

# DOM INVESTED ANNUAL REPORT

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2003 - 2004

**BOARD OF DIRECTORS**

Dr. Vinay Bharat Ram *Chairman &  
Managing Director*

Mr. Hemant Bharat Ram *Director & Chief  
Technology Officer*

Dr. Surender Nath Pandey

Mr. Naresh Kumar Jain

Prof. J.S. Sodhi

Mr. S.K. Das

Mr. S.C. Kapur

Mr. D.H. Pai Panandikar

Mr. Bipin Maira

Mr. Shashi Ullal

Prof. P.K. Jain

Mr. P.K. Rastogi

**SECRETARY**

Mr. S. K. Gupta

**BANKERS**

Punjab National Bank

HDFC Bank

State Bank of Bikaner & Jaipur

ICICI Bank

Corporation Bank

**AUDITORS**

A. F. Ferguson & Co.,

New Delhi

**REGISTERED OFFICE**

Vikrant Tower,  
4, Rajendra Place,  
New Delhi-110 008  
Tel: 91-11-25719967-73  
Fax: 91-11-25765214

**SHARE TRANSFER AGENT**

MCS Limited  
Sri Venkatesh Bhawan, W-40,  
Okhla Industrial Area, Phase-II,  
New Delhi-110 020  
Tel: 91-11-26384909  
Fax: 91-11-26384907

DCM Limited

Registered Office: Vikrant Tower,  
4, Rajendra Place,  
New Delhi-110008

## NOTICE

Notice is hereby given that the 114th Annual General Meeting of the Company will be held on Tuesday, 21st September, 2004 at 10 a.m. at MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi-110054 for transacting the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Accounts for the financial year ended on 31<sup>st</sup> March, 2004 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Surender Nath Pandey, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and, if thought fit to pass the following resolution with or without modification(s), as a Special Resolution :

"RESOLVED THAT pursuant to Section 224A of the Companies Act, 1956 M/s A.F. Ferguson & Company, Chartered Accountants, New Delhi, be and are hereby re-appointed auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that the Audit Committee of the Board be and is hereby authorised to fix their remuneration.

**SPECIAL BUSINESS**

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

RESOLVED THAT Dr. Vinay Bharat Ram, who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 and who holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.

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

RESOLVED THAT Mr. Hemant Bharat Ram, who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 and who holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.

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

RESOLVED THAT Mr. Shashi Ullal, who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 and who holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

RESOLVED THAT Mr. Bipin Maira, who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 and who holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

RESOLVED THAT Mr. D. H. Pai Panandikar, who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 and who holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

RESOLVED THAT Prof. P. K. Jain, who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 and who holds such office until this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

"RESOLVED THAT in terms of Section 314 and other applicable provisions of the Companies Act, 1956, and subject to such approvals, as may be required, consent of the Company be and is hereby accorded to the appointment of Mr. Hemant Bharat Ram as Operating Head of IT division of the Company for a period of two months from 01.01.2004 to 29.02.2004."

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

"RESOLVED that subject to such approvals, as may be necessary under applicable provisions of the Companies Act, 1956 or any amendment(s) and/or modification(s) thereof, Dr. Vinay Bharat Ram be and is hereby appointed as Managing Director of the company without any remuneration for a period of five years, w.e.f. 27.01.2004."

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

"RESOLVED THAT in terms of Section 198, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956, and subject to such approvals as may be required, consent of the Company be and is hereby accorded to the appointment of Mr. Hemant Bharat Ram as Director & Chief Technology Officer of the Company on the following terms and conditions:

Designation Director (Technology) from 1.3.04 till 29.06.04  
Director & Chief Technology Officer w.e.f. 30.06.04

Tenure 3 Years with effect from 01.03.2004  
Functions Subject to the overall superintendence, direction and control of the Board of Directors of the company, Mr. Hemant Bharat Ram's role shall encompass all the business units of the Company including, inter-alia, laying down and reviewing systems, policies and strategies in this regard.

Remuneration The remuneration payable to Mr. Hemant Bharat Ram shall be as follows and would be within the limits as prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956.

i) Salary - Rs. 1,00,000/- per month as basic.  
- Rs. 60,000/- per month as Special Allowance  
ii) Perquisites He will be entitled to the following benefits/ perquisites as per Company Policy and rules applicable to the cadre :

- Company leased accommodation with maintenance and furnishings
- Medical reimbursement against submission of bills
- Hospitalisation Insurance
- Leave Travel Allowance once in a calendar year for travel in India upto Rs. 50,000/- per annum.
- A Company maintained car with driver for official use which will also be available for personal use as and when needed. The valuation for personal use will be as per Income Tax Rules.
- One mobile and one telephone at residence for official use which will be available for his personal use also as and when needed. Expenditure on personal long distance calls shall be recovered by the Company.

iii) Terminal benefits (a) Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent not taxable under the Income Tax Act.

