

DIGJAM

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DIGJAM LIMITED

ANNUAL REPORT 2008/09

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Board of Directors

Sri S. K. Birla

Chairman

Sri Sidharth Birla

Vice Chairman

Sri R. K. Choudhury

Dr. G. Goswami

Sri Sujit Gulati

Sri G. Momen

Sri A. C. Mukherji

Sri C. L. Rathi

Managing Director

Company Secretary

Sri G. K. Sureka

Company Secretary & Executive Vice President (Legal)

Senior Executives

Digjam Division

Sri R. K. Kedia

President

Sri P. K. Das

Vice President (Exports)

Sri Virender Gupta

Vice President (Exports)

Sri Ravinder Sharma

Vice President (Sales & Marketing)

Registered Office & Digjam Division

Aerodrome Road
Jamnagar 361 006, Gujarat

Corporate Office

801, Bhikaji Cama Bhawan
11, Bhikaji Cama Place
New Delhi 110 066

Registrars & Share Transfer Agents

MCS Ltd.
77/2A, Hazra Road
Kolkata 700 029

Auditors

M/s Deloitte Haskins & Sells
'Heritage', 3rd Floor
Near Gujarat Vidhyapith
Off Ashram Road
Ahmedabad 380 014

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Fifty-ninth Annual General Meeting of the Members of the Company will be held on Wednesday, September 16, 2009 at 10.30 a.m. at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006 (Gujarat), to transact the following business:

1. To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the year ended March 31, 2009.
2. To appoint Directors in place of Sri R.K. Choudhury and Sri G. Momen, who retire from office by rotation and being eligible, offer themselves for re-election.
3. To appoint Auditors of the Company and to fix their remuneration.

Special Business

To consider and if thought fit to pass with or without modification the following Resolution:

4. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to the Articles of Association of the Company and Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time including any statutory modification or re-enactment thereof ('the Act') and subject to such other approvals including that of the Central Government, as may be necessary, the Company hereby approves the re-appointment of Sri C.L. Rathi as Managing Director of the Company (whose office shall not be liable to retirement by rotation under the Act) at a remuneration and on the terms set out below for a period of three years with effect from June 1, 2009, with liberty to either party to terminate the appointment on three months' notice in writing to the other:

- I. **Salary:** Rs.1,75,000/- per month, subject to such periodic increments upto a total of Rs.2,50,000/- per month, as may be recommended by the Remuneration Committee and approved by the Board.
- II. **Commission:** Not exceeding 2% of the net profits of the Company computed in the manner laid down under the Act as may be determined at the absolute discretion of the Remuneration Committee and the Board/a Committee thereof.
- III. **Housing:** Fully furnished leased accommodation expenditure on which will be subject to ceiling of 60% of salary over and above 10% payable by him as may be determined by the Board from time to time.
- IV. **Perquisites/Benefits:**
 - a. Reimbursement of medical/hospitalization expenses for self and family
 - b. Leave and Leave Travel Concession: As per Rules of the Company
 - c. Club Fees: Subject to a maximum of two Clubs. This will not include Admission and Life Membership Fee
 - d. Personal Accident Insurance
 - e. Free use of car with chauffeur on Company's business and telephone at residence
 - f. Contribution to provident fund, superannuation fund or

annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961

- g. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- h. Encashment of unavailed leave at the end of the tenure.
- V. **Minimum remuneration:** Where in any financial year, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid to Sri C. L. Rathi as minimum remuneration but within the limits specified in such approval(s) as may be necessary/Section II of Part II of Schedule XIII and other provisions of the Act as may be applicable."

The Register of Members of the Company will remain closed from September 1, 2009 to September 16, 2009 (both days inclusive).

Registered Office:

Aerodrome Road
Jamnagar 361 006
(Gujarat)

Dated, April 29, 2009

BY ORDER OF THE BOARD

G. K. SUREKA

Company Secretary

NOTES:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member.
2. The instrument appointing a proxy has to be deposited at the Company's Registered Office at Aerodrome Road, Jamnagar 361 006 (Gujarat) not less than 48 hours before the time for holding the aforesaid meeting.
3. For any further information regarding the above Accounts, advance intimation be given and the Members should ensure that it reaches the Company's Registered Office at Aerodrome Road, Jamnagar 361 006 (Gujarat) at least 10 days before the date of the ensuing meeting.
4. The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) to enable the Shareholders to dematerialise their shareholding in the Company, for which they may contact the depository participants of either of the above Depositories. The shares of the Company are compulsorily required to be traded in dematerialised form by all investors wef May 8, 2000. The ISIN No. is INE471A01023.
5. Pursuant to the Scheme of Arrangement which became effective from March 30, 2006, the Company on May 22, 2006 allotted 2 new Equity Shares of Rs.10/- each for every 10 Equity Shares of Rs.10/- each held as on May 5, 2006, the Record Date, and the old Share Certificates held in physical form were deemed to be cancelled and non-est and not tradable on any Stock Exchange or otherwise from and after the said Record Date. Accordingly, the Company's Registrars and Transfer Agents have dispatched the new Share Certificates to the Members who continued to hold their shares in physical form. Such Members may consider dematerializing their shareholding in view of the requirement for compulsory trading of the shares of the Company in dematerialised form.
6. Shareholders who continue to hold Shares in physical form are requested to intimate the Company's Registrars and Transfer Agents - M/s. MCS Ltd., 77/2A, Hazra Road, Kolkata 700 029

changes, if any, in their registered address including the PIN CODE. Members holding Shares in dematerialized form are required to get all changes in respect of their holding recorded with their Depository Participant (DP).

7. **EXPLANATORY STATEMENT** pursuant to Section 173 of the Companies Act, 1956 ('the Act')/SEBI Code for Corporate Governance:

Item No. 2: A brief resume of the Directors offering themselves for re-election is given below:

Sri R. K. Choudhury, aged 73 years, is a leading Advocate practising mainly in Kolkata. He has wide experience in International arbitration, litigation, taxation, legal research and corporate planning and documentation, etc. Sri Choudhury is connected with several social and philanthropic organizations.

Sri R.K. Choudhury is Chairman of the Board of Directors of Khaitan Consultants Ltd., Puja Corporation Ltd. and Travel Hub Pvt. Ltd. He is a Director of Academic Foundation & Publication Pvt. Ltd., Balrampur Chini Mills Ltd., Elpro International Ltd., Lynx Machinery & Commercials Ltd., Puja Art Archive Ltd., Rajratan Impex Pvt. Ltd., Reliance Bengal Industries Ltd., RKDK Publishers Pvt. Ltd., Super Diamond Nirman Ltd., Suryakiran Apartment Services Pvt. Ltd. and Upper Ganges Sugar & Industries Ltd.

Sri R.K. Choudhury is a member of Share Transfer Committee and Remuneration Committee of Balrampur Chini Mills Ltd. as well as of Audit Committees of Elpro International Ltd. and Upper Ganges Sugar & Industries Ltd. He is Chairman of Share Transfer and Shareholders/Investors Grievance Committee and a member of Remuneration Committee and Committee of Directors of our Company.

Sri R.K. Choudhury does not hold any Equity Share in the Company.

Except Sri R.K. Choudhury, no other Director is interested in the aforesaid Resolution.

Sri G. Momen, aged 76 years, is a businessman of repute and is well known in Tea Trade Industry. He holds expertise in marketing of teas for over two decades and holds general expertise in marketing of products, besides expertise in packaging of teas for purposes of marketing. He is Chairman of Dover Tea Pvt. Ltd., White Cliff Holdings Pvt. Ltd., White Cliff Properties Pvt. Ltd. and White Cliff Tea Pvt. Ltd. He is Director on the Board of Apeejay Tea Ltd., Baghmari Tea Co. Ltd., Bengal Tea & Fabrics Ltd., Empire & Singlo Tea Ltd., Harrisons Malayalam Ltd., Kanco Enterprises Ltd., Scottish Assam (India) Ltd. and Williamson Magor & Co. Ltd.

Sri G. Momen is a member of Share Sub-division and Audit Committees of Apeejay Tea Ltd. He is Chairman of Shareholders/Investors Grievance Committee and member of Audit, Remuneration and Share Transfer Committees of Bengal Tea & Fabrics Ltd. He is respectively Chairman and member of the Remuneration Committees of Harrisons Malayalam Ltd. and Empire & Singlo Tea Ltd. Besides, he is also member of the Audit, Shareholders/Investors Grievance and Share Transfer Committees of Kanco Enterprises Ltd. as well as member of the Audit Committee of Scottish Assam (I) Ltd. and of Investor Grievance Committee of Williamson Magor & Co. Ltd. Sri Momen is member of Audit and Remuneration Committees of our Company.

Sri G. Momen does not hold any Equity Share in the Company.

Except Sri G. Momen, no other Director is interested in the aforesaid Resolution.

Item No. 4

Sri C.L. Rath was re-appointed as Managing Director for a period of three years with effect from June 1, 2006 which term comes to an end on May 31, 2009. In view thereof, the Remuneration Committee and the Board of Directors at their respective meetings have unanimously approved the re-appointment of Sri C.L. Rath as Managing Director for a further period of three years wef June 1, 2009 and the payment of proposed remuneration as detailed in the Resolution, subject to the approval of the Members of the Company in general meeting and of the Central Government as may be necessary.

Sri C.L. Rath shall subject to superintendence, control and direction of the Board of Directors, be entrusted with substantial powers of management in respect of the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may be entrusted to or conferred upon him by the Board from time to time. He is a member of Share Transfer and Shareholders/Investors Grievance Committee and the Committee of Directors of the Company.

Sri C.L. Rath is a Director of Drap Leasing & Finance Pvt. Ltd. and Drap Plastics Pvt. Ltd.

Sri C.L. Rath does not hold any Equity Share in the Company.

None of the Directors, except Sri C.L. Rath, is concerned or interested in the resolution concerning his re-appointment and remuneration payable to him as Managing Director.

The Company has been advised that the re-appointment and payment of remuneration to Sri C.L. Rath will have to be approved by the Central Government.

In accordance with the requirements of Schedule XIII of the Act, a statement providing the required information for the re-appointment and payment of remuneration to Sri C.L. Rath is given below: -

I. General Information:

1. Nature of Industry	Textiles																
2. Date or Expected date of commencement of commercial production	The Company commenced commercial production in 1951-52.																
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable																
4. Financial Performance based on given indicators	The net profit (loss) after tax, net sales and exports (FOB Value) for last three years were as follows: (In Crores Rs.)																
	<table><tr><th>Year</th><th>Net Profit (Loss)</th><th>Net Sales</th><th>Exports</th></tr><tr><td>2006-07</td><td>(22.69)</td><td>108.02</td><td>55.51</td></tr><tr><td>2007-08</td><td>(8.11)</td><td>111.05</td><td>48.73</td></tr><tr><td>2008-09</td><td>(11.56)</td><td>139.93</td><td>59.57</td></tr></table>	Year	Net Profit (Loss)	Net Sales	Exports	2006-07	(22.69)	108.02	55.51	2007-08	(8.11)	111.05	48.73	2008-09	(11.56)	139.93	59.57
Year	Net Profit (Loss)	Net Sales	Exports														
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2007-08	(8.11)	111.05	48.73														
2008-09	(11.56)	139.93	59.57														
5. Export performance and net foreign exchange collaborations																	

6. Foreign Investments or collaborations, if any. Nil

II. Information about appointee:

1. Background details Sri C.L. Rathi, aged 63 years, is a Commerce and Law Graduate as well as Fellow Member of The Institute of Chartered Accountants of India and The Institute of Company Secretaries of India. He is having expertise in managing the affairs of large industrial undertakings and is having experience of more than 40 years in manufacturing industries like textiles, plastics, edible oil, light engineering, etc. at top management levels in India and abroad.
2. Past remuneration For the year 2008-09:
 Salary : Rs. 21.00 lacs
 Housing : Nil
 Other Perquisites : Rs. 0.33 lac
 Contribution to PF & Superannuation : Rs. 5.86 lacs
 (Gratuity contribution is not separately identified as the same is funded through LIC fund)
3. Recognition or Awards Former Dy. Chairman of Soybean Processors Association of India, Indore and of National Board of Trade, Indore
4. Job Profile and his suitability Sri C. L. Rathi has been appointed as Managing Director subject to the superintendence, control and direction of Board of Directors, entrusted with substantial powers of management in respect of the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may be entrusted to or conferred upon him by the Board from time to time. He has been associated with the business of the Company since 1998. Considering his background and experience, he is eminently suitable to hold the position of Managing Director in the Company.
5. Remuneration proposed As per details contained in the Notice for the Annual General Meeting.
6. Comparative remuneration with respect to industry, etc. The proposed remuneration has been kept un-changed since last several years in view of the financial position of the Company and is well within the remuneration payable to the Directorial personnel holding similar stature/position in the Industry.
7. Any Pecuniary Relationship None except the remuneration as Managing Director.

III. Other Information:

1. Reasons for loss or inadequate profits
2. Steps taken/ proposed to be taken for improvement
3. Expected increase in Productivity/ Profits

The substantial modernization and expansion by the Company in mid 1990s did not yield commensurate returns due to underutilization of capacities, on account of slowdown and over supply position in industry, resulting in high fixed costs i.e. interest and depreciation etc., and higher debt burden. The profitability also suffered due to adverse market conditions, lower sales realization and margins, high input costs, etc. Action was initiated to reduce costs and improve operational efficiency. The Company also proposed a Scheme of Arrangement (Appointed Date - July 1, 2004) with a view to evolve a customized and contemporary business model and a revised capital and debt structure in line with the business viability and cash flows. The Scheme, after requisite approvals, became effective on March 30, 2006. Thereafter, the then Share Capital was written down, debts were restructured, non-core assets and investments were disposed off as per the Scheme. To rebuild the net worth and long term resources, the Company issued Right Equity Shares aggregating to Rs. 25 Crores in 2006-07 and issued Preference Shares of Rs. 20 Crores in 2008-09. After all these initiatives, the Company is sharply focused on its worsted textiles business at its facility at Jamnagar and is continuing with measures to strengthen its marketing organization and network, enrich the product mix, etc. which have yielded positive results during 2008-09, as evident from increased production of 40.7 lac mtrs. of fabrics and sales of 49.9 lac mtrs. (including exports 23.4 lac mtrs.) as against production of 35.2 lac mtrs. and sales of 41.5 lac mtrs. (including exports 20.1 lac mtrs.) in the preceding year, despite the worst global economic scenario. The Company is committed to achieve continuous improvements in its operations and profitability.

IV. Disclosures:

The Remuneration details are given in the proposed Resolution and the Corporate Governance Report.

The Resolution along with explanatory statement may also be treated as an abstract of the terms of re-appointment of Sri C.L. Rathi as Managing Director as required under Section 302 of the Act.

Your approval is sought by Special Resolution as stipulated under certain provisions of Part II of Section II of Schedule XIII to the Act as a measure of abundant caution. The Board recommends the proposed Resolution as set out above for your approval as a Special Resolution.

Registered Office:

Aerodrome Road
 Jamnagar 361 006
 (Gujarat)
 Dated, April 29, 2009

BY ORDER OF THE BOARD

G. K. SUREKA
 Company Secretary

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We present our Annual Report, along with Audited Accounts of the Company, for the year ended March 31, 2009.

GENERAL REVIEW

The world economy is experiencing the most severe downturn since the Great Depression of the 30's; world economic growth is forecast to fall to only 0.5 percent in 2009. Despite major stimulus packages announced by several countries, trade volumes have shrunk sharply during the year but gradual recovery in the global economy is now being forecast, as the impact of the expansionary fiscal and monetary policies starts to set in.

The Indian economy, moving comparatively well on the strength of its own fundamentals and overall conservative policies, could not entirely escape the widespread decline. Accordingly, in 2008-09, it is felt that the actual growth of the economy may have been around 6.5-7% against around 9% during the last 3 years. This decline has naturally affected the demand pattern in almost all industries and the Textiles sector has been severely affected. Our Government has taken various measures to counter the situation. Inflation is now touching nearly 0% levels and it is generally expected that some revival in demand may be in sight. At the same time, the Rupee, which remained strong during the preceding year, has depreciated against various currencies which bodes well for most manufacturing industries, particularly the Export sector.

However, a great deal of uncertainty remains and experts are making different forecasts. The Indian elections have injected a further element of uncertainty in the situation. While it is hoped that the economy will gradually start moving forward under its own strength, we can only express very cautious optimism at this stage. The overall scenario of uncertainty cannot be said to be over.

WORKING AND FINANCE

	March 31, 2009	March 31, 2008
Working for the year yielded a Profit/(Loss) before		
Depreciation and Tax of	(712.22)	(1120.38)
add: Depreciation	542.35	636.72
	(1254.57)	(1757.10)
less: Exceptional Items (net)	118.90	970.34
Profit/(Loss) Before Tax	(1135.67)	(786.76)
add: Fringe Benefit Tax	20.57	24.45
Profit/(Loss) After Tax	(1156.24)	(811.21)
add: Balance brought forward	(12597.21)	(11786.00)
Leaving a Balance of which is carried forward	(13753.45)	(12597.21)

In view of the above, the Directors are unable to recommend any dividend.

It would however be satisfying to note that despite the slowdown the Company achieved a higher production and sales of 40.7/49.9 lac meters of fabric (exports 23.4 lac meters) against 35.2/41.5 lac meters (exports 20.1 lac meters) respectively during last year. In value terms, sales during the year amounted to Rs.140 Crores against Rs.111 Crores last year, yielding an increase of 26%. The sales growth reflected initiatives taken by the Company in the areas of marketing and operations, without sacrificing strict control over, and

rationalization of, expenses. The management intends to increase focus on the higher market segments both domestically and globally, and expand product scope and ranges under the **DIGJAM** brand domestically to better capitalize on its recognition; all these steps are expected to add to the bottom line.

Despite prevailing macro level conditions, losses were reduced over the previous year by about 36% and physical operating levels have been satisfactory. Nonetheless gross working results during the year were below expectations, being hampered by persistent systemic liquidity constraints, uncertain sentiments and volatile input prices in Rupee terms. Release of additional working capital finance from Banks stands delayed. As it was imperative for the Company to make important capital investments and provide working capital to ramp up utilization, proactive steps were taken, (including discussions with the key stakeholder Arcil), to retain and apply available cash flows to the core business, and supplement this through capital injection. The Company has all along continued discussions and efforts towards value generating/unlocking measures and alignment of debt obligations in line with cash flows (including in light of general strain on the textile sector). While these issues could not all be brought to closure in the year, when achieved it is expected that they will equitably address debt arrears that have built up, while placing the Company on an even better footing to reinforce demonstrated growth.

Pursuant to Shareholders' approval for issue/allotment of Preference Shares of upto Rs. 45 Crores, as a first tranche 20,00,000 Cumulative Redeemable 8% Preference Shares of Rs.100/- each aggregating to Rs. 20 Crores were allotted during the year on a private placement basis. This was part of consistent efforts of the promoter group to support net worth re-building and strengthening the long term resource base of the Company; the funds have been utilized as intended. It is proposed to dispose of, subject to necessary approvals, Universal Clothing division at Faridabad where operations were already closed last year following sharp increases in wages/costs.

The more detailed Management Discussion & Analysis Report is also annexed hereto.

STATUTORY INFORMATION AND OTHER MATTERS

Our report on Corporate Governance alongwith the Auditors' certificate on its compliance, as required under Clause 49 of the Listing Agreement and information required under Section 217(1)(e) of the Companies Act, 1956 ("Act") read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 form part of this report and are annexed hereto. Information required under Section 217(2A) read with the Companies (Particulars of Employees) Rules 1975, as amended from time to time, form part of this report. However, as per the provisions of Section 219 (1)(b)(iv) of the Act, the Report and Accounts are being sent to all the members, excluding the statement containing particulars of employees to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the registered office of the Company or write to the Company Secretary for a copy thereof. The Company has not accepted any Fixed Deposits during the year and there are none outstanding on March 31, 2009. Relations with employees were cordial and we appreciate the contribution made by all dedicated employees during the year.

As per our governance practices, management's statement on integrity and fair presentation of financial statements is provided to the Board as an integral part of the account approval process. However, as per Section 217(2AA) of the Companies Act, the Directors indicate that they have taken reasonable and bona fide care (a) that in the preparation of the annual accounts the applicable accounting

standards have been followed and proper explanations relating to material departures, if any, have been furnished; (b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the loss of the Company for the year; (c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities; (d) that they have prepared the annual accounts on a Going Concern basis.

DIRECTORS

During the year, the Government of Gujarat nominated Sri Sujit Gulati, Industries Commissioner, Gujarat on the Board in place of Smt. Gauri Kumar. We place on record our sincere appreciation for the valuable services rendered by Smt. Gauri Kumar during her tenure. The present term of Sri C.L. Rathi, Managing Director expires on May 31, 2009; a resolution is being proposed seeking approval for his re-appointment with effect from June 1, 2009. Sarvashri R.K. Choudhury and G. Momen retire from the Board by rotation and being eligible, offer themselves for re-election.

AUDITORS' OBSERVATIONS

Observations of the Auditors, when read together with the relevant Notes to the Accounts and Accounting Policies, are self-explanatory.

AUDITORS

The Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants, retire and, being eligible, offer themselves for re-election.

We place on record our sincere appreciation of the valuable cooperation and support received at all times by the Company from Arcil, its Bankers, other stakeholders, concerned Government Departments and other authorities, channel partners, employees and to all Shareholders for their continued support.

FOR AND ON BEHALF OF THE BOARD

New Delhi
April 29, 2009

S. K. BIRLA
Chairman

MANAGEMENT DISCUSSION & ANALYSIS REPORT

We submit herewith our Management Discussion & Analysis Report on the Company's business for the year ended March 31, 2009. We have attempted to include discussions on all specified matters to the extent relevant, or within limits that in our opinion are imposed by the Company's competitive position.

COMPANY & INDUSTRY STRUCTURE

The Company operates in the worsted textile segment and runs a fully equipped composite mill (ISO 9001 certified) manufacturing high quality worsted fabrics at Jamnagar, Gujarat. The worsted industry in the country comprises of a few mills in the organized sector and a number of units in the unorganized sector. The Company has been a notable player in this industry in India for more than 50 years. Its commitment to quality and customer orientation reflects in its strong nationally recognized and valuable brand **DIGJAM**, supported by an established National distribution channel. The

Company has a proven track record of design and manufacture of high quality fabrics.

The fabric manufacturing capacity of the present facilities is estimated at around 5.5 million meters per annum, under normal product mix considerations, thereby giving a reasonable level of available capacity for increasing output. The Company is taking steps to push forward its marketing effort by enhancing its brand visibility, strengthening marketing organization and closer interaction with channel partners.

The Company lays stress on international markets and has been exploring new areas. It has an international marketing team supported by an appropriate network abroad. It exports about half of its production to markets in Europe, USA, Canada, Middle East and Far East etc. The Company has received Oekotex Certification, which certifies that fabric is free from hazardous chemicals.

OPERATIONS

The world economy is facing the most severe downturn since the Great Depression in 1930s. The Indian textile industry in particular has been one of the worst sufferers, following subdued domestic and overseas demand and pervasive liquidity crunch. The industry is highly export-weighted with about 60 percent of its exports to US, EU and Japan, which are facing recession, affecting the Indian textile exports.

During the first half of the year severe inflationary conditions prevailed resulting in tightening of monetary and fiscal policies by the authorities. However, these policies were softened since September '08, with ebbing of inflation. The Government announced several fiscal and monetary measures during the year, comprising, *inter alia*, additional spending, reduction in Cenvat rate, and a two percent interest subvention for labour-intensive export sectors etc. These measures are expected to help stimulate the economy.

A summary of key indicators is given below; detailed financial and physical performance may be viewed from the Balance Sheet and schedules thereto in the Annual Report.

Product : Fabrics	2008-09	2007-08	Change
Production (Lac Mtrs)	40.7	35.2	16%
Sales (Lac Mtrs):			
- Domestic	26.5	21.4	23%
- Exports	23.4	20.1	16%
	49.9	41.5	20%
Sales (Cr. Rs.)	139.9	111.0	26%

The Company's initiatives, particularly in the areas of marketing, and operations have yielded positive results in the sales growth. The Company emphasizes on enrichment of its product mix, with increasing share of premium varieties. It broadened its product range with super premium fabrics sourced from Holland & Sherry, Scotland - a highly acclaimed international brand. The average sales realizations in domestic as well as exports sales improved during the year.

The Company maintained strict control over expenses and has further rationalized many costs. The overall performance would have been better, but for all pervasive liquidity constraints - which affected inputs procurement and thereby operations.

The Company continues its efforts in the areas of operations and marketing efficiencies. It has planned significant investment in upgrading the IT infrastructure, including installation of ERP package, which will help better planning and control of operations. The Company expects to better its performance on improvement in liquidity and economic conditions.

ENVIRONMENT & SAFETY

We are conscious of the need for environmentally clean and safe operations. Our industry is not a polluting one. Our policy requires all operations to be conducted in a way so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources.

HUMAN RESOURCES

Management recognizes that employees represent our greatest assets and it is only through motivated, creative and committed employees that we can achieve our aims. Hence, the Company attempts to take care of welfare and betterment of employees.

OTHER MATTERS

There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this time. Internal control systems are regarded as being adequate and are continuously reviewed for further improvement. Our team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence including compliance with all relevant regulations and laws. We record our appreciation of all our sincere employees, gratefulness to our Shareholders, lenders and banks, Arcil and other stakeholders, concerned Government and other authorities and our channel partners for their continued support and to customers for their reposing faith and confidence in us.

CAUTIONARY STATEMENT

Statements in this "Management Discussion & Analysis" which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward looking statements" within the meaning of applicable securities laws or regulations. However, actual results could or may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations also include global and Indian demand-supply conditions, finished goods-prices, feedstock availability and prices, cyclical demand and pricing in the Company's markets, changes in Government regulations, tax regimes, economic developments within India and countries with which the Company conducts business besides other factors, such as litigation and labour negotiations.

FOR AND ON BEHALF OF THE MANAGEMENT TEAM

New Delhi,
April 29, 2009

C. L. RATHI
Managing Director

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board has always followed the principles of good governance and emphasises transparency, integrity and accountability. We believe that good governance is voluntary, self-disciplining with the strongest impetus coming from Directors and the management itself. The management and organisation at DIGJAM Limited endeavours to be progressive, competent and trustworthy, for customers and stakeholders; while reflecting and respecting the best of Indian values in its conduct.

