



DCM SHRIRAM

DCM SHRIRAM INDUSTRIES LTD.

Annual Report 2010-11

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 Anil Gujral	<i>Director & CEO (Chemicals & Alcohol)</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 G. Kumar	<i>Advisor to CMD</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 Limited	
	Karnataka Bank Limited	
	Syndicate Bank	
	State Bank of Hyderabad	
	Ghaziabad Zila Sahkari Bank Ltd.	
	Bijnor Zila Sahkari Bank Ltd.	
Auditors	A.F. Ferguson & Co. New Delhi	
Registered Office	Kanchenjunga Building, 6 th 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 20th Annual General Meeting of the Company will be held on Wednesday, the 10th August, 2011 at 10.00 A.M. at the Air Force Auditorium, Subroto Park, New Delhi-110010 for transacting the following business:

1. To consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 2011, and the Profit & Loss Account for the year ended on that date.
2. To appoint a Director in place of Shri Madhav B. Shriram, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Ravinder Narain, 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 Sub-committee plus reimbursement of traveling 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 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 loan facilities provided by them and mentioned against each of them together with interest or any other charges, expenses and other moneys payable to them :

Banks	Nature of facility	Amount (Rs./Cr.)	Type of Security
State Bank of Hyderabad	Corporate Loan	20.00	1st pari passu charge on the fixed assets of the Company except those of Daurala Organics.
State Bank of Travancore	Corporate Loan	20.00	1st pari passu charge on the fixed assets of the Company except those of Daurala Organics, Vehicles, Furniture & Fixtures and other assets with exclusive charges.

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 constituted 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 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 confirmed and ratified."

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

"Resolved that in supersession of the Resolution No. 10 passed at the Extra-ordinary General Meeting of the Company held on 15th July, 1994 and pursuant to Section 293(1)(d) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing, from time to time, such sums of money as they deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which moneys so borrowed by the Board of Directors shall not exceed Rs. 1000 cr. at any time."

By order of the Board
For DCM SHRIRAM INDUSTRIES LIMITED



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

New Delhi
30th May, 2011

NOTICE (Continued)

NOTES:

1. Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956, is annexed.
2. Please notify change of address, if any, to the Company/ Registrars/ Depository Participants along with self attested proof of residence and copy of PAN Card.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 23.07.2011 to 10.08.2011 (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. **Profile of Directors retiring by rotation:** At the ensuing Annual General Meeting Shri Madhav B. Shriram and Shri Ravinder Narain, 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:

- a) Shri Madhav B. Shriram, aged 46 years, has an MBA background. He has 20 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.

- b) Shri Ravinder Narain, aged 74 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 set up his own law firm, M/s Ravinder Narain & Co. His experience in the legal field spans over four decades.

He is a member of the Remuneration and Shareholders Committees of the Company.

Other Directorships

Chairman/Member of the Committee of the Board

- | | | |
|---------------------------------|---|------------|
| 1. Nestle India Ltd. | - Investor Grievance Committee | (Chairman) |
| | - Audit Committee | (Member) |
| 2. DLF Ltd. | - Shareholders/Investor Grievance Committee | (Member) |
| | - IPO Committee | (Member) |
| | - Corporate Governance and Compliance Committee | (Member) |
| 3. Shriram Pistons & Rings Ltd. | | |
| 4. Shree Rajasthan Syntex Ltd | | |

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.

6. As a Green initiative in corporate governance, the Ministry of Corporate Affairs by circular no.17/2011 dated 21.4.2011 has allowed companies to send official documents to their shareholders through email by giving an advance opportunity to every shareholder to register their email address and changes therein from time to time with the Company's Registrars/ Depository Participant concerned. Accordingly, the members are requested to intimate their email address/changes if any therein to the Company's Registrars, viz. Karvy Computershare Pvt. Ltd. (e-mail ID: einward.ris@karvy.com) or to their depository participants.

ANNEXURE TO NOTICE

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

ITEM NO. 5

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.

ITEM NO. 6

At present the Board of Directors of the Company is empowered to borrow funds from time to time, up to Rs.750 cr. by resolution passed at the Extra-ordinary General Meeting of the Company held on 15th July, 1994. The Company's borrowings are to the tune of Rs. 450 cr. The working capital and other fund requirements are going up year after year. The Board of Directors has accordingly proposed to seek shareholders approval for increasing the borrowing limit from Rs.750 cr. to Rs.1000 cr.

