

DCM SHRIRAM CONSOLIDATED LIMITED

ANNUAL REPORT 2009-10

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Corporate Information

Registered Office

DCM Shriram Consolidated Limited
6th Floor, Kanchenjunga Building,
18, Barakhamba Road,
New Delhi - 110 001.
Tel. No. : (91) 11-23316801
Fax No. : (91) 11-23318072

Bankers

Punjab National Bank
State Bank of India
Bank of Baroda
Oriental Bank of Commerce
HDFC Bank Limited

Auditors

M/s. Deloitte Haskins & Sells
Gurgaon (Haryana)

Board of Directors

Shri Ajay S. Shriram
Chairman & Senior Managing Director
Shri Vikram S. Shriram
Vice Chairman & Managing Director
Shri Rajiv Sinha
Deputy Managing Director
Shri Ajit S. Shriram
Director (Sugar)
Dr. N.J. Singh
Whole Time Director (EHS)
Dr. S.S. Baijal
Shri Arun Bharat Ram
Shri Pradeep Dinodia
Shri Vimal Bhandari
Shri Sunil Kant Munjal
Shri D. Sengupta
Shri S.C. Bhargava
LIC Nominee

Company Secretary

Shri B.L. Sachdeva

Audit Committee

Dr. S.S. Baijal
Chairman
Shri Arun Bharat Ram
Shri Pradeep Dinodia
Shri D. Sengupta

Stock Exchanges where the Securities of the Company are Listed

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block, Bandra - Kurla Complex,
Bandra (East), Mumbai-400 051.

Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001.

(It is confirmed that annual listing fee has been paid by the Company to the above Stock Exchanges.)

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Notice

REGISTERED OFFICE:
6th Floor, Kanchenjunga Building,
18, Barakhamba Road, New Delhi.

Notice is hereby given that the Twenty First Annual General Meeting of DCM Shriram Consolidated Limited will be held on Tuesday, 17th August, 2010 at 10.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi to transact the following business:

Ordinary Business:

1. To consider and adopt the Directors' Report, the audited Balance Sheet of the Company as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri Ajit S. Shriram, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Pradeep Dinodia, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. N.J. Singh, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company and to fix their remuneration.

Special Business:

7. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"Resolved that the approval of the Company be and is hereby accorded pursuant to Section 309 and other applicable provisions, if any, of the Companies Act, 1956, to pay, subject to such other approvals as may be necessary, a sum not exceeding 1% per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956, to all or some or any of the Directors other than the Managing Directors and Whole Time Directors of the Company in such amounts or proportions and in such manner and in all respects as may be determined by the Board of Directors, and such payments to be made in respect of profits of the Company for each year for a period of five years commencing from 1st April, 2010."

8. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :

"Resolved that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to the appointment of Shri Anand A. Shriram to hold and continue to hold an office or place of profit in the Company as Officer on Special Duty on a total remuneration not exceeding Rs.50,000/- per month."

By Order of the Board



(B.L. SACHDEVA)
Company Secretary

New Delhi
5th May, 2010

Notes:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. A Proxy Form is sent herewith.
3. The Share Transfer Books and the Register of Members of the Company will remain closed from 3rd August, 2010 to 10th August, 2010 (both days inclusive).
4. Members who are holding shares in physical form in identical names in more than one folio are requested to write to M/s. MCS Ltd., the Registrar and Share Transfer Agent (RTA), F-65, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi-110 020, enclosing their Share Certificate(s) to enable the Company to consolidate their holding into one folio.

In terms of SEBI Circular dated 20th May, 2009 and 7th January, 2010, pertaining to (i) transfer of physical shares (ii) Deletion of name of the deceased shareholder(s) where the shares are held in the name of two or more shareholders (iii) Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares (iv) Transposition of shares - when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders, of the listed companies, the persons making such requests are requested to furnish a self-attested copy of their Income Tax PAN Card along with the other documents to the RTA irrespective of the value of the transaction.

