

# DCM LIMITED ANNUAL REPORT

2006 - 2007

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**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

**COMPANY SECRETARY**

Mr. Pankaj Kumar Kaushik

**BANKERS**

Punjab National Bank

State Bank of Bikaner and Jaipur

**AUDITORS**

A.F. Ferguson &amp; Co.

New Delhi

**REGISTERED OFFICE**

Vikrant Tower,  
4, Rajendra Place,  
New Delhi-110 008  
Tel : 91-11-25719967-70  
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

**Registered Office :** Vikrant Tower,  
4, Rajendra Place,  
New Delhi - 110 008

## NOTICE

Notice is hereby given that the 117<sup>th</sup> Annual General Meeting of the Company will be held on Monday, the 27<sup>th</sup> day of August, 2007, at 11:30 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 Nine (9) months period ended on March 31, 2007 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Prof. J. S. Sodhi, 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 as 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 authorized 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 the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging of all the immovable and movable properties of the Company wheresoever situate, present and future, pertaining to its Textiles Unit at Hissar and the whole of the undertaking of the Company relating thereto and/or conferring power to enter upon and take possession of the assets of the aforesaid unit of the Company in certain events to or in favour of Punjab National Bank in connection with.
- a) Rupee Term Loan of Rs. 4800 Lacs to part finance the cost of expansion of production capacity from 40,212 spindles to 66,612 spindles lent and advanced/agreed to be lent and advanced by Punjab National Bank to the Company.
- b) Rupee Term Loan of Rs. 6625 Lacs to part finance the cost of expansion of production capacity from 69,636 spindles to 1,03,236 spindles, lent and advanced/agreed to be lent and advanced by Punjab National Bank to the Company
- c) Working Capital Facilities of Rs. 31.25 Crores (Fund Based: Rs. 26.00 Crores and Non Fund Based Limits: Rs. 5.25 Crores) extended/to be extended by Punjab National Bank to the Company.

RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the resolution by and with the authority of Board of Directors or any Committee thereof be and are hereby confirmed and ratified.

RESOLVED FURTHER THAT Mr. Naresh Kumar Jain, Managing Director and Mr. Pankaj Kumar Kaushik, Company Secretary be and are hereby authorised to take necessary steps, acts, actions to give a effect to the above resolution.

By the order of the Board  
For DCM Limited  
Sd/-  
**Pankaj Kumar Kaushik**  
Company Secretary

Place : New Delhi  
Date : June 28, 2007

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL 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 August 21, 2007 to August 27, 2007 (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/ Proxies are requested to produce the enclosed admission slip duly completed and signed at the entrance 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 dematerialized form, members are requested to convert their physical share certificates into electronic form.
10. Item Number 4 of the Notice requires consent of the Shareholders through Postal Ballot pursuant to section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001.
11. Members are requested to carefully go through the instructions printed on Ballot Paper at page no. 61 & 62.

### EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956 ITEM NO. 4

The Textile Industry occupies a unique place in our country. One of the earliest to come into existence in India, it accounts for 14% of the total Industrial Production and contributes to nearly 20% of the total exports & is the second largest employment generator after agriculture.

India at this juncture, with large cotton availability and a good scope to increase the yield of cotton per hectare, has the additional advantage of skilled labour and management. In this scenario, one can safely conclude that the growth of cotton yarn production in India will only intensify in the coming years.

A vision 2010 for textiles formulated by the government after intensive interaction with the industry and Export Promotion Councils to capitalise on the upbeat mood aims to increase India's share in world's textile trade from the current 4% to 8% by 2010 and to achieve export value of US \$ 50 billion by 2010.

With this view the expansion plan for adding the capacity of 26,400 spindles has been taken up. As per the current plan the production capacity is to be further expanded to 1,03,236 spindles by 2008-09.

In order to part finance the said expansion plan the term loan and working capital facilities have already been sanctioned by Punjab National Bank, Hissar as per details mentioned in resolution.

Mr. T.R. Ramamurthy of Ramamurthy Associates, Practicing Company Secretary, 9th, Rukhmini Building, A-6, Dilshan Colony, Delhi - 95 has been appointed as Scrutinizer for conducting postal ballot exercise in fair and transparent manner. The Scrutinizer will submit its report to the Chairman on or before August 25, 2007 and the Chairman shall declare the result at the 117th Annual General Meeting scheduled to be held on August 27, 2007.

