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Lala Shri Ram
(1884-1963)

Board of Directors

Shri Mantosh Sondhi
Chairman

Shri Ajay S. Shriram
Vice Chairman & Managing Director

Shri Vikram S. Shriram
Joint Managing Director

Dr. S.S. Bajjal

Shri Arun Bharat Ram

Shri Harnam Dass Wahi

Shri P.K. Choksey

Shri Pradeep Dinodia

Shri M.V. Muthu
IFCI Nominee

Shri A.K. Doda
IDBI Nominee

Shri H. Ansari
GIC Nominee

Executive Director & Secretary

Shri V.P. Agarwal

Bankers

Punjab National Bank
Bank of Baroda
Oriental Bank of Commerce
Credit Agricole Indosuez

Auditors

M/s. A.F. Ferguson & Co.,
New Delhi.

Registered Office

7th Floor,
Prakash Deep Building,
7, Tolstoy Marg,
New Delhi - 110 001.

Tel. No. 3316801
Fax No. (91)011-3312950

"SUGAR BUSINESS ON STREAM"

Dear Friends

You would recall that last year, we had shared with you the initiatives planned towards streamlining the cost structures, overheads control, energy savings etc. We are pleased to inform you that several schemes in this direction have been implemented during the year, helping us to improve the competitive position of our businesses. But for these initiatives, the impact of the wide spread economic recession would have been much more severe on the performance of the company.



We are happy to inform you that the company has successfully entered the Sugar Business with the commissioning of a plant at Lakhimpur Kheri in U.P. in the subsidiary company Ghaghara Sugar Ltd. The Project was commissioned in November, 1997, to avail the 1997-98 sugar season and uses a unique process technology to produce superior grade sugar. The sugar plant is supported by a captive cogen bagasse based power plant to

ensure smooth and continuous operations. The company has aggressively undertaken cane development activities to increase yields and coverage, by educating the farmers about better farm management practices.

We have made significant progress on the implementation of Enterprise wide Resource Planning (ERP) IT package, SAP R/3. The first phase has gone live and user trials are underway. We expect significant improvement in the business processes and practices, once the package is fully implemented, leading to a new and improved work ethos besides improving the productivity and profitability.

It is our endeavour to create an organisation culture with a more focused customer orientation. In the emerging business scenario, we feel that this is of utmost importance to retain the competitive edge in each of our businesses. Quality management and education processes have been institutionalised as part of the transformation to a more outward, dynamic and responsive organisation.

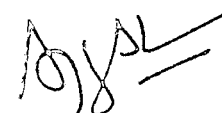
You would have noticed the new logo on the Annual Report. The new logo reflects the change towards a more dynamic, outward looking and customer oriented organisation. We expect this would better convey the new work ethos of the company. It would also help in easier recall and create a distinct identity for the company.

With best wishes,

Yours sincerely,



(VIKRAM S. SHRIRAM)
JOINT
MANAGING DIRECTOR



(AJAY S. SHRIRAM)
VICE CHAIRMAN &
MANAGING DIRECTOR

Directors' Report

The Directors have pleasure in presenting the 9th Annual Report of the Company along with Audited Accounts for the year ended 31.3.1998.

Financial Highlights

The working results for the year ended 31.3.1998 are as under:

	(Rs. in crores)
Sales	697.63
Other Income	7.82
Gross Profit	54.35
Depreciation & Misc. expenditure written off	27.62
Profit for the year before exceptional items and tax	26.73
Foreign Exchange loss	2.76
Profit for the year after tax	23.97
Balance brought forward from previous year	10.36
Net Profit available for appropriation	34.33

Appropriations

— Debenture Redemption Reserve	8.69
— Capital Redemption Reserve	4.00
— Proposed Dividends:	
— Preference Shares	0.54
— Equity shares	6.70
— Tax on Proposed Dividends	0.72
— General Reserve	2.40
— Balance Carried Forward	11.28

Dividend

Your Directors had declared an interim dividend of 15% on the Equity Shares and @ 12% p.a. on 20 lacs Redeemable Cumulative Preference Shares of Rs.100/- each pro rata for the year under review. Your Directors are now pleased to recommend the following dividends, which include the interim dividends, for the full year:

- 13.5% on 100 Redeemable Cumulative Preference Shares of Rs.100/- each,
- 12% on 20,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each for the period from 9.1.1998 to 31.3.1998, and
- 40% on 1,73,70,332 Equity Shares of Rs.10/- each.

