



DCM SHRIRAM

DCM SHRIRAM INDUSTRIES LTD.

Annual Report 2015-16

DCM SHRIRAM INDUSTRIES LIMITED

Board of Directors	Shri Tilak Dhar	Chairman & Managing Director
	Shri Alok B. Shriram	Vice Chairman & Dy. Managing Director
	Shri Madhav B. Shriram	Dy. Managing Director
	Shri K.N. Rao	Director & CEO (Rayons)
	Shri P.R. Khanna	
	Shri S.B. Mathur	
	Shri Ravinder Narain	
	Shri S.C. Kumar	
	Shri C. Vikas Rao	
Principal Executives	Smt. Kavitha Dutt Chitturi	
	Shri B.P. Khandelwal	President
	Shri G. Kumar	Advisor to CMD
	Shri Anil Gujral	Chief Executive Officer (Chemicals & Alcohol)
	Shri N.K. Jain	Chief Financial Officer
Company Secretary	Shri P.V. Bakre	Sr. Vice President
Bankers	Shri Y.D. Gupta	Sr. General Manager (Law & Taxation)
	State Bank of India	
	Punjab National Bank	
	Oriental Bank of Commerce	
	State Bank of Bikaner & Jaipur	
	State Bank of Hyderabad	
	IDBI Bank Ltd.	
	Karnataka Bank Ltd.	
	Bijnor Zila Sahkari Bank Ltd.	
Auditors	Meerut Zila Sahkari Bank Ltd.	
	Lakhimpur Kheri Zila Sahkari Bank Ltd.	
	A.F. Ferguson & Co.	
Registered Office	New Delhi	
	Kanchenjunga Building,	CIN : L74899DL1989PLC035140
	6th Floor,	Tel. No. : (011) 2375 9300
	18, Barakhamba Road,	Fax No. : (011) 2335 0765
	New Delhi - 110 001	e-mail : dsil@dcmsr.com
		Website : http://www.dcmsr.com

DCM SHRIRAM INDUSTRIES LIMITED

Registered Office : Kanchenjunga Building, 6th Floor, 18, Barakhamba Road, New Delhi - 110 001.

NOTICE

The 25th Annual General Meeting of the Company will be held on Wednesday, the 10th August, 2016 at 10.00 A.M. at the Kamani Auditorium, 1, Copernicus Marg (Near Mandi House), New Delhi- 110 001 for transacting the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2016 and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2016.
3. To appoint a director in place of Shri Alok B. Shriram (holding DIN 00203808), 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(s), 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 on the recommendation of the Audit Committee, plus service tax payable thereon and reimbursement of traveling and other incidental expenses, if any, incurred by them in connection with the audit.”

SPECIAL BUSINESS:

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

“RESOLVED that pursuant to the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14 of the Companies (Audit & Auditors) Rules, 2014 the remuneration of Rs.1.21 lacs fixed by the Board of Directors on recommendation of the Audit Committee for audit of the cost records of the Company by M/s Ramanath Iyer & Co., for the year 2016-17, be and is hereby ratified and confirmed.”

6. To consider and, if thought fit, to pass the following resolution, with or without modification(s), as an ordinary resolution:

“RESOLVED that pursuant to Section 197 read with Section 198 of the Companies Act, 2013 and other applicable provisions, if any, and subject to the Articles of Association of the Company, approval be and is hereby accorded for payment every year, of commission on profits of up to 1% of the Net Profit of the Company, computed in the manner laid down u/s 198 of the Companies Act, 2013, to the non-executive directors of the Company in such amount and proportion as may be decided by the Board of Directors, from the financial year 2016-17 onwards.”

By order of the Board
For DCM SHRIRAM INDUSTRIES LIMITED



(Y.D. Gupta)

Company Secretary & Sr. General Manager
(Law & Taxation)
FCS 3405

New Delhi,
May 30, 2016.

NOTES:

1. Explanatory Statement, as required under Section 102 of the Companies Act, 2013, is attached.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 04.08.2016 to 10.08.2016 (both days inclusive).
3. 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. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company.

The instrument of proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of companies, societies, etc. must be supported by an appropriate resolution / authority, as applicable.

4. Dividend of Rs.3 per share of Rs.10 (30%) has been recommended by the Board of Directors for the year ended 31.03.2016 and subject to the approval of the shareholders at the ensuing AGM, is proposed to be paid on or before 09.09.2016.
5. In terms of the Investor Education and Protection Fund Rules, the Company has uploaded the information in respect of the unclaimed dividends in respect of the financial years from 2009, as on the date of the 24th Annual General Meeting (AGM) held on 24.9.2015, on the website of the IEPF viz. www.iepf.gov.in and on the website of the Company i.e. <https://www.dcmsr.com>.

