



DCM SHRIRAM

DCM SHRIRAM INDUSTRIES LTD.

Annual Report 2012-13

DCM SHRIRAM INDUSTRIES LIMITED

Board of Directors	Shri Tilak Dhar	Chairman and Managing Director
	Shri Alok B. Shriram	Dy. Managing Director
	Shri Madhav B. Shriram	Whole-Time Director
	Shri Anil Gujral	Director & CEO (Chemicals & Alcohol)
	Shri P.R. Khanna	
	Dr. V.L. Dutt	
	Shri S. B. Mathur	
	Shri Ravinder Narain	
Company Secretary	Shri S. C. Kumar	
	Shri B.P. Khandelwal	Sr. Executive Director
Principal Executives	Shri D.C. Mittal	President
	Shri G. Kumar	Advisor to CMD
	Shri K.N. Rao	Chief Executive Officer (Rayons)
	Shri P.V. Bakre	Sr. Vice President
	Shri N.K. Jain	Chief Financial Officer
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	
	State Bank of Hyderabad	
	Ghaziabad Zila Sahkari Bank Ltd.	
	Bijnor Zila Sahkari Bank Ltd.	
Auditors	Meerut Zila Sahkari Bank Ltd.	
	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, 6th Floor, 18, Barakhamba Road, New Delhi - 110 001.

NOTICE

The 22nd Annual General Meeting of the Company will be held on Monday, the 12th August, 2013 at 10.00 A.M. at the Air Force Auditorium, Subroto Park, New Delhi – 110 010 for transacting the following business:

1. To consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March 2013, and the Statement of Profit & Loss for the year ended on that date.
2. To declare dividend for the financial year ended 31st March, 2013.
3. To appoint a Director in place of Shri P.R. Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To 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 Shri S.C. Kumar, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 with effect from 10.02.2013, 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 (Regn.No.112066W), 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 Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, if any, required, approval of the Company be and is hereby accorded to the reappointment of Shri Alok B. Shriram as Dy. Managing Director of the Company for a further period of five years, with effect from 01.10.2013 on the terms and conditions and remuneration as set out in the Explanatory Statement."

"RESOLVED FURTHER THAT the Board of Directors or a Committee thereof, duly authorised by the Board, be and is hereby authorized to alter, increase, vary or modify from time to time, the said terms including as to remuneration as it may deem fit, within the limitations contained in Schedule XIII or other Sections of the said Act and any statutory modifications thereof."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year Shri Alok B. Shriram be paid the remuneration (excluding commission) as set out in the Explanatory Statement as minimum remuneration subject to the overall ceilings laid down in para 1(A) of Section II of Part II of Schedule XIII of the Companies Act or such higher remuneration as may be decided by the Board from time to time, subject to any amendment to the said Schedule or new schedule/ enactment."

By order of the Board
For DCM SHRIRAM INDUSTRIES LIMITED



(B.P. Khandelwal)

Sr. Executive Director & Co. Secretary

New Delhi
May 23, 2013

NOTES:

1. Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956, is attached.
2. Those who hold shares in physical form may notify change of address if any to 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 along with self attested copies of address proof and PAN card.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 24.07.2013 to 12.08.2013 (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. The interim dividend amount of Rs.6,80,374 pertaining to the year 2005-06, remained unclaimed, has been transferred to the Investor Education and Protection Fund in May, 2012, within the time stipulated by law.
6. At the ensuing Annual General Meeting Shri P.R. Khanna 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. They have confirmed that they are not disqualified for being appointed as a director of the Company.
 - a) Shri P.R. Khanna aged 79 years, is a Chartered Accountant and was a partner of Khanna & Annadhanam, Chartered Accountants. He has vast experience in the areas 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' Grievance 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. Indag Rubber Ltd.	- Audit Committee	(Member)
	- Remuneration Committee	(Member)
2. Ansal Properties & Infrastructure Ltd.	- Shareholder/investor Grievance Committee	(Chairman)
	- Compensation/ Remuneration Committee	(Chairman)
	- Audit Committee	(Member)
	- Nomination Committee	(Member)
3. Uniproducs India Ltd.	- Audit Committee	(Chairman)
4. U.T.I. Asset Management Co. Ltd.	- Committee of Directors	(Chairman)
	- Audit Committee	(Member)
	- Risk Management	(Member)
5. U.T.I. International Ltd. Guernsey Channel Islands		
6. C&S Electric Ltd.	- Audit Committee	(Chairman)
7. Shriram Scientific and Industrial Research Foundation	- Governing Body	(Member)
8. Nabha Foundation		(Trustee)
9. Tara Vati Ram Gopal Mehra Foundation		(Trustee)
10. ICRA Employees Welfare Trust		(Trustee)
11. Indian Trust of Rural Heritage & Development		(Trustee)
12. Jai Narain Vyas University, Jodhpur	- Finance Committee	(Member)

DCM SHRIRAM INDUSTRIES LIMITED

Private Companies

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|--|-------------------|------------|
| 1. Carnation Auto India Pvt. Ltd. | - Audit Committee | (Chairman) |
| 2. Select Infrastructure Pvt. Ltd. | | |
| 3. UTI Capital Pvt. Ltd. | | |
| 4. UTI International (Singapore) Pvt. Ltd. | - Audit Committee | (Member) |

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.

- b) Shri S.B. Mathur, aged 69 years is FCA and ICWA (London). He was Chairman of LIC and is presently non-executive chairman of the National Stock Exchange of India Ltd. He has very long experience in Insurance and Financial Sectors. He is a member of the Audit and Borrowing Committees of the Company.

Other Directorships

Chairman/Member of the Committee of the Board

- | | | |
|--|---|------------------------|
| 1. IDFC Trustee Company Ltd. | | |
| 2. Cholamandalam MS General Insurance Co. Ltd. | - Audit Committee | (Member) |
| 3. Axis Bank Ltd. | - Audit Committee
- Investor Grievance | (Chairman)
(Member) |
| 4. Havells India Ltd. | - Audit Committee | (Member) |
| 5. ITC Ltd. | - Audit Committee | (Chairman) |
| 6. National Stock Exchange Ltd. | - Non-executive Chairman | |
| 7. National Collateral Mgt. Services Ltd. | | |
| 8. HOEC Ltd. | - Audit Committee | (Member) |
| 9. Infrastructure Finance & Leasing Co. Ltd. | | |
| 10. Housing Development & Infrastructure Ltd. | | |
| 11. India Mortgage Guarantee Corp. Pvt. Ltd. | | |
| 12. Ultra Tech Cements Ltd. | | |
| 13. Mindas Corporation Ltd. | - Audit Committee | (Member) |
| 14. Tube Investments of India Ltd. | - Audit Committee | (Member) |
| 15. National Investment Fund | | |
| 16. Insurance Regulatory and Dev. Authority | | |

Private Companies

1. Munich Re India Services Pvt. Ltd.
2. Janalakshmi Financial Services 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.

7. As in the last year the Company will be mailing the Annual Report for the year 2012-13 by email to those who have registered their email IDs with the concerned depository participants/ Registrars & Share Transfer Agent.

Members who have not registered their email IDs are requested to intimate their email ID to the Company's Registrars, viz. Karvy Computershare Pvt. Ltd. (Email ID: einward.ris@karvy.com) or their depository participants.

ANNEXURE TO NOTICE

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

ITEM NO. 5

The Board of Directors in their meeting held on 10.2.2013 co-opted Shri S.C. Kumar 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 has been received from a Member signifying his intention to propose Shri S.C. Kumar's candidature for the office of Director at the forthcoming Annual General Meeting.

Shri S.C. Kumar aged 70 years is member of ICWA and was a nominee director representing IFCI Limited on the Board till 8.1.2013. He has been nominated to the Audit Committee and Remuneration Committee by the Board. Shri S.C. Kumar is a director on the following other companies:

Other Directorships

1. Simbhaoli Sugars Ltd.
2. Simbhaoli Spirits Ltd.

Committee Membership

- Audit Committee
- Shareholders' Grievance Committee

It is proposed to appoint Shri S.C. Kumar as a director liable to retire by rotation under the "independent" category. The Directors commend the resolution for approval.

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

ITEM NO.7

Shri Alok B. Shriram, Dy. Managing Director, whose term of office expires on 30.09.2013, has been reappointed by the Board of Directors on the recommendation of the Remuneration Committee for a period of 5 years with effect from 01.10.2013, subject to the approval of the shareholders.

Remuneration, other terms and conditions proposed and particulars of Shri Alok B. Shriram are as under:

Terms & Conditions / Particulars	
Salary (Rs./pm)-existing	2,20,000
Salary/Grade - proposed	2,20,000 (220000-15000 -295000)
Housing	Co. maintained accommodation or 60% HRA
Gas,Water,Electricity,Furniture, Furnishings and maintenance	Actual