PERFORMANCE

Shriram Fertilisers & Chemicals

During the year under review, operations of this division in terms of production, operating efficiencies and profits were satisfactory. However, markets for some of its products remained depressed, due to which margins were under extreme pressure. As against this, and due to the various initiatives taken by your Company such as quality improvement programmes, cost reduction measures etc; substantial savings were achieved, which helped the division to maintain reasonable profitability.

While, Fertiliser Industry Coordination Committee (FICC) notified revision in the urea retention price on account of conversion cost effective 1.4.1994, actual payment was not released till 31.3.1998. Outstanding claims on various accounts pending with FICC were the highest ever, which adversely affected cash flow and the interest burden.

As is known, the Government has appointed sometime ago a High Powered Fertilisers Pricing Policy Review Committee under the chairmanship of Prof. C.H. Hanumantha Rao for reviewing working of the retention price scheme and the adequacy of incentives for growth of the industry. This committee submitted its report to the Government in April, 1998, and the recommendations made by this committee are being studied by the Industry and the Government.

In its endeavour to provide farmers with all the inputs under a single roof, the company also marketed imported DAP, Seeds & Pesticides.

In case of PVC and Caustic Soda, due to additional capacities commissioned during 1997-98, availability of both these products increased considerably. Depressed market conditions continued almost throughout the year. International prices also remained low, which made exports more difficult. Efforts are on to reduce costs and increase production of PVC compounds for improving sales realisation.

Shriram Cement Works

Operations of the unit were satisfactory in terms of production and efficiencies. However, depressed market conditions throughout the year adversely affected the profitability of cement.

Shriram Alkali & Chemicals

The operations of the unit improved considerably in terms of production level and the cost of production.

Directors' Report (Continued)

The unit achieved an overall capacity utilisation of 83% while for the flaker unit, the utilisation was 92%.

The financial performance of the unit was, however, below expectations due to continued depressed market conditions caused by demand recession and commissioning of large capacities in the region.

During the year, the unit has initiated exports of Caustic Soda flakes and the product quality has been accepted well in the international market.

Textiles

In compliance of the Order dated July 8, 1996 of the Hon'ble Supreme Court of India in a Public interest litigation, the operations of Company's units viz., Swatantra Bharat Mills (SBM) and DCM Silk Mills (DSM) had been relocated at Tonk and Alwar (Rajasthan) respectively.

Despite several opportunities given to the workmen by the Company management and Govt. of NCT of Delhi, the workmen of SBM did not opt to shift and, therefore, they were deemed retrenched in terms of the said Court Order. So far about 820 workmen have settled their account in full & final settlement with the Company in terms of the Hon'ble Supreme Court Order. Further, after dismissal of SBM workmen's petition by the Hon'ble Supreme Court on 16.3.1998, the workmen who had not settled their account requested the management to allow them to exercise their option to shift to the relocated site at Tonk. The management clarified that although it is not legally obliged to take them back since the workmen were deemed retrenched in terms of the Court Order, the management purely as a matter of goodwill on humanitarian ground were prepared to take a sympathetic view. These workmen were accordingly given an offer in writing to report at Tonk; as a result about 890 workmen accepted this offer and reported for duty at Tonk.

As regards DSM workmen, there is no change in their status as compared to last year. The required facilities have been set up at Alwar, but none of the workmen has reported for duty so far.

It is needless to add that the Company has incurred large financial costs arising out of the Order of the Hon'ble Supreme Court in relocation of production facilities at the new sites.

Subsidiary Companies

During the year, Ghaghara Sugar Limited became a subsidiary of your Company, under Section 4(1)(b) of

the Companies Act, 1956.

A statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary Companies is attached to the accounts.

The Audited statements of accounts and the Auditors' Reports thereon for the year ended 31.3.1998 along with the Reports of the Board of Directors of these subsidiaries are annexed.