The Board commends the resolution for your approval. None of the Directors of the Company is interested in any way in the above resolution.

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their 117<sup>th</sup> Annual Report alongwith audited accounts of the Company for the period ended March 31, 2007.

**FINANCIAL DATA**

Rs./Crores

	Current Year (9 Months)	Previous Year (15 Months)
Profit/(Loss) before Interest and Depreciation and Tax (PBDIT)	21.93	21.37
Less:		
— Interest	3.34	11.36
— Depreciation	3.54	5.47
Profit/(Loss) before tax	15.05	4.54
Less -Provision for tax	2.05	0.52
Profit/(Loss) after tax	13.00	4.02
Add -Profit/(Loss) brought forward	(31.83)	(35.85)
Profit/(Loss) carried to the Balance Sheet	(18.83)	(31.83)

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

The Textile Division of the company is located at Hissar in Haryana with a capacity of 56,628 spindles and has Branch Office at Delhi with manpower of 1162. The division is engaged in the production of cotton carded and combed yarns, being sold far East Countries, Middle East Countries, Europe, the USA & Bangladesh. The said capacity of Division of 56,628 spindles would increase to 72,036 by the end of year 2007.

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Under the WTO agreement, the USA, Canada & European countries have removed quotas on textile exports. With this, a huge demand of textile goods is emerging world wide. The demand is also buoyed up because of the Indian economy growing fast. With this view, the Division has planned to further expand its capacity 1,03,236 by 2009-2010.

**IT Division**

The IT Infrastructure is an all-pervading component of global economy. It however, does not form the core competence of businesses where it is deployed. Consequently the IT budget escalations are happening slowly whereas the expectations, because of business alignment with global economy, are rising. The natural outcome of this is outsourcing, preferably to a low cost destination. Nearly 80- 85% of Infrastructure operation can be outsourced to an offsite or offshore location. The Infrastructure Market projections by 2010: Gartner : US\$ 150 Billion, Nasscom: US\$ 80 – 150 Billion.

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.

Remote Infrastructure Management (RIM) is emerging as third outsourcing wave for Indian offshore services providers. The current off-shoring business from India is about US\$ 500 – 600 Million (Year 2006-07).

In technology terms, Infrastructure Management (IM) comprises of System Management, Network Management, Storage Management, Data back-up & Recovery, Applications like Data base management, Security, Performance monitoring & Audit and Help-desk.

IT Division of the Company is in a position to become a leading pure play service provider of Systems and Storage in IT Infrastructure Services. The Division has nearly a decade of expertise in Systems and Storage Administration and is in a position to provide services on System Administration, and Storage Management for customers' IT needs. The Division is in a position to help customers optimize their IT investments through its highly skilled and certified pool of engineers and cost-effective remote management capabilities, backed by robust processes.

The Division has over the years, been working on system administration and system management domains in the USA and now intends leveraging the same skills in the Indian market, to handle the customers needs, relating to skilled resources on IBM AIX and IBM Tivoli. With highly skilled and experienced and certified consultants working at global blue-chip clients' sites, global exposure through projects executed in 9 countries and a support network in India covering all the metros, the Division is amongst the largest IBM focused Infrastructure services companies.

Apart from IBM, in the last 6-8 months business associations have been developed with blue-chip IT MNCs in India, which we intend leveraging further in the current year.

The IT Division has a production method, which integrates People, Process and Services through use of technology, to meet the high expectations of our enterprise customers. Our managed services leverage economies of scale and expertise that add value and provide benefits over and above cost reduction such as higher SLA, reduced deployment time and better alignment of IT functions with business goals.

**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 to 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 September 10, 1998 rescheduling the repayments to fixed deposit holders, which now constitutes part of Scheme of Restructuring and Arrangement approved by Hon'ble High Court. In pursuance to the said order, the Company has paid a sum of Rs. 24 Crores (approx.) to various categories 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 to note 3.4 of Notes to accounts in schedule 12 of Accounts annexed).

**DIRECTORS**

The Board of the Company on December 20, 2006 appointed Mr. Naresh Kumar Jain as Managing Director for a period of one year. His appointment was placed for the approval of shareholders at the AGM held on December 27, 2006 and the same was approved by the members.

The appointment of Mr. Jitendra Tuli as Director of the company was placed before the members of the company at its AGM held on December 27, 2006 the resolution for the same was approved by the members.

**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. 16,000, it was felt that the present practice would be prudent in the current situation and payments to Depositors and Debenture-holders 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. (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-organized 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-organized 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-organization 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 finally determined. The final liability, when determined, would in case of the company, be limited only to one third of the total liability. (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 judgments 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.

#### DIVIDEND

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

#### 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 for the period ended March 31, 2007, 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, as per the requirements of Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries.

#### AUDIT COMMITTEE

The Audit Committee of the company consists of Prof. Joginder Singh Sodhi, Chairman, Mr. S.C Kapur, Mr. Jitendra Tuli and Mr. S. K. Das.

#### AUDITORS

The Auditors of the Company, M/s A.F. Ferguson & Co., Chartered Accountants, retire at the conclusion of 117<sup>th</sup> Annual General Meeting and are eligible for re-appointment. Your Board recommends their reappointment.

#### 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 10<sup>th</sup> standard in the campus at Hissar. There are over 485 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.

On behalf of the Board

Sd/-

CHAIRMAN

Place : New Delhi

Dated : June 28, 2007

#### 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 tube light (36W) Opel make, MEI Impeller and festo blower impeller has been installed. 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 effort 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 - Form B appended herein.

##### 3. FOREIGN EXCHANGE EARNINGS & OUTGO

Total Foreign Exchange used and earned	Rs. In Lacs
Foreign Exchange Earned	4993.46
Foreign Exchange Outgo	2653.54



## Corporate Governance

## FORM -A

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY: 2006-07

Particulars	2006-2007 (9 Months)	2005-2006 (15 Months)
<b>A. POWER AND FUEL CONSUMPTION</b>	<b>22684218</b>	<b>29033531</b>
<b>1. Electricity (KWH)(a)</b>		
a) Purchased:-		
Unit (KWH)	16703700	23531800
- Total Amount (Lac/Rs.)	707.42	949.14
- Rate per unit (Rs.)	4.24	4.03
b) Own Generation:		
i) Through Generator		
- Unit (KWH)	5980518	5501731
- Unit per Lt. of F.O./ L.D.O./HSD	3.42	3.54
- Cost /unit (Rs./KWH)	6.22	5.92
ii) Through Steam Turbine/Generator	Nil	Nil
<b>2. Coal</b>	Nil	Nil
<b>3. Furnace Oil (LDO&amp;HSD)</b>		
- Quantity (K.Ltr.)	1748816	1554425
- Total Amount(Lac/Rs)	371.99	306.42
- Average Rate(Rs/K/Lt.)	21.27	19.71
<b>4. Others (LPG)</b>		
- Quantity (K.Lt.)	Nil	Nil
- Total /Cost (Rs/Lac)		
- Rate/Unit (Rs/Mt)		

Particulars	2006-2007 (9 Months)	2005-2006 (15 Months)
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Particulars Standard (if any)		
- Electricity (KWH)	3.39	3.35
- Furnace Oil/HSD(Ltrs)	-	-
- Coal	-	-
- Others (LPG)	-	-

## FORM-'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION-2006-07  
RESEARCH & DEVELOPMENT

## 1. SPECIFIC AREAS IN, WHICH R&amp;D CARRIED OUT BY THE COMPANY

Textile Division : NIL

IT Division : NIL

## 2. BENEFITS DERIVED

Textile Division : NIL

IT Division : NIL

## 3. FUTURE PLAN OF ACTION

Textile Division : NIL

IT Division : NIL

## TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

## Efforts made &amp; Benefits

Textile Division : NIL

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

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) Employee 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	28.10	B.SC. MSIA	16	41	1-Aug-91	DCM Technologies Ltd.
2	Mr. Sumant Bharat Ram	Chief Operating & Financial Officer	Corporate Office	33.50	B.A(H)-Eco., MBA	11	40	4-Oct-95	DCM Realty Investment & Consulting Limited

(B) Employee 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 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. Rakesh Suri	Chief Executive Office	IT Division	7.31	B.E.	23	44	17-May-93	PCS Data General India Ltd.

Note: Remuneration includes basic salary, contribution to provident and superannuation funds, allowances and taxable value of perquisites.

## CERTIFICATE

## TO THE MEMBERS OF DCM LIMITED

We have examined the compliance of conditions of Corporate Governance by DCM limited for the period ended March 31, 2007, 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 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 investor's grievances received during the period ended March 31, 2007, 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 &amp; Co.

Chartered Accountants

Manjula Banerji

Partner

(Membership No. : 086423)

Place : New Delhi

Dated : June 28, 2007

**Corporate Governance Philosophy**

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 consistently review on a periodical basis 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 July 01, 2006 to March 31, 2007 on the practices followed at DCM Limited towards achievement of good Corporate Governance:

**A. Composition of the Board:**

As on March 31, 2007 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. Mr. Samir Kumar Das and Mr. Subhash Chander Kapur are the nominee directors of UTI and LIC respectively. The Composition of the Board is in conformity with the Listing Agreements. All the 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, at least two third of the total strength of the Board of Directors shall be subject 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, Prof Joginder Singh Sodhi, Director, who is longest in office is liable to retire by rotation at the 117<sup>th</sup> Annual General Meeting and being eligible, offers himself for re-appointment. Further, Mr. Jitendra Tuli, who was earlier appointed as an Additional Director was regularized as director by shareholders at 116<sup>th</sup> Annual General Meeting held on December 27, 2006.

**C. Board Meetings:**

During the period July 01, 2006 to March 31, 2007, five (5) meetings of the Board of Directors were held on July 28, 2006, October 30, 2006, November 28, 2006, December 27, 2006 and January 30, 2007. The attendance of each Director at these meetings was as under.

S. No.	Name	Type of Director	No. of meeting held during the tenure	No. of meeting attended	Last AGM (on 27.12.06) attended	Appointed as director on	Ceased to be director on
1.	Mr. Naresh Kumar Jain	Executive	5	5	Yes	20.12.05	—
2.	Dr. Surender Nath Pandey	Non-Executive	5	5	Yes	10.12.01	—
3.	Prof. Joginder Singh Sodhi	Non-Executive	5	5	Yes	10.12.01	—
4.	Mr. S. K. Das (Nominee)	Non-Executive	5	4	No	22.02.02	—
5.	Mr. S. C. Kapur (Nominee)	Non-Executive	5	5	Yes	09.05.03	—
6.	Mr. Jitendra Tuli	Non-Executive	5	5	Yes	20.12.05	—

**D. Code of Conduct**

The Company's Board has laid down a code of conduct for all the 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.

**E. Risk Management**

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

**F. Service Contract and Severance Fees**

The appointment of Mr. Naresh Kumar Jain, Managing Director and Dr. Surender Nath Pandey, Chairman & Non Executive Director of the Company is governed by the resolutions passed by the Board of Directors which covers the terms and conditions of such appointment. Both Executive and Non Executive Directors are paid sitting fees for attending the meetings of Board of Directors, Audit Committee, Review Committee, Share Transfer, Finance facilities & Shareholders'/Investors' Grievance Committee and Compensation Committee.

The details of remuneration paid to Directors during the period July 01, 2006 to March 31, 2007 are as under:

(Rs./Lacs)

S. No.	Name	Sitting Fees	Salary & Perquisites
1.	Mr. Naresh Kumar Jain	0.30	Nil
2.	Dr. Surender Nath Pandey	0.24	Nil
3.	Prof. Joginder Singh Sodhi	0.32	Nil
4.	Mr. Jitendra Tuli	0.14	Nil
5.	Mr. S.K. Das (Nominee)	0.20	Nil
6.	Mr. S.C. Kapur (Nominee)	0.14	Nil
<b>TOTAL</b>		<b>1.34</b>	<b>Nil</b>

**Stock Option Scheme:** The Company does not have any Stock Option Scheme for any of its Director or employee.

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

As on March 31, 2007 the Compensation Committee comprised of Dr. S.N. Pandey, Prof Joginder Singh Sodhi and Mr. Jitendra Tuli.

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 was paid to any Director except by way of sitting fees for meetings of the Board or Committees thereof.

**G. Number of Directorships/ Chairmanship held:**

S. No	Director	No. of Other Directorship		No. of Other Committee membership	
		Director	Chairman	Member	Chairman
1.	Mr. Naresh Kumar Jain	Nil	Nil	Nil	Nil
2.	Dr. S.N. Pandey	Nil	Nil	Nil	Nil
3.	Prof. Joginder Singh Sodhi	Nil	Nil	Nil	Nil
4.	Mr. S. K. Das (Nominee)	1	Nil	Nil	Nil
5.	Mr. S. C. Kapur (Nominee)	Nil	Nil	Nil	Nil
6.	Mr. Jitendra Tuli	1	Nil	Nil	Nil

**H. Important items discussed at the Board Meetings:**

The Board of the Company is provided with detailed notes along with 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.

**I. Audit Committee:**

As on March 31, 2007, the Audit Committee of the Board comprised of Prof. Joginder Singh Sodhi, Mr. S.C. Kapur and Mr. S. K. Das. All the members of Audit Committee are 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 recommends appointment of statutory auditors, internal auditors, Cost auditors and fixation of audit fees. Mr. S. K. Das, nominee Director of UTI, has financial and accounting knowledge.

Prof. Joginder Singh Sodhi was co-opted Chairman of Audit Committee of Directors on January 30, 2007.

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.

During the period, Four (4) Audit Committee meetings have taken place on July 28, 2006, October 10, 2006, November 28, 2006 and January 30, 2007.

S. No.	Name	Designation	No. of meetings held during the tenure	Number of Committee meeting attended
1.	Prof. Joginder Singh Sodhi	Chairman	4	4
2.	Mr. S. K. Das	Member	4	4
3.	*Mr. N.K. Jain	Member	4	4
4.	**Mr. S.C. Kapur	Member	4	1*

\* Ceased to be member on January 30, 2007

\*\* Mr. S. C. Kapur was appointed as Member of Audit Committee on January 30, 2007.

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 information.

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

The Board has delegated the authority to approve transfer of shares/debentures to the Company Secretary of the Company and a Committee of Directors "Share Transfer, Finance Facilities & Shareholders/Investors Grievance Committee" which consists of following members:

S. No.	Name	Designation	No. of meetings held during the tenure
1.	Mr. N. K. Jain	Chairman	7
2.	Dr. Surender Nath Pandey	Member	7
3.	Prof Joginder Singh Sodhi	Member	7

Information relating to Shareholders/ Investors Complaints are regularly placed before the Committee. The status of complaints received; disposed & pending as on March 31, 2007 is as under:

No. of Complaints Received	No. of Complaints not solved to the satisfaction of shareholders/Investors	No. of pending Complaints
1472	NIL	NIL

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

**Compliance Officer**

Mr. Pankaj Kumar Kaushik, Company Secretary of the Company acts as Compliance Officer of the Company.

**K. Related Party Transactions**

Related party transactions as per AS-18 have been dealt with in note 21 of the schedule 12 (Notes to the Accounts). 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 other 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 is responsible for compliances 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 forming part of the annual report is enclosed.

**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 quarterly/ half yearly financial results are not sent to shareholders individually.

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

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

Prof. J.S.Sodhi retires by rotation at the ensuing Annual General Meeting. Qualification/ Experience of Prof. J.S. Sodhi:

Prof. J.S. Sodhi holds a Master degree in Economics. Presently, he is the Director of Shri Ram Centre for Industrial Relations and Human Resources (SRC). He is an expert on Industrial Relations and has carried various studies for Government of India, ILO, etc.

Prof. Sodhi has 20 years of experience in Teaching, Consultancy and Research in the areas of Industrial Relations and Human Resources Management. He has worked in Premier Organisations in India. Prof. Sodhi has also been a Consultant to many National and International Organisations like ILO, Swedish International Development Agency (SIDA) and Danish International Development Agency (DANIDA).

Prof. J. S. Sodhi does not hold any shares in the Company.



**GENERAL SHAREHOLDER INFORMATION****a. Annual General Meeting :**

Date : Monday, August 27, 2007  
 Time : 11.30 a.m.  
 Place : Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi-110054

**b. Book Closure Date :** August 21, 2007 to August 27, 2007 (both days inclusive)**c. Period :** July 01, 2006 to March 31, 2007**d. Financial Calendar**

Financial reporting for the Quarter June'07	End of July '07
Financial reporting for the Quarter September'07	End of Oct '07
Financial reporting for the Quarter ending Dec'07	End of Jan'08
Financial reporting for the financial year end March'08	End of June '08

**d. Dividend Payment :** Board did not recommend any dividend for the period from July 01, 06 to March 31, 07**c. Registered Office :** DCM LIMITED,  
Vikrant Tower,  
4, Rajendra Place,  
New Delhi - 110008  
Ph. : 011-25719967 - 70**f. Registrar & Share Transfer Agent:**

MCS Limited  
 Sri Venkatesh Bhawan  
 W-40, Okhla Industrial Area,  
 Phase-II, New Delhi 110020  
 Ph. : 011-41406149, 41406151, 41406152  
 Fax : 011-41709881

**g. Share Transfer System:**

The Company's Shares are traded in the Stock Exchanges in compulsorily Demat mode as per Stock Exchanges Regulations. Physical Shares which are lodged for transfer are processed at MCS Ltd and returned to the Shareholders within 15 days from the date of receipt, subject to documents being valid and complete in all respects.

SEBI vide its Circular no. SEBI/MRD/Cir-10/2004 dated February 10, 2004 has withdrawn the facility of TCD (Transfer Cum Demat) with immediate effect. Accordingly, option letters are not issued in the first place.

**h. Listing:**

Shares of Company are listed on Bombay Stock Exchange Limited and National Stock Exchange. Listing fees for the year April 01, 2006 to March 31, 2007 has been paid to both the Stock Exchanges.

**i. Securities Code:**

Securities code for Company's equity shares on the Stock Exchanges are as follows:

Bombay Stock Exchange Limited : 502820

National Stock Exchange : DCM

**j. Dematerialization of Shares:**

The Shares of the Company are compulsorily tradable in Dematerialised 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. ISIN No. of Company for dematerialization of equity shares is INE 498A01018. As on March 31, 2007, over 80.89% shares have been dematerialized.

**k. Location of Works:**

Textile Division;  
 Mela Ground Hissar (Haryana)  
 IT Division; Gurgaon (Haryana)

**l. Details of last three AGMs**

Year	Location	Date	Time	Special Resolutions passed
2006	116 <sup>th</sup> AGM MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi	27.12.06	10.30am	- Revision of Remuneration to Chief Operating & Financial Officer - Appointment of MD w.e.f 20.12.2005 - Appointment of MD w.e.f 20.12.2006
2005	115 <sup>th</sup> AGM MPCU Shah Auditorium, Shree 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 <sup>th</sup> AGM MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi	21.09.04	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

**m. Distribution of shareholding : as on March 31, 2007**

Category	No. of Shares	% of Shareholding
Promoters, Directors & Relatives	68,69,373	39.52
FIs/Banks/UTI/Central Govt./State Govt.	36,71,763	21.13
Bodies Corporate	10,40,960	5.99
NRI/Trust	7,79,732	4.49
Individuals	5017209	28.87
<b>TOTAL</b>	<b>1,73,79,037</b>	<b>100.00</b>

Number of shares	No. of Shareholders	% of Shareholding
Up to 5000	50,349	23.46
5001-10000	81	3.19
10001 - 50000	50	7.27
50001-100000	5	1.86
Above 100000	22	64.21

**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 Instrument.

**p. Investors Correspondence:**

The shareholders may address their communication to the Registrar and Share Transfer Agents at their address mentioned above or to the Company Secretary, Vikrant Tower, 4 Rajendra Place, New Delhi - 110008 or at exclusively designated e-mail ID for any grievance at investors@dcmds.co.in.

**q. Postal Ballot:**

There was no matter requiring passing of resolution by shareholders through Postal Ballot during the period under review.

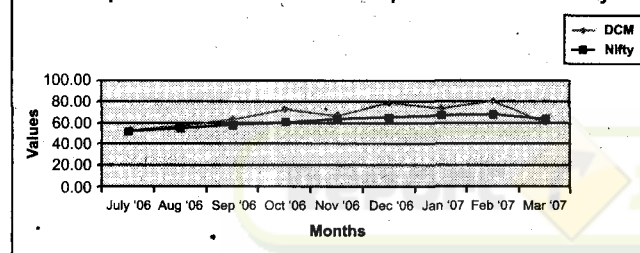
**r. Market Price Data:**

High and Low price of Company's Equity Shares at Mumbai Stock Exchange/ National Stock Exchange during each month from July 01, 2006 to March 31, 2007 are as follows:

(In Rupees)

DCM LIMITED		
Month	Highest Price	Lowest Price
July'06	51.65	42.90
Aug'06	56.65	45.60
Sep'06	63.50	52.30
Oct'06	73.45	58.95
Nov'06	66.50	58.20
Dec'06	79.10	59.95
Jan'07	74.35	66.70
Feb'07	81.35	62.20
Mar'07	62.50	48.30

Comparison of DCM Limited's share price with S&amp;P CNX Nifty

**NON-MANDATORY REQUIREMENTS****Compensation Committee**

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

As on March 31, 2007 the Compensation Committee comprised of Dr. S.N. Pandey, Prof Joginder Singh Sodhi and Mr. Jitendra Tuli.

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 was paid to any Director except by way of sitting fees for meetings of the Board or Committees thereof.

For and on behalf of the Board

Sd/-

Place : New Delhi

Surender Nath Pandey

Dated : June 28, 2007

(Chairman)

**Chief Executive Officer Declaration**

"I, Dr. Vinay Bharat-Ram, Chief Executive Officer of DCM Limited, certify based on annual disclosures received, that all Board members and senior management personnel have abided by the code of conduct laid down by the Company."

Sd/-

Dr. Vinay Bharat-Ram  
Chief Executive Officer**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Developments**

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.

India at this juncture, with large cotton availability and good scope to increase the yield of cotton per hectare, has the additional advantage of skilled labour and management. In this scenario, one can safely conclude that the growth of cotton yarn production in India will only intensify in the coming years.

To help the Industry grow Government has provided a time bound scheme called Technology Upgradation Fund (TUF) which provide five percent reimbursement on the interest charged by the lending agency on a project for capital expenditure for upgrading/expansion of existing facilities. VAT has been implemented in most of the states, which is beneficial to the operation of the division.

Under WTO agreement, the USA, Canada & European Countries have removed quotas on textile exports. With this, huge demand of textile goods is emerging in India. The demand is also buoyed up because of Indian economy growing continuously. Benefit of this will accrue to the organized sector making textile products.

**TEXTILE DIVISION**

The Division has a spinning mill of 56,628 spindles producing cotton carded and combed yarns. The mill is located at Hisar in Haryana and has Branch Office at Delhi. Yarn is sold in domestic market and is also exported to Far East Countries, Egypt, Portugal & Bangladesh.

The project to install 26,400 spindles was envisaged to be implemented in two phases of 14,400 spindles & 12,000 spindles. The phase-1 of 14,400 spindles has been in 100% production from November, 2006. Production & quality of the project has been as forecasted and products are being accepted by the customers.

The production of phase-2 of 12,000 spindles has started from June, 2007 and 100% production shall be from August, 2007.

**Opportunities & Outlook**

The profitability of cotton spinning sector has improved considerably in the previous year. Demand for cotton yarn in India is rising as more & more international companies are sourcing their requirements from India. There have been frequent media reports on increasing interest of international sourcing organization for garments and textiles from India. They are opening new offices in the country and offices already operating in the country are being upgraded and expanded. Coupled with likely availability of good raw material at reasonable prices because of spread of superior seeds, profitability of cotton spinning sector is likely to improve further. With this in view, in order to avail the said growth opportunities the division has decided to further expand its capacity. As per current plans its installed capacity would be increased to 1,03,236 by 2009-10.

**Manpower Development/ Industrial Relations :**

The industrial relation of the management with workers are very cordial.

The knowledge, competency and skills of people are being continuously developed to support the employees to become effective leaders. Training of the employees is a continuous and integrated process. Prior to training competency of each employee is being assessed to identify potential of individuals. Training and mentoring programs are designed accordingly. The belief in investing today in training is to create tomorrow's leaders. Continuous experimentation with ways to improve the quality and productivity of our processes is going on, so as to promote the culture of excellence. The unit employs 1162 number of people.