Contents

BOARD OF DIRECTORS

J N Sapru
Chairman

Dr P K Dutt
Managing Director

B S Kampani
Wholetime Director

D Banerjee

R B Putatunda

M Saito

P Koek

H Tanemura

Corporate Information

Board of Directors

Jagdish Narain Sapru – *Chairman*
Bodi Singh Kampani* – *Wholetime Director*
Hisato Tanemura
Masayuki Saito
Dr Prabir Kumar Dutt* – *Managing Director*
Dipak Banerjee
Rasendu Bhushan Putatunda
Paul Koek

* Executive Director

Timir Baran Chatterjee – Sr *Vice President & Company Secretary*

Board Committees

Audit Committee
D Banerjee – *Chairman*
R B Putatunda
P Koek

Shareholders'/Investors' Grievance Committee
J N Sapru – *Chairman*
Dr P K Dutt
B S Kampani

Administrative Committee
J N Sapru
Dr P K Dutt
B S Kampani
D Banerjee
R B Putatunda

Remuneration Committee
J N Sapru – *Chairman*
D Banerjee
M Saito

Management Committee

Dr P K Dutt
S Bhaumik
T B Chatterjee
A Mukhopadhyaya
B S Kampani
J L Basu
A D Chatterjee
R G Ganguly
N R Sharma
A Puri

Auditors

Lovelock & Lewes

Bankers

Bank of Baroda
Standard Chartered Bank
State Bank of India
The Hongkong & Shanghai Banking Corporation Limited

Registered Office

Transport Depot Road
Kolkata 700 088

From the Chairman

Dear Shareholders,

The year gone by was a remarkable year for India. For the fourth year in succession, year end estimates of GDP growth have exceeded initial expectation and is expected to grow at 9.2% in 2006-07. A consensus has now been built up that India can be a manufacturing hub for global companies. The stock market has scaled new peaks year after year since 2003, with the BSE and NSE indices crossing the 14,000 and 4,000 mark, respectively. The foreign exchange reserves reached a new high of US$ 200 billion. However, increase of Crude oil price reacted very negatively. The crude oil price went up by nearly 235 per cent in 39 months. Thereafter, it cooled down a bit. Inflation increased significantly from 4.24% in 2005-06 to 6.11% in 2006-07, due to a shortcoming on the supply side which was accompanied by buoyant growth of money and credit. The robust export performance could not contain the trade deficit due to impact of soaring oil prices, although service exports helped to ameliorate the impact on the current account.

During the year under review, the Company gained further market share in the Publication and the News Inks Segment. It is expected that in the coming years there would be a substantial growth in the News Inks business and in anticipation the Company has made and continues to make major capital investments in Noida for the News Colours Project and in Ahmedabad for the News Black Project.

In the above scenario, your Company's overall net sales increased from Rs.2,785.55 million to Rs.3,394.96 million leading to an increase in operating profit of the Company by 15%. However, due to rising interest rates, PBT and PAT took a hit with Pre-tax profit at Rs.145.38 million compared to Rs.147.17 million earned in the previous year. Similarly, the post tax profit was Rs.99.86 million in 2006 compared to Rs.101.34 million in the current year.

The operation of the Company's wholly owned subsidiary, DIC Coatings India Limited was also adversely affected due to increase in raw material cost. DIC Coatings has started its relationship with one of the major customers in the container business. To counter the increased raw materials cost, DIC Coatings undertook and completed its price increase activity. The Company increased its sales from Rs.335.37 million in

2005 to Rs.373.20 million during the year. Through a series of measures aimed at improving profitability, the Company was able to register a growth of almost 32.33% in Profit before tax which was at Rs.46.37 million as against Rs.35.04 million registered during the last year. Likewise, profit after tax, also registered a significant growth of 35.43% increasing to Rs.30.20 million as against Rs.22.30 million in the previous year.

The Board has approved the merger of its other subsidiary, Rohit (Printing Inks & Paints) Industries Private Limited with itself.

Future growth in the Printing Inks business will call for greater investments and keeping a balance between shareholders' expectations and retention for growth, your Board has recommended maintaining dividend at Rs.3.50 per share.

The Printing Ink Industry in India is going through a phase of re-alignment and a number of manufacturers are making an effort to enter the Indian Market. Some of them have already set up their outfits in India. In order to meet the challenge, it has become essential for your Company to ensure that its products are competitive in terms of quality and price compared to other international and domestic manufacturers. It is also equally important to ensure that the Company is in a position to offer a wide range of high technology products commensurate with the technological developments in Graphic Arts. In the background of the above, the Board has approved the issue of rights shares, within the price band of Rs.210 - Rs.230 per share, in the ratio of 1:3 i.e. one equity share for every three equity shares held by shareholders to augment its capital requirement, details of which have been fully given in the Annual Report.

It is the earnest endeavour of the Company to attain higher levels of internal efficiency to counter the pressures put by external forces. The Company would lay further focus on improving the operating margins through better productivity and greater focus on logistics. It is also anticipated that the expected demand growth in the domestic market will lead to better business prospects for the Company. With the continued support from the Parent Group, the Company's efforts to upgrade the technology and equipment will enable the Company to put itself in a stronger position to face challenges of the future.

To conclude, I would like to say that your trust and faith in the Company have been our great strengths. With the future of the Company safe and secure in the hands of a very efficient team, I am confident, we will all be a part of the growth story of the Company in the years to come.

As I had undergone a surgery a little while ago, I will need a little more time to recover fully and hence will not be able to attend this AGM in person, but hope to see you all soon with the fruits of good performance this year.

Kolkata
18th April, 2007.

J N Sapru

Ten-Year Record

TEN YEARS FINANCIAL STATISTICS

(Rs. in Million)

	2006 Dec 31	2005 Dec 31	2004 Dec 31	2003 Dec 31	2002 Dec 31	2001 Dec 31	2000 Dec 31	1999 Dec 31	1998 Dec 31	1997 Dec 31
Sales (Net)	**3,395**	2,786	2,445	2,162	2,000	1,854	1,844	1,642	1,448	1,530
Profit before Tax	**145**	147	114	95	118	122	129	141	118	114
Tax	**45**	46	39	19	33	26	39	40	33	32
Profit after Tax	**100**	101	75	76	85	96	90	101	85	82
Dividend	**28** *	28 *	28 *	27 *	27 *	30 *	32 *	31 *	30 *	30 *
Retained Profit	**72**	73	47	49	58	66	58	70	37	52
Earnings per Share (Rs.)	**14.50**	14.72	10.92	10.98	12.29	13.97	13.08	14.67	12.28 #	11.92
Dividend per Share (%)	**35** @	35	35	35	35	40	42	40	40	40
Net Worth per Equity Share (Rs.)	**157.54**	147.12	136.40	129.47	122.43	113.68 ***	138.97 **	130.51 **	120.32 **	114.92 **
PBT to Sales (%)	**4.27**	5.28	4.66	4.39	5.90	6.60	7.00	8.59	8.16	7.46
PAT on Shareholders Funds (%)	**9.22**	9.97	8.00	8.52	10.03	12.27	9.41	11.24	10.20	10.37
Debt Equity Ratio	**0.64:1**	0.44:1	0.40:1	0.48:1	0.48:1	0.46:1	0.45:1	0.40:1	0.49:1	0.47:1

Sources of Funds										
Share Capital	**69**	69	69	69	69	69	69	69	69	69
Reserves & Surplus	**1,016**	944	870	823	774	714	888	830	760	722
Borrowings	**693**	444	379	425	408	359	433	365	405	374
	1,778	1,457	1,318	1,317	1,251	1,142	1,390	1,264	1,234	1,165

Application of Funds										
Net Fixed Assets	**535**	451	403	380	347	308	318	311	285	255
Investments	**108**	108	108	108	108	108	299	300	303	20
Net Current Assets	**1,135**	898	807	826	790	719	771	650	642	884
Misc. Expenses	**—**	—	—	3	6	7	2	3	4	6
	1,178	1,457	1,318	1,317	1,251	1,142	1,390	1,264	1,234	1,165

Notes:

* Includes Tax on Dividend

** After considering Capital Reserve

*** After considering adjustment of Capital Reserve against value of investments in DCIL

@ Proposed

\# Before provision for diminution in value of investments

Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance :

I. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance

Corporate Governance refers to a combination of regulations, procedures and voluntary practices that enable companies to maximise stakeholders' value by attracting financial and human capital and efficient performance.

As a responsible corporate citizen, it is the earnest endeavour of the Company to improve its focus on Corporate Governance by increasing accountability and transparency to its shareholders, bankers and customers.

2. Board of Directors

A) *Composition :*

The Board of Directors of the Company consists of 8 members, comprising of -

- Two Executive Directors in the whole-time employment of the Company.
- Three Non-Executive Independent Directors, drawn from amongst persons with experience in business, finance, technology and management.
- Three Non-Executive Directors nominated by and representing the Parent Company.

The Chairman of the Board is an Independent Non-Executive Director.

B) *Other Directorships/Committee Memberships held :*

As on 31st December, 2006

Name of Director	Category	Directorships held in other Companies*		Committee Memberships held in other Companies**	
		As Director	As Chairman	As Member	As Chairman
J N Sapru	Non-Executive & Independent	3	3	3	1
Dr P K Dutt	Executive	1	Nil	Nil	1
B S Kampani	Executive	Nil	Nil	Nil	Nil
D Banerjee	Non-Executive & Independent	6	Nil	4	1
R B Putatunda	Non-Executive & Independent	1	Nil	1	Nil
H Tanemura	Non-Executive	Nil	Nil	Nil	Nil
M Saito	Non-Executive	Nil	Nil	Nil	Nil
P Koek	Non-Executive	Nil	Nil	Nil	Nil

* *Excludes Directorships held in Private Limited Companies, Foreign Companies, Companies u/s 25 of the Companies Act, 1956 and Memberships of Managing Committees of various Chambers/Institutions/Boards.*

** *Memberships/Chairmanships of Audit Committee and Shareholders' Grievance Committee have been considered.*

C) *Board Meetings held during the year :*

During the financial year ended 31st December, 2006, six Board Meetings were held on 20th January, 2006; 3rd March, 2006; 28th April, 2006; 15th May, 2006; 27th July, 2006 and 27th October, 2006.

D) *Attendance of Directors at Board Meetings and last Annual General Meeting :*

Name of Director	Meetings Attended	Attendance at last AGM
J N Sapru	6	Yes
Dr P K Dutt	6	Yes
B S Kampani	6	Yes
D Banerjee	6	Yes
R B Putatunda	6	Yes
H Tanemura	1	Yes
M Saito	4	Yes
P Koek	6	Yes

E) Particulars of Directors retiring by rotation and seeking re-appointment have been given in the Notice convening the 59th Annual General Meeting and Explanatory Statement, attached thereto.

3. Audit Committee

A) *Terms of Reference :*

The Audit Committee acts as a link between the management, the Statutory and Internal Auditors and the Board of Directors. The Committee provides the Board with additional assurance as to the adequacy of the Company's internal control systems and financial disclosures. The broad terms of reference of the Audit Committee are to review with the Management and/or Internal Auditors and/or Statutory Auditors in the following areas:

i) Overview of the Company's financial reporting process and financial information disclosures;

ii) Review with the Management, the annual and quarterly financial statements before submission to the Board;

iii) Review with the Management, the external and internal Audit Reports and the adequacy of internal control systems;

iv) Review the adequacy and effectiveness of accounting and financial controls of the Company, compliance with the Company's policies and applicable laws and regulations;

v) Recommending the appointment and removal of external auditors and fixation of Audit Terms.

B) *Composition, name of members and Chairperson :*

The Audit Committee of the Company comprises of three members, two of whom are

Independent Non-Executive Directors and one Director representing the Parent Company. All the members of the Audit Committee are qualified and having insight to interpret and understand financial statements.

As on 31st December 2006, the Audit Committee comprises of the following members:

D. Banerjee	Chairman, Independent Director
R B Putatunda	Independent Director
P Koek	Non-executive Director

Mr. Timir Baran Chatterjee, Sr. Vice President & Company Secretary, has been designated as the "Secretary " to the Audit Committee.

C) *Meetings and Attendance during the year :*

During the financial year ended 31st December, 2006, five meetings were held on 20th January, 2006; 3rd March, 2006; 28th April, 2006; 27th July, 2006 and 26th October, 2006. All the members attended all the meetings.

The Chairman of the Audit Committee will be present at the Annual General Meeting, to answer the shareholders queries, if any.

4 **Remuneration Committee**

The Remuneration Committee of the Company comprises of three Directors, two of whom are Independent Non-Executive Directors and one Director representing the Parent Company.

The scope of the Remuneration Committee extends to recommending to the Board, the compensation terms of the Executive Directors and Management Committee members, including Performance Bonus, Employee Stock Option Scheme etc.

As on 31st December, 2006, the Remuneration Committee comprises of the following members:

J N Sapru	Chairman, Independent Director
D Banerjee	Independent Director
M Saito	Non-executive Director

During the year ended 31.12.2006, one meeting was held on 3rd March, 2006 and all the members attended the meeting.

Remuneration paid/payable to the Directors for the financial year ended 31st December, 2006:

(In Rs.)

Name of Director	Sitting Fees	Salary	Performance Bonus	Commission	Perquisites	Total
J N Sapru	64,000	N.A.	N.A.	600,000	N.A.	**664,000**
Dr P K Dutt	N.A.	2,675,188	999,500	699,000	1,282,551	**5,656,239**
B S Kampani	N.A.	1,064,269	350,000	280,000	745,093	**2,439,362**
D Banerjee	96,000	N.A.	N.A.	150,000	N.A.	**246,000**
M Saito	N.A.	N.A.	N.A.	N.A.	N.A.	**N.A.**
R B Putatunda	88,000	N.A.	N.A.	150,000	N.A.	**238,000**
H Tanemura	N.A.	N.A.	N.A.	N.A.	N.A.	**N.A.**
P Koek	N.A.	N.A.	N.A.	N.A.	N.A.	**N.A.**

- Except the Managing Director and the Whole Time Director, all the members of the Board are liable to retire by rotation. The appointment of the Executive Directors is governed by the resolutions passed by the Board, as per recommendations of the Remuneration Committee, which cover the terms and conditions of such appointment read with the service rules of the Company, subject to final approval by the members.
- No Severance Fee is payable.
- Performance Bonus payable to the Executive Directors is determined on the basis of the status of the inventory and debtors, Profitability and overall financial position of the Company.
- The Non-executive directors do not hold any shares or convertible instruments of the Company.
- The Company has three Resident Non-Executive Directors who are paid commission in addition to sitting fees pursuant to approval of the Annual general meeting held on 25th June, 2003. The criteria of payment of commission to the Resident Non-Executive Directors is as under:
  - Chairman - 0.5% of the profits subject to annual ceiling of Rs.6,00,000/-
  - Others - 0.5% of the profits subject to annual ceiling of Rs.1,50,000/- per director
- At present, sitting fees of Rs.8,000/- is paid to each resident Non-Executive Director for attending each meeting of the Board and Committees thereof.
- No commission and sitting fees are payable to the Non-Resident Non-Executive Directors.

5. Shareholders'/Investors' Grievance Committee

A) *Composition :*

The Shareholders'/Investors' Grievance Committee comprises of three Directors. The Chairman is a Non-Executive Director. As on 31st December, 2006, the Committee comprised of :

J N Sapru	Chairman, Independent Director
Dr P K Dutt	Managing Director
B S Kampani	Executive Director

Mr Timir Baran Chatterjee, Sr. Vice President & Company Secretary, has been designated as the "Compliance Officer"

B) *Attendance :*

During the year ended 31st December, 2006, one meeting was held on 3rd March, 2006 and all the members were present at the said meeting.

C) *Status of Transfers :*

During the year ended 31st December, 2006, 6,888 shares, in physical form, were processed for transfer. There were no pending share transfers as on 31.12.2006.

D) *Complaints :*

During the year ended 31st December, 2006, the Company has not received any complaint from shareholders.