The shareholders, who have not encashed their dividend warrant/s for the previous year/s may contact the Company or Registrar and Transfer Agents for issue of duplicate warrants.

6. Those who hold shares in physical form may notify change of address if any to Karvy Computershare Pvt. Ltd., Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500032 or New Delhi House, 305, 3rd Floor, Barakhamba Road, New Delhi – 110001, along with self attested copies of address proof and PAN card.
7. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to Karvy Computershare Pvt. Ltd.
8. The information with regard to Shri Alok B. Shriram, whose reappointment as a Director, liable to retire by rotation, forms an integral part of this Notice.
9. Electronic copy of the Annual Report for year ending 31.3.2016 is being sent to all the members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report are being sent by the permitted mode.
10. Electronic copy of the Notice of the 25th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 25th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent by the permitted mode.
11. Members may also note that the Notice of the 25th Annual General Meeting and the Annual Report for 2015-16 will also be available on the Company's website www.dcmsr.com for download. The

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physical copies of the aforesaid documents will also be available at the Company's Registered Office in New Delhi for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post/courier, free of cost. For any communication, the shareholders may also send requests to the Company's email id: investorservices@dcmsr.com.

12. A member may participate in the Annual General Meeting even after exercising his right to vote through remote e-voting but shall not be entitled to vote again at the meeting. Members attending the meeting but have not exercised their right to vote through remote e-voting can cast their votes at the meeting through ballot paper.

13. Voting through electronic means

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide all its members facility to exercise their right to vote at the 25th Annual General Meeting (AGM) by electronic means, as an alternate. Please note that the voting through electronic means is optional.

The voting through electronic means will commence on 07.08.2016 at 10.00 AM and will end on 09.08.2016 at 5.00 PM. The members will not be able to cast their vote electronically beyond the date and time mentioned above. The procedure and instructions for e-voting are as follows :

- (a) Open your web browser during the voting period and navigate to "<https://evoting.karvy.com>"
- (b) Enter the login credentials (i.e. user-id & password) mentioned on the Attendance Slip. Your Folio/ DP -Client ID will be your User-ID

User - ID	<ul style="list-style-type: none">- <u>For Members holding shares in Demat Form:</u><ul style="list-style-type: none">a) For NSDL- 8 character DPID followed by 8 digit Client IDb) For CDSL- 16 digit beneficiary ID- <u>For Members holding shares in Physical Form:</u> Electronic Voting Event Number (EVEN) followed by Folio no. registered with the Company
Password	Your Unique password is printed on the AGM Attendance slip / forwarded through the electronic notice via email, in case email is registered.
Captcha	Enter the Verification code i.e. please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- (c) Please contact on toll free no.18003454001 for any further clarification.
- (d) Members whose name appear in the register of members/ beneficial owners as on cut off date i.e. 03.08.2016, can cast their vote on-line from 07.08.2016 from 10.00 AM to 09.08.2016 up to 5.00 PM.
- (e) After entering these details appropriately, click on "LOGIN".
- (f) Members holding shares in Demat/ Physical form will now reach Password Change Menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z) one numeric value (0-9) and a special character (#, \$, &..). Kindly note that this password can be used by the Demat holders for voting for resolution of any other company on which they are eligible to vote, provided that company opts for e-voting

through **Karvy Computershare Private Limited e-voting platform**. System will prompt you to change your password and update any contact details like mobile no, email ID etc. on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (g) You need to login again with the new credentials.
 - (h) On successful login, system will prompt to select 'Event' i.e. 'Company Name'.
 - (i) If you are holding shares in Demat form and had logged on to "https://evoting.karvy.com" and cast your vote earlier for any company, then your existing login id and password are to be used.
 - (j) On the voting page, you will see Resolution Description and against the same the option 'FOR / AGAINST/ ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/ AGAINST/ ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in "FOR / AGAINST" taken together should not exceed your total shareholding. If the shareholder does not want to cast vote, select "ABSTAIN".
 - (k) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - (l) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
 - (m) Corporate/ Institution Members (Corporate/ FIs/ FIIs/ Trust / Mutual Funds/ Banks, etc) are required to send scanned (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to investorservices@dcmsr.com with copy to evoting@karvy.com. The file scanned image of the Board Resolution should be in the naming format "Corporate Name-Event no."
 - (n) Shri M.L. Arora (C.P.No.3209) and in his absence Shri Swaran Kumar Jain (C.P.No.4906), Practicing Company Secretaries, have been appointed as the Scrutinizer/s to scrutinize the e-voting process in a fair and transparent manner.
14. The Scrutinizer shall immediately after the conclusion of voting at the General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two (2) witnesses, not in the employment of the Company and make, not later than 3 days of conclusion of the meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall counter-sign the report and declare the results forthwith.
15. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website "https://www.dcmsr.com" and on the website of Karvy immediately.
16. The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. We propose to send all future communications in electronic mode to the email address provided by you. 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.
17. **Inspection:** All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 am to 5.00 pm) on all working days, upto and including the date of the Annual General Meeting of the Company.
18. **Profile of the Director retiring by rotation:** Shri Alok B. Shriram, aged 55 years, has 36 years of experience in various management positions. He has done his graduation from Shriram College

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of Commerce. He is presently the Vice Chairman & Dy. Managing Director of the Company and is looking after the Rayons Division. He is also Chairman & Managing Director of DCM Hyundai Ltd., an Associate Company.