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

- a) Copies of terms and conditions of the loans from the Banks (item no.5) 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.
- b) Pursuant to the general permission granted by the Ministry of Corporate Affairs by circular No. 2/2011 dated 08.02.2011 the Annual Accounts of the subsidiary company, Daurala Foods & Beverages Pvt. Ltd., are not annexed to the Annual Report. However, a copy of the Accounts of the subsidiary company and the related detailed information will be made available to the shareholders seeking such information at any point of time. The Annual Accounts of the subsidiary shall also be kept for inspection by any shareholder at the address and during the time mentioned in (a) above.

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and the Audited Accounts of your Company for the year ended 31st March 2011.

Despite occasional hiccups, the world witnessed the process of economic recovery during the year. Tumultuous conditions prevailed in South East Asia and the devastating earthquake and tsunami followed by a near nuclear catastrophe in Japan dampened the economic scene, which was otherwise on an upswing.

Our Country to a great extent was successful in insulating itself from the economic upheaval by taking timely measures and attained economic growth, envied even by developed countries. However, the momentum was somewhat disturbed by continued high inflation driven by surging global commodity prices and disclosures of a slue of incidents of economic misgovernance in the realm of public affairs, unprecedented in the history of the Country. In light of strong public opinion and growing intolerance to economic misgovernance, the Government is taking/ planning various measures and it is hoped that the Country will emerge stronger.

The recent assembly elections witnessed unprecedented levels of turnout for voting, reflecting the vibrancy of the Country's democracy. The results seem to point towards a desire for more transparent governance and faster progress and development.

For the Company 2010-11 was a difficult year. For most part of the year, the Company's sugar business suffered from the overhang of the severe mismatch of last year's cane and sugar prices, which situation improved in the last quarter. Linkage of these two through rational policy initiatives is an imperative need for survival of the industry. Overall, inflationary pressure and competition were countered by various steps taken during the year.

FINANCIAL RESULTS

Turnover for the year including other income at Rs.913 cr. was at an all time high against Rs.874 cr. in the previous year. There was a gross profit of Rs.10.2 cr. as compared to Rs.76.3 cr. in the previous year and net loss of Rs.5.5 cr. as compared to net profit after tax of Rs.38.9 cr. in the previous year.

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

OPERATIONS

Sugar

During the year your Company achieved a sugar production of 1.38 lac MT by crushing 15.10 lac MT of cane against 1.20 lac MT of sugar and 13.05 lac MT of cane in the previous year. The crushing at the Unit was highest in the State for the second consecutive year. The crushing capacity at the Unit was increased by 500 TCD and it achieved a peak crush of 12,500 TCD during this season. Additionally, a 15 MW TG Set was commissioned, so as to generate more power with the same amount of fuel. With this, the peak export of the power to the grid was around 23 MW, as against 19 MW last year.

The financial year 2010-11 has been a difficult year for the industry because of low sugar prices and high cane prices. The year started with the Government putting pressure and checks on institutional buyers, which drove them to contracting large quantities of imported white sugar (equivalent to 8-9 months of their consumption). The State Government announced an SAP of Rs.205/Qtl. of cane for the season 2010-11, which was relatively high in light of market prices of sugar.

The lack of off-take by the institutional buyers through most of the year impacted the sentiment and the prices remained sluggish and range-bound with a negative bias. This was despite the international prices being high with prices of white sugar touching an all time high of USD 800 per MT. The industry made repeated representations to the Government to lift controls imposed on institutional buyers and also to allow exports. The Government took some minor steps in the later half but they were all too little and too late, to prevent the year from being financially unsatisfactory for the industry. This was a year, wherein the Indian sugar industry lost a golden opportunity to export surplus sugar at attractive prices and recoup some of its losses considering the shortage of sugar in international markets.

Overall, while the Unit's operations were satisfactory, it suffered losses due to the sugar industry's environment. The set back was minimized through appreciable showing in other areas such as power, alcohol and chemicals.

Alcohol

Due to higher availability of captive molasses, and consequently higher production, the sales volumes of bulk alcohol more than doubled as compared to the previous year. As a result, there was a substantial increase in profitability of the alcohol business. The alcohol market remained relatively stable due to resumption of the programme for blending of ethanol with petrol, and slight revival of demand from the alcohol-based chemical industry.

Chemicals

While sales revenue of chemical business of the Company was broadly at last year's level, the profit was lower due to higher cost of raw materials on the one hand, and lower selling prices arising out of intensified international competition on the other.

To mitigate the impact of the above adverse factors, the Company is working on cost reduction, productivity improvement, and product mix changes, as also exploring development of new products.

