ltd. | - Audit Committee | (Chairman) |
| 6. ITC Ltd. | - Audit Committee | (Member) |
| 7. The Bank of Rajasthan Ltd. | - Audit Committee | (Chairman) |
| 8. EID Parry (I) Ltd. | | |
| 9. IL&FS Ltd. | | |
| 10. Housing Development & Infrastructure Ltd. | | |
| 11. Indian Railway Catering & Tourism Corp. Ltd. | - Audit Committee | (Chairman) |
| 12. Universal Sompo General Insurance Co. Ltd. | - Audit Committee | (Member) |
| 13. IDFC Trustee Co. Ltd. | | |
| 14. AIG Trustee Co. Ltd. | - Audit Committee | (Member) |
| 15. Munich re India Services Pvt. Ltd. | | |
| 16. EMD Locomotive Technologies Pvt. Ltd. | | |

Shri S.B. Mathur does not hold any shares in the Company.

Except Shri S. B. Mathur, none of the other directors of the Company is interested in the resolution.

ITEM NO. 5

The Board of Directors in their meeting held on 29.01.2008 has co-opted Shri Ravinder Narain as an Additional Director on the Board as per Section 260 of the Companies Act. He holds office until the ensuing Annual General Meeting. Notice u/s 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Shri Ravinder Narain's candidature for the office of director at the forthcoming Annual General Meeting.

Shri Ravinder Narain, aged 71 years, is a well known Lawyer practicing in the Supreme Court and High Courts. He was a senior partner of the Law Firm, M/s J.B. Dadachanji, Ravinder Narain Mathur & Co. He has now set up his own law firm, M/s Ravinder Narain & Co. His experience in the legal field spans over four decades.

NOTICE (Continued)**Other Directorships**

1. Nestle India Ltd.
2. DLF Ltd.
3. Shriram Pistons & Rings Ltd.
4. Fomento Resorts & Hotels Ltd.
5. Shree Rajasthan Syntex Ltd.
6. Talfica Private Ltd.
7. Amber Tours Private Ltd.

Chairman/Member of the Committee of the Board

- Investor Grievance Committee (Chairman)
- Audit Committee (Member)
- Shareholders/Investor Grievance Committee (Member)

Shri Ravinder Narain holds 570 equity shares in the Company.

Except Shri Ravinder Narain, none of the other directors of the Company is interested in the resolution.

ITEM NO. 7

The Company avails of financial facilities in the form of term loan and working capital from Banks from time to time. Most of such borrowings in addition to charge on moveable assets are required to be secured by a mortgage/charge on the immovable assets of the Company in the manner desired by the lenders and agreed to by the Company. Creation of mortgage/charge as stated in the Resolution, subject to the approval of the existing charge holders, requires approval of shareholders u/s 293(1)(a) of the Companies Act.

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 terms and conditions of the Loans from the Banks (item 7) 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 of your Company for the year ended 31st March 2008.

The highlights of the year under review were the completion of modernisation and expansion of the sugar cane crushing capacity and the commencement of cogeneration of power for sale to the grid at Daurala Sugar Works. At Shriram Rayons, the spinning facilities were upgraded and the power house was modernised for energy saving. Operations were satisfactory other than the sugar business, where the sugar prices remained depressed and unremunerative during the year.

FINANCIAL RESULTS

The turn over for the year including other income at Rs.604 cr. was lower compared to Rs.633 cr. in the previous year due to low sugar prices. Gross Profit and Net Profit were Rs.7.08 cr. and Rs.(4.21) cr. compared to Rs.19.1 cr. and Rs.1.6 cr. respectively in the previous year. Exports during the year were Rs.165 cr. against Rs.167 cr. in the previous year.

In view of the loss for the year under review, the Directors have not recommended any dividend for the year.

OPERATIONS

Sugar

As stated above, the year 2007-08 continued to be amongst the worst years ever for the Sugar Industry, and your Company's sugar operations, despite significant steps taken during the year in areas like productivity, cost cutting and value addition, showed a loss. Market sentiment during the financial year remained bearish owing to the continued mismatch between supply and demand and high inventories despite the creation of buffer stock of 5 million MT by the Government. While there was some improvement in the sugar market towards the end of the year in anticipation of lower production in the next season, liberal release of sugar in the free-sale market by the Government has once again dampened the sentiment.

During the year, the State Government announced an unrealistic cane price for the season 2007-08 at Rs.125 per qtl. As this price was non-viable in light of the prevailing and anticipated low sugar prices, the sugar factories in U.P. approached the Hon'ble High Court against the above, and the High Court gave an interim order for payment of Rs.110 per qtl, after which the factories started crushing operations.

Daurala Sugar Works achieved its highest ever sugar production of 1.56 lac MT of sugar by crushing 15.72 lac MT of cane. This was possible due to completion of the second phase of expansion/modernisation, whereby the crushing capacity has been increased to 12,000 TCD. Cane development activities were continued to improve yield and recovery in future.

On upgradation and enhancement of the power house at Daurala, the Company commenced supply of power to the grid in March 2008. The project for exporting 12 MW power in the next season, is under implementation.

Alcohol

The overall performance of the Alcohol business of the Company was satisfactory, despite a rise in the cost of molasses consequent to a 20% decline in molasses production. During the year, the distillery was upgraded with the installation of a multi pressure distillation plant to produce high quality extra neutral spirit. This has given access to a new segment of the market.

DIRECTORS' REPORT (continued)

Chemicals

The performance of the Company's chemical business was largely maintained, through innovation in areas of productivity, cost reduction and product mix-changes, inspite of significant increase in prices of major raw materials and appreciation of rupee.

Various initiatives are being taken to improve future profitability.

Rayon

The steps taken last year to upgrade the Rayon plant and the steps taken in the textile area in the current year resulted in improved product quality, export yield and customer satisfaction. As a result, exports in quantitative term increased by 15% over the previous year. During the year a high efficiency multi fuel boiler was commissioned, which will help the Unit to control energy costs and promote the usage of cleaner fuel.

Nylon chafer operations were stable.

Issue of further capital

During the year the Company had issued 7 lac Warrants on Preferential basis to the Promoter group to meet long term working capital requirements. As per the terms of issue each Warrant carried an entitlement to subscribe to 3 equity shares of Rs.10 each at a premium of Rs.80 per share. Full consideration of Rs.18.9 cr. was received upfront. The Company allotted 11.55 lacs equity shares in two tranches during the year against these Warrants. With this the paid-up capital of the Company has gone up from Rs.15.30 cr. to Rs.16.45 cr. and the share premium of Rs.9.24 cr. has been added to Reserves. The balance 9.45 lacs equity shares were also allotted on 1.4.2008. All the 21 lacs shares allotted against the Warrants have been listed and admitted for dealings on BSE, subject to the lock-in as per SEBI (DIP) Guidelines.

A petition filed by a shareholder before the Hon'ble Company Law Board under sections 397/398 of the Companies Act, 1956, challenging the preferential issue, is pending.

Subsidiary

Daurala Foods and Beverages Pvt. Ltd. has leased its bottling facility to the Company considering the synergy and economies of scale.

RESEARCH & DEVELOPMENT

R & D activities are always a priority area particularly in respect of chemical, alcohol and energy saving areas. These activities provide inputs in developing new products and also in upgrading methods of production and quality of existing products so as to remain competitive.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, 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 as 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 explanations/ information in respect of the observations of the Auditors in their Report are given in detail in Notes to Accounts - 2(b) and 16. These Notes read with the relevant Audit observations are self-explanatory.

CORPORATE GOVERNANCE

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

DIRECTORS

During the year Shri S.B. Mathur and Shri Ravinder Narain were co-opted as Additional Directors. Proposals are being placed before the shareholders for approval to their appointments as regular directors, liable to retire by rotation.

IFCI Ltd. has nominated Shri L. Mishra as a Director in place of Shri S.P. Arora effective from 14.4.2008.

Dr. V.L. Dutt and Shri Madhav B. Shriram retire by rotation at the forth-coming Annual General Meeting and being eligible offer themselves for reappointment.

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-II to this Report.

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 - 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 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

25th June 2008