

DCM INVESTED ANNUAL REPORT

2004 - 2005

BOARD OF DIRECTORS

Dr. Vinay Bharat Ram

*Chairman &
Managing Director*

Mr. Hemant Bharat Ram

*Director & Chief
Technology Officer*

Dr. Surender Nath Pandey

Mr. Naresh Kumar Jain

Prof. Joginder Singh Sodhi

Mr. S. K. Das

Mr. S. C. Kapur

Mr. D. H. Pai Panandikar

Mr. Bipin Maira

Mr. Shashi Ullal

Prof. P. K. Jain

Mr. P. K. Rastogi

SECRETARY

Mr. S. K. Gupta

BANKERS

Punjab National Bank

State Bank of Bikaner & Jaipur

AUDITORS

A. F. Ferguson & Co.,

New Delhi

REGISTERED OFFICEVikrant Tower,
4, Rajendra Place,
New Delhi-110 008
Tel: 91-11-25719967-73
Fax: 91-11-25765214**SHARE TRANSFER AGENT**MCS Limited
Sri Venkatesh Bhawan, W-40,
Okhla Industrial Area, Phase-II,
New Delhi-110 020
Tel: 91-11-26384909
Fax: 91-11-26384907

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

NOTICE

Notice is hereby given that the 115th Annual General Meeting of the Company will be held on Wednesday, the 28th September, 2005 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:

- To receive, consider and adopt the Audited Accounts for the financial year ended on 31st March, 2005 and the reports of the Directors and Auditors thereon.
- To appoint a Director in place of Prof. Joginder Singh Sodhi, who retires by rotation and, being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. Naresh Kumar Jain, who retires by rotation and, being eligible, offers himself for re-appointment.
- To consider and, if thought fit to pass the following resolution with or without modification(s), as a Special Resolution:

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

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 314 (1B) and other applicable provisions of the Companies Act, 1956 and subject to the Shareholders/Central Government and other rules, regulations as may be applicable, Mr. Sumant Bharat Ram, Chief Operating and Financial Officer a relative of Dr. Vinay Bharat Ram, Chairman and Managing Director of the Company, be paid remuneration with effect from 1st April, 2005 as under:

- | | |
|-----------------------|---|
| i) Salary | <ul style="list-style-type: none"> Rs. 1,50,000/- per month as basic Rs. 25,000/- per month as Special Allowance |
| ii) Perquisites | <p>He will be entitled to the following benefits/perquisites as per Company Policy and rules applicable to his cadre:</p> <ul style="list-style-type: none"> Company leased accommodation. Medical reimbursement against submission of bills Hospitalisation Insurance Leave Travel Allowance once in a calendar year for travel in India upto Rs. 50,000/- per annum. A company maintained car for official use which will also be available for personal use as and when needed. The valuation as per 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 | <ul style="list-style-type: none"> Bonus upto 1% of the net profits of the Company for the relevant year. |
| iv) Terminal benefits | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 items 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.

By the order of the Board
For DCM LIMITED

S. K. Gupta
(Vice President &
Company Secretary)

Place : New Delhi
Date : June 30, 2005

Notes :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK FORM OF PROXY IS ENCLOSED.
- The Register of Members of the Company will remain closed from 23 September, 2005 to 28 September, 2005 (both days inclusive).
- Shareholders are requested to notify change in their address along with PIN CODES, to the Company at its Registered office quoting their Folio Numbers.
- 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.
- Members are requested to bring their copy of Annual Report. No extra copy would be available for distribution at the meeting.
- Shareholders/ Proxy are requested to produce at the entrance the enclosed admission slip duly completed and signed, for admission to the meeting hall.
- Members who are holding Company's shares in dematerialised form are requested to bring details of their Depository Account Number for identification.
- 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.
- 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

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

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

ITEM NO.5

The Board of Directors in its meeting held on 10.12.2001 appointed Mr. Sumant Bharat Ram as the Chief Operating and Financial Officer of the Company without remuneration.

Mr. Sumant Bharat Ram has 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. Keeping in view his pivotal role in the post-restructuring scenario, it is proposed to pay remuneration to him with effect from 1st April, 2005.

