

ANNUAL REPORT 2010-11

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Corporate Information

Registered Office

DCM Shriram Consolidated Limited
5th 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
Joint Managing Director
Shri Ajit S. Shriram
Deputy Managing Director
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 Rajesh Kandwal
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.)

Notice is hereby given that the Twenty Second Annual General Meeting of DCM Shriram Consolidated Limited will be held on Tuesday, the 30th August, 2011 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, 2011 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 Rajiv Sinha, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. S.S. Baijal, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri Arun Bharat Ram, 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 an Ordinary Resolution:

"Resolved that Shri Rajesh Kandwal who was appointed Director to fill the Casual Vacancy be and is hereby appointed a Director of the Company, liable to retire by rotation."

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

"Resolved that subject to such consents and permissions, as may be necessary, approval of the Company be and is hereby accorded in terms of Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, and the Schedule(s) thereto, including any statutory modification or re-enactment thereof, to the re-appointment of Shri Ajit S. Shriram as Deputy Managing Director on the terms and conditions including as to remuneration as set out hereunder:

Terms & Conditions of appointment

1. Tenure

Five years w.e.f. 2.5.2011

2. Remuneration

(a) Salary

Rs.5.00 lacs per month in the range of Rs.2.75 lacs to Rs.6.00 lacs

(b) Perquisites

Perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the Company's furnished accommodation, gas, electricity, water and furnishings, club fees, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund and gratuity in accordance with the scheme(s) and rule(s) applicable to the members of the staff of the Company from time to time, for the aforesaid benefits.

(c) Commission on net profits

Such amount as may be decided by the Board of Directors or a Committee thereof from year to year provided that the total remuneration including salary and perquisites along with the remuneration paid to all the Managing/Whole Time Directors shall not exceed the limit laid down under Section 309 of the Companies Act, 1956.

(d) Remuneration for a part of the Year

Remuneration for a part of the year shall be computed on pro-rata basis.

(e) Minimum Remuneration

In the event of absence or inadequacy of profits in any financial year, the aforementioned remuneration excluding commission shall be paid to him as the minimum remuneration, subject to the approval of the Central Government, if necessary.

3. Functions

Subject to the direction, control and superintendence of Chairman & Senior Managing Director and Vice Chairman & Managing Director, he shall have the overall responsibility for looking after the day-to-day business and affairs concerning the Sugar business, Corporate Finance and Accounts of the Company. Further, he shall discharge such duties and functions as may be assigned to him by Chairman & Senior Managing Director and Vice Chairman & Managing Director from time to time.

4. Sitting Fee

If permissible by law, he shall be entitled to sitting fee in addition to the components of remuneration mentioned above for attending meeting(s) of the Board of Directors or Committees thereof.

5. Termination

The appointment of Shri Ajit S. Shriram may be terminated by either party giving to the other six calendar months' notice in writing.

In the event of termination of this appointment of Shri Ajit S. Shriram by the Company, he shall be entitled to receive compensation in accordance with the provisions of the Companies Act, 1956 or any statutory amendment or re-enactment thereof.

Resolved further that the Board of Directors or a Committee thereof be and is hereby authorised to alter, vary and increase the salary, grade and remuneration, notwithstanding the overall remuneration set out as above or as may be prescribed/permissible without requiring any further resolution or consent of or reference to the Members."

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

"Resolved that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents and approvals as may be necessary, the Board of Directors of the Company or a duly constituted Committee thereof (hereinafter referred to as the Board of Directors) be and is hereby authorised to mortgage and/or charge all or any of the present and future movable and immovable properties of the Company, situated at Shriram Fertilisers & Chemicals Complex at Kota (Rajasthan), DSCL Sugar-Ajbapur, District Lakhimpur Kheri (U.P.), DSCL Sugar-Rupapur, District Hardoi (U.P.), DSCL Sugar-Hariawan, District Hardoi (U.P.), DSCL Sugar-Loni, District Hardoi (U.P.) and Shriram Alkali & Chemicals at Bharuch (Gujarat), units of the Company, together with all buildings and structures thereon and all plants and machinery attached to the earth, both present and future, and the whole of the undertaking of the Company relating to the said units together with the power in favour of the lender(s) to take over the management of the business and concern and/or undertaking of the Company relating to the aforesaid units, mortgaged to them as per details

given hereunder, in certain events of default for the purpose of securing the financial assistance from the respective lenders as mentioned below:

- a) On Company's property situated at Shriram Fertilisers & Chemicals Complex at Kota (Rajasthan), DSCL Sugar-Ajbapur, Rupapur, Hariawan and Loni

As and by way of Third pari passu Charge on the movable and immovable Fixed Assets

Working Capital Facilities of Rs.1441.82 Crores (Rs.744.42 Crores for fund based and Rs.697.40 Crores for non-fund based) from the under mentioned Banks:

| <u>Lender</u> | <u>Financial Assistance</u> |
|-----------------------------|-----------------------------|
| - Punjab National Bank | Rs.638.50 Crores |
| - Oriental Bank of Commerce | Rs.137.42 Crores |
| - Bank of Baroda | Rs.182.50 Crores |
| - State Bank of India | Rs.366.00 Crores |
| - HDFC Bank Limited | Rs.117.40 Crores |

- b) On Company's property situated at Shriram Alkalies & Chemicals, Bharuch (Gujarat)

As and by way of First pari-passu Charge on the movable and immovable properties

| <u>Lender</u> | <u>Financial Assistance</u> |
|-----------------------|-----------------------------|
| - Axis Bank Limited | Rs.75.00 Crores |
| - State Bank of India | Rs.66.45 Crores |

- c) On Company's property situated at DSCL Sugar-Loni

As and by way of Exclusive Second Charge on the Movable and immovable properties

| <u>Lender</u> | <u>Financial Assistance</u> |
|--|-----------------------------|
| - Government of India - Represented by IFCL, Ministry of Consumer Affairs, Food & Public Distribution | Rs.10.75 Crores |

together with interest, compound interest, additional interest, further interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses and all other monies including any increase/decrease as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currency involved/payable by the Company and that such mortgage(s)/charge(s), shall rank as indicated in the resolution/pari passu with similar mortgage(s) and charge(s) created/to be created by the Company to secure the financial facilities/borrowings availed or to be availed by the Company from Financial Institution(s)/Bank(s)/ Body(ies) Corporate.

Resolved further that the mortgage(s)/charge(s) created or to be created and/or all Agreements/Documents executed or to be executed and all acts done or to be done in terms of the above Resolution by and with the authority of the Board of Directors be and are hereby ratified and confirmed.

Resolved further that the Board of Directors be and is hereby authorised to finalise the documents to secure the facilities/borrowings as aforesaid and to do all such acts, deeds, matters and things as may be necessary, desirable, expedient for implementing the above Resolution and to resolve any question or difficulty which may arise in relation thereto, or otherwise considered by the Board of Directors to be in the best interest of the Company."

By Order of the Board



(B.L. SACHDEVA)
Company Secretary

New Delhi
6th May, 2011

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 16th August, 2011 to 23rd August, 2011 (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 2003-04 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 31.3.2004 and thereafter may write to the Company immediately.

7. In terms of Section 109A of the Companies Act, 1956, a member of the Company may nominate a person on whom the Shares held by him/her shall vest in the event of his/her death. Member(s) desirous of availing this facility may submit nomination in Form 2B to the Company/RTA in case shares are held in Physical form, and if held in electronic form to their depository participant.
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. **The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued a circular on April 21, 2011 stating that the service of document by a company can be made through electronic mode. Pursuant to this circular, Members are requested to provide their E-mail IDs to the Company or to RTA or their Depository Participant, as the case may be, for serving of documents by e-mode.**

10. Appointment/Re-appointment of Directors

At the ensuing Annual General Meeting, Shri Rajiv Sinha, Dr. S.S. Bajjal, Shri Arun Bharat Ram and Shri Rajesh Kandwal, Directors, retire by rotation and being eligible offer themselves for re-appointment. The Members' approval for re-appointment of Shri Ajit S. Shriram as Deputy Managing Director for a period of 5 years

w.e.f. 2.5.2011 is also being sought. The information, as required under the Listing Agreement, in relation to the aforesaid Directors is as under:

| Name of the Director | Shri Rajiv Sinha | Dr. S.S. Bajjal | Shri Arun Bharat Ram |
|--|---|--|---|
| Date of Birth | 05.06.1950 | 06.09.1929 | 15.11.1940 |
| Nationality | Indian | Indian | Indian |
| Date of Appointment on the Board of the Company | 01.11.1998 | 22.05.1990 | 22.05.1990 |
| Qualification(s) | B.Tech (Mech.), SEP (Stanford) | B.Sc., M.Sc., D.Phil. | Graduate in Industrial Engineering |
| Expertise in Functional Area | General Management, Strategy, Agri-Rural Businesses and IT | General Management, Finance and Audit | Nylon Tyre Chord Industry and Industrial Synthetics Business |
| Directorships held in other Indian Companies | <ul style="list-style-type: none"> - DCM Shriram Aqua Foods Ltd - Hariyali Kisaan Bazaar Ltd. - DCM Shriram Thermal Energy Ltd. - Hariyali Rural Foundation - Hariyali Rural Ventures Ltd. - Hariyali India Ltd. - Hariyali Insurance Broking Ltd. | <ul style="list-style-type: none"> - Atul Ltd. - DCM Shriram Credit and Investments Ltd. - Rossell Tea Ltd. - BMG Enterprises Ltd. - Delhi Guest Houses Pvt. Ltd. - Sigma Microsystems Pvt. Ltd. - Rossell Aviation Pvt. Ltd. | <ul style="list-style-type: none"> - SRF Ltd. - Essilor India Pvt. Ltd. - Samtel Color Ltd. - Samtel Glass Ltd. - JK Paper Ltd. - SRF Holiday Home Ltd. - SRF Flouro Chemicals Ltd. - SRF Energy Ltd. - Shri Educare Ltd. - Bharat Ram Associates Pvt. Ltd. |
| Chairman/Member of the Committee(s) of the Board of Directors of the Company | NIL | Chairman <ul style="list-style-type: none"> - Audit Committee - Remuneration Committee Member <ul style="list-style-type: none"> - Shareholders/Investors' Grievance Committee | Members <ul style="list-style-type: none"> - Audit Committee |
| 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 Aqua Foods Ltd. | Chairman <u>Audit Committee</u> <ul style="list-style-type: none"> - Rossell Tea Ltd. - Atul Ltd. Member <u>Remuneration Committee</u> <ul style="list-style-type: none"> - Rossell Tea Ltd. - Atul Ltd. - BMG Enterprises Ltd. - Sigma Microsystems Pvt. Ltd. | Chairman <u>Remuneration Committee</u> <ul style="list-style-type: none"> - Samtel Color Ltd. - JK Paper Ltd. Member <u>Shareholders/Investors' Grievance Committee</u> <ul style="list-style-type: none"> - SRF Ltd. - JK Paper Ltd. |
| Number of shares held in the Company | 46,710 | 50,000 | Nil |

| Name of the Director | Shri Rajesh Kandwal | Shri Ajit S. Shriram |
|--|---------------------|--|
| Date of Birth | 20.07.1959 | 03.10.1967 |
| Nationality | Indian | Indian |
| Date of Appointment on the Board of the Company | 01.02.2011 | 02.05.2001 |
| Qualification(s) | P.G. (Science) | M.B.A. |
| Expertise in Functional Area | Insurance Industry | General Management, Strategy, Agri Businesses and Sugar |
| Directorships held in other Indian Companies | Nil | <ul style="list-style-type: none"> - Bioseed Research India Pvt. Ltd. - DCM Shriram Infrastructure Ltd. - DCM Shriram Credit and Investments Ltd. - Hariyali Kisaan Bazaar Ltd. - Shriram Bioseed Ventures Ltd. - Hariyali Rural Foundation - DCM Shriram Energy and Infrastructure Ltd. - DCM Shriram Hydro Energy Ltd. - Hariyali Rural Ventures Ltd. - Hariyali India Ltd. - SBM Yarn Ltd. - Fenesta India Ltd. - Hariyali Insurance Broking Ltd. - Shridhar Shriram Foundation |
| Chairman/Member of the Committee(s) of the Board of Directors of the Company | Nil | Nil |
| Chairman/Member of the Committee(s) of the Board of Directors of other Companies in which he is a Director | Nil | Member <u>Audit Committee</u> <ul style="list-style-type: none"> - DCM Shriram Credit and Investments Ltd. |
| Number of shares held in the Company | Nil | 2,83,580 |

EXPLANATORY STATEMENT

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

ITEM NO. 7

Shri Rajesh Kandwal, a nominee of Life Insurance Corporation of India, was co-opted by the Board w.e.f. 1.2.2011 to fill the casual vacancy caused by the resignation of Shri S.C. Bhargava, who was liable to retire by rotation at the ensuing Annual General Meeting.

As required under Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose Shri Rajesh Kandwal as a Director along with a deposit of Rs.500/-. The Board recommends his appointment.

Except Shri Rajesh Kandwal, no other Director is concerned or interested in the Resolution.

ITEM NO. 8

Shri Ajit S. Shriram was appointed Director (Sugar) of the Company in the year 2001.

His existing tenure effective from 2.5.2006 as approved by the Members in their Annual General Meeting held on 25.7.2006 expired on 1.5.2011.

The Board of Directors has re-appointed him for a further period of 5 years with effect from 2.5.2011 and has revised his designation as Deputy Managing Director from the date of re-appointment. Members' approval is sought to his re-appointment.

The terms of his re-appointment and remuneration including minimum remuneration are set out in the Resolution.

This may also be treated as the abstract and memorandum of interest under Section 302 of the Companies Act, 1956.

None of the Directors, except Shri Ajit S. Shriram himself, Shri Ajay S. Shriram and Shri Vikram S. Shriram, being related to Shri Ajit S. Shriram, are concerned or interested in the Resolution.

ITEM NO. 9

The Company has availed/proposes to avail financial assistance from Punjab National Bank, Oriental Bank of Commerce, Bank of Baroda, State Bank of India, HDFC Bank Limited, Axis Bank Limited and Ministry of Consumer Affairs, Food & Public Distribution, Government of India through IFCI as detailed in the Resolution. The terms and conditions for availing the said financial assistance, inter-alia, provide for creation of security by way of mortgage/charge on immovable properties and by way of hypothecation of movable assets of the Company situated at Shriram Fertilisers & Chemicals Complex at Kota (Rajasthan), DSCL Sugar-Ajbapur, District Lakhimpur Kheri (U.P.), DSCL Sugar-Rupapur, District Hardoi (U.P.), DSCL Sugar-Hariawan, District Hardoi (U.P.), DSCL Sugar-Loni, District Hardoi (U.P.) and Shriram Alkali & Chemicals at Bharuch (Gujarat), units of the Company, in the manner desired by the lenders and agreed to by the Company. The creation of mortgage/charge requires approval of the Members under Section 293(1)(a) of the Companies Act, 1956.

None of the Directors is concerned or interested in the Resolution.



Dear Friends,

We are happy to have started overcoming some of the severest challenges in our major businesses. After reporting losses in 3 quarters, the 4th quarter of FY11 reported satisfying performance.

Our Agri Input businesses, i.e. Bioseed and Farm solutions made good all round progress, a trend we expect to sustain in the medium term.

Fenesta has also made good progress particularly in the retail segment. We expect Fenesta to continue on a healthy growth path.

Our rural retail business Hariyali Kisaan Bazaar is showing positive trends post reconfiguration of its operations. However, the business will require sustained efforts over the medium term to reach acceptable levels of financial performance.

Our Commodity businesses, i.e. Chloro-Vinyl, Cement and Sugar, however, went through very challenging times with un-remunerative prices and significant cost increases in all raw materials. The profits from all these businesses recorded a sharp decline. Sugar recorded losses for the year.