



# DCM SHRIRAM

**DCM SHRIRAM INDUSTRIES LTD.**

*Annual Report 2008-09*

## DCM SHRIRAM INDUSTRIES LIMITED

<b>Board of Directors</b>	Shri Tilak Dhar	<i>Chairman &amp; 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 S. C. Kumar	<i>IFCI Nominee</i>
<b>Company Secretary</b>	Shri B.P. Khandelwal	<i>Sr. Executive Director</i>
<b>Principal Executives</b>	Shri D.C. Mittal	<i>President</i>
	Shri Anil Gujral	<i>Chief Executive Officer (Chemicals &amp; 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>
<b>Bankers</b>	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.	
	Bijnor Zila Sahkari Bank Ltd.	
<b>Auditors</b>	A.F. Ferguson & Co. New Delhi	
<b>Registered Office</b>	Kanchenjunga Building, 6th Floor, 18, Barakhamba Road, New Delhi - 110 001	Tel. No. : (011) 2375 9300 Fax No. : (011) 2335 0765 e-mail : dsil@dcmsr.com Website : http://www.dcmsr.com

## DCM SHRIRAM INDUSTRIES LIMITED

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

### NOTICE

The 18th Annual General Meeting of the Company will be held on Friday, the 18th September 2009 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 2009, and the Profit & Loss Account for the year ended on that date.
2. To declare dividend.
3. To appoint a Director in place of Shri Alok B. Shriram, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri G. Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri P.R. Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
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 present and future movable and immovable assets of the Company's undertaking/s, more specifically stated herein below, in favour of the following Banks for securing the term loan facilities provided by them and mentioned against each of them below 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	20.00	1st pari passu charge on the fixed assets of the Company's unit Daurala Organics.
Oriental Bank of Commerce	Term Loan	20.00	1st pari passu charge on the fixed assets of the Company's undertakings at Daurala and Kota but excluding the assets of the Company's unit Daurala Organics.

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 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 duly authorised 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 documents to extend the charge/s created pursuant to this resolution in favour of any other Bank/s to secure term loan 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 SHIRAM INDUSTRIES LIMITED

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(B.P. Khandelwal)

Sr. Executive Director & Co. Secretary

New Delhi  
29th July, 2009

#### 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 05.09.2009 to 18.09.2009 (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 Alok B. Shriram, Shri G. Kumar and Shri P.R. Khanna, retire by rotation and being eligible offer themselves for re-appointment (Item Nos. 3, 4 & 5). 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.

**NOTICE (Continued)**

- a) Shri Alok B. Shriram, aged 48 years, has 29 years of experience in various management positions. He has done his Graduation from Shriram College of Commerce. He is presently Dy. Managing Director of the Company and is looking after the Rayons Division. He is also Chairman & Mg. Director of DCM Hyundai Limited and member of the Audit Committee.

Shri Alok B. Shriram holds 34536 equity shares in the Company.

He is a Member of the Shareholders' Committee and the Committee for approving Borrowings of the Company and is a director on the Board of following other companies:

1. Quick Lithographers Pvt. Ltd. 2. Pee Kay Alkalies Pvt. Ltd. 3. Labels International Pvt. Ltd.

Except Shri Tilak Dhar, Shri Madhav B. Shriram who are related to Shri Alok B. Shriram and Shri Alok B. Shriram, none of the other directors of the Company is interested in the resolution.

- b) Shri Gyanendra Kumar, aged 67 years, is a Post Graduate Engineer from IIT. He joined the Company in 1965 and is responsible for the day to day working of Sugar Operations of the Company. He is not a Director in any other company and does not hold any shares in the Company.

He is a member of the Audit Sub-Committee of the Company.

Except Shri G. Kumar, none of the other directors of the Company is interested in the resolution.

- c) Shri P.R. Khanna aged 76 years, is a Chartered Accountant and was a partner of Khanna & Annadhamam, 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 Sub-Committee and Member of the Remuneration, Shareholders' and Borrowing Committees of the Board. He is a director on the Board of following other companies:

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

1. UTI Asset Management Co. Ltd.	- Risk Management Committee	(Chairman)
	- Audit Committee	(Member)
2. Ansal Properties & Infrastructure Ltd.	- Remuneration Committee	(Member)
	- Audit Committee	(Member)
	- Directors Committee	(Member)
	- Shareholders/Investors Grievances Committee	(Member)
	- Resource Planning & Review Committee	(Member)
3. Indag Rubber Ltd.	- Remuneration Committee	(Member)
	- Audit Committee	(Member)
4. Uniproducts (India) Ltd.	- Audit Committee	(Chairman)
5. U.T.I. International Limited, Guernsey- Channel		

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

Except Shri P.R. Khanna, none of the other directors of the Company is interested in the resolution.

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**ANNEXURE TO NOTICE**

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

**ITEM NO. 7**

The Company avails financial facilities from Banks and Financial Institutions from time to time. Usually such borrowings, in addition to charge on movable assets, are required to be secured by 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, 1956.

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) 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.

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for the year ended 31st March 2009.

The world witnessed a major economic crisis this year with many developed countries going through serious recession. Indian economy was also badly affected in many sectors along with a substantial set back in exports. However, timely measures by the Government salvaged the situation to some extent. Hopefully, with the congenial political climate after the recent general election, a stable Government, the resolve of the Government to address developmental issues and push forward pending reforms on priority, the momentum of growth is expected to pick up.

It is a matter of satisfaction to report that under such unstable economic environment during the year, your Company posted highest ever all-round growth. Some important steps initiated by the management in the previous year like co-generation of power at Sugar complex for sale to the grid etc. have contributed to improve the current year's operations. Some more steps are being taken in this direction.

### **FINANCIAL RESULTS**

Turnover for the year including other income at Rs.843 cr. was at an all time high against Rs.604 cr. in the previous year, an increase of about 40%. Gross profit and net profit of Rs. 60.73 cr. and Rs.28.77 cr. as compared to Rs.7.08 cr. and a loss of Rs.4.21 cr. respectively are also highest ever. Exports during the year were Rs.223 cr. against Rs.165 cr. in the previous year registering an increase of over 35%.

### **DIVIDEND**

In the light of the good performance, the Board of Directors of the Company recommend a dividend of Rs. 2 per equity share of Rs.10/- each ( 20%) for the year, involving an outflow of Rs.4.07 cr. including dividend tax of Rs.0.59 cr.

After payment of dividend and transfer of Rs.10 cr. to General Reserve (previous year nil) the balance carried forward in the Profit & Loss account will be Rs. 82.54 cr., which includes Rs.65.93 cr brought forward from previous year and Rs.1.90 cr. Debenture Redemption Reserve written back.

### **OPERATIONS**

#### **Sugar**

During the year your Company achieved a sugar production of 1.25 lac MT by crushing 13.31 lac MT of cane against 1.55 lac MT sugar and 15.71 lac MT of cane in the previous year. Against an overall drop of 45% in sugar production for the season 2008-09 in Uttar Pradesh, the drop in sugar production for the Unit was 31%.

During the year, the Unit achieved a peak export of power to the grid of 14.5 MW. Steps are in hand to further increase this to 18 MW in the next season.

In the beginning of the year the market sentiments continued to remain soft following announcements by the Central Government of release of 5 million MT of buffer stock in a phased manner from May 2008 onwards for open market sale. However, during the later part of the year prices started firming up following reports of a drastic reduction in the estimate of all India sugar production for the season 2008-09. At this stage, the Central Government sprang into action to curb prices by imposing various trading restriction domestically, and encouraging import of raw sugar against advance licence and thereafter duty free, as also white sugar duty free. These measures dampened market sentiments and price remained slightly subdued at the end of the financial year.

The Special Leave Petition (SLP) filed by the industry against the Order of the Hon'ble Allahabad High Court, Lucknow Bench upholding the State Advised Price (SAP) for cane fixed by the State Government at Rs.125/ 130 per qtl. for the season 2007-08 before the Hon'ble Supreme Court is pending. In the interim the Hon'ble Supreme Court had directed for payment of Rs.110 per qtl. pending its decision, which was complied with. Another Bench of the High Court quashed the SAP holding it illegal, which has been challenged by an SLP by the State Government before the Supreme Court. This is also pending.

For the season 2008-09, the State Government announced the SAP at Rs.140/ 145 per qtl. Industry challenged this through a Writ Petition before the High Court, which the Court rejected. This Order of the Court has also been challenged by an SLP before the Supreme Court by the industry, which is pending. In the meantime, considering various factors, all factories have paid on the basis of the price fixed by the State Government.



Overall, considering the difficult situation the industry has been passing through, the performance of the Company's Sugar Unit has been satisfactory.

### **Alcohol**

On account of stable sales volumes and better margins the overall performance of the Company's alcohol business was satisfactory. The benefits of the new multi pressure distillation plant installed last year have started accruing.

### **Chemicals**

The Chemical business of the Company registered substantial all-round improvement in its performance. This was mainly due to the steps taken to increase production & sales volumes, better prices and appreciation of rupee. Exports were at an all time high, reflecting increasing international acceptance of and confidence in the Company's products.

To further consolidate its market position, the Company is undertaking capacity expansion for some of its main products, and working on development of new products to manufacture.

### **Rayon**

The Unit achieved its highest turnover and exports during the year despite the global recession, particularly in the automobile industry. Total Quality Management philosophy adopted by the Unit to improve product quality and operating efficiencies resulted in better acceptance of the products.

Margins were initially under pressure due to the steep hike in prices of raw materials and coal. Price corrections subsequently agreed to by the customers helped to correct the situation to a fair extent.

Nylon Chafer operations also improved with increase in sales. However, margins were under pressure due to cheap imports.

### **Issue of further capital**

As reported last year, the remaining 9.45 lac equity shares of Rs.10 each at a premium of Rs.80 per equity share, out of 21 lac equity shares offered to the Promoters/ Promoter group/ Persons acting in concert on preferential basis against 7 lac Warrants, as per approval of the shareholders were allotted on 1.4.2008. With this the paid up capital of the Company has gone up from Rs.16.45 cr to Rs.17.40 cr.

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**

The bottling facility of Daurala Foods & Beverages Pvt. Ltd. on lease with the Company is being regularly operated taking advantage of the opportunities available to the Company.

### **RESEARCH & DEVELOPMENT**

Research and Developments are ongoing activities which have an important role in providing inputs for developing new products, devising energy saving measures, upgrading methods of production and quality of products. These activities have helped the Company in attaining leadership in its chemical products and substantial qualitative change in other operational areas.

### **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.



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

- 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 on the standalone Accounts are given in detail in Notes to Accounts - 2(b) and 16 of Schedule 11. These Notes read with the relevant Audit observations are self-explanatory. Regarding Auditors' observations in para 7 in their Report on the consolidated Accounts that the Group's share of profit in respect of an Associate being based on management accounts, it is clarified that the Associate's Accounts for the year ended 31.3.2009 have since been audited and there is no material variation in the Group's share of profit as stated in the consolidated Accounts.

### **CORPORATE GOVERNANCE**

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

### **DIRECTORS**

The Board has re-appointed for 5 years Shri Alok B. Shriram, Dy. Managing Director effective from 1.10.2008, Shri Tilak Dhar, Chairman & Managing Director and Shri Madhav B. Shriram, Whole-time Director, effective from 1.4.2009. The Board has also re-appointed Shri G. Kumar, Director (Sugar Operations) for a period of 2 years effective from 1.2.2009. The terms of remuneration of these managerial personnel have been approved by the shareholders through Postal Ballot.

IFCI Ltd. had nominated Shri Narendar Kumar as a Director in place of Shri L. Mishra effective from 12.9.2008. Shri Narendar Kumar has been replaced with Shri S.C. Kumar effective from 30.5.2009.

Shri Alok B. Shriram, Shri G. Kumar and Shri P.R. Khanna retire by rotation at the forth-coming Annual General Meeting and being eligible offer themselves for re-appointment.

### **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  
29th July 2009

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

The Company had inherited a rich legacy of fair, ethical and transparent governance and had been following these virtues even though Corporate Governance guidelines have become mandatory for listed companies only in 2001-02. Recent happenings in the corporate sector show that such Guidelines are meaningless unless there is sincerity towards following them in letter and spirit. The Board of Directors of the Company consists of eminent persons as Independent directors, who closely monitor Corporate Governance practices followed by the Company. The Company believes that as a corporate citizen it has a responsibility towards all stakeholders and the society in general. Its goals are pursued keeping in view this cardinal sense of responsibility. In order to ensure transparency and ethics the Board has laid down a 'Code of Business Conduct and Ethics' in pursuing its business. The Company has also laid down Guidelines for prevention of insider trading in the shares of the Company as required under the relevant Guidelines.

Corporate Governance Report in respect of the year ended 31.3.2009 as per Clause 49 of the Listing Agreement is given below:

**Board of Directors**

The Company's Board comprises of an ideal combination of executive and non-executive directors headed by an executive Chairman & Managing Director. Of the 10 Directors, 4 are executive directors. All non-executive directors are independent directors and are persons of eminence with experience in the fields of finance, law, trade and industry, including one financial institution nominee. The Board's composition is in line with the Corporate Governance requirements.

**Meetings and attendance**

During the year 6 Board meetings were held on 14.4.2008, 25.6.2008, 25.9.2008, 27.9.2008, 31.10.2008 and 29.1.2009. 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 Director ships *	No. of Committee Memberships @ (other companies)	
						Member	Chairman
1	Shri Tilak Dhar	CMD	6	Yes	Nil	N.A.	N.A.
2	Shri Alok B. Shriram	DMD	5	Yes	1	1	Nil
3	Shri Madhav B Shriram	WTD	5	Yes	Nil	N.A	N.A
4	Shri G. Kumar	Director (Sugar)	6	Yes	Nil	N.A	N.A
5	Shri Atam Parkash	Non-executive/ independent	5	Yes	Nil	N.A	N.A
6	Shri P.R. Khanna	- do -	6	Yes	4	4	1
7	Dr. V.L. Dutt	- do -	4	No	3	Nil	Nil
8	Shri S.B. Mathur	- do -	5	Yes	13	2	4
9	Shri Ravinder Narain	- do -	6	Yes	4	2	1
10	Shri L. Mishra (IFCI Nominee)	- do -	2	--	3	Nil	Nil
11	Shri Narendar Kumar # (IFCI Nominee)	- do -	4	Yes	1	1	Nil

\* Excludes Directorship in private limited companies/foreign companies.

# Replaced Shri L. Mishra w.e.f. 12.9.2008 @ Audit and Shareholders' Grievance Committee

**Relationship amongst Directors**

Shri Tilak Dhar, Shri Alok B. Shriram and Shri Madhav B. Shriram, being brothers, are related to each other.

**Audit Committee**

The Company constituted an Audit Committee of the Board in the year 1991. The terms of reference of the Committee are as per requirement of Clause 49 II ( C ) & (D) of the Listing Agreement read with Section 292A of the Companies Act, and are broadly as under :