Medical expenses (self & family)	Actual
P.A. Insurance (Rs./p.a.)	4000
L.T.C./Leave / Encashment / PF, Gratuity & Superannuation	As per Co. Rules
Club Fees (Admission/ life membership fee not allowed)	2 Clubs
Date of Annual Increment	1st March
Commission on profits *	As may be decided by the Board provided that the total remuneration shall not exceed 3% of the net profits of the Company in any year.
Age	53 years
Qualification	B.Com. (Hons)
Experience	33 years
Other Directorships	<ul style="list-style-type: none"> - DCM Hyundai Ltd. (Member– Audit Sub-Committee) (Member – Share Transfer Committee) - MC-Stich Ltd. - Quick Litho-graphers P. Ltd. - Pee Kay Alkalies Pvt. Ltd. - Shriram Midivisana Eng. P. Ltd. - PHD Chamber of Commerce & Industry - Committee Member

* Subject to the above limits, commission on profits to be decided by the Board but not to exceed overall limits of remuneration u/s 198 & 309 of the Cos. Act

Other Terms Applicable to the Re-appointment

1. Salary, perquisites and commission/ reward shall not exceed 10% of the net profits computed in the manner laid down in Section 309(5) of the Companies Act, 1956 for all the managerial personnel in any financial year.
2. Shri Alok B. Shriram will also be entitled for Company maintained chauffeur driven car, communication facilities, and reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company. These will not be considered as perquisites for the purpose of ceiling u/s 198/309 of the Companies Act.

3. Remuneration for part of the year will be computed on pro-rata basis.
4. In the event of absence or inadequacy of profits in any financial year Shri Alok B. Shriram will be paid the above remuneration (excluding commission), subject to the overall ceilings provided in Para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, which presently is Rs.2 lac p.m. or such higher amount as may be permitted by the Central Government or under any amendment/ new legislation, subject to such approvals as may be required as minimum remuneration. (In that event contribution to Provident Fund & Superannuation Fund to the extent these are exempt under the Income-tax Act, 1961 and gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of tenure will not be included for computing the ceiling on remuneration).
5. The managerial personnel shall not become interested or otherwise concerned personally or through spouse, son or unmarried daughter, in any selling agency of the Company, without the prior approval of the Central Govt.
6. The appointment may be terminated by either party giving to the other six calendar months' notice in writing or lesser notice as may be agreed to. In the event of termination of appointment by the Company, the managerial personnel shall be entitled to compensation in accordance with the provisions of the Companies Act.

The Explanatory statement together with the accompanying Notice may be treated as Abstract u/s 302 of the Companies Act as far as these relate to Resolution no.7.

Considering the contribution of Shri Alok B. Shriram to the operations of the Company, the Directors recommend the resolution for your approval.

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

Interest

Except as indicated under the respective items none of the directors is interested in any of the aforementioned resolutions.

Inspection

Copy of the Notice u/s 257 of the Act proposing the appointment of Shri S.C. Kumar (Item No.5) and the Board Resolution approving the reappointment of Shri Alok B. Shriram as Dy.Managing Director, (Item No.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.

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and the Audited Accounts of your Company for the year ended 31st March 2013.

The tremors faced by the global economy in the year 2008-09 continue to cause problems for economies world over from time to time. When signs of recovery start showing, one or the other crisis crops up at different places, even affecting those economies, which were feeling insulated earlier. Indian economy which continued to be on a growth path till the year 2011-12, has also felt the impact on its growth and prospects. The GDP growth came down to just about 5% in 2012-13 from over 8%, lowest in a decade. Failure to tame inflation and high interest rates adversely affected every sector. The investment slowdown is one of the major challenges that India faces today. Certain taxation measures adversely impacted foreign investments. Uncertain political climate, failure to put in place progressive policies/ reforms and legislations for lack of consensus, unearthing of scam after scams - all created a sense of pessimism. National interest appears to have taken a back seat to petty political considerations. Unless a national consensus emerges towards inclusive development and all concerned work together to achieve this goal the economy would continue to suffer.

FINANCIAL RESULTS

Turnover for the year including other income was Rs.1109 cr. against Rs.1001 cr. in the previous year. There was a gross profit of Rs.40.9 cr. as compared to Rs.13.2 cr. (before exceptional item) in the previous year and net profit of Rs.11.2 cr. as compared to net loss of Rs.17.4 cr. in the previous year.

DIVIDEND

The Board is pleased to recommend a dividend of Rs.1.50 per equity share of Rs.10 (15%) for the year ended 31.3.2013. The dividend payout for the year under review, inclusive of Corporate Tax on Dividend distribution, is Rs.3 cr.

After provision for proposed dividend and transfer of Rs.1 cr. to General Reserve (previous year nil) the balance carried forward in the Profit & Loss Account will be Rs.96.5 cr., which includes Rs.89.3 cr. brought forward from the previous year.

OPERATIONS

Sugar

During the year the Unit produced 1.26 lac MT of sugar, by crushing 13.80 lac MT of cane as against 1.32 lac MT of sugar by crushing 15.06 lac MT of cane in the previous year. For the crushing season 2012-13, the crush was the highest in Western U.P. and the second highest amongst the factories in the State. As crushing started somewhat late in November, the crop condition was better and with all round efforts put in, the Unit achieved a sugar recovery of 9.27% in the season as against 8.74% during the last season.

During the current year, the performance of the factory on energy efficiency and that of the power plant also improved. Consequently we exported more power this season.

The financial year 2012-13 continued to be difficult for the industry, in the absence of linkage between cane and sugar prices. The U.P. sugar Industry was further burdened with an unwarranted increase of Rs.40 per qtl. of cane by the State Government. Despite the significant steps taken by the Unit to reduce conversion cost, the cost of production continued to be higher than sugar price realized.

At the end of the year, the Central Government took the much needed steps of abolition of the levy sugar obligation on the sugar mills and disbanding the free sugar release mechanism. This has helped the industry in reducing the substantial burden of Levy subsidy, and given the industry the freedom to sell sugar as per its own sales strategy. The effect of the latter has yet to be seen in terms of its impact on the industry.

Even with the large opening stock of sugar, due to a reasonable quantity of sugar being exported, the sugar prices improved during the first and second quarter of the year and were at a reasonable level in the third quarter also. Moreover, drought like conditions in Maharashtra and Karnataka aided the sugar sentiment. However, due to higher than expected sugar production and import of raw sugar for domestic consumption, sentiments became bearish and sugar prices fell steadily to a level of around Rs.3200 per qtl. in February and March, 2013 after touching a high of Rs. 3700 per qtl. in August, 2012. Internationally, the prices of white sugar are range bound between US\$ 500- 530/ MT, at a level where it is not possible for India to export its surplus sugar.

The sugar sentiments can improve only if the demand supply balance is restored. It is reported that in some States the next year's crop might be lower due to drought conditions. However, the trade sentiment and prices can improve only if imports are put on a level playing field by imposition of adequate import duty. Industry has taken up the matter with the Government.

Overall, the performance of the Unit on all operational parameters was better, and efforts will be made to further improve all areas. Extensive efforts are being made to increase the acreage under higher sugared varieties of cane and we hope to improve the sugar recovery further.

Alcohol

The performance and profitability of the Alcohols Business Group improved, relative to the previous year due to higher selling prices and exports. Demand for alcohol remained strong even though the programme for blending alcohol with petrol proceeded at a slow pace. Relatively high international prices made imports unviable and boosted exports.

Efficiencies in use of raw material and energy were maintained at high levels.

Chemicals

The profitability of the Chemicals Business improved relative to the previous year, despite high prices of raw materials. The Company was able to increase selling prices of its major products to more than offset the cost increases, in spite of continued aggressive international competition, mainly from China.

Demand for major products remained stable, except for a few products like Benzyl Alcohol whose demand was depressed due to stagnating requirement of the user industries, both domestic and international.

The Company has commissioned a plant for manufacturing a high value product on contract basis for a large multinational corporation. This could open new opportunities in future.

The Company continues its focus on R & D and process improvements.

Rayon

In the face of the continuing global recession, impacting the automobile industry worldwide, the Unit achieved its highest ever turnover for the second consecutive year. Capability built up in the last few years to supply value added fabric along with a broadened customer base helped the Unit to achieve this.

The Unit's improved and consistent product quality is well established in the market, making it one of the preferred sources by the international tyre manufacturers in the high performance segment.

Our products are currently at advanced stages of trials with new consumers. Based on the expected approvals, the requirement of our product is expected to increase. To meet the anticipated increased requirement, the Unit is currently debottlenecking its Rayon capacity.

Nylon Chafer production facilities have also been upgraded. The Unit achieved its highest Nylon Chafer sale during the year. The Unit continues efforts to diversify the product base.

To control the energy cost and to protect the environment, thrust on enhancing agro fuel consumption continued. Shriram Rayons met 40% of its fuel requirement from renewable sources during the year.

Subsidiary

The bottling facilities having been acquired by the Company earlier and the remaining plant & machinery leased to it, the operations of Daurala Foods & Beverages Pvt. Limited remain temporarily suspended.

RESEARCH & DEVELOPMENT

Research & Development 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 savings, 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 operations.

UNCLAIMED SHARES SUSPENSE ACCOUNT

As required under Clause 5A of Listing Agreement, the Company had transferred 84620 unclaimed equity shares, which were standing registered under 6107 folios into the Unclaimed Shares Demat Suspense Account, after sending three reminders to those shareholders.

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.