New Business Development

The Company is pursuing opportunities for setting up power plants in various States for sale of power, since power sector is an area where your Company has gained a lot of experience and has acquired expertise of a high order. Our power plants at Kota have been working at a plant load factor of over 90% on the average, which is well above the national average.

IT Initiative

During the year under review, the Company undertook implementation of SAP R/3 ERP package, first phase of which has now been completed and the system made live from April, 1998. This initiative is expected to provide on line information for better management control so as to optimise performance efficiencies, in order to reduce costs and improve profitability. The second phase of the project is also under implementation. Yours is one of the few Companies in the country which has gone in for such a sophisticated system as SAP R/3.

Finance

The Company has allotted 20,00,000 - 12% Redeemable Cumulative Preference Shares of Rs.100/- each aggregating to Rs.20 crores to IDBI on 9.1.1998.

Fixed Deposits

As on 31.3.1998, 417 deposits aggregating Rs.38,39,966/- were unclaimed. Since then, 119 deposits amounting to Rs.18,39,728/- have been claimed/renewed.

Auditors' Observations

The observations of Auditors as referred to in the Auditors' Report are suitably explained in Notes to the accounts.

Directors

Since the last Annual General Meeting of the Company,

Directors' Report (Continued)

Shri M.V. Muthu has been nominated on the Board by The Industrial Finance Corporation of India Limited in place of Shri R.L. Srivastava.

The Directors place on record their appreciation of the contribution made by Shri R.L. Srivastava during his tenure as a Director of the Company.

Shri Arun Bharat Ram, Shri Pradeep Dinodia and Shri H. Ansari, Directors retire by rotation and are eligible for re-appointment.

Auditors

M/s. A.F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

Personnel

The Particulars of employees as per Section 217(2A) of the Companies Act, 1956 are set out in the statement annexed hereto and form part of this report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies

(Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters is appended hereto and forms part of this report.

Industrial Relations

The Company continued to maintain harmonious and cordial relations with its workers in all its Divisions, which enabled it to achieve this performance levels on all fronts.

Acknowledgements

The Directors wish to thank the Government authorities, financial institutions, bankers, other business associates and shareholders for the cooperation and encouragement extended to the Company. The Directors also place on record their deep appreciation for the contribution made by the employees at all levels.

On Behalf of the Board

Mantosh Sondhi
(MANTOSH SONDHI)
Chairman

New Delhi
30th May, 1998

Directors' Report (Continued)



ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Energy conservation has been an important thrust area of the management and is continuously monitored. Task force has been set up in each plant to make systematic efforts to reduce the energy consumption through series of actions such as audits, modernisation and renovation, improved online availability of equipment through better preventive maintenance practices etc. Important specific actions taken during this year are :

- Saving Coal consumption by running 10 MW turbine on steam from 30MW boilers.
- Replacement of existing process air compressor of 600 Cubic Feet per Minute (CFM) capacity with 750 CFM capacity.
- Installation of soft starter in Reverse Air Fan of Bag House.
- Modification in chilled water unit by cycle time optimization.
- Modification of ID fans by using FRP Blades.
- Change over to runner type anodes in Cell House for 2 nos. of cells.
- Air preheating system in Fusion House for recovering waste heat from the gases.
- Use of one blower instead of two for conveying PVC Compounds pellets from Extrusion Section to Packing Silos by modification of pulleys and re-routing of pneumatic conveying lines.
- Use of heat insulating clog bricks to reduce heat losses from rotary kiln.
- Designing of the caustic soda flakes plant to run also on "hydrogen" resulting in most beneficial use of surplus hydrogen available after hydrochloric acid manufacture.
- Installation of "Super-D-Canter" based vacuum system instead of vacuum pumps, which are power consuming.
- Installation of motors of 160 KW and above 3.3 KV against conventional 415 V motors, which are more energy efficient.

- Insulation of clarifier outer surface to prevent loss of temperature of brine resulting in lower power consumption in electrolyzers.

(b) Additional Investments and proposals being implemented for reduction in consumption of energy:

- Installation of a high efficiency 3,00,000 NM³/Hr capacity Air Compressor in Ammonia Plant.
- Installation of an additional HTS Vessel in parallel with the existing one in Urea Plant.
- Installation of an additional Economiser in parallel to existing one in Ammonia Plant.
- Installation of New Higher Energy Efficient Industrial Fans.

(c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The above mentioned energy conservation measures which have already been undertaken along with the measures under implementation will yield savings in energy consumption compared to the past years and will continue to reduce the cost of production.

(d) Total energy consumption and energy consumption per unit of production: Form A is annexed.

B. TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption : Form B is annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

Widespread contacts were initiated in various potential markets, including Sri Lanka, Middle East. African markets and Far East. During 1997-98, exports of 665 M.T. Caustic Soda Flakes were executed. Efforts are on to increase our thrust in the overseas markets and substantially improve the level of exports.

(g) Total foreign exchange used and earned

	Rs./Crores	
	1997-98	1996-97
— Total foreign exchange used	11.18	16.68
— Total foreign exchange earned	0.75	—

Directors' Report (continued)

FORM — A (See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

	See Note	This year 1997-98	Previous year 1996-97
A. POWER AND FUEL CONSUMPTION			
1. Electricity			
(a) Purchased			
— kwh (in lacs)		817.61	1162.31
— Total Cost (Rs./lacs)	2	2829.82	3535.51
— Rate (Rs./Kwh)		3.46	3.04
(b) Own generation			
(i) Through Diesel Generator			
— Kwh (in lacs)		1113.54	915.18
— Kwh generated per ltr. of Diesel Oil		3.76	3.92
— Cost (Rs./Kwh)		2.90	2.93
(ii) Through Steam turbine/Generator			
— Kwh (in lacs)		5713.18	5769.79
— Kwh generated per Kg. of coal		1.27	1.26
— Cost (Rs./Kwh)		1.74	1.73
2. Coal (Mixed grades)			
— Quantity (MT)		572786	575200
— Total Cost (Rs./lacs)		9761.14	9814.76
— Average rate (Rs./MT)		1704	1706
3. Furnace Oil			
— Quantity (K. Ltrs.)		34331.31	33301
— Total Cost (Rs./lacs)		1950.21	1856.16
— Average rate (Rs./K. Ltr.)		5581	5574
4. Others/Internal Generation			
L.D.O./H.S.D.			
— Quantity (K. Ltrs.)		25	56
— Total Cost (Rs./lacs)		2.97	3.96
— Average Rate (Rs. K. Ltr.)		8186	7071
B. CONSUMPTION PER UNIT OF PRODUCTION			
1. Electricity			
— Urea (Kwh/MT)		49	64
— PVC Resin/Compounds (Kwh/MT)		1120	1845
— C. Soda, SFC, Kota (Kwh/MT)		487	182
— C. Soda, SAC, Bharuch (Kwh/MT)			
— Internal Generation		2609	2557
— From State Elect.Board		93	198
— Cement (Kwh/MT)		23	23
— Liquid Chlorine(Kwh/MT)		120	177
— HCL (Kwh/MT)		3.00	3.00
— Textiles - Yarn (Kwh/Kg.)		—	2.38
2. Coal			
— Urea (MT/MT)		0.81	0.72
— PVC Resin/Compounds (MT/MT)		3.48	3.42
— C. Soda (MT/MT)		2.02	2.42
— Cement (MT/MT)		0.31	0.32
3. Furnace Oil			
— Urea (Ltr./MT)		7.72	20.07
— C. Soda, SFC, Kota (Ltr./MT)		34.76	44.40
— C. Soda, SAC, Bharuch (Ltr./MT)		—	50.00
— Cement (Ltr./MT)		0.29	0.37
4. Others			
Steam			
— C.Soda (MT/MT)		1.39	1.41
L.D.O./H.S.D.			
— Urea (Ltr./Ton)		0.06	0.09
— PVC Resin/Compound (Ton/Ton)		0.23	0.40
— C.Soda (Kg./Ton)		0.08	0.08

Notes

1. Different sources of energy are inter changeable.
2. Total cost of electricity purchased does not include provision for expected increase in the rate of fuel surcharge on its finalisation by the Electricity Board.
3. Figures relating to previous year have been re-arranged.