Various initiatives at the Daurala complex towards conserving water, electricity, fuel and numerous steps towards "going green" have been recognized by various authorities. For our efforts in the direction of environment protection, conservation of natural resources and its utilisation, we were awarded "Frost & Sullivan's – Green Manufacturing Excellence – Aspirants Award 2011" in the large industry category. It is a matter of pride for us that we are the first sugar complex to be given this recognition and award. This is an achievement, which is the result of past and present efforts at being environment friendly.

Rayon

The global recession continued to take its toll on the automobile industry. This was further compounded by the problems in the European economies in the first half of the year. Shriram Rayons, however, was able to improve the export tonnage marginally. The selling prices were also increased, but the Rupee realisations were affected due to adverse exchange movements.

The Unit's efforts to get approval of the value added dipped fabric materialized and it achieved substantial increase in the sale of dipped fabric. Renewed efforts were made to widen the customer base by pursuing approvals from new customers. The Unit has been successful in getting approval from two more European Tyre Manufacturers and the supply of material has commenced. Shriram Rayons also maintained consistent growth in sale of Nylon Chafer.

The prospects in the coming year appear favourable, and in view of higher demand steps have been taken to technologically upgrade the textile operations. These efforts will continue this year also.

SR maintained continued thrust on quality and reduction in wastages. The Unit was accredited with Environmental Management System Certification (ISO 14001 : 2004) during the year. To control the energy cost and also promote clean fuel usage, the Unit undertook modification of Power House. The Unit met 30% of energy requirement from renewable sources during the year.

Subsidiary

The bottling plant of Daurala Foods & Beverages Pvt. Limited, which was leased to the Company, having been relocated to the Company's Distillery for better control and economy, the Company has acquired the super structure and some other equipments of DFBPL for alternate use.

RESEARCH & DEVELOPMENT

At a time of fast changing technology and formulations, Research & Development activities have a pivotal role not only in developing new products but also in innovating measures for upgrading quality, production processes and energy saving measures. This is all the more important in case of chemicals

DIRECTORS' REPORT (continued)

and drug intermediaries having international market. The Company is fully seized of the importance of R&D and has facilities to match its operations, which are kept upgraded from time to time according to the need of the segments in which the Company operates.

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 observation of the Auditors in their Report on the standalone Accounts are given in detail in Notes to Accounts – (2)(b) of Schedule 11. This Note read with the relevant Audit observation is self-explanatory.

CORPORATE GOVERNANCE

Reports on Corporate Governance, Management Discussion & Analysis and Corporate Social Responsibility are given in Annexure-I.

DIRECTORS

Shri G. Kumar, Whole-time Director, retired on 31.1.2011 and Shri Anil Gujral has been appointed as a Whole-time Director from 1.2.2011 for a period of 3 years. His appointment and terms of remuneration were approved by the shareholders by postal ballot.

Shri Madhav B. Shriram and Shri Ravinder Narain, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

OTHER INFORMATION

There was no employee in the Company whose particulars are required to be given under section 217(2A) of the Companies Act, 1956.

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

ACKNOWLEDGEMENT

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

The Directors also place on record their appreciation of the contribution made by employees at all levels.

For and on behalf of the Board

New Delhi
May 30, 2011



CHAIRMAN

CORPORATE GOVERNANCE REPORT**Corporate Governance Philosophy**

Corporate Governance (CG) is the set of processes, customs, policies, laws and institutions affecting the way a corporation or company is directed, administered or controlled.

CG practices followed by a company are the basic tenets on which the relationship between the stakeholders and the company rests and guide the objectives pursued by it. In business corporations, the main external stakeholder groups are shareholders, debt-holders, trade creditors, suppliers, customers and communities affected by the corporation's activities. Internal stakeholders are the Board of Directors, executives and employees. The latter are custodians of the interests of the former. The relationship between the two is to be guided by a code of values and principles based on ethics and transparency.

The complex nature of present day business, its spread across boundaries and the involvement of large number of stakeholders make it extremely important that business is run with full transparency. This helps existing and prospective stakeholders to take considered decisions about their relationship with a particular corporate. Adherence to proper CG practices is of prime importance in this context.

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

The Board of Directors of the Company consists of eminent persons as independent directors, who closely guide and monitor the 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 31.3.2011 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 19.4.2010, 29.5.2010, 6.8.2010, 14.8.2010, 13.11.2010 and 12.2.2011. Attendance and other details are given below: