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DIC INDIA LIMITED

Annual Report 2007

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DIC India Limited

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BOARD OF DIRECTORS



Dr P K Dutt
Chairman & Managing Director



A D Chatterjee
Wholetime Director



S Bhaumik
Wholetime Director



M Miyasaka



R B Putatunda



D Banerjee



S Bose



B Choudhuri



Prof R Das



P Koek

Corporate Information

Board of Directors

Dr Prabir Kumar Dutt* – <i>Chairman & Managing Director</i>	
Arun Das Chatterjee* – <i>Wholetime Director</i>	Samir Bhaumik* – <i>Wholetime Director</i>
Dipak Banerjee	Rasendu Bhushan Putatunda
Prof Ranjan Das	Subir Bose
Biswajit Choudhuri	Mitsunobu Miyasaka
Paul Koek	

* Executive Director

Timir Baran Chatterjee – *Senior Executive Vice President (Corporate Affairs and Legal) & Company Secretary*

Board Committees

Audit Committee	Shareholders'/Investors' Grievance Committee	Remuneration Committee
Dipak Banerjee – <i>Chairman</i>	Rasendu Bhushan Putatunda – <i>Chairman</i>	Dipak Banerjee – <i>Chairman</i>
Rasendu Bhushan Putatunda	Dr Prabir Kumar Dutt	Mitsunobu Miyasaka
Paul Koek	Paul Koek	Paul Koek

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

Ten-Year Record

TEN YEARS FINANCIAL STATISTICS

(Rs. in Million)

	2007 Dec 31	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
Sales (Net)	4039	3395	2786	2445	2162	2000	1854	1844	1642	1448
Profit before Tax	167	145	147	114	95	118	122	129	141	118
Tax	58	45	46	39	19	33	26	39	40	33
Profit after Tax	109	100	101	75	76	85	96	90	101	85
Dividend	38 *	28 *	28 *	28 *	27 *	27 *	30*	32 *	31 *	30 *
Retained Profit	71	72	73	47	49	58	66	58	70	37
Earnings per Share (Rs.)										
- Basic	15.86	14.51	14.72	10.92	10.98	12.29	13.97	13.08	14.67	12.28 #
- Diluted	15.69	—	—	—	—	—	—	—	—	—
Dividend per Share (%)	35 @	35	35	35	35	35	40	42	40	40
Net Worth per										
Equity Share (Rs.)	170.50	157.54	147.12	136.4	129.47	122.43	113.68 ***	138.97 **	130.51 **	120.32 **
PBT to Sales (%)	4.14	4.27	5.28	4.66	4.39	5.90	6.60	7.00	8.59	8.16
PAT on Shareholders										
Funds (%)	9.30	9.22	9.97	8.00	8.52	10.03	12.27	9.41	11.24	10.20
Debt Equity Ratio	0.12:1	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

Sources of Funds

Share Capital	69	69	69	69	69	69	69	69	69	69
Share Application	516	—	—	—	—	—	—	—	—	—
Reserves & Surplus	1105	1016	944	870	823	774	714	888	830	760
Borrowings	209	693	444	379	425	408	359	433	365	405
	1899	1778	1457	1318	1317	1251	1142	1390	1264	1234

Application of Funds

Net Fixed Assets	682	535	451	403	380	347	308	318	311	285
Investments	108	108	108	108	108	108	108	299	300	303
Net Current Assets	1109	1135	898	807	826	790	719	771	650	642
Misc. Expenses	—	—	—	—	3	6	7	2	3	4
	1899	1178	1457	1318	1317	1251	1142	1390	1264	1234

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 endeavor 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 10 members, comprising:

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

The Chairman of the Board is an Executive Director.

B) Other Directorships/Committee Memberships held:

As on 31st December, 2007

Name of Director	Category	Directorships held in other Companies*		Committee Memberships held in other Companies#	
		As Director	As Chairman	As Member	As Chairman
Dr P K Dutt	Chairman & Managing Director, Executive	1	—	—	1
Mr A D Chatterjee	Executive	—	—	—	—
Mr S Bhaumik	Executive	—	—	—	—
Mr D Banerjee	Non-Executive & Independent	6	—	3	1
Mr R B Putatunda	Non-Executive & Independent	1	—	1	—
Mr S Bose	Non-Executive & Independent	1	—	1	—
Prof R Das	Non-Executive & Independent	1	—	—	—
Mr B Choudhuri	Non-Executive & Independent	8	—	3	2
Mr M Miyasaka	Non-Executive	—	—	—	—
Mr P Koek	Non-Executive	—	—	—	—

* *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) *Particulars of change of directorship during the year :*

Name of Director	Category	Date of Appointment/ Cessation	Remarks
Mr B S Kampani	Executive	02.04.2007	Resigned.
Mr M Saito	Non-Executive	18.04.2007	Resigned.
Mr M Miyasaka	Non-Executive	18.04.2007	Appointed.
Mr J N Sapru	Non-Executive & Independent	08.05.2007	Expired
Mr H Tanemura	Non-Executive	15.10.2007	Resigned.
Mr S Bose*	Non-Executive & Independent	27.07.2007	Appointed
Prof R Das*	Non-Executive & Independent	27.07.2007	Appointed
Mr B Choudhuri*	Non-Executive & Independent	29.10.2007	Appointed
Mr A D Chatterjee*	Executive	29.10.2007	Appointed as Additional Director in Wholetime Capacity
Mr S Bhaumik*	Executive	29.10.2007	Appointed as Additional Director in Wholetime Capacity

* Appointment is subject to the approval of the members in the forthcoming Annual General Meeting scheduled to be held on 12th June, 2008.