Shri Alok B. Shriram holds 8536 equity shares of Rs.10 each in the Company.

Shri Alok B. Shriram was the immediate past President of the PHD Chamber of Commerce and Industry and is also a Member of its Managing Committee. He is a Member of the Committee for approving borrowings and also Stakeholders Committee of the Board. He is not a director on the Board of any other listed company.

Shri Alok B. Shriram, being eligible, offers himself for reappointment as a director liable to retire by rotation in terms of Section 152[6](e) of the Companies Act, 2013.

He is related to Shri Tilak Dhar, CMD and Shri Madhav B. Shriram, DMD. No other directors of the Company are interested in the resolution.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 5

The Board of Directors in their meeting held on 30.5.2016 appointed M/s. Ramanath Iyer & Co., Cost Auditors, 808, Pearls Business Park, Netaji Subhash Place, Delhi – 110034 as Cost Auditors of the Company for the year 2016-17 at a remuneration of Rs.1.21 lacs plus out of pocket expense and taxes as may be applicable, on recommendation of the Audit Committee, pursuant to Section 148 of the Companies Act, 2013.

The above remuneration to the Cost Auditors, fixed by the Board for the financial year 2016-17 is for ratification and confirmation by the shareholders as required under Rule 14 of the Companies (Audit & Auditors) Rules, 2014.

None of the directors and Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No.5.

Item No. 6

The Company's Board presently consists of 4 executive directors and 6 non-executive independent directors. The independent directors are having long experience in the areas of management, finance, legal, etc. and all are professionals. They contribute substantial time to the affairs of the Company and provide valuable advice and guidance in the management of the Company. The directors are presently being paid sitting fees of Rs.50,000 per Board meeting and Rs.25,000 per Committee meeting attended by them.

Considering their contribution to the Company, the Board of Directors in its meeting held on 30.05.2016 decided to recommend to the shareholders payment every year, of commission on profits of up to 1% of the Net Profit of the Company to the non-executive directors of the Company and in such amount and proportion as may be decided by the Board of Directors, subject to the provisions of Section 197 read with Section 198 and other applicable provisions, if any, of the Companies Act, 2013 from the financial year 2016-17 onwards.

The Board recommends the resolution for the approval by the shareholders of the Company.

Except S/Shri P.R. Khanna, S.B. Mathur, S.C. Kumar, Ravinder Narain, C. Vikas Rao and Smt. Kavitha Dutt Chitturi, all non-executive independent directors, none of the other directors and key managerial personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the resolution set out at no.6.

Interest

Except as indicated under the respective items, none of the directors or Key managerial personnel or their relative(s) is concerned or interested in the resolutions.

The Directors have pleasure in presenting the Annual Report and the Audited Financial Statements of your Company for the year ended 31st March, 2016.

With economic conditions in the leading economies yet to see sustained strength and growth, the forecasts for growth have been prone to frequent downward revisions, making nearly all economies, most notably emerging market economies increasingly susceptible given the market linkages. India has been amongst the few exceptions, having recorded one of the highest growth rate globally in the years 2014-15 and 2015-16. By all indications, the Country's economic momentum is likely to prevail in the coming year too, albeit at a gradual pace.

Although when compared with other economies, India's GDP growth at over 7% has been enviably high, compared to the year 2014-15, when the growth was 7.2%, the GDP growth in 2015-16 was about 7.6%, a marginal increase. This is in spite of the fact that there was continued decline in exports, investments and manufacturing. The potential growth of the Country can be raised further if it can successfully implement necessary reforms including unifying the tax regime, labour market regulations as well as opening up further to foreign direct investment and trade. These measures have been stuck up in the political cob-web. The prediction of above normal monsoon after two consecutive years of failure, gives a ray of hope of better economic performance, particularly in the agriculture sector, which has been lagging behind. The ongoing drought which is affecting over one third of the population in various parts of the Country is a matter of grave concern. Long term measures to address this perennial problem need to be taken on priority.

As regards your Company's operations, all segments other than sugar continued to perform well. The sugar prices after falling to a six year low during the first quarter, started picking up during September, 2015 on lowering of production estimates for the sugar season 2015-16 and compulsory export of 4 million MT of sugar during the season mandated by the Central Government. The market sentiments further improved in the subsequent months due to expected drop in Brazilian cane production and also in the sugar season 2016-17 domestically due to severe drought conditions prevailing in Maharashtra and other sugar producing states.

Financial Summary

Though the adversity in the sugar operations continued for about 6 months in the financial year, the Company achieved a turnover of Rs.1226 cr. against Rs.1305 cr. in the previous year. There was a gross profit of Rs.57.4 cr. as compared to Rs.29.9 cr. in the previous year and net profit of Rs.33.2 cr. as compared to Rs.4.4 cr. in the previous year. The reduction in loss in the sugar segment helped in improving the profit position.

Appropriation and Dividend

Looking into the better profit position achieved by your Company, but keeping the cash flow requirements in mind, the Board of Directors is pleased to recommend a dividend of Rs.3 per equity share of Rs.10 (30%) for the year ended 31.3.2016. The dividend payout for the year under review, inclusive of corporate tax on dividend distribution, is Rs.6.28 cr.

After provision for proposed dividend, the balance carried forward in the Profit & Loss Account will be Rs.39.02 cr., which includes Rs.12.06 cr. brought forward from the previous year.

Auditors' Report

There are no qualifications, reservation, or adverse remarks or disclaimer in the Auditors Report to the members on the Annual Financial Statements for the year ended 31.3.2016. Regarding the 'Emphasis of Matter' in the Auditors Report on the consolidated financial statements with regard to the financial assets and income therefrom of the subsidiary company's financial statements for the year ended 31.3.2016, as clarified in Note No.47 of the consolidated financial statements, the subsidiary company has no intention of undertaking NBFC business and it will take steps to set right the position.

DIRECTORS' REPORT (continued)

Secretarial Audit Report

M/s. Chandrasekaran Associates, Company Secretaries, carried out a Secretarial Audit for the year 2015-16 pursuant to Section 204 of the Companies Act, 2013 (the Act). A copy of their Report in Form MR-3 as per Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure – 1**. There is no qualification in the Report.

THE STATE OF COMPANY'S AFFAIRS

Sugar

During the year the Daurala Sugar Works (DSW) produced 1.86 Lac MT of sugar by crushing 17.83 Lac MT of cane as against 1.62 Lac MT of sugar by crushing 16.79 Lac MT in the previous year. The recovery in the year was better at 10.44% as against 9.68% last year. This was achieved by extensive propagation of high sucrose cane variety in our cane area. The supply of power to grid remained satisfactory and sale prospects of Renewable Energy Certificates improved during the year.

The Sugar business continued to incur heavy losses though improvement in sugar prices during second half of the year helped in curtailing losses.

The financial year 2015-16 started on a cautious note due to record high production of around 28 Million MT and prices being under constant pressure. Sugar prices continued to languish at below Rs.2800 per qtl. (even touching Rs.2300 per qtl. in July'15 – a six year low) during the first half of the year because of high production as well as pressure from the Government/ Courts to clear cane dues. The prices improved through the second half to a level of Rs. 3400 per qtl. in March, 2016 due to lower global/ domestic production estimates and Central Government encouraging the export of sugar. As per Industry estimate, 1.5 - 2.0 Million MT of sugar is expected to be exported in the year. The improvement in sugar prices enabled the Industry to cut down on losses and cane dues.

International prices of white sugar also improved to around US\$ 450 per MT as against US\$ 380 per MT in March, 2015, because of anticipated global deficit of over 5 Million MT.

The State and the Central Governments have been supportive of the Industry during its lean phase and announced certain measures to provide relief to the Industry.

- The UP Government maintained the sugar cane price (SAP) at Rs.280 per qtl. for Sugar Season 2015-16, and waived taxes/ charges to the extent of Rs.11.70 per qtl. Additionally, a cane incentive of upto Rs.23.30 per qtl. linked to selling price of sugar, molasses, bagasse and press-mud from October, 2015 to May, 2016 was announced. However, considering improvement in sugar situation, this may accrue partially only.
- To encourage export participation under the Minimum Indicative Export Quota initiative, the Central Government announced an incentive of Rs. 4.5 per qtl. of cane, payable directly to farmers. The Central Government also encouraged supply of ethanol to Oil Marketing Companies (OMC) under Ethanol Blending Programme (EBP) and for this some incentives/ better prices were declared.

The Government's decisions/ actions as well as lower domestic/ International production estimates have helped the Industry revive during the current year. Hopefully, going forward the Industry should turn-around, which will be reflected in the results for the current financial year.

On the operational front the Company continues to lay emphasis on improving efficiencies and reducing costs. Sustained efforts for improved performance would remain a priority.

Alcohol

The profitability of the Alcohol Business improved significantly relative to the previous year due to lower cost of the molasses and improved production efficiencies. The off-take by OMCs for EBP increased