5. Members holding shares in physical form are requested to notify immediately any change in their address to M/s. MCS Ltd., RTA, quoting their folio numbers.
6. Pursuant to Section 205A of the Companies Act, 1956, the dividends upto the financial year 1994-95 which remained unpaid/unclaimed had been transferred to the General Revenue Account of the Central Government. The Members, who have not claimed their dividend for the said period so far, may claim the amount from the Registrar of Companies, NCT of Delhi and Haryana, 4th Floor, IFCI Tower, 61 Nehru Place, New Delhi.

Pursuant to the amended provisions of Section 205A of the Companies Act, 1956, which came into effect w.e.f. 31.10.1998, the Company is obliged to transfer any amount lying in the unpaid dividend account which remains unpaid or unclaimed for a period of 7 years from the date of such transfer to the unpaid account to the credit of Investor Education and Protection Fund (the Fund). The Company has already transferred the unpaid interim dividend for the financial year 2002-03 to the Fund. Please note that no claim shall lie against the Company or the Fund in respect of individual amounts of dividend, once the same is transferred to the Fund. In view of this, the Members of the Company who have not yet en-cashed their final dividend warrant(s) for the financial year ended 31.3.2003 and thereafter may write to the Company immediately.

7. In terms of Section 109A of the Companies Act, 1956, the Member(s) of the Company may nominate a person on whom the Shares held by him/them shall vest in the event of his/their death. Member(s) desirous of availing this facility may submit nomination in Form 2B.
8. In terms of Notification issued by the Securities and Exchange Board of India, Equity Shares of the Company are under compulsory demat trading by all investors w.e.f. 21st March, 2000. Members are, therefore, advised to dematerialise their shareholding to avoid inconvenience, in future.
9. Appointment/Re-appointment of Directors

At the ensuing Annual General Meeting Shri Ajit S. Shriram, Shri Pradeep Dinodia and Dr. N.J. Singh, Directors, retire by rotation and being eligible offer themselves for re-appointment. The information, as required under the

Listing Agreement, in relation to the aforesaid Directors is as under:

Name of the Director	Shri Ajit S. Shriram	Shri Pradeep Dinodia	Dr. N.J. Singh
Date of Birth	3.10.1967	2.12.1953	29.11.1953
Nationality	Indian	Indian	Indian
Date of Appointment on the Board of the Company	2.5.2001	18.7.1994	20.11.2007
Qualification	B.Com, M.B.A.	B.A. (Eco. Hons.), LL.B., F.C.A.	M.Sc., Ph.D.
Expertise in Functional Area	Sugar Industry	Corporate Legal Matters, FEMA, Accounting and Direct Taxes	Environment, Health, Safety and Quality Systems
Directorships held in other Indian Companies	<ul style="list-style-type: none"> - DCM Shriram Credit and Investments Ltd. - DCM Shriram Infrastructure Ltd. - DCM Shriram Energy and Infrastructure Ltd. - DCM Shriram Hydro Energy Ltd. - Hariyali Rural Ventures Ltd. - Hariyali Rural Foundation - Hariyali India Ltd. - Hariyali Insurance Broking Ltd. - Shriram Bioseed Ventures Ltd. - Bioseed Research India Pvt. Ltd. - SBM Yarn Ltd. - Fenesta India Ltd. - Hariyali Kisaan Bazaar Ltd. - Shridhar Shriram Foundation 	<ul style="list-style-type: none"> - Shriram Pistons & Rings Ltd. - Hero Honda Motors Ltd. - Hero Corporate Service Ltd. - DFM Foods Ltd. - Micromatic Grinding Technology Ltd. - SPR International Auto Exports Ltd. - Ultima Finvest Ltd. - J.K. Lakshmi Cement Ltd. 	NIL
Chairman/Member of the Committee(s) of the Board of Directors of the Company	NIL	Chairman <ul style="list-style-type: none"> - Shareholders/Investors Grievance Committee Member <ul style="list-style-type: none"> - Audit Committee - Remuneration Committee 	NIL
Chairman/Member of the Committee(s) of the Board of Directors of other Companies in which he is a Director	Member <u>Audit Committee</u> <ul style="list-style-type: none"> - DCM Shriram Credit and Investments Ltd. 	Chairman <u>Audit Committee</u> <ul style="list-style-type: none"> - DFM Foods Ltd. - Hero Honda Motors Ltd. - Hero Corporate Service Ltd. Member <u>Audit Committee</u> <ul style="list-style-type: none"> - Shriram Pistons & Rings Ltd. <u>Shareholders/Investors Grievance Committee</u> <ul style="list-style-type: none"> - Hero Honda Motors Ltd. - Shriram Pistons & Rings Ltd. 	NIL
Number of shares held in the Company	2,83,580	29,270	2,850

