

# DCM LIMITED ANNUAL REPORT

2007 - 2008

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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  
(Nominee - UTI)Mr. S.C. Kapur  
(Nominee - LIC)**COMPANY SECRETARY**

Mr. Bhabagrahi Pradhan

**BANKERS**Punjab National Bank  
State Bank of Bikaner and Jaipur**AUDITORS**A.F Ferguson & Co.  
New Delhi**REGISTERED OFFICE**Vikrant Tower,  
4, Rajendra Place,  
New Delhi-110 008  
Tel : 91-11-25719967-70  
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

DCM Limited

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

**NOTICE**

Notice is hereby given that the 118th Annual General Meeting of the Company will be held on Wednesday the 23rd day of July 2008 at 12.30 P.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 as at March 31, 2008 and the reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Jitendra Tuli, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and, if thought fit to pass the following resolution with or without modification(s), as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 224 and other applicable provisions, if any, of the Companies Act, 1956 M/s A.F. Ferguson & Company, Chartered Accountants, New Delhi, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that the Audit Committee of the Board of Directors be and is hereby 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 subject to such approvals, as may be necessary under the applicable provisions of the Companies Act, 1956 and/or any amendment/modification(s) thereof, Mr. Naresh Kumar Jain be and is hereby appointed as Managing Director of the Company w.e.f. 20th December, 2007 without payment of salary and perquisites but with sitting fees as paid to the other Directors, for a period of one year, which is extendable for further period(s) not exceeding 5 years, on each occasion from time to time at the discretion of the Board"

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

"RESOLVED FURTHER THAT Mr. B Pradhan, Company Secretary be and is hereby authorized to take necessary steps, acts, actions to the above resolution"

By the order of the Board  
For DCM Limited  
Sd/-  
B.Pradhan  
Company Secretary

Place : New Delhi  
Date : June 12, 2008

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK FORM OF PROXY IS ENCLOSED.

2. The Register of Members of the Company will remain closed from 17th July 2008 to 23rd July 2008 (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.
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.

**(ANNEXURE TO NOTICE)****EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NUMBER 4**

The Board of Directors in their meeting held on October 30, 2007 had reappointed Mr. Naresh Kumar Jain as the Managing Director of the Company. He is an Arts Graduate and also holds Master Degree in Business Administration. He is the President of Punjab Merchants Chamber and Member of Gem & Jewellery Export Promotion Council.

None of the Directors are concerned or interested in the resolution except Mr. Naresh Kumar Jain.

By the order of the Board  
For DCM Limited  
Sd/-  
B.Pradhan  
Company Secretary

Place : New Delhi  
Date : June 12, 2008



## Directors' Report

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their 118th Annual Report along with Audited Accounts of the Company for the year ended March 31, 2008.

## FINANCIAL DATA

Rs./Crores

	Current Year (12 Months)	Previous Year (9 Months)
Profit/(Loss) before Interest and Depreciation and Tax (PBDIT)	13.38	21.93
Less : - Interest	6.91	3.34
- Depreciation	7.39	3.54
Profit/(Loss) before tax	(0.92)	15.05
Less : Provision for tax	0.59	2.05
Profit/(Loss) after tax	(1.51)	13.00
Add : Profit/(Loss) brought forward	(18.83)	(31.83)
Add : Adjustment on account of employee benefits	(0.30)	-
Profit/(Loss) carried to the Balance Sheet	(20.64)	(18.83)

## OPERATIONS OVERVIEW

## Textile Division

The Textile Division of the company is located at Hisar in Haryana with a capacity of 72036 spindles (15408 spindles capacity is added during the year). With addition of new capacities, the division has been able to increase its exports considerably to a level of 41% of the total production in the year 2007-08. But despite abundant cotton supply in India, cotton prices went up by 25% in the last quarter of this year mainly because of export demand. The interest cost went up due to fresh borrowing for capacity expansion and increase in size of operation. Workmen wages have also gone up by approx. 1% as the Government increased minimum wages in Haryana. Further, the yarn prices dipped due to the rupee appreciation and severe competition caused by over capacity in each and every segment of the industry. Consequently profit margin was squeezed from both cost and revenue side.

However, after the WTO agreement, quota regime on textile exports was done away with. As a result, a huge demand of textile goods is emerging worldwide. The benefits from it are yet to accrue. The demand in domestic market is also expected to go up because the Indian economy is growing fast and per capita consumption of yarn of 2.3 kg. per annum in India is far below the world average of 8.0 kg. per capita.

Also, the Government of India has started giving special attention for the development and growth of the textile industry especially on technology front. The Government of India initiated the Technology Up-gradation Fund Scheme (TUFs) for the modernization and up-gradation of the sector and Technology Mission on Cotton (TMC) to improve the productivity and quality of cotton. A new scheme has been launched for integrated textile parks to provide the textile industry with world-class infrastructure facilities for setting up textile units. The readymade garments, hosiery and knitwear from the SSI Sector have been de-reserved. 100% Foreign Direct Investment is allowed in the textile sector under the automatic route and the fiscal duty structure has been rationalized to achieve growth and maximum value addition within the country. Hence the textile division has great potential and better outlook in the times to come.

## IT Division

The IT Division has nearly a decade of expertise in Systems and Storage Administration domain and is the largest IBM focused infrastructure services providers with highly skilled, experienced and certified consultants having global exposure in 9 countries with major clientele in USA. It has also a support network in India covering all the metro cities.

Now the Division initiated leveraging the domain expertise acquired overseas in the domestic market also to handle the customers' needs, relating to skilled resources on IBM AIX and IBM Tivoli.

In the current financial year, the fiscal disturbance in US economy and hardening of the rupee against USD has badly hit the margins. Further the IT operations are passing through the consolidation phase. Hence, various corrective measures were initiated such as: a) strengthening the on site business by diversifying into

new customer accounts at higher margins, b) the operational and Business model were revamped to reduce operating cost. c) Steps taken to build relationships beyond onsite operations with local primaries, for export of services on IBM technologies. d) Steps have been initiated to build relationships with MNCs, and Indian IT Companies to penetrate more and develop the domestic exposure of the division. e) Planning initiated to reduce dependence on the US onsite market in long run and on-cash on the off shoring trend from India. f) Executed pilot projects on remote infrastructure management during the year.

A new opening was created for long-term strategic relationship and to create annuity based revenue visibility by entering into a long-term Data Center Management capabilities in India. This has opened a new opportunity of offering specialized services to medium and large enterprises in India for their specialized Data Center Management requirements.

The initiatives taken by the division would stabilize the business model and benefit the company in the long run.

## REDEMPTION OF DEBENTURES

Redemption/repayment to the holders of 19.5% Non Convertible Debentures issued on private placement basis and 16% Partly Convertible Debentures are being made in accordance with the provisions contained in the Scheme of Restructuring and Arrangement (SORA) approved by the Hon'ble High Court of Delhi. In pursuance to SORA the company has already paid Rs. 34.88 Crores (approx.) to 19.5% Non-Convertible Debenture Holders and Rs. 23.13 Crores (approx.) to 16% Partly Convertible Debenture Holders (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. 28 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 October 30, 2007 had reappointed Mr. Naresh Kumar Jain as Managing Director for a period of one year i.e. with effect from December 20, 2007 to December 19, 2008. His appointment shall be placed for the approval and ratification of shareholders at the AGM to be held on 23rd July, 2008.

The appointment of Mr. Jitendra Tuli, who retires by rotation and, being eligible, offers himself for reappointment as Director of the company be placed before the shareholders of the company at the Annual General Meeting for the financial year 2007-08.

