

A N N U A L

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DCM SHRIRAM
CONSOLIDATED LTD

*"Strength comes from
the ability to change,
without losing focus"*



*Lala Smt. Ram
(1904-1963)*

"CHLOR-ALKALI PROJECT COMMISSIONED IN RECORD TIME"

Dear Friends,

The Company has achieved all round growth during the financial year, with a substantial improvement in profitability. The textile operations of the Company improved further, and the other plants also operated at steady loads.

The new chlor-alkali plant '*Shriram Alkali & Chemicals*' at Jhagadia, Distt. Bharuch, Gujarat, was recently commissioned, in a record

time of 13 months from ground breaking. Using the latest membrane cell technology from M/s Asahi Chemicals, Japan, the plant has a capacity of 50,000 tons/annum of Caustic Soda and 44,000 tons/annum of Chlorine and places your Company amongst the top 5 producers of chlor-alkali products in the country today. The energy requirement is met mainly from an 18 MW captive DG set based power plant. The investment on the total project is around Rs. 200 crores. Operations of the plant are in the process of being stabilised and are expected to provide strong earnings growth in the coming years. By the last quarter of the current financial year, a state-of-the-art flaker plant of 33,000 tons/annum capacity, would also be commissioned. This flaker plant, based on BERTRAM technology, would provide an excellent window for exports.





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. Baijal

Shri Arun Bharat Ram

Shri Harnam Dass Wahi

Shri P.K. Choksey

Shri Pradeep Dinodia

Shri R.L. Srivastava
IFCI Nominee

Shri K.X.M. John
IDBI Nominee

Shri H. Ansari
GIC Nominee

Executive Director & Secretary

Shri V.P. Agarwal

Bankers

Punjab National Bank
Oriental Bank of Commerce
Bank of Baroda
State Bank of India
State Bank of Bikaner & Jaipur
Vijaya Bank

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

Last year, we had mentioned about the commissioning of an additional 30 MW power plant at the Kota complex. The operations of the power plant have been fully stabilised and significant cost savings were achieved during 1995-96, the first full year of the operations for this plant. We are happy to inform you that the plant is performing well and is operating at over 90% P.L.F.

The Company is progressing with its plans for setting up a 3125 TCD Sugar Project in Uttar Pradesh. The project is proposed to be located in an area with excellent cane availability to enable rapid expansion. We also plan to add co-generation facilities to this project in due course, and develop it as an integrated complex.

A prospecting license for lime stone in Rajasthan is expected soon. The necessary recommendations from the Central and State Governments have already been received. Depending upon the quality of lime stone and deposit estimates, it is planned to set up a grassroot cement plant with a capacity of approximately 1.3 million tons/annum which would significantly help in consolidating our position in the industry.

We had mentioned last year about the initiatives taken in the area of independent power generation business. Due to various procedural constraints and lack of clear cut policies from the Government, these projects are taking longer than anticipated, to take off. Efforts are continuing in Rajasthan, Madhya Pradesh, Gujarat and Punjab. We are hopeful that some of these projects would materialise soon.

The Company has now consolidated its existing operations, and is poised for further growth. The forthcoming projects would help in achieving sustained growth and all our stake holders can look forward to exciting times in the future.

Yours sincerely,



(VIKRAM S. SHRIRAM)
JOINT
MANAGING DIRECTOR



(AJAY S. SHRIRAM)
VICE CHAIRMAN &
MANAGING DIRECTOR

Directors' Report

The Directors have pleasure in presenting the 7th Annual Report of the Company alongwith Audited Accounts for the year ended 31.3.1996.

Financial Highlights

The working results for the year ended 31.3.1996 are as under:

	(Rs. in crores)
Sales	590.24
Other Income	10.76
Gross Profit	60.89
Depreciation & Misc. expenditure written off	19.10
Provision for Tax	Nil
Profit for the year	41.79
Balance brought forward from previous year	5.89
Net Profit available for appropriation	47.68

Appropriations

— Debenture Redemption Reserve	7.01
— Proposed Dividend	5.64
(on Preference and Equity Shares)	
— General Reserve	28.00
— Balance Carried Forward	7.03

Dividend

Your Directors declared an interim dividend of 15% on the Equity Shares for the year under review (subject to deduction of tax). Your Directors are, now pleased to recommend the following dividends, which include, the interim dividend, for the full year (subject to deduction of tax) :

- 13.5% on 100 Redeemable Cumulative Preference Shares of Rs.100/- each
- 40% on 1,69,95,771 Equity Shares of Rs.10/- each. Equity Shares allotted and made fully paid-up during the financial year would be entitled to pro-rata dividend from the date of allotment and from the date of payment as the case may be.

Performance

Shriram Fertilisers & Chemicals

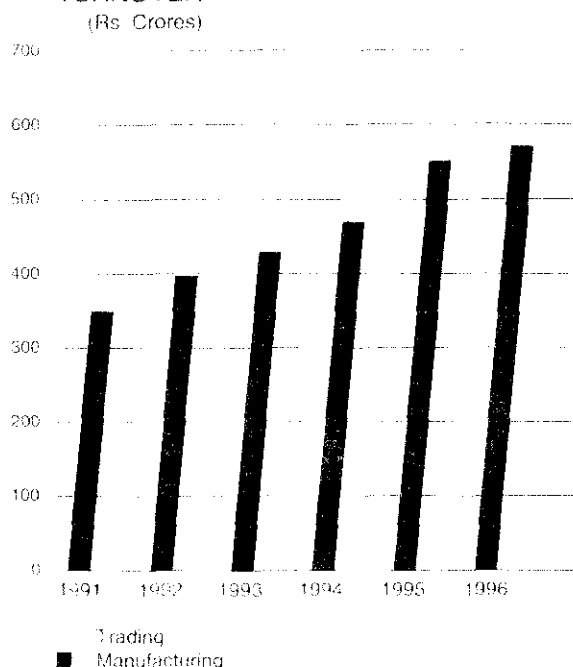
During the year, the profitability of this division was satisfactory.

Various claims for price escalation are pending with Fertiliser Industry Coordination Committee for settlement. Delay in settlement of claims continues to adversely affect cash flow & the profit from the fertiliser business.

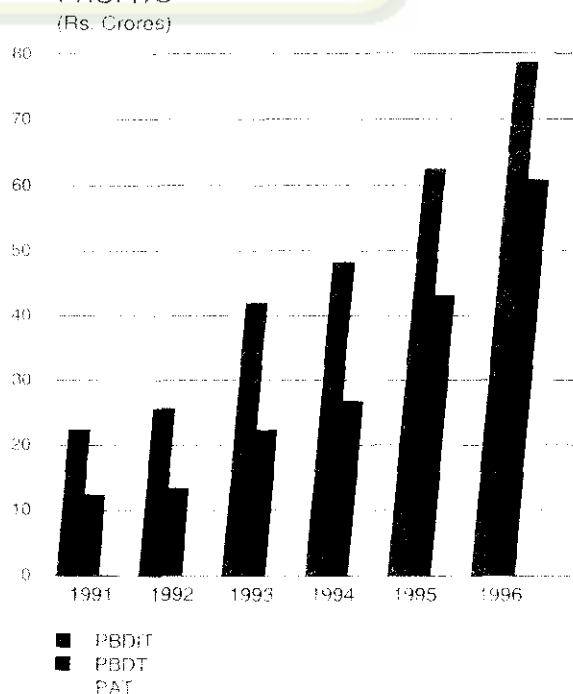
The 30 MW power plant commissioned during the last quarter of 1994-95 has performed extremely well, thereby insulating most of the operations from uncertain power supply from the RSEB.

In case of PVC, the prices remained depressed due to fall in international prices. In the current year, prices are looking up. The technical tie up with M/s. Zeon Kasei Co. Ltd. Japan has helped in improving quality of PVC Compounds, and consequently profitability of this business has improved.

TURNOVER



PROFITS

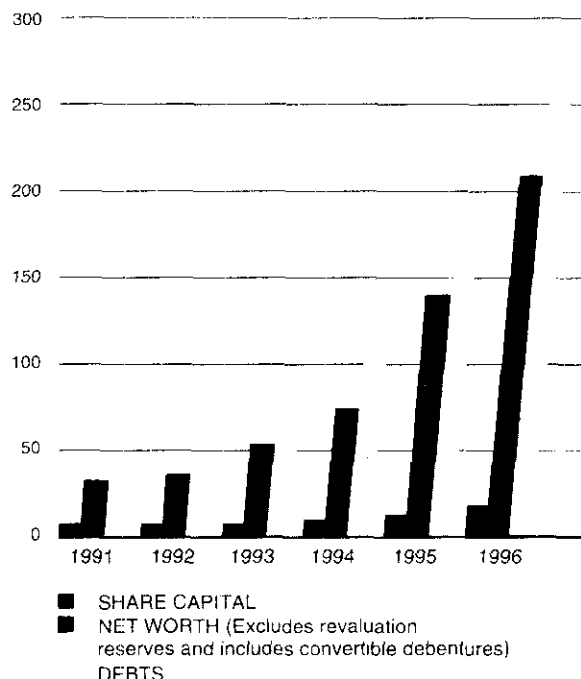


Directors' Report (Continued)



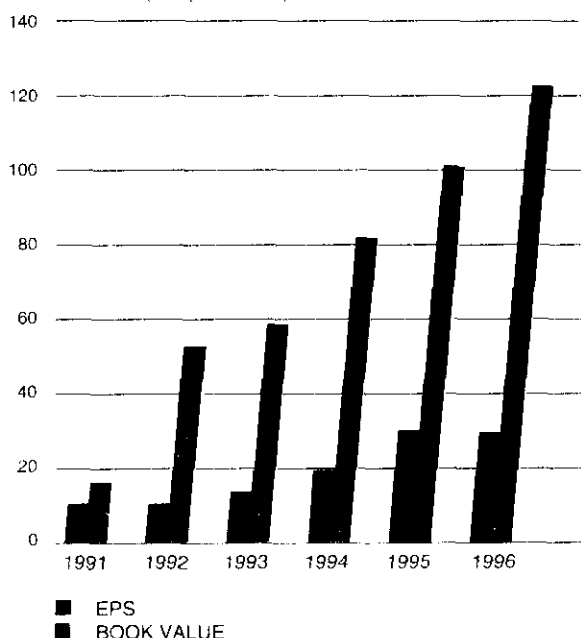
NET WORTH/DEBTS

(Rs. Crores)



EPS/BOOK VALUE

(Rs. per Share)



During the year, production and profitability from caustic soda - chlorine plants were adversely affected due to a fire, which broke out in April, 1995 in the rectifier/transformer installation. This installation was made operational within a record period of 28 days, quite a unique achievement taking the totality of the circumstances into account. As a part of this exercise, maintenance shut-down planned for later part of the year was taken up during this period. Claim lodged with the Insurance Company was also settled and damaged equipment replaced. The plant is now running satisfactorily.

Task forces set up for energy and water conservation in all areas of operations have yielded good results and the energy consumption has gone down for all the products over the previous years.

During the year, business process re-engineering study was carried out and efforts are under way to modernise, upgrade and computerise the commercial systems.

Shriram Cement Works

During the year, profitability from operations of the unit significantly improved. Company's product continued to command premium prices in the market. In the current year, as a result of commissioning of new large capacities in Northern India, selling prices may come under pressure.

Shriram Alkali & Chemicals

During the year, project implementation work on the 150 TPD capacity Chlor Alkali Plant at Jhagadia, Distt. Bharuch, Gujarat, was largely completed, and the plant was partially commissioned in the last week of March, 1996. The Company has, now, started marketing these products, which have been well received. The Company has decided to add 100 TPD Caustic Soda Flaking facility, which is expected to be operational before the end of the current calendar year.

Textiles

Textile operations of the Company consist of

- Swatantra Bharat Mills (SBM) and
- DCM Silk Mills (Silk Mills)

The loss during the year has gone down. During the beginning of the year i.e. April & May 1995, the prices of cotton were at their peak but these declined sharply thereafter, which was a very unusual situation. However, the raw material situation i.e. the cotton prices, availability and quality was much better in the second half of the year because of very good cotton crop.

Recently, the Supreme Court had directed the Central Pollution Control Board to issue individual notices to certain industries to stop functioning in the city of Delhi as per the provisions of Master Plan - 2001 and be relocated elsewhere outside Delhi. Notices have been received by Swatantra Bharat Mills and DCM Silk Mills, New Delhi, and accordingly these units are planning to shift outside Delhi. The Company is on the look out for suitable space in States adjoining Delhi for this purpose.

Subsidiary Companies

A statement pursuant to Section 212 of the Companies

Directors' Report (Continued)

Act, 1956 relating to subsidiary Companies is attached to the accounts.

The Audited statements of accounts and the Auditors' Report thereon for the year ended 31.3.1996 alongwith the Report of the Board of Directors of these subsidiaries are annexed.

New Business Development

The Company is actively exploring putting-up a new 1.0 - 1.5 Million MT Cement plant at Sirohi (Rajasthan). The Company is also pursuing opportunities for setting up Power plants at various States, for sale of Power. Though the finalisation of these power projects is getting delayed due to the lack of a clear cut policy frame work, it is expected that the clarity in this regard will emerge soon to enable the projects to take off at an early date. The Company's plans for entering in sugar sector are expected to be initiated in the current financial year.

Finance

During the year under review, in terms of the Letter of Offer dated 11.9.1992, Warrants (Series-I) have been converted into Equity Shares of Rs.10/- each at a premium of Rs.60/- per share and the Company allotted 12,48,537 Equity Shares of Rs.10/- each on 9.1.1996. Subsequently, the Company issued Zero Interest Secured Fully Convertible Debentures (FCDs) and 13% Secured Redeemable Non-convertible Debentures (NCDs) alongwith Detachable Warrants to these Shareholders (hereinafter referred to as "New Equity Shareholders") on Rights basis, as reserved for them in terms of the Letter of Offer dated 12.8.1994.

The said Rights Offer to the New Equity Shareholders received overwhelming response and was oversubscribed.

The Company made allotment of FCDs and NCDs on 26.3.1996 in accordance with the basis of allotment approved by the Delhi Stock Exchange. While Part A of the said FCDs got converted into Equity Shares, Part B of the FCDs would be converted into Equity Shares on 26.9.1996.

Information under Listing Agreement with Stock Exchanges

The funds raised by the Company through the issue of FCDs and NCDs have been utilised for the purpose for which they were intended.

Statement of projected profitability as per Letter of Offer dated August 12, 1994 and the actual profitability for the year ended March 31, 1996, is as follows :

(Rs. in Crores)		
Particulars	Projected	Actual
Turnover (Net of Excise)	467.66	534.22
Operating profit	72.02	79.78
Profit after tax	32.75	41.79

The profitability is higher than projected.

Fixed Deposits

As on 31.3.1996, 417 deposits aggregating

Rs. 31,76,598/- were unclaimed. Since then, 109 deposits amounting to Rs. 14,01,603/- have been claimed.

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, Dr. D. Jayavarthanavelu resigned from the directorship of the Board of the Company w.e.f. 3.8.1995. Shri H. Ansari has been nominated on the Board by the General Insurance Corporation of India in place of Shri D. Sengupta.

The Directors place on record their appreciation of the contribution made by Dr. D. Jayavathanavelu and Shri D. Sengupta during their tenures as Directors of the Company.

Shri Harnam Dass Wahi and Shri P.K. Choksey, 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 higher 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

New Delhi
28th May, 1996

(MANTOSH SONDHI)
Chairman

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:

- Improved online availability of equipment through better preventive maintenance practices etc.
- Installation of technologically superior poppet valves in two carbondioxide compressors to reduce power consumption.
- Installation of a computerised advanced control system in Ammonia plant for better control of identified critical parameters.
- Installation of additional cooling tower cells of finless and fanless design.
- Provision of interconnecting steam pipeline between 30 MW & 10 MW generating sets to optimally use steam from more efficient boilers leading to substantial improvement in coal consumption.
- Use of energy efficient consumable and parts on machines such as better spindle oil, synthetics tapes, lighter spindles, polypropylene bobbins, flat nylon sandwich belts instead of leather belts, motors etc.
- Steam audit of the DCM Silk Mills being undertaken to find the areas where steam can be conserved.

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

- Installation of modified steam generation coil in Ammonia plant.
- Installation of modified higher efficiency sieve trays in Urea reactors.

- Rationalising the motor ratings of pumps & fans.
- Installation of precrusher in Cement plant
- In view of the recent Supreme Court ruling the additional investment on energy conservation etc. has been kept in abeyance till the final picture emerges in Textile Division.

(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 alongwith 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 are as per Form B 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:

- During the year PVC Resin was exported to Singapore. Yarn has been sold through merchant exporters/export houses (EOU's).

(g) Total foreign exchange used and earned

	Rs./Crores	
	1995-96	1994-95
—Total foreign exchange used	11.55	12.00
—Total foreign exchange earned	1.06	0.55