



DIC INDIA LIMITED

Annual Report 2008



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DIC India Limited

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BOARD OF DIRECTORS



Dr P K Dutt
Chairman & Chief Executive Officer



A D Chatterjee
Wholetime Director



S Bhaumik
Wholetime Director



M Miyasaka



D Banerjee



S Bose



B Choudhuri



Prof R Das



P L Agarwal



P Koek

Corporate Information

as on 31st December, 2008

Board of Directors

Dr Prabir Kumar Dutt* – *Chairman & Chief Executive Officer*

| | | |
|-----------------------|-------------------------|--------------------|
| * Arun Das Chatterjee | * Samir Bhaumik | Mitsunobu Miyasaka |
| Dipak Banerjee | Subir Bose | Biswajit Choudhuri |
| Prof Ranjan Das | Purushottam Lal Agarwal | Paul Koek |

* Wholetime Director

Timir Baran Chatterjee – *Senior Executive Vice President (Corporate Affairs and Legal) & Company Secretary*

Board Committees

Audit Committee

Dipak Banerjee – *Chairman*
Subir Bose
Biswajit Choudhuri
Paul Koek

Shareholders'/Investors' Grievance Committee

Prof Ranjan Das – *Chairman*
Dr Prabir Kumar Dutt
Paul Koek

Remuneration Committee

Dipak Banerjee – *Chairman*
Mitsunobu Miyasaka
Paul Koek

Auditors

Lovelock & Lewes

Bankers

Bank of Baroda
Standard Chartered Bank
State Bank of India
The Hongkong & Shanghai Banking Corporation Limited

Registered Office

Transport Depot Road
Kolkata 700 088

Ten Years Record

TEN YEARS FINANCIAL STATISTICS

(Rs. in Million)

| | 2008 Dec-31 | 2007 Dec-31 | 2006 Dec-31 | 2005 Dec-31 | 2004 Dec-31 | 2003 Dec-31 | 2002 Dec-31 | 2001 Dec-31 | 2000 Dec-31 | 1999 Dec-31 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sales (Net) | 4719 | 4039 | 3395 | 2786 | 2445 | 2162 | 2000 | 1854 | 1844 | 1642 |
| Profit before Tax | 231 | 167 | 145 | 147 | 114 | 95 | 118 | 122 | 129 | 141 |
| Tax | 80 | 58 | 45 | 46 | 39 | 19 | 33 | 26 | 39 | 40 |
| Profit after Tax | 151 | 109 | 100 | 101 | 75 | 76 | 85 | 96 | 90 | 101 |
| Dividend | 38 * | 38 * | 28 * | 28 * | 28 * | 27 * | 27 * | 30 * | 32 * | 31 * |
| Retained Profit | 113 | 71 | 72 | 73 | 47 | 49 | 58 | 66 | 58 | 70 |
| Earnings per Share (Rs.) | | | | | | | | | | |
| - Basic | 16.56 | 15.86 | 14.51 | 14.72 | 10.92 | 10.98 | 12.29 | 13.97 | 13.08 | 14.67 |
| - Diluted | 16.56 | 15.69 | — | — | — | — | — | — | — | — |
| Dividend per Share (%) | 35 @ | 35 | 35 | 35 | 35 | 35 | 35 | 40 | 42 | 40 |
| Net Worth per | | | | | | | | | | |
| Equity Share (Rs.) | 196.47 | 170.50 | 157.54 | 147.12 | 136.4 | 129.47 | 122.43 | 113.68 *** | 138.97 ** | 130.51 ** |
| PBT to Sales (%) | 4.90 | 4.14 | 4.27 | 5.28 | 4.66 | 4.39 | 5.90 | 6.60 | 7.00 | 8.59 |
| PAT on Shareholders | | | | | | | | | | |
| Funds (%) | 8.37 | 9.30 | 9.22 | 9.97 | 8.00 | 8.52 | 10.03 | 12.27 | 9.41 | 11.24 |
| Debt Equity Ratio | 0.28:1 | 0.12:1 | 0.64:1 | 0.44:1 | 0.40:1 | 0.48:1 | 0.48:1 | 0.46:1 | 0.45:1 | 0.40:1 |
| Sources of Funds | | | | | | | | | | |
| Share Capital | 92 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 |
| Share Application | — | 516 | — | — | — | — | — | — | — | — |
| Reserves & Surplus | 1711 | 1105 | 1016 | 944 | 870 | 823 | 774 | 714 | 888 | 830 |
| Borrowings | 497 | 209 | 693 | 444 | 379 | 425 | 408 | 359 | 433 | 365 |
| | 2300 | 1899 | 1778 | 1457 | 1318 | 1317 | 1251 | 1142 | 1390 | 1264 |
| Application of Funds | | | | | | | | | | |
| Net Fixed Assets | 745 | 682 | 535 | 451 | 403 | 380 | 347 | 308 | 318 | 311 |
| Investments | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 299 | 300 |
| Net Current Assets | 1447 | 1109 | 1135 | 898 | 807 | 826 | 790 | 719 | 771 | 650 |
| Misc. Expenses | — | — | — | — | — | 3 | 6 | 7 | 2 | 3 |
| | 2300 | 1899 | 1178 | 1457 | 1318 | 1317 | 1251 | 1142 | 1390 | 1264 |

Notes:

* Includes Tax on Dividend

** After considering Capital Reserve

*** After considering adjustment of Capital Reserve against value of investments in DCIL

@ Proposed

Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance.

I. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance

Corporate Governance refers to a combination of regulations, procedures and voluntary practices that enable companies to maximise stakeholders' value by attracting financial and human capital and efficient performance.

As a responsible corporate citizen, it is the earnest endeavor of the Company to improve its focus on Corporate Governance by increasing accountability and transparency to its shareholders, bankers and customers.

2. Board of Directors

A) Composition as on 31st December, 2008

The Board of Directors of the Company consisted of 10 members, comprising:

- Three Executive Directors in the wholetime employment of the Company.
- Five Non-Executive Independent Directors, drawn from amongst persons with experience in business, finance, legal, technology and management.
- Two Non-Executive Directors nominated by and representing the Parent Company.

The Chairman of the Board is an Executive Director.

The composition of the Board is in conformity with the Clause 49 of the Listing Agreement.

B) Other Directorships/Committee Memberships held as on 31st December, 2008

| Name of Director | Category | Directorships held in other Companies* | | Committee Memberships held in other Companies# | |
|-------------------|------------------------------------|--|-------------|--|-------------|
| | | As Director | As Chairman | As Member | As Chairman |
| Dr P K Dutt | Chairman & Chief Executive Officer | 1 | — | — | 1 |
| Mr A D Chatterjee | Executive | — | — | — | — |
| Mr S Bhaumik | Executive | — | — | — | — |
| Mr D Banerjee | Non-Executive & Independent | 7 | 1 | 6 | 1 |
| Mr S Bose | Non-Executive & Independent | 3 | — | 1 | — |
| Prof R Das | Non-Executive & Independent | 1 | — | — | — |
| Mr B Choudhuri | Non-Executive & Independent | 9 | — | 3 | 2 |
| Mr P L Agarwal | Non-Executive & Independent | 7 | — | — | 1 |
| Mr M Miyasaka | Non-Executive | — | — | — | — |
| Mr P Koek | Non-Executive | — | — | — | — |

* *Excludes Directorships held in Private Limited Companies, Foreign Companies, Companies u/s 25 of the Companies Act, 1956 and Memberships of Managing Committees of various Chambers/Institutions/Boards.*

Memberships/Chairmanships of Audit Committee and Shareholders' Grievance Committee have been considered.

C) *Particulars of change in directorship during the year*

| Name of Director | Category | Date of Appointment/ Cessation | Remarks |
|------------------|-----------------------------|-----------------------------------|------------|
| Mr R B Putatunda | Non-Executive & Independent | 31.07.2008 | Resigned. |
| * Mr P L Agarwal | Non-Executive & Independent | 30.10.2008 | Appointed. |

* Appointment is subject to the approval of the members in the forthcoming Annual General Meeting scheduled to be held on 12th May, 2009.

D) *Board Meetings held during the year*

During the financial year ended 31st December, 2008, six Board Meetings were held on 11th January, 2008, 28th March, 2008, 25th April, 2008, 30th July, 2008, 25th September, 2008 and 30th October, 2008.

E) *Attendance of Directors at Board Meetings and last Annual General Meeting*

| Name of Director | Meetings Attended | Attendance at last AGM |
|-------------------|-------------------|------------------------|
| Dr P K Dutt | 6 | Yes |
| Mr A D Chatterjee | 6 | Yes |
| Mr S Bhaumik | 5 | Yes |
| Mr D Banerjee | 5 | Yes |
| Mr R B Putatunda | 4 | Yes |
| Mr M Miyasaka | 5 | Yes |
| Mr P Koek | 5 | Yes |
| Prof R Das | 4 | Yes |
| Mr S Bose | 2 | Yes |
| Mr B Choudhuri | 6 | Yes |
| Mr P L Agarwal | 1 | NA |

F) Particulars of Directors retiring by rotation and seeking re-appointment have been given in the Notice convening the 61st Annual General Meeting and Explanatory Statement, attached thereto.

3. Audit Committee

A) *Terms of Reference*

The Audit Committee acts as a link between the Management, the Statutory and Internal Auditors and the Board of Directors. The Committee provides the Board with additional assurance as to the adequacy of the Company's internal control systems and financial disclosures. The broad terms of reference of the Audit Committee are to review with the

Management and/or Internal Auditors and/or Statutory Auditors in the following areas:

- i) Overview of the Company's financial reporting process and financial information disclosures;
- ii) Review with the Management, the annual and quarterly financial statements before submission to the Board;
- iii) Review with the Management, the External and Internal Audit Reports and the adequacy of Internal Control Systems;
- iv) Review the adequacy and effectiveness of accounting and financial controls of the Company, compliance with the Company's policies and applicable laws and regulations;
- v) Recommending the appointment and removal of External Auditors and fixation of audit terms;
- vi) Review of utilization of proceeds raised from Public/Rights Issues.

B) *Composition, name of Members and Chairperson*

Pursuant to the resignation of Mr R B Putatunda, member of the Audit Committee with effect from 31st July, 2008, Mr B Choudhuri and Mr S Bose were appointed as members in the Audit Committee in the Board Meeting of the Company held on 30th July, 2008. All the members of the Audit Committee are qualified and having insight to interpret and understand financial statements.

As on 31st December, 2008, the Audit Committee of the Company comprises four members as per table given hereinbelow:

| Name of Member | Category |
|-----------------------|-----------------|
| Mr D Banerjee | Chairman |
| Mr B Choudhuri | Member |
| Mr S Bose | Member |
| Mr P Koek | Member |

Mr Timir Baran Chatterjee, Senior Executive Vice President (Corporate Affairs and Legal) & Company Secretary, has been designated as the "Secretary" to the Audit Committee.

C) *Meetings and Attendance during the year*

During the financial year ended 31st December, 2008, four meetings were held on 27th March, 2008, 25th April, 2008, 29th July, 2008 and 30th October, 2008. All the members attended all the meetings.

The Chairman of the Audit Committee will be present at the Annual General Meeting, to answer the shareholders queries, if any.

4. Remuneration Committee

A) *Terms of Reference*

The scope of the Remuneration Committee extends to recommending to the Board, the compensation terms of the Executive Directors, including Performance Bonus, Employees Stock Option Scheme etc.

B) *Composition, name of Members and Chairperson*

As on 31st December, 2008, the Remuneration Committee comprises the following Members:

| Name of Member | Category |
|----------------|----------|
| Mr D Banerjee | Chairman |
| Mr M Miyasaka | Member |
| Mr P Koek | Member |

C) *Meetings and Attendance during the year*

During the year ended 31st December, 2008, one meeting was held on 28th March, 2008. All the members attended the meeting.

D) *Remuneration paid/payable to the Directors for the financial year ended 31st December, 2008:*

(Figure in Rs.)

| Name of Director | Salary | Performance Bonus | Commission | Allowances, Perquisites & Retirement Benefits | Sitting Fees | Total |
|-------------------|-----------|-------------------|------------|---|--------------|-----------|
| Dr P K Dutt | 1,747,500 | 1,747,500 | — | 5,011,948 | — | 8,506,948 |
| Mr A D Chatterjee | 885,000 | 592,950 | — | 2,299,926 | — | 3,777,876 |
| Mr S Bhaumik | 885,000 | 592,950 | — | 2,315,858 | — | 3,793,808 |
| Mr D Banerjee | — | — | 150,000 | — | 90,000 | 240,000 |
| Mr R B Putatunda | — | — | 87,500 | — | 70,000 | 157,500 |
| Mr S Bose | — | — | 150,000 | — | 28,000 | 178,000 |
| Prof R Das | — | — | 150,000 | — | 38,000 | 188,000 |
| Mr B Choudhuri | — | — | 150,000 | — | 66,000 | 216,000 |
| Mr P L Agarwal | — | — | 25,000 | — | 10,000 | 35,000 |
| Mr P Koek | — | — | — | — | — | — |
| Mr M Miyasaka | — | — | — | — | — | — |

- Except the Chairman & Chief Executive Officer and the Wholetime Directors, all the members of the Board are liable to retire by rotation. The appointment of the Executive Directors is governed by the resolutions passed by the Board, as per recommendations of the Remuneration Committee, which cover the terms and conditions of such appointment read with the service rules of the Company, subject to final approval by the members.
- No Severance Fee is payable.
- Performance Bonus payable to the Executive Directors is determined on the basis of the status of the inventory and debtors, profitability and overall financial position of the Company.
- The Non-Executive Directors do not hold any Shares or Convertible Instruments of the Company.
- The Company has paid commission to its Resident Non-Executive Directors in addition to sitting fees pursuant to approval of the Annual General Meeting held on 25th June, 2003. The criteria of payment of commission to the Resident Non-Executive Directors is as under:
 - Non-Executive Chairman - 0.5% of the profits subject to annual ceiling of Rs.600,000/-
 - Others - 0.5% of the profits subject to annual ceiling of Rs.150,000/- per Director.
- At present, sitting fees of Rs.10,000/- is paid to each Resident Non-Executive Director for attending each meeting of the Board and Rs.8,000/- for the Committees thereof.
- No commission and sitting fees are payable to the Non-Resident Non-Executive Directors.