

DCM LIMITED ANNUAL REPORT

2005 - 2006

BOARD OF DIRECTORS

Dr. Surendra Nath Pandey

Chairman

Mr. Naresh Kumar Jain

Managing Director

Mr. Jitendra Tuli

Prof. J. S. Sodhi

Mr. S. K. Das

Mr. S. C. Kapur

SECRETARY

Mr. S.K.Gupta

BANKERS

Punjab National Bank

State Bank of Bikaner and Jaipur

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: 91-11-41406149

Fax: 91-11-41709881

DCM Limited

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

NOTICE

Notice is hereby given that the 116th Annual General Meeting of the Company will be held on Wednesday, the 27th December, 2006 at 10:30 A.M. at MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi-110 054 for transacting the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the financial period ended on 30th June, 2006 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 an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 224 and other applicable provisions, if any, 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 of Directors 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 Mr. Jitendra Tuli, who by his co-option as an additional Director w.e.f. 20th December, 2005 under the provisions of Section 260 of the Companies Act, 1956 holds such office until this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT the remuneration of Mr. Sumant Bharat Ram, Chief Operating and Financial Officer of the Company be and is hereby revised w.e.f. 01.04.2006 on the following terms and conditions:

- i) Salary
 - ◆ Rs. 2,00,000/- per month as basic.
 - ◆ Rs. 40,000/- per month as Special Allowance.
- ii) Perquisites

He will be entitled to the following benefits/ perquisites as per Company Policy and rules applicable to his cadre:

 - ◆ Company leased accommodation with maintenance and furnishings.
 - ◆ Medical reimbursement against submission of bills.
 - ◆ Hospitalization Insurance.
 - ◆ Leave Travel Allowance once in a calendar year for travel in India upto Rs. 50,000/- per annum.
 - ◆ A company maintained car 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) Bonus
 - ◆ Bonus upto 1% of the net profits of the Company for the relevant year.
- iv) Terminal benefits
 - ◆ Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these are not taxable under the Income Tax Act.
 - ◆ Gratuity payable not exceeding half a month's salary for each completed year of service subject to company's policy.

- ◆ Leave encashment at the end of tenure will not be included in the computation of the ceiling on perquisites.
- v) Other terms
 - ◆ Remuneration for a part of the year shall be computed on a pro-rata basis.
 - ◆ The Compensation Committee/Board may revise the salary and other terms of remuneration of Mr. Sumant Bharat Ram, if any, from time to time at its discretion subject to applicable provisions of the Companies Act, 1956.
 - ◆ The Chief Operating and Financial Officer shall be entitled to get 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.
 - ◆ All other terms of his appointment shall be governed by the policy and rules of the Company relating to senior level positions.

"RESOLVED FURTHER THAT Mr. S.K. Gupta, Executive Vice President & Company Secretary be and is hereby authorised to make necessary application to the Government for the above approval, if required, and to do all acts, deeds and take such actions, as may be necessary, for giving effect to the above resolution."

"RESOLVED FURTHER THAT Dr. Surender Nath Pandey, Director be and is hereby authorised to sign and issue papers/orders in regard to the terms of service of Mr. Sumant Bharat Ram."

6. 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 the applicable provisions of the Companies Act, 1956 and/or any amendment/modification(s) thereof, Mr. Naresh Kumar Jain be and is hereby appointed as Managing Director of the Company w.e.f. 20th December, 2005 without payment of salary and perquisites but with sitting fees as paid to the other directors, for a period of one year, which is extendable for further period(s) not exceeding 5 years, on each occasion from time to time at the discretion of the Board".

"RESOLVED FURTHER that the Managing Director shall be entitled to reimbursement of all actual expenses incurred in the course of business of the Company".

"RESOLVED FURTHER that Sh. S.K. Gupta, Executive Vice President & Company Secretary be and is hereby authorised to take necessary steps, acts, actions to give effect to the above resolution".

7. 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 the applicable provisions of the Companies Act, 1956 and/or any amendment/modification(s) thereof, Mr. Naresh Kumar Jain be and is hereby appointed as Managing Director of the Company w.e.f. 20th December, 2006 without payment of salary and perquisites but with sitting fees as paid to the other directors, for a period of one year, which is extendable for further period(s) not exceeding 5 years, on each occasion from time to time at the discretion of the Board".

"RESOLVED FURTHER that the Managing Director shall be entitled to reimbursement of all actual expenses incurred in the course of business of the Company".

"RESOLVED FURTHER that Sh. S.K. Gupta, Executive Vice President & Company Secretary be and is hereby authorised to take necessary steps, acts, actions to give effect to the above resolution".

By the order of the Board
For DCM Limited

S.K. Gupta
Executive Vice President
& Company Secretary

Place : New Delhi
Date : November 28, 2006

DCM

Directors' Report

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 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 20th December, 2006 to 27th December, 2006 (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. 4

Mr. Jitendra Tuli was appointed by the Board as additional Director on 20.12.2005. He holds office of Director until this Annual General Meeting and is eligible for re-appointment.

Notice in writing under Section 257 of the Companies Act, 1956 has been received from a member of the Company proposing the candidature of the above mentioned Director for the office of Director.

None of the Director except Mr. Jitendra Tuli is interested in the resolution.

ITEM NO. 5

The Compensation Committee and the Board of Directors of the Company in its meeting held on 2.5.2005 had approved the remuneration of Mr. Sumant Bharat Ram, Chief Operating & Financial Officer of the company w.e.f. 1st April, 2005.

Mr. Sumant Bharat Ram had played a key role and has been instrumental in restructuring of the Company. It is felt that continuation of Mr. Sumant Bharat Ram as Chief Operating and Financial Officer is critically in the interest of the Company and keeping in view his pivotal role in the post restructuring scenario, the Board of Directors of the Company in its meeting held on 29.05.2006 proposed to increase his remuneration with effect from 1st April, 2006 as detailed in the resolution.

None of the Director of the Company is interested in the resolution.

ITEM NO. 6 & 7

The Board of Directors in their meeting held on 20.12.2005 appointed Mr. Naresh Kumar Jain (71), as the Managing Director of the company. He is an Arts Graduate and also holds Masters Degree in Business Administration. He is the President of Punjab Merchants Chambers and Chairman of Gem & Jewellery Export Promotion Council, President of Jain Samaj, Delhi, and Chairman of Rotary Club of Delhi. The Board of Director in its meetings held on 28.11.2006 has approved extension of the period of the appointment of Mr. Naresh Kumar Jain, Managing Director for a further period of 1 year with effect from 20.12.2006.

None of the Director except Mr. Naresh Kumar Jain is interested in the resolution.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their annual report alongwith audited accounts of the Company for the 15 months period ended 30th June, 2006.

FINANCIAL DATA

	Crores/Rs.	
	Current period (15. Months)	Previous year (12 Months)
Profit/(Loss) before interest		
Depreciation and tax	21.37	6.15
Less: -Interest	11.36	1.63
-Depreciation	5.47	4.28
Profit/(Loss) before tax	4.54	0.24
Less -Provision for tax	0.52	0.13
Profit/(Loss) after tax	4.02	0.11
Add -Profit/(Loss) brought forward	(35.85)	(35.96)
Profit/(Loss) carried to the Balance Sheet	(31.83)	(35.85)

DIVIDEND

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

OPERATIONS OVERVIEW

Textile Division

The Division has a spinning mill of 41220 spindles producing cotton carded, combed and mélange yarns. The mill is located at Hisar in Haryana and has Branch Offices at Delhi and Ludhiana. Yarn is sold in domestic market and is also exported to Far East countries & Bangladesh. The employees' strength is 784.

The Indian Textile industry occupies an important place in the economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings.

At present, the contribution of the textile industry to GDP is about 4 percent. The textile industry provides direct employment to more than 35 million people and is the second largest employment provider in India after agriculture.

Size of the Indian Textile and Apparel Industry is estimated to be US \$ 85 bn by 2010 comprising US \$ 45 bn in domestic and balance in exports.

After the removal of quotas in Jan. 2005, there is tremendous scope for all the major Textiles & Cotton exporters of India. WTO predicts that international trade will grow at 10% for the period 2005-2010, the highest growth rate ever. For India, the WTO report has predicted sharp increase in its market share from the current level of 3% in apparel to 15% by 2010. Similar predictions have been made in recent reports by IMF and USITC.

The cotton spinning sector has been performing well for last three years. Consumption of yarn is increasing significantly, reducing the need to export this raw material. The fabric industry has started attracting substantial investments in recent months, both for modernization and expansion. Removing concessions to small weaving and processing units and providing capital subsidy selectively for productive looms and hi-tech processing machines have helped this process. The fabric sector can be expected to increasingly meet the requirements of home textile and clothing segments in the coming years, reducing imports. Bumper crop has been supporting cotton spinning industry for last two years and efforts are being made by State Agriculture Universities, Central Institute for Cotton Research, textile mill owners and ginning factory owners to improve the productivity of cotton so as to reach the target of production of cotton to 35 million bales by 2010 from the present production of 25 million bales. With this in view, the division has decided to further expand its capacity. Its installed spindles would be 72036 by 2007.

IT Division

Industry Overview

The IT Industry continues to exhibit robust growth based on proven cost saving through off shoring and outsourcing. The Infrastructure services market is large estimated at 12% to 20% of the total IT spend estimated at

\$640 billion worldwide. From a market perspective, Nasscom predicts that Infrastructure outsourcing will be a USD 80-150 billion business by 2010. This is driven by technology developments, cost advantages, and possibility of 24 x 7 services.

The geographical spread and complexity of IT environments are increasing and clients are finding that the bulk of Infrastructure management services can be outsourced, cost effectively. Over the last 4 years there has been a realisation that about 40-60% of what can be outsourced, can also be offshored because of better telecom infrastructure. Consequently, off-shoring of Infrastructure support services to India has significantly increased, with Global support Centers being setup in India by the large IT Companies.

Given the immense potential that exists in India in Infrastructure services, we intend to capitalize on our system administration and management capabilities, built over the years in managing different operating systems and storage products. The Infrastructure support services which can be offshored, includes Administration of servers and related systems, networks and help desk activities. Large organizations invariably have different servers operating under Unix, Windows and Mainframe environment. However, the installed base of Unix servers, and especially the eServer pSeries or earlier the RS/6000 operating on AIX, is amongst the largest. In addition, to administer a heterogeneous server environment, system management tools from companies like Tivoli, are required to effectively manage the network.

We have over the years, been working on system administration and system management domains in USA and now intend leveraging the same skills in the Indian market. We intend to focus on remote TSM implementation and then on remote system administration in AIX.

The division is also evaluating the possibility of broad basing the product portfolio in related areas. Further efforts are on to diversify the client base and restructure the business operations. This shall help in improving the top line and the profitability from the next year.

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 of Restructuring and Arrangement approved by the Hon'ble High Court of Delhi (Refer note 3.4 of Notes to Accounts in Schedule 12 of Accounts annexed).

FIXED DEPOSITS

The Company Law Board (CLB) had passed an order dated 10th September, 1998 rescheduling the repayments to fixed deposit holders which now constitutes part of Scheme of Restructuring and Arrangement (SORA) approved by Hon'ble Delhi High Court. In pursuance to the said order, the company has paid a sum of Rs 23.05 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 of Delhi (Refer note 3.4 of Notes to Accounts in Schedule 12 of Accounts annexed).

DIRECTORS

Dr. Vinay Bharat Ram, Mr. Hemant Bharat Ram, Mr. D.H. Pai Panandikar, Mr. Shashi Ullal, Mr. Bipin Maira had resigned on 20th December, 2005 and Prof. P.K. Jain on 8th December, 2005 from the Board of the Company. Mr. Naresh Kumar Jain was appointed as Managing Director by the Board of the Company on 20.12.2005.

Mr. Jitendra Tuli was co-opted as an additional Director w.e.f. 20th December, 2005.

The nomination of Mr. P.K. Rastogi, nominee Director was withdrawn by IFCI w.e.f. 1st February, 2006.

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 prudent 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 subsequent proposed modification of the Schedule of repayment subject to the approval of the Hon'ble High Court of Delhi due to delay in implementation of the SORA on account of pendency of modification of charges/withdrawal of legal action against the Company by certain Financial Institution (Refer note 11 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 15 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

A statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies is attached to the accounts. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the Audited Statements of Accounts and the Auditors' Reports thereon along with the Reports of the Board of Directors of the Company's Subsidiaries have not been annexed. The Company will make available these documents upon request by any member of the Company interested in obtaining the same. However, pursuant to Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements prepared by the Company includes the financial information of its subsidiaries.

Directors' Report continued

AUDIT COMMITTEE

The Audit Committee of the company consists of Mr. Naresh Kumar Jain, Chairman, Prof. Joginder Singh Sodhi and Mr. S. K. Das.

AUDITORS

The Auditors of the Company, M/s A.F. Ferguson & Co., Chartered Accountants, retire at the 116th 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.

SOCIAL RESPONSIBILITY STATEMENT

The Company is running two Educational Institutions viz. DCM Boys Senior Secondary and DCM Girls Senior Secondary Schools which cater to the lower income strata of the society. The schools are recognised and affiliated to the Central Board of Secondary Education, there are more than 900 students on the rolls in the different classes. The Textiles Division of the Company is also running a school upto 10th standard in the campus at Hisar. There are over 350 students on the rolls in different classes.

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.

Date : 28.11.2006

Place: New Delhi

On behalf of the Board
CHAIRMAN

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 mill is continuously working on efficient usage of energy and during the year AC drives have been installed on 138 Autoconers. APFC panel has been installed. The MEI Ring Frames pneuma fans as well Festo Elgi OHTC impellers have been replaced with SITRA approved lighter fans. The replacement of the conventional chokes continues all over the organization.

IT Division

The operations involve low energy consumption. Wherever possible, energy conservation measures have been implemented and efforts to conserve and optimise the use of energy is a continuous process.

(b) Total energy consumed and energy consumption per unit of Production:*Textile Division*

Form-A appended herein.

IT Division - N.A.

2. TECHNOLOGY ABSORPTION

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

3. FOREIGN EXCHANGE EARNINGS & OUTGO

Total Foreign Exchange used and earned

Foreign Exchange Earned
Foreign Exchange Outgo

Rs. In Lacs

6629.63
3691.84

FORM - A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY: 2005-06**

Particulars	2005-2006 (15 Months)	2004-05 (12 months)
A. POWER AND FUEL CONSUMPTION	29033531	22118306
1. Electricity (KWH)(a)		
a) Purchased:-		
Unit (KWH)	23531800	12310000
- Total Amount (Lac/Rs.)	949.14	498.87
- Rate per unit (Rs.)	4.03	4.05
b) Own Generation:		
i) Through Generator		
- Unit (KWH)	5501731	9808306
- Unit per Lt. of F.O./ L.D.O./HSD	3.54	3.57
- Cost /unit (Rs./KWH)	5.92	3.87
ii) Through Steam Turbine/ Generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil (LDO&HSD)		
- Quantity (K.Ltr.)	1554425	2744586
- Total Amount(Lac/Rs)	306.42	379.86
- Average Rate(Rs/K/Lt.)	19.71	13.84
- Quantity (K.Lt.)	NIL	NIL
- Total /Cost (Rs/Lac)		
- Rate/Unit (Rs/Mt)		
B. CONSUMPTION PER UNIT OF PRODUCTION		
Particulars Standard (if any)		
- Electricity (KWH)	3.35	3.26
- Furnace Oil/HSD(Ltrs)		
- Coal		
- Others(LPG)		

FORM - B'**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION-2005-06****RESEARCH & DEVELOPMENT****1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY**

Textile Division NIL

IT Division

The division was involved in development of wireless communication software for Wimax technology.

2. BENEFITS DERIVED

Textile Division NIL

IT Division

The Wimax software was successfully integrated with the hardware design which was developed by one of our customer.

3. FUTURE PLAN OF ACTION

Textile Division Not Applicable

IT Division

The focus of the division shall continue to be on adopting the newer technologies from IBM in the area of system administration and system management, so as to enhance our competitiveness.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

Efforts made & Benefits

Textile Division Not Applicable

IT Division

The division is operating in the fast evolving field of Information Technology. This necessitate regular technical upgradation of skills and training of employees in the latest developments in the field.

Corporate Governance

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report.

(A). Employed throughout the period under review and who were in receipt of remuneration, which in aggregate was not less than Rs. 2.00 lacs per month.

S. No.	Name	Designation and Nature of Duties	Unit/ Division	Remuneration received (Rs./ Lacs)	Qualifications	Experience (Year)	Age	Date of Commencement of Employment	Particulars of last employment
1	Mr. Hemant Bharat Ram	Chief Technology Officer	Corporate Office	38.09	B. Sc, MSIA	15	41	1-Aug-91	DCM Technologies Ltd.
2	Mr. Sumant Bharat Ram	Chief Operating & Financial Officer	Corporate Office	40.09	BA(H)-Eco., MBA	10	39	4-Oct-95	DCM Realty Investment & Consulting Limited

(B). Employed for a part of the period under review and were in receipt of remuneration for any part of the period, at a rate which in aggregate was not less than Rs. 2.00 lacs per month.

S. No.	Name	Designation and Nature of Duties	Unit/ Division	Remuneration received (Rs./ Lacs)	Qualifications	Experience (Year)	Age	Date of Commencement of Employment	Particulars of last employment
1	Mrs. Aleyamma Rajendran	Manager - Travel & Administration	IT Division	3.05	M.A.	23	57	2-May-83	DCM Technologies Ltd.

Notes:

- Remuneration includes basic salary, contributions to provident and superannuation funds, allowances and taxable value of perquisites.

- Mr. Hemant Bharat Ram was on the board of directors of the company for the part of the year and has resigned from directorship on 20.12.2005

CERTIFICATE

TO THE MEMBERS OF DCM LIMITED

We have examined the compliance of conditions of Corporate Governance by DCM Limited for the period ended June 30, 2006, 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 management. Our examination was 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 period ended June 30, 2006, 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

Manjula Banerji

Partner

(Membership No:086423)

Place : New Delhi

Date : November 28, 2006

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. All processes, systems and policies have been reviewed and sound systems of risk management and internal control have been established. Given below is a brief report for the period April 1, 2005 to June 30, 2006 on the practices followed at DCM Limited towards achievement of good Corporate Governance:

A. Composition of the Board:

As on June 30, 2006, the Board comprised of Six Directors, namely, Dr. Surendra Nath Pandey, Chairman; Mr. Naresh Kumar Jain, Managing Director; Mr. Samir Kumar Das; Mr. Subhash Chander Kapur; Prof. Joginder Singh Sodhi and Mr. Jitendra Tuli. All the Directors are non-executive and independent directors except Mr. Naresh Kumar Jain, Managing Director of the Company. The Composition of the Board is in conformity with the Listing Agreements.

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 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. Surendra Nath Pandey, Director, is liable to retire by rotation at the 116th Annual General Meeting and being eligible, offers himself for re-appointment. Further, Mr. Jitendra Tuli has been appointed as an additional director with effect from 20.12.2005.

C. Board Meetings:

During the period April 1, 2005 to June 30, 2006, 9 meetings of the Board of Directors were held on May 2, 2005, June 30, 2005, July 26, 2005, September 28, 2005, October 27, 2005, December 20, 2005, January 30, 2006, May 29, 2006 and June 30, 2006.

S. No.	Name	No. of meetings held during the tenure	No. of meetings attended	Last AGM on 28.09.05 attended	Appointed as director on	Ceased to be a director
1.	*Dr. Vinay Bharat-Ram	6	6	Yes	27.01.2004	20.12.2005
2.	*Mr. Hemant Bharat Ram	6	4	Yes	01.03.2004	20.12.2005
3.	Mr. Naresh Kumar Jain	9	8	Yes	17.02.2001	—
4.	Dr. Surendra Nath Pandey	9	9	Yes	10.12.2001	—
5.	Prof. Joginder Singh Sodhi	9	9	Yes	10.12.2001	—
6.	Mr. Samir Kumar Das - Nominee Director of UTI	9	6	No	22.02.2002	—
7.	Mr. Subhash Chander Kapur - Nominee Director of LIC	9	9	Yes	09.05.2003	—
8.	*Mr. Shashi Ullal	6	5	Yes	13.01.2004	20.12.2005
9.	*Mr. Bipin Maira	6	5	Yes	13.01.2004	20.12.2005
10.	*Mr. D. H. Pai Panandikar	6	5	Yes	13.01.2004	20.12.2005
11.	**Prof. Pramod Kumar Jain	6	4	Yes	13.01.2004	08.12.2005
12.	***Mr. Prem Kumar Rastogi - Nominee Director of IFCI	6	6	Yes	30.06.2004	01.02.2006
13.	Mr. Jitendra Tuli	4	4	-	20.12.2005	—

* Ceased to be director on 20.12.2005.

** Ceased to be director on 08.12.2005.

*** Withdrawal of nomination of Mr. P.K.Rastogi by IFCI vide their letter dated 01.02.2006.

DCM

Corporate Governance Continued

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 June 30, 2006 the Compensation Committee comprised of Dr. Surendra Nath Pandey, Prof. Joginder Singh Sodhi and Mr. Jitendra Tuli. During the year, three meetings of the Committee were held on May 2, 2005, September 28, 2005 and May 29, 2006.

S. No.	Name	No. of meeting held during the tenure	No. of committee meeting attended
1.	Dr. Surendra Nath Pandey	3	3
2.	Prof. Joginder Singh Sodhi	3	3
3.	Mr. Jitendra Tuli	1	1
4.	*Mr. Shashi Ullal	2	2
5.	*Mr. Bipin Maira	2	2

* Ceased to be director on 20.12.2005.

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. During the period under review, no remuneration except sitting fees, was paid to any Director except Mr. Hemant Bharat Ram, Director & Chief Technology Officer of the Company. He was appointed as Director & Chief Technology Officer on 01.03.2004 and resigned from directorship on 20.12.2005.

Sitting fees is paid to all the Directors for meetings of the Board or committees thereof.

Service contract and severance fees

The executive directors of the Company viz. Dr. Vinay Bharat Ram, Chairman and Managing Director and Mr. Hemant Bharat Ram, Director & Chief Technology Officer have resigned from the directorship on 20.12.2005.

The appointment of Mr. Naresh Kumar Jain, Managing Director, and Dr. Surendra Nath Pandey, Chairman & non executive director is governed by the resolutions passed by the Board of Directors which covers the terms and conditions of such appointment. Further, terms of appointment of managing director is subject to the approval of shareholders.

No severance fees is provided for the Chairman and the Managing Director.

Stock Option Scheme

The Company does not have any Stock Option Scheme for any of its Directors or employees.

The details of remuneration paid to Directors during the period April 1, 2005 to June 30, 2006 are as under:

Rs/ lacs

S.	Name	Sitting Fees	Salary & Perquisites
1.	Dr. Vinay Bharat-Ram	Nil	Nil
2.	Mr. Hemant Bharat Ram	Nil	22.15
3.	Mr. Naresh Kumar Jain	0.46	Nil
4.	Dr. Surendra Nath Pandey	0.50	Nil
5.	Prof. Joginder Singh Sodhi	0.56	Nil
6.	Mr. Samir Kumar Das - Nominee Director of UTI	0.30	Nil
7.	Mr. Subhash Chander Kapur - Nominee Director of LIC	0.24	Nil
8.	Mr. Shashi Ullal	0.16	Nil
9.	Mr. Bipin Maira	0.16	Nil
10.	Mr. D. H. Pai Panandikar	0.20	Nil
11.	Prof. Pramod Kumar Jain	0.14	Nil
12.	Mr. Prem Kumar Rastogi - Nominee Director of IFCI	0.22	Nil
13.	Mr. Jitendra Tuli	0.14	Nil
	TOTAL	3.08	22.15

E. Number of Directorships held :

S. No.	Director	No. of Other Directorship		No. of Other Committee membership	
		Director	Chairman	Member	Chairman
1.	*Dr. Vinay Bharat-Ram	3	2	Nil	Nil
2.	*Mr. Hemant Bharat Ram	10	Nil	Nil	Nil
3.	Mr. Naresh Kumar Jain	Nil	Nil	Nil	Nil
4.	Dr. Surendra Nath Pandey	Nil	Nil	Nil	Nil
5.	Prof. Joginder Singh Sodhi	Nil	Nil	Nil	Nil
6.	Mr. Samir Kumar Das - Nominee Director of UTI	1	Nil	Nil	Nil
7.	Mr. Subhash Chander Kapur - Nominee Director of LIC	Nil	Nil	Nil	Nil
8.	*Mr. Shashi Ullal	5	Nil	Nil	Nil
9.	*Mr. Bipin Maira	Nil	Nil	Nil	Nil
10.	*Mr. D. H. Pai Panandikar	3	Nil	2	Nil
11.	**Prof. Pramod Kumar Jain	Nil	Nil	Nil	Nil
12.	***Mr. Prem Kumar Rastogi	Nil	Nil	Nil	Nil
13.	Mr. Jitendra Tuli	1	Nil	Nil	Nil

* Ceased to be director on 20.12.2005.

** Ceased to be director on 08.12.2005.

*** Withdrawal of nomination of Mr. P.K.Rastogi by IFCI vide their letter dated 01.02.2006.

F. Important items discussed at the Board Meetings :

The Board of the Company is provided with detailed notes alongwith the agenda papers in advance in respect of various items discussed in the Board meetings, including:

1. Annual business plan.
2. Quarterly financial results.
3. Appointment of senior executives.
4. Review of operation of units.
5. Investment proposals.
6. Show cause, demand, prosecution and penalty notices.
7. Quarterly statutory compliance report.

In addition to the above, pursuant to the revised Clause 49, the minutes of the Board meetings, of the company's unlisted material subsidiary company and a statement of all significant transactions and arrangements entered into by them are also placed before the Board.

G. Code of Conduct

The Company's Board has laid down a code of conduct for all Board members and senior management of the company which has been circulated to all concerned executives through e-mail as well as by circulation through hard copies. All Board members and designated senior management personnel have affirmed compliance with the code of conduct. A declaration signed by the Chief Executive Officer to this effect is enclosed at the end of this report.

H. Risk Management

The company has laid down procedures to inform the Board members about the risk assessment and minimization procedures. These procedures are being reviewed from time to time to ensure appropriate risk management and control.

I. Audit Committee:

As on June 30, 2006, the Audit Committee of the Board comprised of Mr. Naresh Kumar Jain, Prof. Joginder Singh Sodhi and Mr. Samir Kumar Das. All the members of Audit Committee except Mr. Naresh Kumar Jain are non executive independent Directors. The terms of reference of Audit Committee include *inter-alia* systematic review of Accounting policies & practices, financial reporting process, adequacy of internal control systems and internal audit function, quarterly/half-yearly financial statements and risk management policies. It also

Corporate Governance Continued

recommends appointment of statutory auditors, internal auditors and fixation of audit fees. Mr. Samir Kumar Das, nominee Director of UTI, has financial and accounting knowledge.

Mr. Naresh Kumar Jain, was co-opted as member and Chairman of Audit Committee of Directors on December 20, 2005. Mr. D.H.Pai Panandikar, the then Chairman of the Audit Committee was present in the Annual General Meeting.

Audit Committee meetings are attended by Chief Operating and Financial Officer, Head of Internal Audit and Head of Accounts of the Company. Representatives of statutory auditors also attend the Audit Committee Meetings.

Executive Vice President and Company Secretary of the Company acts as Secretary to the Audit Committee.

During the year, seven Audit Committee meetings have taken place on May 2, 2005, June 30, 2005, July 26, 2005, October 27, 2005, January 30, 2006, May 29, 2006 and June 30, 2006.

S. No.	Name	No. of meeting held during the tenure	No. of committee meeting attended
1.	Mr. Naresh Kumar Jain	7	3
2.	Prof. Joginder Singh Sodhi	7	3
3.	Mr. Samir Kumar Das	7	6
4.	*Mr. Prem Kumar Rastogi	5	5
5.	**Mr. D.H.Pai Panandikar	4	4
6.	***Prof. Pramod Kumar Jain	4	3

* Withdrawal of nomination of Mr. P.K.Rastogi by IFCI vide their letter dated 01.02.2006.

** Ceased to be director on 20.12.2005.

*** Ceased to be director on 08.12.2005.

The composition and terms of reference of the Audit Committee are in conformity with the Listing Agreement and the Companies Act, 1956. The minutes of the meetings of the Audit committee are placed before the Board for its confirmation.

J. Share Transfer, Finance Facilities and Shareholders/ Investors Grievance Committee:

The Board has delegated the authority to approve transfer of shares/debentures to a Committee of Directors "Share Transfer, Finance Facilities & Shareholders/Investors Grievance Committee" which consists of Mr. Naresh Kumar Jain, Chairman, Dr. Surendra Nath Pandey, and Prof. Joginder Singh Sodhi, Directors. Mr. Sunil Kumar Gupta, Executive Vice President and Company Secretary, acts as the Compliance Officer. During the year, 11 meetings of Share Transfer, Finance Facilities and Shareholders/ Investors Grievance Committee have been held.

Information relating to Shareholders/ Investors Complaints is regularly placed before the committee. The status as on June 30, 2006 is as under:

No. of Complaints Received	No. of Complaints not solved to the satisfaction of share holders	No. of Pending share transfer
2101	NIL	NIL

The minutes of Share Transfer, Finance Facilities & Shareholders/ Investors Grievance Committee are placed before the Board for its information.

K. Related Party Transactions:

Related party transactions as per AS-18 have been dealt with in note 21 of schedule 12 (Notes to the Accounts). However, these transactions are not in conflict with the interest of the Company.

L. Disclosures:

The Company has not been imposed with any penalty by the Stock Exchanges, SEBI or any statutory authority on any matter relating to capital markets during the last three years.

M. Compliances:

The Company has a Legal Department headed by General Manager (Legal) which deals with the legal issues. The Secretarial Department headed by Executive Vice President and Company Secretary is responsible for

compliance in respect of Company law, SEBI, Stock Exchanges rules and regulations and other related laws.

N. Management Information System

As a matter of transparency and good governance, key operational & financial data is furnished to the Directors in every meeting of the Board. Management Discussion and Analysis is a part of the annual report.

O. CEO/CFO certification

The certificate in compliance with Clause 49V of the Listing Agreement was placed before the Board of Directors.

P. Means of communication:

The quarterly / half yearly / annual financial results are announced within the stipulated period and are normally published in Financial Express (English) and Jansatta (Hindi) newspapers as per Listing Agreement and are also forwarded to the Stock Exchanges. The results are put up on their web-site(s) by the Stock Exchanges. The Company does not have a web-site. The quarterly/ half-yearly financial results are not sent to shareholders individually.

No presentation of financial results has been made to the Financial Institutions/analysts during the year.

Q. Disclosure regarding appointment or re-appointment of Directors.

Mr. Jitendra Tuli was appointed as an additional Director w.e.f. December 20, 2005

Qualification/ Experience of Directors

- Mr. Jitendra Tuli holds a bachelors degree in Commerce from Sriram College of Commerce. He started his career in journalism with Hindustan Times in the year 1964 and moved to Statesman in 1965. In 1971, he joined IBM as Communications Officer. He is an editorial and communications consultant with World Health Organization where he served as Public Information Officer for 19 years till 1996. He is trustee of Amarjyoti Charitable Trust and is a founder member of Cancer Sehyog. He is member of Review Committee, Compensation Committee and Implementation Committee. He is also a director on the Board of DCM Engineering Limited.
- Dr. Surendra Nath Pandey, MA, LLB from Patna University, was associated with Tata Iron & Steel Company Limited for about 38 years. He was also a visiting faculty at XLRI, Jamshedpur & resident faculty of IIM, Calcutta. Dr. Pandey is one of the founder members of IIPM and NIPM. At present he is working as a consultant to a number of major enterprises. He is member of Review Committee, Compensation Committee, Implementation Committee and Share Transfer, Finance Facilities & Shareholders/Investors Grievance Committee. He is not a Director on the Board in any other Company.
- Mr. Naresh Kumar Jain, as Managing Director, he is an Arts Graduate and also holds Masters Degree in Business Administration. He is the President of Punjab Merchants Chambers, Jain Samaj, Delhi, Chairman of Rotary Club of Delhi and Gem & Jewellery Export Promotion Council. He is a member of Audit Committee, Share Transfer and Finance Facilities/Investor Grievance Committee and the Committee of Directors for Monitoring and Implementation of the Scheme(s). He is not a Director on the Board /Committee of the Board in any other Company.

GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting:

Date : 27th December 2006
Time : 10.30 a.m.
Place : MPCU Shah Auditorium,
Shree Delhi Gujarati Samaj Marg, Civil Lines,
New Delhi-110054

b. Book Closure Date : 20.12.2006 to 27.12.2006

c. Financial Calendar :

Financial reporting for the Quarter ended September'06	End of October'06
Financial reporting for the Quarter ending December'06	End of January'07
Financial reporting for the Quarter ending March'07	End of April'07
Financial reporting for the Quarter ending June'07	End of July'07

Corporate Governance Continued

- d. **Dividend Payment Date :**
The Directors have not recommended any Dividend to the Shareholders.
- e. **Registered Office :**
DCM LIMITED,
6th Floor, Vikrant Tower,
4 Rajendra Place, New Delhi-110008.
Ph. : 25719967 - 73
- f. **Registrar & Share Transfer Agent:**
MCS LIMITED
Sri Venkatesh Bhawan
W-40, Okhla Industrial Area, Phase-II,
New Delhi 110020
Ph.: 41406149 Fax: 41709881
- g. **Share Transfer System :**
The Companies' Shares are traded in the Stock Exchanges compulsorily in Demat mode as per Stock Exchanges Regulations. Physical Shares, which are lodged for transfer, are processed at MCS Limited and returned to the shareholders within 30 days from the date of receipt, subject to documents being valid and complete in all respects.
- h. **Listing :**
Shares of the Company are listed on Bombay Stock Exchange and National Stock Exchange. Listing fee for the periods April 2005 to March 2006 and April 2006 to March 2007 has been paid to both the Stock Exchanges. The Company has got its Shares delisted from Delhi Stock Exchange and Kolkata Stock Exchange.
- i. **Securities Code :**
Securities code for Company's equity shares on the Stock Exchanges are as follows:
Bombay Stock Exchange : 502820
National Stock Exchange : DCM
- j. **Dematerialisation of Shares :** The Shares of the Company are compulsorily tradable in Dematerialized form by all categories of investors and placed under rolling settlement by SEBI. The Company has signed agreement with NSDL & CDSL for dematerialization of shares. The Company's ISIN No. for dematerialisation of equity shares is INE 498A01018 . As on 30th June, 2006, over 80.56% of shares have been dematerialized.
- k. **Location of Works**
Textile Division : Mela Ground Hisar (Haryana)
IT Division : Gurgaon (Haryana)
- l. **Details of last Three AGM**

Year	Location	Date	Time	Special resolutions passed
2005	115 th AGM MPCU Shah Auditorium, Sree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi	28.09.05	10.30am	- Appointment of Auditors. - Payment of remuneration to Chief Operating & Financial Officer.
2004	114 th AGM MPCU Shah Auditorium, Sree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi	21.09.204	10.00am	- Appointment of Auditors. - Appointment of Operating head of IT Division. - Appointment of Managing Director. - Appointment of Director & Chief Technology Officer. - Alteration of Object clause of Memorandum of Association. - Commencement of new business - Delisting of Company's shares/ debentures from Delhi & Kolkata Stock Exchanges.
2004	Adj. 113 th AGM MPCU Shah Auditorium, Sree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi	01.03.04	11.30am	- Appointment of Auditors. - Delisting of Company's shares from Delhi & Kolkata Stock Exchanges.

- m. **Distribution of shareholding : As on June 30, 2006**

Category	No. of Shares	% of Shareholding
FIs/Banks/ Mutual Funds	33,09,116	19.04
NRI's	83,461	0.48
Promoters, Directors & Relatives	60,60,641	34.87
Bodies Corporate - Holding more than 10000 shares	21,97,796	12.65
Others- General Public/ Bodies Corporate /Employees/ HUF/ Trust	57,28,023	32.96
TOTAL	1,73,79,037	100.00

Number of shares	No. of shareholders	% of Total
Up to 5000	51,512	99.67
5001-10000	82	0.16
10001-50000	57	0.11
50001-100000	9	0.02
Above 100000	21	0.04

- n. **Deposits:** The Company has not raised any funds from the public during the last 5 years.
- o. **Outstanding ADRs/ GDRs:** The company has not issued any ADRs, GDRs, Warrants or any Convertible Instruments in the past few years.
- p. **Investors Correspondence:** The shareholders may address their communication to the Registrar and Share Transfer Agents at their address mentioned above or to the Executive Vice President & Company Secretary, Company Law Department, 6th Floor, Vikrant Tower, 4 Rajendra Place, New Delhi - 110008
- q. **Postal Ballot:** There was no matter passed by resolution through Postal Ballot during the period.
- r. **Market Price Data:** High and Low price of Company's Equity Shares at Bombay Stock Exchange/ National Stock Exchange during each month from 1st April, 2005 to 30th June, 2006 are as follows:

(In Rupees)

Month	Highest Price	Lowest Price
April, 05	35.70	26.50
May, 05	67.50	33.80
June, 05	61.85	47.15
July, 05	74.90	54.15
August, 05	133.55	62.15
September, 05	133.00	82.10
October, 05	97.75	58.00
November, 05	76.00	64.05
December, 05	79.70	64.20
January, 06	87.30	67.00
February, 06	81.90	66.90
March, 06	76.75	62.65
April, 06	105.55	78.15
May, 06	121.10	71.45
June, 06	72.05	46.55

NON-MANDATORY REQUIREMENT

The Company has not adopted the non-mandatory requirements as specified in Annexure-ID of the Listing Agreement , except Clause (2) relating to Remuneration Committee.

For and on behalf of the Board
Surendra Nath Pandey
(Chairman)

Chief Executive Officer Declaration

I, Vinay Bharat Ram, Chief Executive Officer of DCM LIMITED declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct for Board and Senior Management Personnel for the period ended 30th June, 2006.

Place: New Delhi
Date: 28.11.2006

Vinay Bharat Ram
(Chief Executive Officer)

DCM