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- (b) Gratuity payable not exceeding half a month's salary for each completed year of service subject to company's policy.
- (c) Leave encashment at the end of tenure will not be included in the computation of the ceiling on perquisites.

iv) Other Terms

- Remuneration for a part of the year shall be computed on a pro-rata basis.
- He shall not be entitled to any sitting fees for attending the meetings of the Board of Directors or Committee(s) thereof.
- The Compensation Committee/Board may revise the salary and other items of remuneration of Mr. Hemant Bharat Ram from time to time at its discretion subject, however, to the overall limits laid down under Schedule XIII read with other applicable provisions of the Companies Act, 1956 without further reference to the Shareholders.
- The appointment may, notwithstanding the period of three years be terminated by either party by giving to the other, one calendar month notice in writing.
- In the event of termination of appointment by the Company, he shall be entitled to receive compensation in accordance with the provisions of the Companies Act, 1956.
- The Director & Chief Technology Officer shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of business of the company which will not be treated as an item of remuneration for the purpose of Section 198 of the Companies Act, 1956.
- All other terms of his appointment shall be governed by the policy and rules of the Company relating to Director level positions.
- For the purposes of terminal and other benefits viz. gratuity, provident fund accumulation and leave encashment, payable to Mr. Hemant Bharat Ram, his appointment shall be construed as with continuity of services.
- In the event of absence or inadequacy of profits in any financial year, the remuneration as above shall be paid to him as minimum remuneration.
- Commission, as determined by the Board, along with salary, allowances and other perquisites forming part of remuneration, shall be limited to 5% of the net profits of the company for each financial year calculated u/s 198, 309, 349 and 350 of the Companies Act, 1956.

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

RESOLVED THAT pursuant to Section 17 (1) of the Companies Act, 1956, the Clause III of the Memorandum of Association of the Company be and is hereby amended by insertion of the following new sub-clauses after the present clause (xvD):-

(xvDA) To provide all or any types, descriptions, classifications, kinds, forms and varieties of services, including but not limited to information technology services, communications services, information technology enabled services, back-office services, customer center services, technical support services, sales center services, e-commerce services, accounting services, data entry services, data conversion services, content development services, human resource services, insurance claim processing services, legal data base services, payroll distribution services, and to operate a high technology data processing center, for providing management, processing, analysis, development and accounting information and data.

(xvDB) To carry on the business of application software, embedded software, business software, industrial software, technology development, in-

product software, computer aided design software, integrated circuit designs, system design, digital signal processing, firmware/microcode for consumer, industrial, entertainment, semi-industrial, professional, application specific and general purpose categories, and to design, develop, manufacture, conduct research, assemble, distribute, service, repair, trade, deal in, act as agents, export, import, buy, sell, lease, or to let out on hire and provide consultancy in software, hardware including components and spares and allied accessories, add-ons and office automation systems/ equipment and to design, develop, integrate, buy, sell, add value, or take up turn key projects, provide substitution for import, export, support, maintain or otherwise deal in computer software, hardware and office automation systems and equipment used in any other field, to maintain training centres and to provide management consultancy, techno economic feasibility studies of projects, design and development of Management Information Systems.

(xvDC) To purchase, take on lease or hire, exchange or otherwise acquire, manufacture, fabricate, construct, assemble, design, develop, recondition, operate, set-up, maintain, improve, repair, work upon and to sell, lease or let on hire, export, dispose of and otherwise deal in computer hardware and software, computer applications, peripherals, consumables, accessories and media and any office machine, and processing machines of all kinds and all machinery, component parts, accessories, appliances, apparatus, devices, materials, substances, articles and things of a character similar or analogous to the foregoing and to deal in any other manner in all kinds of computers, computer equipments and computer related products, including maintenance services, softwares, information technology, and other items and to render all other services in connection therewith.

(xvDD) To purchase, take on lease or hire, exchange or otherwise acquire, manufacture, fabricate, construct, assemble, design, develop, recondition, operate, set-up, maintain, improve, repair, work upon and to sell, lease or let on hire, export, dispose of and otherwise deal in mechanical products, parts, components of various materials including metals, plastics, ceramics.

RESOLVED FURTHER THAT Mr. S.K. Gupta, Vice President & Company Secretary be and is hereby authorised to take all necessary steps and do all acts, things and deeds as may be required to give effect to this resolution.

*The above special resolution is required to be passed by postal ballot under Section 192 A of the Companies Act, 1956 for which necessary Notice alongwith Ballot Paper, instructions, self addressed envelope etc. have been sent.*

14. To consider and, if thought fit, to pass the following resolution with or without modification(s), as a special Resolution.

RESOLVED THAT consent of the Company be and is hereby granted pursuant to Section 149 (2A) and other applicable provisions the Companies Act, 1956 for commencing and carrying on all or any of the business activities specified in newly incorporated sub-clauses (xvDA), (xvDB), (xvDC) and (xvDD) of the clause III of the Memorandum of Association of the Company at such time as may be deemed fit by the Board of Directors.

15. To consider and, if thought fit, to pass the following resolution with or without modification(s), as a special Resolution.

RESOLVED THAT pursuant to Clause 5.1 and 5.2 and other applicable provisions of SEBI (Delisting of Securities) Guidelines, 2003, the Companies Act, 1956, Listing Agreement and all other applicable laws, rule, regulations and guidelines and subject to approval of Debenture Trustee(s)/Debenture holders and such other approvals, permissions and sanctions of Securities and Exchange Board of India/Stock Exchange(s), as may be required, and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the company (hereinafter referred to as "the Board" which expression shall include any Committee thereof for the time being exercising the power conferred on the Board by this resolution), consent of the Company be and is hereby accorded to voluntarily delist its non-convertible portion of



DCM Limited

16% Partly Convertible Debentures from the Delhi Stock Exchange Association Limited and the Kolkata Stock Exchange Association Ltd.

By the order of the Board  
For DCM LIMITED

Place : New Delhi

Date : August 09, 2004

S.K.Gupta  
Vice President &  
Company Secretary

#### Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK FORM OF PROXY IS ENCLOSED.
2. The Register of Members of the Company will remain closed from 16th September, 2004 to 21st September, 2004 (both days inclusive).
3. Shareholders are requested to notify change in their address along with PIN CODES, to the Company at its Registered office quoting their Folio Numbers.
4. Shareholders who are holding shares in identical order of name in more than one folio, are requested to write to the Company enclosing their share certificates to enable the Company to Consolidate their holding in one folio.
5. Members are requested to bring their copy of Annual Report. No extra copy would be available for distribution at the meeting.
6. Shareholders/ Proxy are requested to produce at the entrance the enclosed admission slip duly completed and signed, for admission to the meeting hall.
7. Members who are holding Company's shares in dematerialized form are requested to bring details of their Depository Account Number for identification
8. The members intending to seek any information on Annual Accounts at the meeting are requested to kindly inform the Company at least 7 days before the date of the meeting.
9. In view of SEBI requirement of compulsory delivery of shares of the company in dematerialised form, members are requested to convert their physical share certificates into electronic form.

#### ANNEXURE TO NOTICE (EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 ) ITEM NO. 3

A special Resolution is required for the appointment of Auditors under Section 224A of the Companies Act, 1956, as over 25% of the subscribed share capital of the Company is held by the Institutions specified in that Section. The Auditors have confirmed that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

None of the Directors is concerned or interested in the passing of this resolution.  
**ITEM NO. 4 TO 9**

The Board of Directors had appointed Mr. Shashi Ullal, Mr. Bipin Maira, Mr. D. H. Pai Panandikar and Prof. P. K. Jain as additional Directors in its meeting held on 13.01.2004. They hold the office of Director till this Annual General Meeting but are eligible for re-appointment.

Dr. Vinay Bharat Ram and Mr. Hemant Bharat Ram were appointed by the Board as additional Directors on 27.01.2004 and 01.03.2004 respectively. They hold office of Director until this annual general meeting and are eligible for re-appointment.

Notices in writing under Section 257 of the Companies Act, 1956 have been received from members of the Company proposing the candidatures of the above mentioned Directors for the office of Director (s).

Dr. Vinay Bharat-Ram and Mr. Hemant Bharat Ram, being relatives, are interested in the appointments of each other. Apart from this, no other Director

is concerned or interested in the above resolutions except to the extent of their own appointments.

#### ITEM NO. 10

Consequent upon merger of DCM Data Systems Ltd with the Company upon sanction of the Scheme of Merger/ Amalgamation by the Hon'ble High Court of Delhi, the IT business of the erstwhile DCM Data Systems Ltd. became a part of the Company.

Mr. Hemant Bharat Ram was Managing Director of DCM Data Systems Ltd, prior to its merger.

In view of his professional qualifications, expertise and vast experience in the IT industry, Mr. Hemant Bharat Ram was appointed as Operating Head of the IT division of the Company during the period 01.01.2004 to 29.02.2004. During the said period, he was entitled for a salary of Rs. 25,000/ per month, provident fund, gratuity as per company rules, a Company maintained car with driver for official use also available for personal use (valuation for personal use as per Income Tax Rules), one mobile and one telephone at residence for official use also available for personal use (Expenditure on personal long distance calls recoverable by the Company).

Mr. Hemant Bharat Ram being a relative of Dr. Vinay Bharat-Ram, his appointment requires approval of the shareholders by way of special resolution. Hence this resolution.

Except Dr. Vinay Bharat-Ram and Mr. Hemant Bharat Ram, no other Director is concerned or interested in this resolution.

#### ITEM NO. 11 & 12

The Board of Directors had appointed Dr. Vinay Bharat-Ram as Managing Director w.e.f. 27.01.2004 and Mr. Hemant Bharat Ram as Director (Technology)/Director & Chief Technology Officer w.e.f. 1.03.2004/ 30.06.2004.

Dr. Vinay Bharat-Ram hails from the pioneering industrial family of Lala Shri Ram. Educated at the University of Delhi, Michigan (Ann Arbor) and Harvard, he holds a Ph.D in Economics from the University of Delhi and is a visiting Professor in IIT, Delhi. He was honoured with National Citizen's Award 1990 for Entrepreneurship by the Prime Minister of India. He has been associated at various levels with DCM group for decades.

Mr. Hemant Bharat Ram is a software professional. He was Managing Director of DCM Technologies Ltd, an IT company from October 1999 to September 2003 and Managing Director of DCM Data Systems Ltd from October 1, 2003 till January 1, 2004.

**Detail required pursuant to Schedule XIII Part II Section II . 1. (B)**

#### 1. GENERAL INFORMATION

##### 1. Nature of Industry

DCM Limited established in 1889 has been engaged in diversified business over the years. Recently, Company's business have been re-structured consequent upon the approval of Hon'ble High Court of Delhi to the Scheme of Restructuring & Arrangement and Scheme of Merger & Amalgamation filed by the Company u/s 391 - 394 of the Companies Act, 1956 and filing of the copy of the Court Order with the Registrar of Company, NCT of Delhi & Haryana on 2.01.2004. Pursuant to the said Scheme(s), the present businesses of the company have been reorganised as under:

- a) Textile Division - Engaged in manufacture of cotton yarn having an installed capacity of 39,204 spindles.
- b) IT Division- which, inter alia, includes hardware, servicing, network facilitation, embedded products and IC designs.

##### 2. Financial performance based on given indicators

Financial performance of the company for the financial year ended 31.03.2004 is as under:

	Crores/Rs.
Profit/(Loss) before interest	8.94
Depreciation and tax	
Less : - Interest	1.93
- Depreciation	4.70
Profit/(Loss) before tax	2.31

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Less : - Provision for tax	0.29
Profit/(Loss) after tax	2.02
Add :- Profit/(Loss) brought forward	(37.99)
Profit/(Loss) carried to the Balance Sheet	(35.96)
<b>3. Export performance and net foreign exchange collaborations</b>	
Export performance data is as follows:	
	(Crores/Rs.)
Foreign exchange earned	61.51
Foreign Exchange Outgo	36.05
<i>Note:</i> DCM Engineering is no longer a part of the Company. Hence the above export figures pertain to Textile and IT Division only.	
<b>4. Foreign investments or collaborators, if any.</b>	
The Company has no foreign collaboration or strategic foreign investments.	

## II. INFORMATION ABOUT THE APPOINTEE

### 1. Background details

Mr. Hemant Bharat Ram has a Masters in Industrial Administration from Carnegie Mellon University, USA (1991) and a B.S. in Mathematics and Computer Science (1989) from the same university. He has a wide and varied corporate experience of 13 years. He was Managing Director of DCM Technologies Limited during the period October 1999 to September 2003. He was appointed as Managing Director of DCM Data Systems Ltd. w.e.f. October 1, 2003 which stands merged with DCM Ltd. upon approval of the Scheme of Merger & Amalgamation by the Hon'ble Delhi High Court.

### 2. Past Remuneration

Details of past remuneration paid to Mr. Hemant Bharat Ram as Managing Director of DCM Data Systems Ltd. are as under:

Basic : Rs. 1,00,000

Special Allowance : Rs. 50,000.

Perquisites:

-Medical Reimbursement upto Rs 1670 per month.

-LTA Rs. 50,000 per annum

-A Company maintained car with driver

-One telephone at home

-One mobile phone

Perquisites : As applicable to his grade within overall limits of Schedule XIII

In addition, he was entitled for Contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent not taxable under the Income Tax Act, gratuity payable not exceeding half a month's salary for each completed year of service.

### 3. Recognition or awards : Nil

### 4. Job profile and his suitability

The company presently has two business - Textile and Information Technology. These two businesses require spearheading by a mature and seasoned manager/leader to steer them through the path of sustained growth and expansion.

Mr. Hemant Bharat Ram has a rich and varied corporate experience including a thorough exposure in the IT, software and software service, and has in the past occupied the position of the Managing Director of DCM Technologies Ltd and DCM Data Systems Ltd.

### 5. Remuneration proposed

The remuneration proposed to be paid to Mr. Hemant Bharat Ram as Director & Chief Technology Officer of the company is as per details given in the resolution no 11.

### 6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person

The remuneration profile of the same/ similar position in the industry/ in commensurate size Companies is generally higher compared to the remuneration proposed to be paid to Mr. Hemant Bharat Ram.

### 7. Pecuniary relationship directly or indirectly with the company, or relationship with the management personnel, if any.

Mr. Hemant Bharat Ram is relative of Dr. Vinay Bharat-Ram, Chairman & Managing Director of the Company.

## III. OTHER INFORMATION

### 1. Reasons for loss or inadequate profits

The general economic and market conditions particularly the intense recessionary trends in IT sector in the US market and the impending post WTO scenario have adversely impacted the businesses of the Company.

### 2. Steps taken or proposed to be taken for improvement

Consequent upon the approval of the Scheme of Restructuring & Arrangement of the Company by the Hon'ble High Court of Delhi, the business affairs of the Company are being strategically reorganised including inter-alia partial and progressive modernisation of the textiles operations and consolidation of IT operations. This is expected to improve the performance of the Company in future.

### 3. Expected increase in production and profits in measurable terms

The business of the Company presently consists of the following two Divisions viz

1. IT Division

2. Textile Division

The operations are governed/impacted by uncertainties & dynamics of the business including inter-alia, abolition of quotas w.e.f. 1.1.05 under WTO and the emerging/fluid IT scenario.

Dr. Vinay Bharat Ram and Mr. Hemant Bharat Ram being relatives, are interested in these resolutions. No other Director is concerned or interested in these resolutions.

### ITEM NO. 13

Consequent upon re-organisation of the business affairs of the Company into Textile and IT Division, post approval of Scheme of Merger and Amalgamation, and focus on these two businesses, it is proposed to amend the object clause of the Memorandum of Association to enable the company to venture into/ broaden the scope of IT operations and other related activities.

Hence this resolution.

In terms of Section 192 A of the Companies Act, 1956 read with Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 this special resolution is required to be passed by postal ballot. Necessary Notice alongwith Postal Ballot Form, instructions, self addressed envelope etc. have been sent.

None of the Directors is concerned or interested in this resolution.

### ITEM NO. 14

The approval of share holders is required by a special resolution to the commencement of the new businesses set out in the resolution no. 13 of this notice in view of Section 149 (2A) of the Companies Act, 1956.

None of the Directors is concerned or interested in this resolution.

### ITEM NO. 15

The non-convertible portion of 16% partly convertible debentures are listed at the Delhi Stock Exchange, the Stock Exchange, Mumbai and the Kolkata Stock Exchange.

It has been observed that there has been no trading of these debentures at the Delhi Stock Exchange and Kolkata Stock Exchange during the last several years.

SEBI (Delisting of Securities) Guidelines, 2003 permits voluntary delisting of securities from the stock exchanges including regional stock exchange without giving any exit opportunity to the existing holders provided the securities remain listed in any one stock exchange having nation wide trading terminals viz. The Stock Exchange, Mumbai and the National Stock Exchange.

It is now proposed to voluntarily delist the non-convertible portion of 16% partly convertible Debentures of the Company from the Delhi Stock Exchange Association Limited and the Kolkata Stock Exchange Association Ltd. The non-convertible portion of 16% Partly Convertible Debentures will remain listed at the Stock Exchange, Mumbai.

The delisting of securities requires prior approval of the shareholders. Hence this resolution.

None of the Directors is concerned or interested in the passing of this resolution.

**Directors' Report****DIRECTORS' REPORT**

Your Directors have pleasure in presenting their annual report alongwith audited accounts of the Company for the year ended 31st March'04.

**FINANCIAL DATA**

	Crores/Rs.	
	Current year	Previous Year
Profit/(Loss) before interest	8.94	4.66
Depreciation and tax		
Less: -Interest	1.93	1.95
-Depreciation	4.70	3.19
Profit/(Loss) before tax	2.31	(0.48)
Less: - Provision for tax	0.29	0.01
Profit/(Loss) after tax	2.02	(0.49)
Add: - Profit/(Loss) brought forward	(37.99)	(37.50)
Profit/(Loss) carried to the Balance Sheet	(35.96)	(37.99)

**DIVIDEND**

The Directors, in view of the financial position of the company, have not proposed dividend for the year under report.

**OPERATIONS OVERVIEW****Textile Division**

The Division has an installed capacity of 39204 spindles producing cotton, blended, combed and melange yarns with an average count of 30. The Division is located at Hisar in Haryana and has Branch Offices at Delhi, Kanpur and Ludhiana. Cotton yarn is sold in domestic market and is also exported to far east countries, Egypt and Bangladesh. The manpower strength of the Division is 909.

World textile markets have been governed by quotas, which are being phased out w.e.f. 01.01.2005 as per implications of WTO. This will lead to greater competition as well as provide export opportunities as the quota Country markets will become accessible to Indian Industry. At the same time, buyers from USA and Europe will source more of their requirement from India. Improving global economies and the high GDP growth rates projected for the country will lead to growth in consumption of textiles, which remains very low on per-capita basis. This reflects significant potential for continued demand growth in future.

With extensive marketing & distribution network in India and abroad, Textile Division is ideally positioned to benefit from the growing demand. With continuous addition of new technology machines, exports are being targeted to reach 50% of production during the next year. Introduction of VAT being considered by the new Government will also be to the advantage of the company.

**IT Division****DCM Data Systems**

DCM Data Systems is currently engaged in Systems Administration, System Management and Hardware maintenance business. The operations are spread over in around 55 locations in India and in California in US. The current employee strength is around 370. A competency center has been set up in Delhi with latest technology products for building skills in AIX and Tivoli area.

The year 2003-2004 was a year of comparative stability as leading IT companies in the world started posting better financial results.

The economic recovery in US which happens to be the main market for the IT infrastructure services division was more due to efficiency enhancement rather than any perceptible spending increase. Our main client IBM grew faster and posted better financial results compared to the industry. This naturally reflected in a steady growth in demand for our skills leading to more On-Site engagements.

The efforts made in the previous year on broad-basing the product offerings particularly in Tivoli suites are expected to mitigate the risk of single product dependence in the US market to some extent this year and also lay a foundation for future growth.

This year the new business will be more from the new service line developed on Tivoli suite named as Systems Management (SM) rather than from Systems Administration (SA) business line. Exploratory work has been planned to rejuvenate the SA business line by finalizing the enhancement plans in the product offering so as to provide better growth opportunities in the future.

Domestically this year too, the division will continue to focus on hardware maintenance services and the plans are in place to address the Third Party Maintenance (TPM) market particularly in north and west India.

**DCM Technologies**

DCM Technologies is a premier supplier of Design Services and IP's (Intellectual Property) to the Computing, Communication and automotive industry. It has over three decades of experience in embedded system, including ASIC/FPGA design and product development. In communication, the division provides services to the wired and wireless companies. In automotive segment, it provides software tools for data acquisition of various vehicle sensor and automotive diagnostics.

DCM Technologies has 3 offices. The Development Centre is in Gurgaon, Haryana and Sales Offices are in Fremont, California and Shin-Yokohama, Japan. The present employee strength is 95.

DCM's quality processes have been assessed at SEI CMM Level 5, the highest in the industry.

The unit provides a full range of solutions encompassing architecture, design and support activities in the domain of embedded software and hardware to the world's leading high technology companies. The performance of the unit remained flat in view of very tough market conditions in the embedded software and hardware domain. Most of the overseas clients tightened their budgets or deferred development of new Products, in view of continued US recession.

DCM Technologies netted several new clients as a result of its focus on the niche market. Several new marketing relationships were established to cover Israel, Korea, Taiwan, China and Germany in the current year.

The current outlook appears to be promising and the division expects to take advantage of the same.

**REDEMPTION OF DEBENTURES**

Redemption/repayment to the holders of 19.5 % Non Convertible Debentures issued on private placement basis and 16 % Partly Convertible Debentures will be made in accordance with the provisions contained in the Scheme Restructuring and Arrangement approved by the Hon'ble High Court of Delhi.

**FIXED DEPOSITS**

The Company Law Board (CLB) had passed an order date 10th September, 1998 rescheduling the repayments to fixed deposit holders which now constitutes part of Scheme of Restructuring and Arrangement approved by Hon'ble High Court of Delhi. In pursuance to the said order, the company has paid a sum of Rs. 20.71 crores (approx.) to various category of depositors including payments in hardship cases. The balance amount would be paid to the deposit holders in terms of the provisions of the Scheme of Restructuring and Arrangements approved by the Hon'ble High Court.

**DIRECTORS**

Mr. S. C. Kapur was nominated by LIC as a Director w.e.f. May 9, 2003. Nomination of Mr. D. Rama Rao was withdrawn by IFCI w.e.f. December 5, 2003. Mr. P. K. Rastogi has been nominated as Director by IFCI vide their letter dated May 26, 2004.

The Board co-opted Mr. Shashi Ullal, Mr. Bipin Maira, Mr. D. H. Pai Panandikar and Prof. P. K. Jain as additional Director (s) on 13.01.2004. The Board appointed Dr. Vinay Bharat-Ram as Chairman & Managing Director on 27.01.2004 and Mr. Hemant Bharat Ram as Director (Technology)/Director & Chief Technology Officer on 01.03.2004/30.06.2004



Mrs. Panna Bharat Ram resigned from the office of Managing Director and Director w.e.f. 27.01.2004. Prof. Ishwar Dayal resigned from the office of Chairman w.e.f. 27.1.2004. Your Board places on record its deep appreciation of the able guidance and prudent advice provided by them during their tenure as director (s) of the Company.

#### DIRECTORS' VIEW ON AUDITORS' OBSERVATIONS

Management response to the various observations of the auditors even though explained wherever necessary through appropriate notes to the Accounts is reproduced hereunder in compliance with the relevant legal provisions.

##### Reference para 4(g)(i) of the Auditors Report

The Company has, in general, followed the accrual basis of accounting for preparing its accounts. However, interest on certain borrowings is accounted for on cash basis due to delay in approval of Scheme of Restructuring and consequent hardship/practical difficulties involved in obtaining relevant tax exemption/credit etc. specially in case of retail investors. In view of the fact that any other practice would have adversely affected a large number of retail investors approx. 20,000, it was felt that the present practice would be expedient in the current situation and payments to Depositors, Debenture-holders and other creditors will be made and accounted for in accordance with the plan approved by Hon'ble High Court under Scheme of Restructuring & Arrangement and it would commence from December, 2004 onwards. (Refer Note 12 of Notes to Accounts in Schedule 12 of Accounts annexed)

##### Reference para 4(g)(ii) of the Auditors Report

The business of the company was re-organised under a Scheme of Arrangement sanctioned by the High Court of Delhi, New Delhi vide its order dated April 16, 1990, effective from April 1, 1990 under the provisions of Sections 391/394 of the Companies Act, 1956 and all units of the company existing at that time were re-organised under four separate companies, including this company, namely, DCM Limited, DCM Shriram Industries Limited, DCM Shriram Consolidated Limited and Siel Limited.

There are various issues relating to sales tax, income tax, etc., arising/arisen out of the re-organisation arrangement, which will be settled and accounted for in terms of the Scheme of Arrangement and memorandum of understanding between the companies involved, when the liabilities/benefits are fully determined.

The final liability, when determined, would in case of the company, be limited only to one third of the total liability. (Refer Note 16 of Notes to Accounts in Schedule 12 of Accounts annexed)

#### DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217

As required under section 217(2AA) of the Companies Act, 1956 your Directors state that:

- While preparing Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent which gives true and fair view of affairs of the Company and of the profit or loss of the company;
- the Directors have taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared accounts on a going concern basis.

#### PERSONNEL

The information required under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, and forming part of the Report is annexed hereto.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The details as required under the Companies (Disclosure of Particulars in Report of Board of Directors) Rules 1988 are annexed.

#### SUBSIDIARY COMPANIES

The information required under Section 212 of the Companies Act, 1956 in respect of subsidiaries of the Company forms part of this Report.

#### AUDIT COMMITTEE

The Audit Committee of the company consists of Mr. D. H. Pai Panandikar, Chairman, Prof. P. K. Jain and Mr. S. K. Das.

#### AUDITORS

The Auditors of the Company, M/s A.F. Ferguson & Co., Chartered Accountants, retire at the 114<sup>th</sup> Annual General Meeting and are eligible for re-appointment.

#### CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, Corporate Governance Report, Management Discussion & Analysis and Auditors' certificate regarding compliance of Corporate Governance are made part of the Annual Report.

#### ACKNOWLEDGEMENTS

The Directors wish to acknowledge and thank the Central and State Governments and all regulatory bodies for their continued support and guidance. The Directors thank the shareholders, customers, business associates, Financial Institutions and Banks for the faith reposed in the company and its management.

The Directors place on record their deep appreciation of the dedication and commitment of your company's employees at all levels and look forward to their continued support in the future as well.

Place : New Delhi

On behalf of the Board

Date : June 30, 2004

CHAIRMAN & MANAGING DIRECTOR

#### 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.

##### 1. CONSERVATION OF ENERGY

###### (a) Energy Conservation Measures Taken:

###### Textile Division:

The division is continuously working on Energy conservation. The Captive power plant operation is continuously benchmarked on monthly basis with a view to improve efficiency.

Conventional drive of suction fans of two Autoconers has been replaced with inverter drives, which has resulted in energy saving.

The division has also extended the installation of Electronic Chokes to cover more departments.

###### IT Division

The division's operations involves low energy consumption. Wherever possible, energy conservation measures have been implemented and efforts to conserve and optimise the use of energy is a priority area. Power generating sets are installed at the office premises to cater to the essential requirements during power cuts.

###### (b) Additional Investment and Proposals for Reduction of consumption of Energy

###### Textile Division

- Heat Recovery unit was installed to heat the Furnace oil through exhaust gases of captive power

IT Division - N.A.

###### (c) Impact of the above measure

###### Textile Division

- It would help in reduction of energy consumption, which will reduce overall cost of production.

IT Division - N.A.

###### (d) Total energy consumed and energy consumption per unit of Production:

Textile Division



**Directors' Report continued**

- Form-A appended herein.
- IT Division – N.A.

**2. TECHNOLOGY ABSORPTION**

Efforts made in technology absorption are furnished in prescribed - Form – B appended herein.

**3. FOREIGN EXCHANGE EARNINGS & OUTGO:**

Total Foreign Exchange used and earned

	(Rs./ Lacs)
Foreign exchange earned	6151.27
Foreign Exchange Outgo	3605.34

**FORM –A****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY: 2003-04**

Particulars	2002-2003 (12 Months)	2003-2004 (12 Months)
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. Electricity (Kwh)	22135116	21872814
(a) Purchased:		
- Unit KWH	5922340	4736420
- Total Amount (Lac/Rs.)	239.62	189.95
- Rate per unit (Rs.)	4.05	4.01
(b) Own Generation:		
(i) Through Generator		
- Unit KWH	16212776	17136394
- Unit per Lt. Of Diesel oil	3.39	3.62
- Cost /units (Rs./KWH)	3.53	3.37
(ii) Through Steam Turbine/ Generator	Nil	Nil
2. Coal		
3. Furnace Oil (LDO & HSD)		
- Quantity (K.Ltr.)	4777727	4733257
- Total Amount(Lac/Rs)	572.80	531.77
- Average Rate(Rs/K/Lt.)	11.99	11.23
4. Others(LPG)	-	-
- Quantity (K.Ltr)		
- Total /Cost (Rs/Lac)		
- Rate/Unit (Rs/Mt)		
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Particulars Standards (if any)		
- Electricity (kWh)	3.30 Per Kgs.	3.37 Per Kgs.
- Furnace Oil/HSD(Ltrs)	-	-
- Coal	-	-
- Others(LPG)	-	-

**FORM-'B'****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION – 2003-04****RESEARCH & DEVELOPMENT****1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY**

Textile Division NIL

IT Division

The division is constantly involved in R&D efforts, and has during the year been involved in developing and upgrading on the Intellectual Properties in wireless and bus interface domains, such as PCI-X 2.0 , PCI-Express, Wimax – which is an emerging wireless technology for higher bandwidth and wider range, and Automotive diagnostic technology based on J1979 protocol.

**2. BENEFITS DERIVED**

Textile Division NIL

IT Division

The offshore orders obtained by the division are linked with the R&D efforts and help as door openers for getting services from customers and also provide greater visibility.

**3. EXPENDITURE ON R&D Not Applicable****TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:****1. Efforts made**

Textile Division:

The Division has successfully installed two new Autoconers 338 machines in winding section and two carding machines in carding section during the year by replacing old machines.

IT Division

The division is operating in a fast evolving, hi-tech area, involving new technologies connected with both software and hardware. Training employees in the latest and most appropriate technologies would therefore continue to remain a key focus area and a business compulsion. The division has been working on the PCI-X, PCI-Express and Wimax technologies and shall continue to explore and extend activities in these areas. In automotive, J1939 and FlexRay protocol development will be explored to enhance DCM's Engine Control Unit development capabilities. DCM is a contributing member to the Automotive Multimedia Interface Collaboration.

**2. Benefits Derived:**

Textile Division:

The Autoconers 338 winding machines have proved to be very effective in improving quality & consistency. Productivity and quality of Autoconer 338 is better and will help to boost the export sales in the near future.

**Annexure**

Particulars under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Sr. No.	Name of the Employee	Age	Designation	Qualification	Experience (Yrs)	Date of Joining	Total Remuneration (Rs.)	Particular of Last Employment
1.	Lavi Gupta*	46	Mgr-Cust. Fulfilment	Diploma in Electronics	23	21-07-1980	2,32,581	-
2.	Jitendra Puri*	32	Project Manager	Bachelor of Engineering	9	01-04-2003	3,86,714	DCM Technologies Ltd.

\* Employed for a part of the period under review and were in receipt of remuneration, at a rate which in the aggregate was not less than Rs 2,00,000/- per month.

**Notes :**

- Remuneration comprises basic salary, allowances, taxable value of perquisites, leave encashment and gratuity.

## Corporate Governance

## CERTIFICATE

## TO THE MEMBERS OF DCM LIMITED

We have examined the compliance of Corporate Governance by DCM Limited for the year ended March 31, 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to review of procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investors' grievances received during the year ended March 31, 2004, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A. F. FERGUSON & CO.  
Chartered Accountants

Place : New Delhi  
Date : June 30, 2004

J.M. Seth  
Partner

## Corporate Governance

Corporate Governance is about credibility, transparency and accountability of the Board and Management towards shareholders and other investors of the Company. We believe in a Board of appropriate size, composition and commitment to adequately discharge its responsibilities and duties. We are in the process of reviewing all systems, policies and delegations so as to establish adequate and sound systems of risk management and internal control. Given below is a brief report for the period April 1, 2003 to March 31, 2004 on the practices followed at DCM Limited towards achievement of good Corporate Governance:

## Composition of the Board :

As on March 31, 2004, the Board comprised of eleven Directors, namely, Dr. Vinay Bharat-Ram, Chairman & Managing Director, Mr. Hemant Bharat Ram, Director (Technology), Mr. Naresh Kumar Jain, Dr. Surender Nath Pandey, Prof. Joginder Singh Sodhi, Mr. S. K. Das, Mr. S. C. Kapur, Mr. Shashi Ullal, Mr. Bipin Maira, Mr. D. H. Pai Panandikar and Prof. P. K. Jain. Except Dr. Vinay Bharat-Ram and Mr. Hemant Bharat Ram, all other Directors are non-executive and independent directors. The Composition of the Board is in conformity with the Listing Agreement. The non-executive directors bring with them rich and varied experience in different facets of the corporate functioning. They play an active role in the meetings of the Board. None of the non-executive directors have any pecuniary relationship with the company.

## B. Tenure :

As per the statute, two third of the total strength of the Board of Directors shall be subjected to retirement by rotation. Further one third of the retiring Directors are required to retire every year and if eligible, qualify for re-appointment. Accordingly, Dr. Surender Nath Pandey, Director, is liable to retire by rotation at the 114<sup>th</sup> Annual General Meeting. Further, Mr. Shashi Ullal, Mr. Bipin Maira, Mr. D. H. Pai

Panandikar and Prof. P. K. Jain, additional Directors, hold the office till the ensuing Annual General Meeting. Dr. Vinay Bharat-Ram and Mr. Hemant Bharat Ram appointed as additional Director, also hold the office till the ensuing Annual General Meeting.

## C. Board Meetings:

During the period April 1, 2003 to March 31, 2004, 9 meetings of the Board of Directors were held on April 29, 2003, July 30, 2003, October 30, 2003, October 31, 2003, December 3, 2003, December 30, 2003, January 13, 2004, January 27, 2004 and March 1, 2004.

S. No.	Name	No. of meetings held during the tenure	No. of Meetings attended	Last (Adjourned) AGM (on 1.03.04) attended	Appointed as director on	Ceased to be a director on
1.	Dr. Vinay Bharat-Ram	2	2	Yes	27.01.04	—
2.	Mr. Hemant Bharat Ram	1	Nil	No	01.03.04	—
3.	Mr. Naresh Kumar Jain	9	8	Yes	17.02.01	—
4.	Dr. Surender Nath Pandey	9	9	Yes	10.12.01	—
5.	Prof. Joginder Singh Sodhi	9	9	Yes	10.12.01	—
6.	Mr. S. K. Das - Nominee Director of UTI	9	8	No	22.02.02	—
7.	Mr. S. C. Kapur - Nominee Director of LIC	8	8	Yes	09.05.03	—
8.	Mr. Shashi Ullal	3	3	Yes	13.01.04	—
9.	Mr. Bipin Maira	3	2	Yes	13.01.04	—
10.	Mr. D. H. Pai Panandikar	3	2	Yes	13.01.04	—
11.	Prof. P. K. Jain	3	2	Yes	13.01.04	—
12.	Prof. Ishwar Dayal	8	7	No	10.12.01	27.01.04
13.	Ms. Panna Bharat Ram	8	8	No	10.12.01	27.01.04
14.	Mr. D. Rama Rao - Nominee Director of IFCI	5	3	No	30.09.02	05.12.03

## D. Directors Remuneration :

The Company had constituted a Compensation Committee on January 30, 2003 for appointment, promotion and remuneration of executives at General Manager and above levels.

As on March 31, 2004 the Compensation Committee comprised of Dr. Surender Nath Pandey, Prof. Joginder Singh Sodhi, Mr. Shashi Ullal and Mr. Bipin Maira.

During the year, four meetings of the Committee were held on June 3, 2003, July 22, 2003, February 26, 2004 and March 1, 2004.

S. No.	Name	No. of meetings held during the tenure	No. of Committee meeting attended
1.	Dr. Surender Nath Pandey	4	4
2.	Mr. Shashi Ullal	2	2
3.	Mr. J. S. Sodhi	2	2
4.	Mr. Bipin Maira	2	2
5.	Prof. Ishwar Dayal	2	2
6.	Mr. S. K. Das	2	2

The compensation grades of the executives are governed by the HR policies of the Company. Managerial remuneration is regulated in terms of Section 198, 309 Schedule XIII and other applicable provisions of the Companies Act, 1956.