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO. 7

Considering the Company's size, its operations and the fact that Directors other than the Managing and Whole Time Directors are required to make extra exertions from time to time and/or to give special attention to certain areas of business of the Company, the Board of Directors in their meeting held on 5.5.2010 has decided to seek authorisation from shareholders for payment of commission of a sum not exceeding 1% of the net profits of the Company, calculated in accordance with the provisions of Sections 198, 349 & 350 of the Companies Act, 1956, in such amounts or proportions to all or some or any of the Directors other than the Managing and Whole Time Directors and in such manner and in all respects as may be determined by the Board of Directors of the Company for a period of five years commencing from 1st April, 2010.

All the Directors, except Shri Ajay S. Shriram, Shri Vikram S. Shriram, Shri Rajiv Sinha, Shri Ajit S. Shriram and Dr. N.J. Singh, are interested in the Resolution.

ITEM NO. 8

The Board of Directors of the Company in their meeting held on 5.5.2010 had approved the appointment of Shri Anand A. Shriram, son of Shri Ajay S. Shriram, Chairman & Senior Managing Director of the Company, as Officer on Special Duty w.e.f. 10.5.2010 on a total remuneration not exceeding Rs.50,000/- per month. However, Shri Anand A. Shriram would be drawing remuneration less than Rs.20,000/- per month upto the time the approval to his appointment is accorded by the general meeting.

Shri Anand A. Shriram has completed his Bachelor of Economics from Southern Methodist University, Dallas, TX, in the United States in the year 2009 and Bachelor of Business Administration from Amity University, Noida. He has also done a course in Business Development and IT Innovation from the prestigious London School of Economics

Prior to his education at the Southern Methodist University, Shri Anand A. Shriram had also undergone industrial training at Fenesta Building Systems and was exposed to the various business processes at Fenesta, including Manufacturing, Commercial, Supply Chain, Sales and Marketing. During the training period, he took an active part in various product launches and sales promotional activities of the business. He also had training in the Mechanical Workshop at Shriram Fertilisers & Chemicals, Kota.

The appointment of Shri Anand A. Shriram requires approval of the Members under Section 314 of the Companies Act, 1956.

None of the Directors, except Shri Ajay S. Shriram being related to Shri Anand A. Shriram, is concerned or interested in the Resolution.



Dear Friends,

We are pleased to report a satisfying performance this year inspite of the challenging business environment faced by some of our businesses. Some of our businesses faced acute margin pressures due to continued low commodity prices, whereas our Agri businesses faced erratic monsoon. However our business model with multiple revenue streams and swing capability enabled us to ride these challenges in a very satisfying manner.

The following timely steps that we had undertaken helped us tremendously during these challenging times:

- Sale of Power from Kota (by lowering production of Chloro-Vinyl products) was enhanced and stabilized during the year, which has added a new significant revenue stream to our Chloro-Vinyl operations and will be a strong risk mitigant to manage the swings associated with Chloro-Vinyl prices.
- Commissioning of 55 MW coal based power plant at Bharuch replacing furnace oil as feedstock.
- Converting the Urea plant completely from May 09 from Naphtha to Gas had positive effects including higher energy savings and reduction in working capital which resulted in lower borrowings.
- Cash was conserved and balance sheet was strengthened.

Bioseed (Hybrid Seeds) and Agri input businesses witnessed growth during the year and contributed positively to the bottom line inspite of an erratic monsoon.

Fenesta business witnessed growth in revenue and order book during the year, despite the slowdown in the real estate sector, especially in the first half due to the Sub-Prime crisis which had led to liquidity crunch with developers.

Hariyali Kisaan bazaar (Rural retail business) witnessed growth across all its verticals. The business witnessed higher losses during the year as the sales growth was slower partly due to erratic monsoon which led to negative

agriculture growth in the country. The company has undertaken several steps to further strengthen the value proposition of the offerings and make it more relevant to the rural customers. All the processes and systems are being further strengthened to ensure availability of right goods at the right place at the right time and to economize on costs.

In the Fertilizer business, the government is moving towards a positive policy environment which will have a beneficial effect on the business going forward.

The Sugar prices witnessed an upward rising trend till February/ March 2010 when it had one of the sharpest downwards corrections. The business was under pressure due to record high Cane remuneration to farmers, lower margin on byproduct and measures taken by the government (such as increase in levy from 10% to 20% without increase in levy price) to check the rise in the Sugar prices. These measures continue despite the prices having dropped substantially. We partially mitigated the effects of the above through sale of Power and intensive cane development programme which led to higher recoveries. The key to 2010-11 performance of Sugar business will therefore depend on how soon the government recalibrates its policy to improve the viability of the industry.

Going forward, on the consumer facing businesses, i.e. Bioseed (Hybrid seeds), Hariyali Kisaan Bazaar (Rural retail), Agri inputs and Fenesta windows are at various stages of stabilization and growth and we expect them to contribute substantially to the growth of the company.

On the Commodity businesses we will continue to improve the cost competitiveness along with strengthening the swing capabilities and enhance the scale of operations at an appropriate time. One of the steps we are working on is commissioning of a lignite mine in the next two years to meet part of the fuel requirements for our Kota Power plant and improve our cost structures.

We believe our people are our biggest resources and we continue to invest and further improve their competencies. Our endeavor has been to foster an environment which promotes innovation, learning and self development which will lead to growth of the company and employees.

We have always focused on maintaining high level of corporate governance and steps are constantly being taken to update and adopt the best practices.

We have always taken our role towards Social responsibility very seriously and believe in making a sustainable difference to the society and continuously take initiatives to meet that objective.

We would like to take this opportunity to thank all the members of the board, business associates, employees, vendors, suppliers, government agencies, lenders and shareholders who have always supported our progress across varied business. With their cooperation, we are confident of delivering superior value to all stakeholders.

With best wishes,



(VIKRAM S. SHRIRAM)
*Vice Chairman &
Managing Director*



(AJAY S. SHRIRAM)
*Chairman &
Sr. Managing Director*

Brief Profile of Directors of the Company

Shri Ajay S. Shriram, Chairman & Senior Managing Director, is a Director of the Company since 24.7.1989. He graduated in Commerce from Sydenham College, University of Mumbai and later attended the Programme for Management Development at the Harvard Business School, U.S.A. He is a Member of the Shareholders/Investors Grievance Committee of the Company.

Shri Vikram S. Shriram, Vice Chairman & Managing Director, is a Director of the Company since 22.5.1990. He graduated in Commerce with Honours from St. Xavier's College, Calcutta and is a Member of The Institute of Chartered Accountants of India. He is a Member of the Shareholders/Investors Grievance Committee of the Company.

Shri Rajiv Sinha, Deputy Managing Director, is a Director of the Company since 1.11.1998. He joined the Company in 1972 as a Management Trainee after graduating from IIT, Kanpur in Mechanical Engineering. Later, he attended the Executive Development Programme at the Stanford University, U.S.A.

Shri Ajit S. Shriram, Director (Sugar), is a Director of the Company since 2.5.2001. He joined the Company in 1991 as an Executive after graduating in Commerce from Osmania University, Hyderabad. Later, he obtained an M.B.A. Degree from the International Institute for Management Development, Switzerland.

Dr. N.J. Singh, Whole Time Director (EHS), is a Director of the Company since 20.11.2007. He joined the Company in 1983 as Pollution Control Engineer. He holds M.Sc., Ph.D. Degrees and has been working as Chief Executive, Shriram Environment & Allied Service and General Manager (Safety and Environment) with the Company at Kota.

Dr. S.S. Baijal is a Non-Executive Director of the Company since 22.5.1990. He retired as the Chairman of ICI Companies in India in 1987. He holds B.Sc., M.Sc., D. Phil Degrees. He is Chairman of the Board Audit Committee and Member of the Shareholders/Investors Grievance Committee of the Company.

Shri Arun Bharat Ram is a Non-Executive Director of the Company since 22.5.1990. He is Chairman of SRF Ltd. He graduated in Industrial Engineering from the University of Michigan, U.S.A. He is a Member of the Board Audit Committee of the Company.

Shri Pradeep Dinodia is a Non-Executive Director of the Company since 18.7.1994. He graduated in Economics with Honours from St. Stephens College, Delhi University and obtained his Law Degree from the same University. He is a member of The Institute of Chartered Accountants of India. He is Chairman of the Shareholders/Investors Grievance Committee and Member of the Board Audit Committee of the Company.

Shri Vimal Bhandari is a Non-Executive Director of the Company since 13.5.2003. He graduated in Commerce from Sydenham College, University of Mumbai and is a Member of The Institute of Chartered Accountants of India. He is currently serving as Country Head - India for AEGON N.V.

Shri Sunil Kant Munjal is a Non-Executive Director of the Company since 13.5.2003. He is Managing Director of Hero Cycles Limited and Chairman cum Managing Director of Hero Management Service Limited and Chairman of Hero Corporate Service Limited. He is a Commerce Graduate from Delhi University and has training in Mechanical Engineering.

Shri D. Sengupta is a Non-Executive Director of the Company since 11.8.2003. He retired as Chairman of General Insurance Corporation of India in June, 2002. He is a Bachelor of Science in Physics and holds Post Graduate Diploma in Marketing from FMS, Delhi University. He is a Member of the Board Audit Committee of the Company.

Shri S.C. Bhargava, a nominee of Life Insurance Corporation of India (LIC), is a Non-Executive Director of the Company since 11.8.2004. He retired as Executive Director (Investment) of LIC in July, 2005. He is a Commerce Graduate from University of Mumbai and a Member of The Institute of Chartered Accountants of India.

Senior Executive Team

The Company is organized into strategic business units managed by professional managers. DSCL management team has a strong, credible image in the industry. The key members of the DSCL group Executive Team are listed below :

Shri Ajay S. Shriram
Chairman & Senior Managing Director
Shri Vikram S. Shriram
Vice Chairman & Managing Director
Shri Rajiv Sinha
Deputy Managing Director
Shri Ajit S. Shriram
Director (Sugar)
Dr. N.J. Singh
Whole Time Director (EHS)
Shri S.D. Omchary
Chief Executive Director (Textiles & Real Estate Development)
Shri S.K. Agrawal
Senior Executive Director - Chemicals Business
Shri K.K. Kaul
Senior Executive Director & Resident Head - Kota
Shri S. Radhakrishna
Executive Director - Sugar Business
Shri A.K. Awasthi
Chief Executive - Hydro Power
Shri Sovan Chakrabarty
President & Business Head - Shriram Farm Solutions
Shri Rajesh Gupta
President & Business Head - "Hariyali"
Shri J.K. Jain
President & CFO
Shri Rajat Mukerjei
Senior Vice President and SBU Head - Plastics
Shri Sandeep Mathur
Senior Vice President & Business Head - Fenesta™ Building Systems
Shri Sushil Baveja
Head - Corporate HR
Dr. Gautam Mukhopadhyay
Senior Vice President & Business Head - Shriram PolyTech
Shri B.L. Sachdeva
Company Secretary

Subsidiaries

Dr. Sharad Sharma
President - Shriram Bioseed Genetics India Ltd.
Dr. Paresh Verma
Director Research - Bioseed Research India Pvt. Ltd.
Shri Sambit Satapathy
Country Head - Bioseed Vietnam Ltd.
Shri Rajeev V. Nayak
General Manager - Bioseed Research Philippines Inc.