

# ANNUAL REPORT 2012-13



DCM SHRIRAM CONSOLIDATED LIMITED

PDF processed with CutePDF evaluation edition [www.CutePDF.com](http://www.CutePDF.com)

# Contents

Page 1	Corporate Information
2	Chairman’s and Vice Chairman’s Statement
4	Our Businesses
5	Financial Highlights
6	Core Values
7	Brief Profile of Directors of the Company
8	Senior Executive Team
9	Management Discussion and Analysis
23	Corporate Social Responsibility
24	Directors’ Report
31	Corporate Governance Report
37	Financial Statements
97	Notice

## 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  
Standard Chartered Bank  
ING Vysya Bank Limited  
DBS Bank Limited

### Statutory Auditors

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

### Cost Auditors

M/s. Bahadur Murao & Company,  
New Delhi  
M/s. J.P. Sarda & Associates,  
Kota (Raj.)

### 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.

*(It is confirmed that annual listing fee for the financial year 2012-13 has been paid by the Company to the above Stock Exchanges)*

#### BSE Ltd.

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400 001.

# 02

## From the Chairman and Vice Chairman's desk



Dear Friends,

We are happy to report satisfactory progress during the year in strengthening the operating and financial performance of the company. This has resulted in substantial improvements in all financial parameters over the last 3 years (FY11 to FY13).

1. Net Sales going up by 33% to Rs. 5517 Crores.
2. EBITDA going up by 56% to Rs. 574 Crores.
3. PAT going up by 141% to Rs. 203 Crores.
4. Net Loans have come down from Rs.1943 Crores in March, 09 to Rs.1386 Crores on March, 13.

The improved performance is driven by very strong focus on costs and turning around the non-performing/underperforming businesses over the last 3 years including:

1. ~120% growth in Turnover of Bioseed business and over 120% growth in Shriram Farm Solutions business (Excluding DAP/MOP) with corresponding growth in profits.
2. Increase in capacity utilization in Sugar business leading to ~ 83% growth in its revenues.
3. Increase in capacity utilizations in Chloro-Vinyl businesses with turnover up by 50% and PBIT margins also up from 22.7% to 29.6%.
4. Rationalization and Restructuring of Hariyali business leading to almost breakeven position in Q4 FY13.

The positive movement in prices of some of our products particularly in FY13 also helped in better financial results.

FY14 has started with some concerns with Sugar turning into negative margins due to substantial increase in Cane prices by Government of Uttar Pradesh at a time when Sugar prices have declined. The prices of Chloro-Vinyl products have also softened over last few months. The fertilizer business is under pressure due to non-revision in Urea retention prices since last 6-7 years.

Given this scenario, your company is further strengthening its efforts towards cost rationalization and improving operating performance. This would include.

1. Increasing Cane crush and Sugar recovery in the Sugar business.
2. Improving Raw material/Power efficiency and costs in Chloro-Vinyl businesses.
3. Growing Bioseed and Shriram Farm Solutions business at ~30% p.a. over medium term.
4. Completing the rationalization/restructuring plan for Hariyali business to eliminate losses and encash the surplus capital employed.
5. Taking Fenesta business to faster growth and positive profits situation in next 2 years.

Simultaneously, the Sugar industry and Fertilizer industry is perusing with the Government for more rational policy framework to make the industry healthy and Viable.

We are confident that given the plans under implementation your company will continue to achieve satisfactory financial performance going forward.

Further, we continue to invest in our people to keep them engaged and motivated. We continue to take steps to strengthen their competency levels that will help meet challenges in this economic scenario.

The Company has always believed in doing business which will ensure accountability, transparency in all its activities, hence has always been focused on maintaining the highest standards of Corporate Governance. We will continue to strengthen these standards by adopting the best practices.

The Company has always focused on being Corporate Citizen which includes carrying out business activities with social conscience and making substantial difference to communities and society in which we operate in.

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*

# 03

## Our Businesses

### 1. Chloro-Vinyl Businesses:

- i. **Chlor- Alkali:** This comprises of Caustic Soda (Lye and flakes), Chlorine and associated chemicals including Hydrochloric acid, Stable Bleaching powder, Compressed Hydrogen and Sodium Hypochlorite. The Company has two manufacturing facilities located at Kota (Rajasthan) and Bharuch (Gujarat) with full coal based captive power. The Company's total Chlor-Alkali capacity is 765 TPD.
- ii. **Plastics Business:** This is highly integrated business covering manufacture of PVC resins and Calcium Carbide with captive production of Acetylene, Chlorine and Coal based power located at Kota.
- iii. **PVC Compounds** of which the Company is one of the largest manufacturer in the organised sector and is backed by an innovative Polymer Application Development Centre (iPAC) at Gurgaon, India.

~143 MW Power Generating capacity is used to supply power to the above said businesses or sale in the market depending upon the economic attractiveness.

### 2. Agri-Input Businesses:

- i. **Fertilizer:** The Company has the dual feed naphtha/LNG based Urea plant with a capacity of 3.79 lakh T.P.A., located at its integrated manufacturing facility at Kota. It is currently operating on 100% LNG.
- ii. **Shriram Farm Solutions:** This business provides complete basket of Agri-inputs to the farmer community by offering a range of Fertilizers, Micro-nutrients, Hybrid seeds, Pesticides and other Value added products etc. through its wide distribution network along with high quality agronomy services aimed at increasing farmer productivity.
- iii. **Bioseed :** Bioseed business is present across the entire value chain, i.e. Research, Production, Processing, Extension activities and Marketing with established significant presence in India, Philippines and Vietnam. The Company is present in both Field and Vegetable Crops in India. In Philippines and Vietnam the business is present in Corn and is test marketing Rice. The Company has also started test marketing of Corn in Thailand and Indonesia.

3. **Sugar:** Sugar business comprises of 4 facilities with a combined capacity of 33,000 TCD in Central U.P. and Co-gen power capacity of 94.5 MW.

4. **Hariyali Kisaan Bazaar:** The Company has reoriented its business model and has discontinued loss making activities and is now focusing only on profitable activities, i.e. fuel.

5. **Cement business,** located at Kota is of 0.4 Million tone of manufacturing capacity and is based on waste generated from the Calcium Carbide production process.

6. **Fenesta Building Systems** manufactures UPVC windows (Un-Plasticized PVC) and door systems under the brand "Fenesta". The business offers complete solutions starting from Design, Fabrication to Installation at the customer's site.

### 7. Other Businesses:

**Textiles:** The Company has a small textile operation in the form of 14,544 spindles spinning unit at Tonk in Rajasthan.

# 04

## Financial Highlights

(Rs. Crores)

Financial Highlights										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Sales										
- Own Products	1175.3	1375.7	1735.1	1945.8	2211.0	2711.3	2487.8	2419.5	3085.2	3715.4
- Traded	288.2	493.2	656.8	821.5	363.0	789.5	1031.4	1715.0	1921.0	1801.5
- Total	1463.4	1868.9	2391.9	2767.4	2573.9	3500.8	3519.1	4134.5	5006.2	5516.9
PBDIT <sup>#</sup>	201.3	235.3	295.1	239.6	218.0	400.3	367.6	231.9	364.8	574.1
Interest	42.1	34.7	49.4	79.1	87.6	150.4	88.6	103.9	160.3	154.8
PBDT	159.2	200.6	245.7	160.5	130.4	249.9	279.0	128.0	204.5	419.2
Depreciation & Misc. exp. w/off	55.2	57.3	73.2	93.4	123.7	148.7	163.0	160.0	156.9	146.8
PBT	104.0	114.8	172.5	67.1	6.7	101.1	116.1	-32.0	47.6	272.5
Exceptional Items					779.6		6.5		-38.1	-53.6
Profit After Tax <sup>*</sup>	75.6	107.7	121.0	43.4	-1.3	122.6	84.3	-14.3	11.9	202.9
Cash Profit <sup>**</sup>	150.9	162.8	226.6	160.2	126.6	241.9	267.8	125.5	202.9	406.3
Share Capital - Equity	16.7	16.7	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3
Net Worth	345.0	458.1	543.3	571.8	1149.3	1268.5	1329.6	1306.4	1315.2	1495.4
Deferred Tax liability	109.5	95.4	146.7	170.1	171.2	143.9	176.3	156.1	152.1	155.1
Net Long term loans	344.7	504.7	740.2	789.5	963.1	1190.3	1090.0	937.8	848.6	775.2
Net Short term loans	121.5	201.1	344.9	757.7	792.5	752.7	370.9	697.5	672.7	610.7
Total Assets		1676.7	2369.4	3191.1	3634.3	4042.7	3654.2	3885.9	4628.6	4751.2
Earnings per share (Rs.) <sup>***</sup>	4.4	6.3	7.1	2.6	-0.1	7.4	5.1	-0.9	2.6	15.3
Dividend per share (Rs.) <sup>***</sup>	1.2	1.6	0.9	0.8	3.3	0.8	0.8	0.4	0.4	1.6

Ratios										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Return on Net Worth	24.5	26.8	24.2	7.8	-	10.1	6.5	-	0.9	14.4
Operating Margin	13.8	12.6	12.3	8.7	8.5	11.4	10.4	5.6	7.3	10.4
PAT to Net Sales %	5.2	5.8	5.1	1.6	-	3.5	2.4	-	0.2	3.7
Long term Debt/PBDIT	1.7	2.1	2.5	3.3	4.4	3.0	3.0	4.0	2.3	1.4
Long term Debt/Net Worth	1.0	1.1	1.4	1.4	0.8	0.9	0.8	0.7	0.6	0.5
Total Debt/Net Worth	1.4	1.5	2.0	2.7	1.5	1.5	1.1	1.3	1.2	0.9

- Figures are based on consolidated financials.
- \*Profit for the year 2008 is before exceptional items.
- \*\* Cash Profits are before exceptional items.
- \*\*\*On face value of Rs. 2 per share Post Bonus and Split of shares in 2006
- # PBDIT From FY 2011 is as per Revised Schedule VI under Companies Act, 1956

# 05

## Core Values and Beliefs

The Company's core values and beliefs are a reflection of its commitment to build a world class, learning organization, to excel and win in all its endeavours:

### Customer Focus

- Be sensitive to the needs of the customer; develop superior customer insight
- Commitment to surpass expectations and deliver superior value

### Innovation and Excellence

- Think differently and promote creativity
- Make continuous improvement a way of life; drive excellence

### People Development

- Continuously improve and upgrade the skills and competencies of our people
- Support people to realise their potential

### Team Work

- Work closely as a cohesive, well-knit team
- Inculcate a spirit of openness and collaboration

### Relationships and Human Dignity

- Value people and partnerships
- Nurture understanding, compassion, trust and respect in all relationships

### Social Responsibility and Ethics

- Be a socially responsible corporate, addressing the needs of the community and environment
- Conduct business ethically
- Maintain highest standards of personal integrity



## Brief Profile of the Directors of the Company

**Shri Ajay S. Shriram**, Chairman & Senior Managing Director (DIN No. 00027137), 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 (DIN No. 00027187), is a Director of the Company since 22.5.1990. He graduated in Commerce with Honours from St. Xavier's College, Kolkata 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**, Joint Managing Director (DIN No. 00027302), 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**, Deputy Managing Director (DIN No. 00027918), 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. He is a Vice President of Indian Sugar Mills Association.

**Dr. N.J. Singh**, Whole Time Director (EHS) (DIN No. 01893202), 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 had worked as Chief Executive, Shriram Environment & Allied Service and General Manager (Safety and Environment) with the Company at Kota.

**Dr. S.S. Bajjal** is a Non-Executive Director (DIN No. 00027961) 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 (DIN No. 00694766) 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 (DIN No. 00027995) 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 (DIN No. 00001318) 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 Managing Director & CEO of Indostar Capital Finance Pvt. Ltd.

**Shri Sunil Kant Munjal** is a Non-Executive Director (DIN No. 00003902) of the Company since 13.5.2003. After his graduation, he underwent training in the field of Mechanical Engineering. Presently, he is Joint Managing Director of Hero MotoCorp Limited besides the Chairman of Hero Corporate Service Ltd., Hero Management Service Ltd. and Shivam Autotech Ltd. He has been the President of Confederation of Indian Industry (CII). He has made significant contributions to some of the National level Economic reforms in India in the capacity of Chairman or as a Member of different Committees or expert groups.

**Shri D. Sengupta** is a Non-Executive Director (DIN No. 00043289) 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 Rajesh Kandwal**, a nominee of Life Insurance Corporation of India (LIC), is a Non-Executive Director (DIN No. 02509203) of the Company since 3.1.2011. He is a Post Graduate in Science from Delhi University. He joined LIC in September 1981 and has worked in various branches since then.

# 07

## Senior Executive Team

The Company is organized into strategic business units managed by professional managers. The 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  
Joint Managing Director

Shri Ajit S. Shriram  
Deputy Managing Director

Dr. N.J. Singh  
Whole Time Director (EHS)

Shri K.K. Kaul  
Senior Executive Director & Resident Head - Kota

Shri S. Radhakrishna  
Senior Executive Director – Sugar Business

Shri A.K. Awasthi  
Chief Executive – Hydro Business

Shri Sovan Chakrabarty  
Executive Director – Shriram Farm Solutions

Shri Rajesh Gupta  
President & Business Head – “Hariyali”

Shri J.K. Jain  
President & CFO

Shri Anil Kumar  
President & Business Head - Chemicals

Shri Alexander W. Murphy  
President & Business Head – Fenesta™ Building Systems

Dr. Sharad Sharma  
President – Shriram Bioseed Genetics

Dr. Paresh Verma  
Research Director – Bioseed Research India

Shri Rajat Mukerjee  
Senior Vice President and Business Head – Cement

Shri Sushil Baveja  
Head – Corporate HR

Shri Rajiv Arora  
Vice President & Business Head – Shriram PolyTech

Shri B.L. Sachdeva  
Company Secretary

### **Subsidiaries**

Shri J.V. Ratnam  
Country Head – Bioseed Vietnam Ltd.

Shri Rajeev V. Nayak  
Country Head – Bioseed Research Philippines Inc.

Shri Joseph Abraham Anand  
Country Head – PT. Shriram Seed, Indonesia