(D) Board Meetings held during the year :

During the financial year ended 31st December, 2007, eight Board Meetings were held on 6th February 2007, 28th March 2007, 18th April 2007, 27th April 2007, 29th May 2007, 27th July 2007, 15th October 2007 and 29th October 2007.

(E) Attendance of Directors at Board Meetings and last Annual General Meeting :

Name of Director	Meetings Attended	Attendance at last AGM
Mr J N Sapru	1	NA
Dr P K Dutt	8	Yes
Mr B S Kampani	2	NA
Mr D Banerjee	8	Yes
Mr R B Putatunda	8	Yes
Mr H Tanemura	3	Yes
Mr M Miyasaka	4	Yes
Mr M Saito	2	NA
Mr P Koek	7	Yes
Prof R Das	2	NA
Mr S Bose	2	NA
Mr B Chaudhuri	1	NA
Mr A D Chatterjee	1	NA
Mr S Bhaumik	1	NA

- (F) Particulars of Directors retiring by rotation and seeking re-appointment have been given in the Notice convening the 60th 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;
- vi) Review of utilization of proceeds raised from Public/Rights Issues.

B) *Composition, name of members and Chairperson*

The Audit Committee of the Company comprises three members. All the members of the Audit Committee are qualified and having insight to interpret and understand financial statements.

As on 31st December 2007, the Audit Committee comprises the following members:

Name of Member	Category
Mr D Banerjee	Chairman, Independent Director
Mr R B Putatunda	Independent Director
Mr P Koek	Non-Executive Director

Mr T B Chatterjee, Senior Executive Vice President (Corporate Affairs and Legal) & 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, 2007, five meetings were held on 28th March 2007, 27th April 2007, 29th May 2007, 27th July 2007 and 29th October 2007. 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

Till the demise of Mr J N Sapru, Chairman on 8th May, 2007 and the resignation of Mr M Saito, the Remuneration Committee of the Company comprised of three Directors, two of whom were Independent Non-Executive Directors and one Director representing the Parent Company.

Subsequently, the Remuneration committee was reconstituted on 27th July, 2007 which now comprises of three Directors, one of whom is an Independent Non-Executive Director and two Directors representing the Parent Company.

The scope of the Remuneration Committee extends to recommending to the Board, the compensation terms of the Executive Directors, including Performance Bonus etc.

As on 31st December, 2007, the Remuneration Committee comprises the following members:

Mr D Banerjee	Chairman, Independent Director
Mr M Miyasaka	Non-Executive Director
Mr P Koek	Non-Executive Director

During the year ended 31st December, 2007 two meetings were held on 28th March, 2007 and 29th October, 2007. The particulars of the attendance of the Committee members were as below:

Name of Member	Meeting Date	Attendance	Meeting Date	Attendance
Mr J N Sapru	28.03.2007	No	—	—
Mr M Saito	28.03.2007	Yes	—	—
Mr D Banerjee	28.03.2007	Yes	29.10.2007	Yes
Mr M Miyasaka	—	—	29.10.2007	Yes
Mr P Koek	—	—	29.10.2007	Yes

Remuneration paid/payable to the Directors for the financial year ended 31st December, 2007:

(In Rs.)

Name of Director	Salary	Performance Bonus	Commission	Perquisites	Sitting Fees	Total
Mr J N Sapru	N.A.	N.A.	210,411	N.A.	8,000	218,411
Dr P K Dutt	3,790,725	1,567,500	N.A.	1,671,347	N.A.	7,029,572
Mr B S Kampani	324,652	N.A.	N.A.	277,260	N.A.	660,397
Mr A D Chatterjee	435,190	420,000	N.A.	148,889	N.A.	1,004,079
Mr S Bhaumik	403,190	420,000	N.A.	135,138	N.A.	958,328
Mr D Banerjee	N.A.	N.A.	150,000	N.A.	138,000	288,000
Mr R B Putatunda	N.A.	N.A.	150,000	N.A.	122,000	272,000
Mr S Bose	N.A.	N.A.	64,932	N.A.	18,000	82,932
Prof R Das	N.A.	N.A.	64,932	N.A.	18,000	82,932
Mr B Choudhuri	N.A.	N.A.	26,301	N.A.	10,000	36,301
Mr H Tanemura	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr P Koek	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr M Miyasaka	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr M Saito	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

- Except the Chairman & Managing Director and the Wholetime Directors, 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 paid commission to its Resident Non Executive Directors 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: