

DCM SHRIRAM INDUSTRIES LIMITED

Board of Directors	Shri Tilak Dhar	<i>Chairman and 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 P.R. Khanna	
	Dr. V.L. Dutt	
	Shri S. B. Mathur	
	Shri Ravinder Narain	
	Shri S. C. Kumar	<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	A.F. Ferguson & Co.	
	New Delhi	
Registered Office	Kanchenjunga Building,	Tel. No. : (011) 2375 9300
	6 th 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 19th Annual General Meeting of the Company will be held on Friday, the 6th August, 2010 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, 2010, and the Profit & Loss Account for the year ended on that date.
2. To declare dividend for the financial year ended 31st March, 2010.
3. To appoint a Director in place of Dr. V.L. Dutt, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S.B. Mathur, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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."

6. 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 all 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 Company excluding the assets of Company's Unit Daurala Organics, on the basis of first charge, ranking pari passu in all respects with similar charges, if any, already created or to be created on the said properties, to secure the existing borrowings and the term loan of Rs. 1500 lacs from State Bank of Indore."

"Resolved further that the Board of Directors or a duly constituted 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, to execute them under the Common Seal of the Company, where necessary, to sub-delegate the powers hereby delegated to any person in its absolute discretion and to resolve any question or doubt which may arise in relation thereto or otherwise considered by the Board of Directors or a duly constituted Committee thereof in the best interest of the Company."

"Resolved also that the Board of Directors or a duly constituted 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 constituted Committee thereof be and are hereby ratified and confirmed.”

By order of the Board
For DCM SHRIRAM INDUSTRIES LIMITED



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

New Delhi
29th May, 2010

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, 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 20.07.2010 to 06.08.2010 (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 S. B. Mathur, retire by rotation and being eligible offer themselves for re-appointment (Item Nos. 3 & 4). Brief resume and other requisite information about these Directors are given below.

a) Dr. V. L. Dutt

Dr. V.L. Dutt, aged 72 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 and Member of Audit Committee of the Company.

Dr. V.L. Dutt holds 3700 equity shares in the Company. Other directorships held by Dr. Dutt are:-

- 1) The K.C.P. Ltd., 2) Fives Cail- KCP, 3) KCP Vietnam Industries Ltd., 4) 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 S. B. Mathur

Shri S. B. Mathur, aged 65 years is FCA and ICWA (London). He was Chairman of LIC and is presently Chairman of National Collateral Management Services Ltd. He has very long experience in Insurance and Financial Sector. He is Member of the Audit Committee of the Company.

NOTICE (Continued)

Other Directorships

Chairman/Member of the Committee of the Board

1. National Stock Exchange of India Ltd.		
2. National Collateral Management Services Ltd.		
3. AXIS Bank Ltd.		
4. Orbis Financial Corporation Ltd.	Audit Committee	(Member)
5. Havells India Ltd.	Audit Committee	(Chairman)
6. ITC Ltd.	Audit Committee	(Chairman)
7. HOEC Ltd.	Audit Committee	(Member)
8. IL&FS Ltd.		
9. Housing Development & Infrastructure Ltd.		
10. JM Financial Asset Reconstruction Co. (P) Ltd.		
11. Universal Sompo General Insurance Co. Ltd.	Audit Committee	(Chairman)
12. IDFC Trustee Co. Ltd.		
13. AIG Trustee Co. Pvt. Ltd.		
14. Munich re India Services Pvt. Ltd.		
15. EMD Locomotive Technologies Pvt. Ltd.		
16. Ultra Tech Cements Ltd.		
17. General Insurance Corporation of India		
18. Samruddhi Cement 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.

ANNEXURE TO NOTICE

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

ITEM NO. 6

The Company avails financial facilities from Banks 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. The borrowing of Rs. 1500 lacs from State Bank of Indore is to be secured by a first charge on the assets of the Company excluding the assets of Company's Unit Daurala Organics. The charge so created will rank pari passu with existing similar charges, if any. 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 Loan from the Bank (item 6) 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.

The Directors have pleasure in presenting the Annual Report and the Audited Accounts of your Company for the year ended 31st March 2010.

The earlier part of the year found the world gasping in the aftermath of the economic upheaval faced in the previous year, taking various measures to address the unprecedented crisis. Fortunately for the Indian economy the impact was relatively mild, and the timely measures initiated and implemented by an alert Central Government mitigated the impact on the economy, and helped in steadying the path of growth.

It gives a sense of accomplishment to report that notwithstanding the severe set back in the later part of the year, your Company achieved its best ever results. Various measures, such as cost saving, energy conservation, co-generation of power and quality improvement, initiated and implemented during the last few years, yielded satisfactory results. This is a continuous process and further areas for betterment are being explored.

FINANCIAL RESULTS

Turnover for the year including other income at Rs.874 cr. was at an all time high against Rs.835 cr. in the previous year. Gross profit and net profit of Rs.76 cr. and Rs.57 cr. as compared to Rs.61 cr. and Rs.44 cr., respectively are also the highest ever.

DIVIDEND

The Company has paid an interim dividend of Rs.1.50 (15%) per equity share of Rs.10 in November, 2009. Considering the better results the Board is pleased to recommend a final dividend of Rs.3.00 (30%) for the year ended 31st March, 2010. The aggregate dividend for the year will amount to Rs.4.50 (45%) per equity share against Rs.2.00 (20%) declared last year. The total dividend payout for the year under review, inclusive of corporate tax on dividend distribution, is Rs.9.14 cr.

After payment of dividend and transfer of Rs.5.00 cr to General Reserve (previous year Rs.10.00 cr.) the balance carried forward in the Profit & Loss Account will be Rs.110.10 cr, which includes Rs.82.54 cr brought forward from previous year and Rs.2.78 cr Debenture Redemption Reserve written back.

OPERATIONS

Sugar

During the year, your Company achieved a sugar production of 1.20 lac MT by crushing 13.05 lac MT of cane against 1.25 lac MT sugar and 13.31 lac MT of cane in the previous year. The performance of the Unit was satisfactory with crush being the highest in the State. The Unit commissioned a new 90 TPH boiler and achieved a peak export of 19 MW power to the Grid.

The first three quarters of the year saw sugar prices at very attractive levels anticipating low domestic and international production. The Government initiated various steps to control sugar prices. However, the subsequent unexpected upward revision of domestic and global sugar production estimates resulted in sugar prices collapsing drastically. In the changed scenario, the high cane prices paid in anticipation of the continued strength in the sugar markets, in order to combat diversion of cane to the unorganised sector, became unrealistic. Domestic prices remain weak due to the reluctance of the Government to roll back the price control measures in place, as also a collapse of the global markets due to higher production prospects for next year.

The State Government announced a higher SAP of Rs.165 per quintal of cane for the season 2009-10. The Central Government in the meantime amended the Sugar Cane (Control) Order, 1966 replacing "minimum price" with "fair and remunerative price" (FRP). The intention was that if any authority fixed a cane price above FRP, the said authority was to bear the difference, so as to insulate sugar mills from any unrealistic cane pricing. This provision was subsequently withdrawn, bringing the situation back to square one, and leaving the mills vulnerable to unrealistic cane pricing/ litigation once again.

DIRECTORS' REPORT (Continued)

Overall, considering the volatility seen in the industry last year, the performance of the Company's Sugar Unit has been satisfactory.

The Company has taken in hand debottlenecking of cane crushing capacity, as also an expansion of its co-generation facility so as to increase the peak export of power to the Grid to 23 MW in the next season.

Alcohol

Overall performance of the alcohol business was maintained despite volumes being largely limited to captive molasses availability. The market was sluggish because the alcohol based chemical sector reduced purchases of domestic alcohol as imported alcohol and finished products were cheaper, and off take by oil companies for blending with petrol was low. Towards the end of the year, molasses availability as well as alcohol demand from the chemical sector have shown some signs of revival.

Chemicals

The performance of the Company's chemical business was largely maintained despite appreciation of the Rupee and increased competition leading to lower sales volumes and prices towards the year end. This was achieved by focusing on raising productivity and cost reduction.

To further consolidate its market position, the Company is undertaking expansion wherever viable and diversification in its range of products.

Rayon

In spite of the global recession we succeeded in maintaining our market share. The Unit improved its operating margins through better realizations and improved operating efficiencies. Continuous use of the TQM philosophy enabled the Unit in improving product quality and reduce process wastages.

To control energy costs and also promote clean fuel usage, one more boiler is being modified to use agro fuels in place of coal. With this the carbon foot print of the Unit should come down significantly in the current year.

The Unit achieved higher domestic sale of Nylon Chafer as well as Carbon di Sulphide.

Subsidiary

The bottling facility of Daurala Foods & Beverages Pvt. Ltd. continued to be on lease with the Company.

RESEARCH & DEVELOPMENT

Research and Developments have always been and continue to be a priority area in the Company's scheme of things. The outcome of these activities helped the Company by providing inputs for developing new products, energy saving, upgrading production processes and quality. These are essential to remain competitive and maintain leadership position in its chemical products and achieve 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.
- 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) of Schedule 11. 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

Shri Atam Parkash, an independent director, resigned from the Board with effect from 31.10.2009 on health grounds after serving on the Board for about 2 decades. He passed away on 21.11.2009. The Company all through immensely benefited from his mature advice. The Board of Directors deeply mourns his passing away. The Board decided not to fill the vacancy for the time being.

Dr. V. L. Dutt and Shri S.B. Mathur, 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

DIRECTORS' REPORT (Continued)

Annexure - I

CORPORATE GOVERNANCE REPORT

Corporate Governance Philosophy

Corporate Governance (CG) is all about ethical conduct of business. It is concerned with code of values and principles, which guide a person to select between right and wrong. Today, if an organization has to survive and thrive in a commercial environment that is becoming increasingly global in its outlook, it has got to factor in the interests and concerns of every stakeholder in the business. That includes not just the shareholder, but also the domestic and global customer, the vendor, the creditor, Government, the community in which the enterprise operates and environment groups. It is in this context that CG has assumed greater significance.

The Company believes that good CG should be internally driven and not merely an exercise to comply with the statutory requirements.

The Board of Directors of the Company consists of eminent persons as independent directors, who closely monitor CG practices followed by the Company. The Board has laid down a 'Code of business conduct and ethics' for itself and also for others responsible for conduct of the business of the Company, in order to ensure transparency and ethics in all activities. The Company has also laid down guidelines for prevention of insider trading in the shares of the Company as required under the relevant Guidelines.

The Company follows the CG guidelines for listed companies, laid down by SEBI a decade ago, in letter and spirit. CG is an evolving process and it will be the Company's earnest effort to follow the regulatory guidelines in this regard from the competent authorities considering the practical aspects of the same, whether they are mandatory or voluntary.

The CG Report in respect of the year ended 31.3.2010 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 9 Directors, 4 are Executive Directors. All the 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 CG requirements.

Meetings and attendance

During the year 6 Board meetings were held on 30.5.2009, 27.6.2009, 29.7.2009, 18.9.2009, 31.10.2009 and 30.1.2010. 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	6	Yes	1	1	Nil
3	Shri Madhav B Shriram	WTD	4	Yes	Nil	N.A.	N.A
4	Shri G. Kumar	Director (Sugar)	6	Yes	Nil	N.A.	N.A
5	Shri P.R. Khanna	Non-executive/ independent	6	Yes	5	4	2
6	Dr. V.L. Dutt	- do -	4	Yes	3	Nil	Nil
7	Shri S.B. Mathur	- do -	4	No	13	2	3
8	Shri Ravinder Narain	- do -	3	Yes	4	2	Nil
9	Shri S.C. Kumar (IFCI Nominee)	- do -	6	Yes	1	N.A.	N.A
10	Shri Atam Parkash **	- do -	1	No	Nil	N.A	N.A

* Excludes Directorship in private limited companies/foreign companies/ companies registered u/s 25 of the Companies Act.

** Resigned from the Board on 31.10.2009 @ Audit and Shareholders' Grievance Committee

CORPORATE GOVERNANCE REPORT (continued)**Annexure - I (contd.)****Relationship amongst Directors**

Shri Tilak Dhar, Shri Alok B. Shriram and Shri Madhav B. Shriram, are brothers.

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 :

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report, including quarterly/half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and legal requirements concerning financial statements;
 - any related party transactions as per Accounting Standard 18.
- Reviewing the Company's financial and risk management policies.
- Disclosure of contingent liabilities.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors.

The Audit Committee ensures to the Board of the existence of an effective internal control environment. During the year 5 meetings were held on 30.5.2009, 27.6.2009, 29.7.2009, 31.10.2009 and 30.1.2010.

DIRECTORS' REPORT (Continued)

The Audit Committee comprised of four Non-executive Independent Directors and one Executive Director. The Company Secretary is the Secretary of this Committee. The attendance at these meetings was as follows:

Name of the Member	Status	No. of Meetings attended
Shri P.R. Khanna	Chairman	5
Shri Atam Parkash *	Member	1
Shri S.B. Mathur	Member	4
Shri S.C. Kumar #	Member	4
Shri G.Kumar	Member	5
Dr. V.L. Dutt **	Member	1

* Resigned with effect from 31.10.2009.

Nominated to Audit Committee w.e.f. 30.5.2009.

** Nominated to Audit Committee on 31.10.2009.

All the Members have extensive financial and accounting knowledge/ background and the Chairman is an expert in accounting and financial management. Apart from the members, CMD, DMD, WTD, President, CFO & Representative of the Statutory Auditors are also invited to the meetings.

The Minutes of the Committee are placed before the Board.

Remuneration Committee

The Remuneration Committee comprised of four non-executive independent directors viz. Dr.V.L. Dutt (Chairman), Shri P.R. Khanna, Shri Atam Parkash and Shri S. C. Kumar (IFCI Nominee). During the year Shri Ravinder Narain has been nominated by the Board on 31.10.2009 in place of Shri Atam Parkash. The Committee reviews the managerial remuneration policy and makes recommendations to the Board for appointment/ re-appointment of managerial personnel. The Committee meets as and when required. No meeting was held during the year.

Remuneration Policy

The Company remunerates its managerial personnel by way of salary, perquisites and allowances as per terms approved by the shareholders and within the limits laid down under the Companies Act. They are also entitled to commission on profits/ reward as may be decided by the Board subject to the limit set out by the shareholders. Non-executive Directors are paid sitting fees as decided by the Board from time to time.

The details of remuneration of Directors for the year ended 31.03.2010 are given below: (Rs./ Lac)

Whole-time Directors	Salary	Commission/ Reward	Perquisites	Retirement benefits
Shri Tilak Dhar (CMD)	20.55	143.70	17.40	5.55
Shri Alok B. Shriram (DMD)	19.35	142.37	20.26	5.22
Shri Madhav B. Shriram (WTD)	17.55	98.32	19.79	4.74
Shri G.Kumar (Director- Sugar)	9.80	4.00	7.92	1.18

The appointments are contractual in nature and can be determined at any time by either party giving notice as per terms of appointment. No stock options were issued by the Company to its Directors / Employees. Sitting fees paid to Non Executive Directors during the financial year and their shareholding in the Company are as under:

Non-Executive Directors	Sitting fees (Rs.)	No. of Shares held
Shri P.R. Khanna	1,50,000	960
Dr. V.L. Dutt	47,500	3700
Shri S.B. Mathur	1,07,500	—
Shri Ravinder Narain	32,500	570
Shri S.C. Kumar	90,000	—
Shri Atam Parkash *	22,500	—

* Resigned with effect from 31.10.2009