TORS' REPORT

Directors have pleasure in presenting their annual report alongwith accounts of the Company for the year ended 31st March'05.

CIAL DATA

	Crores/Rs.	
	Current Year	Previous year
/(Loss) before interest	6.15	8.94
depreciation and tax		
-Interest	1.63	1.93
-Depreciation	4.28	4.70
/(Loss) before tax	0.24	2.31
- Provision for tax	0.13	0.29
/(Loss) after tax	0.11	2.02
- Profit/(Loss) brought	(35.96)	(37.99)
ard		
/(Loss) carried to the	(35.85)	(35.96)
alance Sheet		

END

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

ATIONS OVERVIEW**Division**

Division has a spinning mill of 39204 spindles producing cotton carded, and mélange yarns. The mill is located at Hisar in Haryana and has Offices at Delhi, Kanpur and Ludhiana. Yarn is sold in domestic and is also exported to far east countries, South Africa, & Bangladesh. Employees' strength is 778.

The Vision paper on Textile Sector prepared by CRISIL for Confederation of Indian Textile Industry (CITI), the cotton yarn production is likely to grow from the present level of 2212 million Kgs. to 4424 million Kgs. by 2010. Consequently, the country's cotton requirements are likely to reach a level of 35 million bales by 2010 production of which seems possible as seeds and Bt cottons are spreading fast in India leading to rise in yield. 'How much India gains in a quota-free regime will depend on how the industry upgrades itself,' says Mr. D.K. Nair, Sec. Gen. of CITI. Mr. Nair adds that India is one of the only three countries that have a strong textile producing everything from fibre to finished apparel.

Profitability of cotton spinning sector has improved considerably in the last few years. Demand for cotton yarn in India is rising as more & more retail retailers like Wal-Mart are sourcing their requirements from India. There have been frequent media reports on increasing interest of multinational 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 expanded and upgraded. Coupled with likely availability of 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, the division has decided to expand its capacity by 18432 spindles in the next few years.

As has been implemented in most of the States, which is beneficial to the growth of the division.

vision**Restructure Services Business**

In the year 2004-2005 the US market had stabilized but this recovery was more on efficiency enhancements rather than revenue increases. The focus of the US industry continued to center around outsourcing of the core services.

Division's initiative in previous years on developing new business line of Management area started paying off this year. This line is expected to strengthen in the next year due to its product breadth and is slated to emerge as a leading revenue earner.

New product development efforts are continuing in the areas of Database Management and Security Services. These efforts are further expected to broaden offerings in the US market.

Embedded Systems Business

Embedded Systems Services is a new emerging market where even a small division like ours can create its niche and aim to become a leader in the long run.

DCM's IT division took a conscious decision to reduce its focus on ASIC and align all its energies to Embedded Systems business.

The current engagements with lead clients are expected to grow in scope leading to more stability in the revenues.

DCM has been a strong player in the embedded wireless domain. To widen its offering the division decided to add automotive segment to its portfolio.

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.

The repayments would also be regulated by subsequent proposed modification in the schedule of repayment subject to the approval of the Hon'ble High Court of Delhi due to delay in implementation of the Scheme of Restructuring and Arrangement on account of pendency of modification of charges/withdrawal of legal action(s) against the Company by certain Financial Institutions.

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 approved by Hon'ble High Court. In pursuance to the said order, the company has paid a sum of Rs 21.37 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 and subsequent proposed modification in the schedule of repayment subject to the approval of the Hon'ble High Court of Delhi due to delay in implementation of the Scheme of Restructuring and Arrangement on account of pendency of modification of charges/withdrawal of legal action(s) against the Company by certain Financial Institutions.

DIRECTORS

Mr. P. K. Rastogi was nominated by IFCI as a Director w.e.f. June 30, 2004.

Dr. Surender Nath Pandey retired by rotation and was re-appointed in the 114th Annual General Meeting held on 21st September, 2004.

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 (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 & 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 12 of Notes to Accounts in Schedule 12 of Accounts annexed)

DCM

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217

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

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

PERSONNEL

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

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

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

SUBSIDIARY COMPANIES

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 year ended 31st March, 2005 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 presented by the Company includes the financial information of its subsidiaries.

MERGER OF DCM REALTY INVESTMENT AND CONSULTING LTD. WITH DCM LTD.

The Board of Directors has in principle approved the merger of DCM Realty Investment and Consulting Limited, a wholly owned subsidiary with the Company.

AUDIT COMMITTEE

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

AUDITORS

The Auditors of the Company, M/s A.F. Ferguson & Co., Chartered Accountants, retire at the 115th 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 Employees of all the divisions of the Company contributed a days' salary to the Prime Minister Relief Fund for providing assistance to the Tsunami victims.

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.

The company has adopted and laid down a policy of towards HIV/AIDS prevention and care for its employees.

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 :30.06.2005

On behalf of the Board

Place: New Delhi

CHAIRMAN & MANAGING DIRECTOR

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY**(a) Energy Conservation Measures Taken:****Textile Division:**

DCM Textiles has adopted Energy Management as one of the important steps for reducing the cost of production in order to remain competitive in market and also to ensure that scarce energy resources are utilized in the most efficient manner.

Some of the measures taken by the Company for energy conservation are listed below.

1. Water Pump impellers trimmed for optimization of flow.
2. Intermittent operation of dust suction fans of Autoconers 238.
3. Electronic chokes are being installed on shop floor where the operations are on round the clock basis.
4. Waste exhaust heat of captive power is being used to heat the circulating Lub-oil thus replacing the Electric Heaters.

IT Division

The company's 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 priority area.

(b) Additional Investment and Proposals for Reduction of consumption of Energy**Textile Division**

- Purchase of energy efficient motors for MEI ring frames.
- Improvement of power factors to unity.
- Replacement of Pneumfil fans to SITRA designed energy efficient fans.
- Replacement of conventional tube lights to CFLs.

IT Division - N.A.**(c) Impact of the above measure****Textile Division**

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

IT Division - N.A.

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

Textile Division

Form-A appended herein.

IT Division - N.A.

2. TECHNOLOGY ABSORPTION

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

3. FOREIGN EXCHANGE EARNINGS & OUTGO:

Total Foreign Exchange used and earned

(Rs./ Lacs)

Foreign exchange earned

5580.00

Foreign Exchange Outgo

3325.57

FORM-A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY : 2004-05

Particulars	2003-2004 (12 Months)	2004-2005 (12 Months)
A POWER AND FUEL CONSUMPTION		
1. Electricity (KWH)	21872814	22118306
(a) Purchased:		
- Unit (KWH)	4736420	12310000
- Total Amount (Lac/Rs.)	189.95	498.87
- Rate per unit (Rs.)	4.01	4.05
(b) Own Generation:		
(i) Through Generator		
Unit (KWH)	17136394	9808306
Unit per Lt. of F.O./	3.62	3.57
L.D.O./HSD		
- Cost /unit (Rs./KWH)	3.37	3.87
(ii) Through Steam Turbine/ Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil (LDO&HSD)		
- Quantity (K.Lt)	4733257	2744586
- Total Amount (Lac/Rs)	531.77	379.86
- Average Rate (Rs/K/Lt)	11.23	13.84
4. Others (LPG)	NIL	NIL
- Quantity (K.Lt)		
- Total/Cost (Rs/Lac)		
- Rate/Unit (Rs/Mt)		
B. CONSUMPTION PER UNIT OF PRODUCTION		
Particulars Standards (if any)		
- Electricity (KWH)	3.37 Per Kgs.	3.26 Per Kgs.
- Furnace Oil/HSD(Lt)		
- Coal		
- Others (LPG)		

FORM-'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION -2004-05:

RESEARCH & DEVELOPMENT

1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY

Textile Division

NIL

IT Division

The division is constantly involved in R&D efforts and has during the year been involved in the latest evolving standards in the Wireless domain. The division has developed a software prototype for Wimax technology

2. BENEFITS DERIVED

Textile Division

NIL

IT Division

The continuous R&D efforts have established the division as a reputed player in the wireless area and has helped us in obtaining offshore development orders.

3. FUTURE PLAN OF ACTION

Textile Division

Not Applicable

IT Division

The future plans of the division include, continuously tracking the evolving trends in wireless and automotive embedded technologies and developing newer Intellectual properties in these areas.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

Efforts made & Benefits

Textile Division

NIL

IT Division

The division is operating in the fast evolving, hi-tech area, involving new technologies connected with both software and hardware. The division has been working on the latest wireless, automotive and IBM storage products, which necessitate regular technical upgradation of skills. Training of employees in the latest and most appropriate technologies would therefore continue to remain a key focus area and a business compulsion.

Annexure

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

Sr. No.	Name of the Employee	Age	Designation	Qualification	Experience (Yrs)	Date of Joining	Total Remuneration (Rs.)	Particular of Last Employment
1.	Heinant Bharat Ram	39	Director & Chief Technology Officer	B.Sc.(Mathematics and Computer Science), M.S (Industrial Administration)	14	01.10.2003	30,53,300	DCM Technologies Ltd.
2.	Shivraj Gupta	31	Project Manager	M.Tech.	7	01.04.2003	2,26,256	DCM Technologies Ltd.

Notes :

1. Remuneration comprises basic salary, allowances and taxable value of perquisites.
2. The Department of Company affairs has amended the Companies (Particulars of Employees) Rules, 1975, to the effect that particulars of employees of companies engaged in Information Technology, who are posted and working outside India, not being Directors or their relatives, drawing more than rupees twenty four lakhs per year or rupees two lakhs per month, as the case may be, need not be included in the statement as above. Accordingly details of employees who are posted and working outside India are not included above.

CERTIFICATE**OF THE MEMBERS OF DCM LIMITED**

We have examined the compliance of conditions of Corporate Governance by DCM Limited for the year ended March 31, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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 compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

We state that in respect of investors' grievances received during the year ended March 31, 2005, 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

J.M.Seth

Partner

(Membership No:17055)

Office: New Delhi

Date: June 30, 2005

Corporate Governance

The Company is committed to increase long term shareholders value and believes in an open governance process based on transparency, accountability, integrity and fairness. We shall progressively strive towards strengthening Board/Committee processes to manage business effectively and in compliance with the legal requirement and best practices in governance. Given below is a brief report for the April 1, 2005 to March 31, 2005 on the practices followed at DCM Limited towards achievement of good corporate governance.

Composition of the Board :

As on March 31, 2005, the Board comprised of Twelve Directors, namely, Dr. Vinay Bharat-Ram, Chairman & Managing Director, Mr. Hemant Bharat Ram, Director and Chief Technology Officer, Mr. Naresh Kumar Jain, Dr. Surender Nath Pandey, Prof. Joginder Singh Sodhi, Mr. S. K. Das, Mr. S. C. Kapur, Mr. Shashi Ullal, Mr. Bipin Maira, Mr. D. H. Pai Panandikar, Prof. P. K. Jain and Mr. P.K. Rastogi. Except Dr. Vinay Bharat-Ram and Mr. Hemant Bharat Ram, all other Directors are non-executive and independent directors. The Composition of the Board is in conformity with the Listing Agreement. The non-executive Directors bring with them rich and varied experience in different facets of the corporate functioning. They play an active role in the meetings of the Board. None of the non-executive directors have any pecuniary relationship with the Company.

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, Prof. J. S. Sodhi and Mr. Naresh Kumar Jain, Directors, are liable to retire by rotation at the 115th Annual General Meeting. Further, Mr. P. K. Rastogi, was nominated by IFCI as a director with effect from 30.06.04.

C. Board Meetings:

During the period April 1, 2004 to March 31, 2005, 5 meetings of the Board of Directors were held on June 30, 2004, July 30, 2004, September 21, 2004, October 29, 2004 and January 31, 2005.

S. No.	Name	No. of meetings held during the tenure	No. of meetings attended	Last AGM (on 21.09.04) attended	Appointed as director on	Ceased to be a director on
1.	Dr. Vinay Bharat-Ram	5	5	Yes	27.01.2004	—
2.	Mr. Hemant Bharat Ram	5	4	Yes	01.03.2004	—
3.	Mr. Naresh Kumar Jain	5	5	Yes	17.02.2001	—
4.	Dr. Surender Nath Pandey	5	4	Yes	10.12.2001	—
5.	Prof. Joginder Singh Sodhi	5	5	Yes	10.12.2001	—
6.	Mr. S. K. Das - Nominee Director of UTI	5	5	Yes	22.02.2002	—
7.	Mr. S. C. Kapur - Nominee Director of LIC	5	5	Yes	09.05.2003	—
8.	Mr. Shashi Ullal	5	5	Yes	13.01.2004	—
9.	Mr. Bipin Maira	5	4	Yes	13.01.2004	—
10.	Mr. D. H. Pai Panandikar	5	3	No	13.01.2004	—
11.	Prof. P. K. Jain	5	5	Yes	13.01.2004	—
12.	Mr. P. K. Rastogi - Nominee Director of IFCI	5	4	Yes	30.06.2004	—

D. Directors Remuneration

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

As on March 31, 2005 the Compensation Committee comprised of Dr. Surender Nath Pandey, Chairman, Prof. Joginder Singh Sodhi, Mr. Shashi Ullal and Mr. Bipin Maira.

During the year, two meetings of the Committee were held on May 11, 2004 and January 31, 2005.

S. No.	Name	No. of meetings held during the tenure	No. of Committee meetings attended
1.	Dr. Surender Nath Pandey	2	1
2.	Mr. Shashi Ullal	2	2
3.	Mr. J. S. Sodhi	2	2
4.	Mr. Bipin Maira	2	1

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 Mr. Hemant Bharat Ram, Director & Chief Technology Officer of the Company. He has been appointed as Director & Chief Technology Officer w.e.f. 01.03.2004 for a period of three years. The appointment may be terminated by either party by giving a notice of one month.

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

Service contract and severance fees

The appointment of Chairman & Managing Director and Director & Chief Technology Officer is governed by the resolutions passed by the Board of Directors, which covers the terms and conditions of such appointment.

In the event of termination by the Company, Director & Chief Technology Officer shall be entitled to receive compensation in accordance with the provisions of the Companies Act, 1956. No severance fees is provided for the Chairman & Managing Director.

Stock Option Scheme

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

The details of remuneration paid to Directors during the period April 1, 2004 to March 31, 2005 are as under:

Rs/ lacs			
S. No.	Name	Sitting Fees	Salary & Perquisites
1.	Dr. Vinay Bharat-Ram	Nil	Nil
2.	Mr. Hemant Bharat Ram	Nil	30.53
3.	Mr. Naresh Kumar Jain	0.48	Nil
4.	Dr. Surender Nath Pandey	0.44	Nil
5.	Prof. Joginder Singh Sodhi	0.48	Nil
6.	Mr. S. K. Das- Nominee Director of UTI	0.34	Nil
7.	Mr. S. C. Kapur - Nominee Director of LIC	0.26	Nil
8.	Mr. Shashi Ullal	0.30	Nil
9.	Mr. Bipin Maira	0.18	Nil
10.	Mr. D. H. Pai Panandikar	0.14	Nil
11.	Prof. P. K. Jain	0.18	Nil
12.	Mr. P. K. Rastogi - Nominee Director of IFCI	0.08	Nil
	TOTAL	2.88	30.53

E. Number of Directorship 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. S. N. Pandey	Nil	Nil	Nil	Nil
5.	Prof. Joginder Singh Sodhi	Nil	Nil	Nil	Nil
6.	Mr. S. K. Das- Nominee Director of UTI	1	Nil	Nil	Nil
7.	Mr. S. C. 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	4	Nil
11.	Prof. P. K. Jain	Nil	Nil	Nil	Nil
12.	Mr. P. K. Rastogi	Nil	Nil	Nil	Nil

F. Important items discussed at the Board Meetings :

The Board of the Company is provided with detailed notes alongw the agenda papers in advance in respect of various items discussed in t 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.

G. Audit Committee:

As on March 31, 2005, the Audit Committee of the Board compris of Mr. D. H. Pai Panandikar, Chairman, Mr. S. K. Das, Prof. P. K. J and Mr. P. K. Rastogi. All the members of Audit Committee are n executive independent Directors. The terms of reference of Auc Committee include *inter-alia* systematic review of Accounting polic & practices, financial reporting process, adequacy of internal cont systems and internal audit function, quarterly/half-yearly financ statements and risk management policies. It also recommends appointm of statutory auditors, internal auditors and fixation of audit fees. Mr. K. Das and Mr. P. K. Rastogi - nominee Directors of UTI and IF respectively have financial and accounting knowledge.

Mr. P. K. Rastogi, the nominee Director of IFCI was co-opted as meml of Audit Committee of Directors on January 31, 2005. Mr. P. K. Ja the then Chairman of the Audit Committee was present in the Ann General Meeting.

Audit Committee meetings are attended by Chief Operating and Finan Officer, Head of Internal Audit and Head of Accounts of the Compa Representatives of statutory auditors also attend the Audit Committee Meetir Vice President and Company Secretary of the Company acts as Secret to the Audit Committee.

During the year, Four Audit Committee meetings have taken place on Ju 30, 2004, July 30, 2004, October 29, 2004 and January 31, 2005.

S. No.	Name	No. of meetings held during the tenure	No. of Committee meeting attended
1.	Mr. D. H. Pai Panandikar	4	2
2.	Prof. P. K. Jain	4	4
3.	Mr. S. K. Das	4	4
4.	Mr. P. K. Rastogi		

The composition and terms of reference of the Audit Committee are conformity with the Listing Agreement and the Companies Act, 19 The minutes of the meetings of the Audit Committee are placed bef the Board for its information.

H. Share Transfer, Finance Facilities and Shareholders/ Investors Grievan Committee:

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

Information relating to Shareholders/ Investors Complaints are regularly placed before the committee. The status as on March 31, 2005 is as under :

No. of Complaints Received	No. of Complaints not solved to the satisfaction of shareholders	No. of pending share transfers
578	Nil	Nil

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

I. Code of conduct

The Board has laid down and implemented a code of conduct for all Board members & senior management personnel of the Company.

J. Related Party Transaction:

Related party transactions as per AS-18 have been dealt with in note 22 of the schedule 12 (Notes to the Accounts). However, these transactions are not in conflict with the interest of the Company.

K. 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.

L. Compliances :

The Company has a Legal Department headed by General Manager (Legal) which deals with the legal issues. The Secretarial Department headed by Vice President and Company Secretary is responsible for compliance in respect of Company law, SEBI, Stock Exchanges rules and regulations and other related laws.

M. 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.

N. 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 Financial Institutions/analysts during the year.

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

Mr. P. K. Rastogi was nominated by IFCl as a Director w.e.f. June 30, 2004.

Qualification/ Experience of Directors

I. Mr. P.K. Rastogi holds a bachelor degree in commerce from Lucknow University and a degree in Law from Agra University. He has been practising in the field of Chartered Accountancy over the last 35 years. Mr. P.K. Rastogi is a member of Audit Committee. He is not a Director on the Board in any other Company.

II. Prof. Joginder Singh Sodhi holds a Master's Degree in Economics having 20 years of academic experience. He has been a Professor at the International Management Institute and also a visiting faculty, University of Western Australia, Hitot Subhashi University, Japan & Victoria University of Wellington, New Zealand. He is also editor of the Indian Journal of Industrial Relations. Prof. Joginder Singh Sodhi is a member of Compensation Committee and Share Transfer and Finance Facilities/ Investor Grievance Committee of the Company. He is not a Director on the Board in any other Company.

III. Mr. Naresh Kumar Jain 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 (Environment and Pollution) and Gem & Jewellery Export Promotion Council. He is a member of the Committee of Directors for Monitoring and Implementation of the Scheme(s) and Share Transfer and Finance Facilities/Investor Grievance Committee. He is not a Director on the Board/Committee of the Board in any other Company.

GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting :

Date : 28th September, 2005
Time : 10.30 a.m.
Place : MPCU Shah Auditorium,
Shree Delhi Gujarati Samaj Marg, Civil Lines,
New Delhi-110054

b. Book Closure Date : 23.09.2005 to 28.09.2005

c. Financial Calendar :

Financial reporting for the Quarter ending June'05	End of July'05
Financial reporting for the Quarter ending September'05	End of October'05
Financial reporting for the Quarter ending December'05	End of January'06
Financial reporting for the Quarter ending March'06	End of June'06

d. Dividend Payment Date :

The Directors have not recommended any Dividend to the Shareholders.

e. Registered Office : DCM LIMITED,
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. : 26384909,
26384911, 26384914
Fax : 26384907

g. Share Transfer System:

The Company's 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 Ltd. and returned to the shareholders within 30 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 and Transfer Cum Demat requests are not confirmed.

h. Listing :

Shares of Company are listed on Mumbai and National Stock Exchanges. Listing fee for the period April, 2004 to March, 2005 has been paid to all Stock Exchanges. The company has got its Shares delisted from Delhi Stock Exchange during the year and matter of delisting with Kolkata Stock Exchange is in progress.

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 Dematerialised form by all categories of investors and placed under rolling settlement by SEBI. The Company has signed agreement with NSDL & CDSL for dematerialisation of shares. The Company's ISIN No. for dematerialisation of equity shares is INE 498A01018. As on 31st March, 2005, over 78.31% shares have been dematerialised.

k. **Location of Works :**

Textile Division : Mela Ground Hisar (Haryana)

IT Division : Gurgaon (Haryana)

l. **Details of last Three AGM**

Year	Location	Date	Time
2004	114 th AGM MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi-110054	21.09.2004	10.00. A.M.
2004	Adj. 113 th AGM MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi-110054	01.03.2004	11.30. A.M.
2004	Adj. 112 th AGM MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi-110054	01.03.2004	10.30. A.M.

m. **Distribution of shareholding:** As on March 31, 2005

Category	No. of Shares	% of Shareholding
Fls/Banks/ Mutual Funds	28,03663	16.13
NRIs	58,664	0.34
Promoters, Directors & Relatives	61,97,701	35.66
Bodies Corporate- Holding more than 10000 shares	31,39,172	18.06
Others General Public/ Bodies Corporate /Employees/ HUF/ Trust	51,79,837	29.81
TOTAL	1,73,79,037	100.00

Number of shares	No. of shareholders	% of Total
Up to 5000	51,964	97.42
5001-10000	701	1.31
10001 - 20000	316	0.59
20001 - 30000	119	0.22
30001 - 40000	43	0.08

40001- 50000	40	0.07
50001-100000	61	0.11
Above 100000	98	0.20

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 Vice President & Company Secretary, Vikrant Tower, 4 Rajendra Place, New Delhi - 110008

q. **Postal Ballot :** There was one matter requiring passing of resolution through Postal Ballot during the period. This was item no. 13 of the notice for the 114th Annual General Meeting which was transacted by Postal Ballot.

r. **Market Price Data :** High and Low price of Company's Equity Shares at Mumbai Stock Exchange/ National Stock Exchange during each month from 1st April, 2004 to 31st March, 2005 are as follows:

(In Rupees)

Month	Highest Price	Lowest Price
April, 2004	13.80	10.25
May, 2004	14.00	10.30
June, 2004	13.00	9.51
July, 2004	14.75	11.05
August, 2004	22.00	11.30
September, 2004	31.40	17.25
October, 2004	36.95	26.10
November, 2004	52.00	30.25
December, 2004	50.90	40.55
January, 2005	46.00	32.00
February, 2005	46.45	32.00
March, 2005	43.80	24.45

For and on behalf of the Board

Vinay Bharat-Ram
(Chairman & Managing Director)