## 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(d) of the Auditors' Report

Due to non availability of financial statements of the joint venture company, for the year ended March 31, 2008 or within 6 months thereof, the disclosures required to be made in terms of Accounting Standard (AS) - 27 "Financial Reporting of interest in joint venture" for the current year have been made on the basis of joint venture's last available financial statements for the period ended March 31, 2007. However, the Company's share of Assets, Liabilities, Income and Expenses, etc. (without elimination of the effect of transactions between the Company and the joint venture) has been determined on the basis of Company's shareholding in Joint Venture as of March 31, 2008. (Note 22 of Notes to Accounts in Schedule 12 of Accounts annexed). Further, in the absence of required information of joint venture company, the same have not been considered for consolidation in the Consolidated Financial Statements (Note 1 of Notes to Accounts in Schedule 12 of Consolidated Accounts annexed).

## 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

**Directors' Report continued**

for on cash basis due to delay in approval of Scheme of Restructuring and Arrangement (SORA) 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, 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. (refer Note 11 of Notes to Accounts in Schedule 12 of Accounts annexed)

**Reference para 4(g)(ii) of the Auditors' Report**

The business of the company was re-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 year 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 year ended March 31, 2008 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 requirement 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 118th 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 913 students on the rolls in both the schools in different classes. The Textiles Division of the Company is also running a school upto 10th standard in the campus at Hissar. There are over 395 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.

For and on behalf of the Board

Place : New Delhi  
Date : June 12, 2008

Sd/-  
Sunder Nath Pandey  
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT**

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

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

The Textile mill is continuously endeavoring to develop most energy efficient process and to upgrade into latest energy efficient devices. Recently the division has installed MEI Impeller and festo blower impeller. The replacements of the conventional chokes are also continued 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

Foreign Exchange Earned  
Foreign Exchange Outgo

Rs. In Lacs  
7998.88  
3242.73

**DCM**

## Directors' Report continued

FORM -A  
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO  
CONSERVATION OF ENERGY: 2007-08

Particulars	2007-2008 (12 Months)	2006-2007 (9 Months)
<b>A. POWER AND FUEL CONSUMPTION</b>	<b>40935855</b>	<b>22684218</b>
1. Electricity (KWH)(a)		
a) Purchased:-		
Unit (KWH)	38267280	16703700
- Total Amount (Lac/Rs.)	1688.99	707.42
- Rate per unit (Rs.)	4.41	4.24
b) Own Generation:		
i) Through Generator		
- Unit (KWH)	2668575	5980518
- Unit per Lt. of F.O./ L.D.O./HSD	3.43	3.42
- Cost /unit (Rs./KWH)	7.50	6.22
ii) Through Steam Turbine/Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil (LDO&HSD)		
- Quantity (K.Ltr.)	776747	1748816
- Total Amount(Lac/Rs)	200.33	371.99
- Average Rate(Rs/K/Lt.)	25.79	21.27
4. Others (LPG)	Nil	Nil
- Quantity (K.Lt.)		
- Total /Cost (Rs/Lac)		
- Rate/Unit (Rs/Mt)		

Particulars	2007-2008 (12 Months)	2006-2007 (9 Months)
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Particulars Standard (if any)		
- Electricity (KWH)	3.19	3.39
- Furnace Oil/HSD(Ltrs)	-	-
- Coal	-	-
- Others (LPG)	-	-

## FORM-'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO  
TECHNOLOGY ABSORPTION-2007-08  
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) Employed throughout the year 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 Operating & Financial Officer	Corporate Office	48.28	B.S.C. MSIA	17	42	1-Aug-91	DCM Technologies Ltd.
2	Mr. Sumant Bharat Ram	President - Corporate Affairs	Corporate Office	56.39	B.A(H)-Eco., MBA	16	41	4-Oct-95	DCM Realty Investment & Consulting Limited
3	Mr. Rakesh Goel	Chief Executive Officer	DCM Textile, Hissar	31.44	MBA	28	51	23-Nov-90	Hafed Spinning Mills

(B) Employed for a part of the year 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	Ms. Meena Gupta	Executive in HR Department	Corporate Affairs	3.42	M.A. (Hindi)	35	58	1-July-72	

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, 2008, 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, 2008, 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 12, 2008



## Corporate Governance

**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 April 01, 2007 to March 31, 2008 on the practices followed at DCM Limited towards achievement of good Corporate Governance:

**BOARD OF DIRECTORS****A. Composition of the Board:**

As on March 31, 2008 the Board comprised of six (6) Directors, namely, Dr. Surender 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 except for receiving of sitting fee for attending meeting of the Board and the committees thereof.

**B. Tenure:**

Tenure of directorship of Mr. Jitendra Tuli, Director, who is longest in office is liable to retire by rotation under section 255 of the Companies Act, 1956 at the 118th Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Naresh Kumar Jain was re-appointed as Managing Director by the Board of Directors on October 30, 2007 for a period of one year i.e. with effect from December 20, 2007 to December 19, 2008. His appointment is placed for the approval and ratification of shareholders at the ensuing AGM.

**C. Board Meetings:**

During the period April 01, 2007 to March 31, 2008, Seven (7) meetings of the Board of Directors were held on May 30, 2007, June 28, 2007, July 30, 2007, August 27, 2007, October 30, 2007, December 21, 2007 and January 30, 2008. The attendance of each Director at these meetings was as under.

S. No.	Name	Type of Director	No. of meeting held during 2007-08	No. of meeting attended	Last AGM (on 27.08.07) attended	Appointed as director on	Ceased to be director on
1.	Mr. Naresh Kumar Jain	Executive	7	7	Yes	20.12.05	—
2.	Dr. Surender Nath Pandey	Non-Executive	7	7	Yes	10.12.01	—
3.	Prof. Joginder Singh Sodhi	Non-Executive	7	6	Yes	10.12.01	—
4.	Mr. S. K. Das (Nominee)	Non-Executive	7	5	Yes	22.02.02	—
5.	Mr. S. C. Kapur (Nominee)	Non-Executive	7	6	Yes	09.05.03	—
6.	Mr. Jitendra Tuli	Non-Executive	7	7	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 April 01, 2007 to March 31, 2008 are as under:

(Rs./Lacs)

S. No.	Name	Sitting Fees	Salary & Perquisites
1.	Mr. Naresh Kumar Jain	0.28	Nil
2.	Dr. Surender Nath Pandey	0.34	Nil
3.	Prof. Joginder Singh Sodhi	0.42	Nil
4.	Mr. Jitendra Tuli	0.32	Nil
5.	Mr. S.K. Das (Nominee)	0.22	Nil
6.	Mr. S.C. Kapur (Nominee)	0.26	Nil
TOTAL		1.84	Nil

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

**G. 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, 2008 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 attending meetings of the Board or Committees thereof.

**H. 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

**I. 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 including financial and operational plan

## Corporate Governance continued

2. Quarterly financial results/Annual financial statements.
3. Appointment of senior executives.
4. Review of operation of units.
5. Investment proposals.
6. Quarterly statutory compliance report.
7. Progress on restructuring plan of the Company.
8. Capital budgets and any updates.
9. Minutes of meetings of audit committee and other committees of the board.
10. Show cause, demand, prosecution notices and penalty notices, which are materially important

J. **Audit Committee.**

As on March 31, 2008, the Audit Committee of the Board comprised of Prof. Joginder Singh Sodhi, Mr. Jitendra Tuli, Mr. S. K. Das and Mr. S. C. Kapur. 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.

Audit Committee meetings are attended by Chief Executive Officer, Chief Operating and Financial Officer, Sr. Executives of Accounts & Finance Department of the Company. Representatives of Statutory /Cost Auditors also attend the Audit Committee Meetings on invitation.

During the period, six (6) Audit Committee meetings have taken place on May 30, 2007, June 28, 2007, July 30, 2007, October 30, 2007, December 21, 2007 and January 30, 2008.

S. No.	Name	Designation	No. of meetings held during 2007-2008	Number of Committee meeting attended
1.	Prof. Joginder Singh Sodhi	Chairman	6	5
2.	Mr. Jitendra Tuli	Member	6	5
3.	Mr. S. K. Das	Member	6	4
4.	Mr. S.C. Kapur	Member	6	5

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.

K. **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 Committee of Directors for "Share Transfer, Finance Facilities & Shareholders' / Investors' Grievance Committee" which consists of following members:

S. No.	Name	Designation	No. of meetings held during 2007-2008
1.	Prof Joginder Singh Sodhi	Chairman	7
2.	Dr. Surender Nath Pandey	Member	7
3.	Mr. N. K. Jain	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, 2008 is as under:

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

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

L. **Compliance Officer**

The Company Secretary of the Company acts as Compliance Officer of the Company.

M. **Subsidiary Company**

All the subsidiary companies of the Company are managed by their respective Boards having the rights and obligations to 'manage such companies in the best interest of their stakeholders.

Shri Jitendra Tuli, Independent Director of the Company has been appointed as Director on the Board of DCM Engineering Ltd, a Material Unlisted Subsidiary of the Company. All minutes of the meetings of DCM Engineering Ltd. are placed before the Company's Board regularly. All significant transactions and arrangements entered into by the unlisted subsidiary company are brought to the attention of the Company's Board.

N. **Related Party Transaction**

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.

O. **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.

P. **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 Exchange rules and regulations and other related laws.

Q. **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.

R. **CEO/CFO Certification**

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

S. **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.

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

Mr. Jitendra Tuli retires by rotation at the ensuing Annual General Meeting. Qualification/ Experience of Mr. Jitendra Tuli

Mr. Jitendra Tuli holds a Bachelors degree in Commerce from Shriram College of Commerce. He started his career in Journalism with Hindustan Times in the year 1964. In 1971, he joined IBM as Communication Officer. He is an editorial and communications consultant with World Health Organization where he served as public Information Officer for 19 years till 1996. He is a founder member of Cancer Sahyog. He is member of Audit Committee, Review Committee and Compensation Committee. He is also a nominee of the company on the Board of DCM Engineering Limited.

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

Date : Wednesday, July 23, 2008  
Time : 12.30 p.m.  
Place : MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi-110054

b. **Book Closure Date** : July 17, 2008 to July 23, 2008 (both days inclusive)



## Corporate Governance continued

- c. Period : April 1st to March 31st
- d. Financial Calendar
- |   |                 |
|---|-----------------|
| Financial reporting for the Quarter ending June'08      | End of July '08 |
| Financial reporting for the Quarter ending September'08 | End of Oct '08  |
| Financial reporting for the Quarter ending Dec'08       | End of Jan'09   |
| Financial reporting for the financial year end March'09 | End of June '09 |
- e. Dividend Payment : Board did not recommend any dividend for the date year ending March 31, 2008.
- f. Registered Office : DCM LIMITED  
Vikrant Tower,  
4 Rajendra Place,  
New Delhi-110008.  
Ph : 011-25719967-70
- g. 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
- h. Share Transfer System/Listing:  
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.
- i. Listing:  
Shares of Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Listing fee for the year April 01, 2007 to March 31, 2008 has been paid to both Stock Exchanges.
- j. Securities Code:  
Securities code for Company's equity shares on the Stock Exchanges are as follows:  
Bombay Stock Exchange Ltd. : 502820  
National Stock Exchange of India Limited : DCM
- k. 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, 2008, 81.34% of issued share capital of the company have been dematerialized.
- l. Location of Works:  
Textile Division; Mela Ground Hissar (Haryana)  
IT Division; Gurgaon (Haryana)
- m. Details of last three AGMs

Year	Location	Date	Time	Special Resolutions passed
2007	117 <sup>th</sup> AGM MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, Civil Lines, New Delhi	27.08.07	11.30am	Nil
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	- Payment of remuneration to Chief Operating & Financial Officer

- n. Distribution of shareholding : as on March 31, 2008

Category	No. of Shares	% of Shareholding
Promoters, Directors & Relatives	73,68,200	42.40
FIs/Banks/UTI/Central Govt./State Govt.	35,33,381	20.33
Bodies Corporate	12,42,906	7.15
NRI/Trust	1,10,911	.63
Individuals	51,23,639	29.49
<b>TOTAL</b>	<b>1,73,79,037</b>	<b>100.00</b>

Number of shares	No. of Shareholders	% of Shareholding
Up to 5000	43,13,309	24.82
5001-10000	5,65,654	3.26
10001 - 50000	12,22,113	7.03
50001-100000	5,05,627	2.91
Above 100000	1,07,72,334	61.98

- o. Deposits:  
The Company has not raised any-funds from the public during the last 5 years.
- p. Outstanding ADRs/ GDRs:  
The Company has not issued any ADRs, GDRs, Warrants or any Convertible Instrument.
- q. 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.
- r. Postal Ballot:  
Pursuant to Clause 293(1)(a) read with Section 192A of the Companies Act 1956, an Ordinary Resolution was passed by shareholders in relation to Mortgaging and/or charging of immovable and movable properties of the Company pertaining to its Textile unit at Hissar in favour of Punjab National Bank for working capital facilities through Postal Ballot.
- s. Stock Market Data and Share price performance in comparison to broad base indices
- a) DCM LIMITED vs SENSEX

	DCM LIMITED		SENSEX	
	High	Low	High	Low
April 2007	60.55	44.20	14383.72	12425.52
May 2007	56.00	49.00	14576.37	13554.34
June 2007	53.65	47.10	14683.36	13946.99
July 2007	50.90	63.55	15868.85	14638.88
August 2007	55.30	43.15	15542.40	13779.88
September 2007	64.35	46.55	17361.47	15323.05
October 2007	56.95	47.00	20238.16	17144.58
November 2007	76.40	48.30	20204.21	18182.83
December 2007	102.20	69.15	20498.11	18886.40
January 2008	106.40	48.30	21206.77	15332.42
February 2008	67.50	51.00	18895.34	16457.74
March 2008	52.00	37.00	17227.56	14677.24

- b) DCM LIMITED vs NIFTY

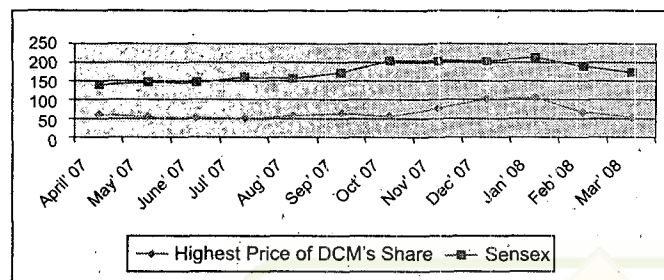
	DCM LIMITED		NIFTY	
	High	Low	High	Low
April 2007	60.90	44.50	4217.90	3617.00
May 2007	56.05	49.25	4306.75	3981.15

## Management Discussion and Analysis

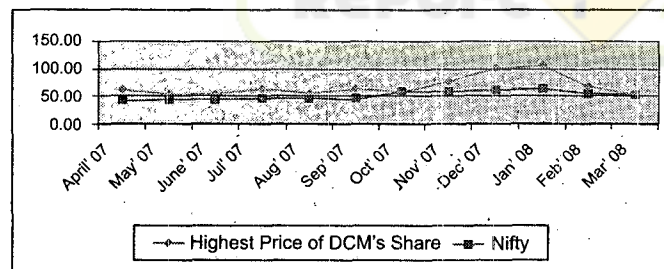
	DCM LIMITED		NIFTY	
	High	Low	High	Low
June 2007	53.85	47.30	4362.95	4100.80
July 2007	63.95	47.00	4647.95	4304.00
August 2007	54.30	45.00	4532.90	4002.20
September 2007	64.00	46.50	5055.80	4445.55
October 2007	58.45	47.90	5976.00	5000.95
November 2007	77.40	48.50	6011.95	5394.35
December 2007	102.00	63.00	6185.40	5676.70
January 2008	105.00	47.05	6357.10	4448.50
February 2008	67.60	51.00	5545.20	4803.60
March 2008	52.40	36.50	5222.80	4468.55

Source: BSE and NSE websites

## Comparison of DCM Limited's Share Price with Sensex



## Comparison of DCM Limited's Share Price with Nifty



## NON-MANDATORY REQUIREMENTS

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

For and on behalf of the Board  
Sd/-  
Surender Nath Pandey  
(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  
OPERATIONS OVERVIEW

## Textile Division

The year which just passed by was a challenging year for the Textile Industry. The opportunities which were expected out of dismantling of quota regime could not be fully realized. The business environment has become challenging due to rapid expansion in spinning capacity in India and appreciation in value of rupee against USD.

Our volumes have grown as the expected capacity has become fully operational in the year under review. The textile division now has 72036 spindles on which carded, combed yarns and mélange yarns are being produced. With addition of new capacities, the division has been able to increase its exports considerably to a level of 41% of the total production in the year 2007-08. Despite abundant cotton supply in India, its prices went up by 25% in the last quarter of this year mainly because of export demand. On the contrary, the yarn prices dipped due to rupee appreciation and severe competition caused by over capacity in each & every segment of the industry. The interest cost went up due to fresh borrowing for capacity expansion and increase in size of operation. Workmen wages have gone up by approx. 1% as Govt. increased minimum wages in Haryana and bonus limit. Consequently Margins came under severe pressure.

## Financial and Operational Performance

The performance of the Textile business for the 12 months period ended 31st March 2008 is as follows-

S. No.	Particulars	12 months (2007-08)	9 months (2006-07)
1.	Sales in Quantity (MT)	12430	6520
2.	Production (MT)	12845	6701
3.	Sales & other Income (Rs in lacs)	13602	7324
4.	Total Expenditure (Rs in lacs)	12280	6157
5.	Interest (Rs in lacs)	632	193
6.	Depreciation (Rs in lacs)	650	277
7.	Profit before Tax (Rs in lacs)	40	697

## Industry Structure and Developments

The textile industry is one of the oldest and largest industries in India. The textile industry is divided in four segments i.e. spinning, weaving/knitting, processing and garmenting. With the exception of spinning, other sectors are fragmented.

The Govt. of India realizes the huge potential of this sector and has accorded it the status of sunrise industry, whose development is considered to be a key factor for the economic growth of the country. Worldwide, India is the second largest producer of cotton, the third largest producer of yarn and the fifth largest producer of Synthetic Fiber.

The Govt. of India has started giving special attention for the development and growth of the textile industry. Some of the important initiative taken by the Government of India includes the Technology Up-gradation Fund Scheme (TUFs) for the modernization and up-gradation of the sector and Technology Mission on Cotton (TMC) to improve the productivity and quality of cotton. With a view to provide the industry with world-class infrastructure facilities for setting up their textile units a new scheme for integrated textile park has been launched. The readymade garments, hosiery and knitwear from the SSI Sector has been de-reserved. 100% Foreign Direct investment is allowed in the textile sector under the automatic route and the fiscal duty structure has been generally rationalized to achieve growth and maximum value addition within the country.

## Outlook

The Indian textile sector is struggling to survive because of:

1. Increasing Interest cost.
2. Uncontrolled and incentivised export of cotton resulting in steep price increase,
3. High cost of power,
4. Low labour productivity, and,
5. Ever rising value of Indian rupee.

The sub prime losses and slow demand in USA which is the largest importer of textiles in the world has further aggravated problem for Indian textile industry. The spinning industry is very labor intensive and India has competitive advantage on this front vis-à-vis developed countries of the world and hence