THE BOARD OF DIRECTORS

The Board presently consists of 8 Directors, of which 7 are non-executive. The position of the Chairman is essentially non-executive, non-managerial in character and the Vice-Chairman officiates in his absence. The overall management of the Company is vested in the Managing Director, subject to the general supervision, control and

direction of the Board. Sri C. L. Rathi, Managing Director is fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and has about 40 years of commercial and industrial experience. The day-to-day working of the plant at Jamnagar is looked after by senior and experienced officers who report to the Managing Director. The SEBI Code requires that if the non-executive chairman is a promoter of the company, at least one-half of the Board shall consist of independent directors. At the present time out of 8 our Board has 5 Independent Directors, viz. Sri A.C. Mukherji (ex-CMD of New India Assurance Co.), Dr. G. Goswami (ex-Banker), Sri G. Momen (Businessman of repute), Sri Sujit Gulati, Industries Commissioner, who has been nominated by the Government of Gujarat in place of Smt. Gauri Kumar and Sri R.K. Choudhury (Senior Consultant & Advocate) who more than 3 years ago ceased to be a partner of the reputed firm of Advocates, Khaitan & Co. (who act for the Company from time to time). Sri S.K. Birla, Chairman (Industrialist with wide experience) and Sri Sidharth Birla, Vice-Chairman (MBA, B.Sc. (Hons.)) represent promoters. Sri C.L. Rathi is the only Executive Director. None of the Directors except Sri S.K. Birla and his son, Sri Sidharth Birla are related to each other or to promoters. Independent Directors play an important role in deliberations at the Board level and bring to the Company their wide experience in fields of industry, banking and finance, administration and law and contribute significantly to the various Board Committees. Their independent role vis-à-vis the Company allows them to add a broader perspective, help ensure that interests of all stakeholders are kept in acceptable balance and can also provide an objective view in a potential conflict of interest between stakeholders. Details are given below by category, attendance, shareholding, fees and total Directorships besides Memberships and Chairmanships of Board Committees.

Director	Category*	Board attendance**	Attendance at last AGM	B/C/Ch+	Sitting Fees Paid Rs.	No. of Shares held
Sri S.K. Birla	P	4/4	No	6/-	24,000	37,589
Sri Sidharth Birla	P	4/4	Yes	7/-	20,000	2,000
Sri R.K. Choudhury	I	1/4	No	15/2/1	56,000	-
Dr. G. Goswami	I	4/4	No	8/5/1	1,12,000	-
Smt. Gauri Kumar (upto June 23, 2008)	N/I	-/1	No	8/-	Nil	-
Sri G. Momen	I	3/4	No	13/7/1	24,000	-
Sri A.C. Mukherji	I	4/4	Yes	8/4/5	1,24,000	116
Sri Sujit Gulati (wef June 23, 2008)	N/I	-/3	No	7/-	Nil	-
Sri C.L. Rathi	E	4/4	Yes	3/1/-	-	-

* : P = Promoter, I = Independent, N = Nominee, E = Executive.

** : For the year under review (attendance data relates to relevant meetings while a Director).

+ : B = Board Memberships, C/Ch = membership/Chairmanship of SEBI specified Board Committees.

Appointment and remuneration of any Executive Director require approval of shareholders and such appointments are made for not more than five years. One-third of the rotational Directors retire every year and, when eligible, qualify for re-appointment. Nominee Directors do not usually retire by rotation. All specified details are provided in the notice for appointment or re-appointment of a Director.

RESPONSIBILITIES

The Board's principal focus is on strategic issues and approval, policy and control and delegation of powers and it has specified a schedule of major matters (covering those required under law or SEBI Code)

that are reserved for its consideration and decision, besides review of performance and reporting to shareholders.

The respective roles of the Board and the Management are clearly demarcated. The Management is required to (a) provide necessary inputs and basis to support the Board in its decision making process in respect of the Company's strategy, policies, performance targets and code of conduct (b) manage day-to-day affairs of the Company to best achieve targets and goals approved by the Board (c) implement all policies and the code of conduct, as approved by the Board (d) provide timely, accurate, substantive and material information, including on all financial matters and exceptions, if any, to its Board and/or its Committees (e) be responsible for ensuring faithful compliance with all applicable laws and regulations and (f) implement sound, effective internal control systems and the Risk Management Procedure framed by the Board.

The Board requires that the organisation conducts business and develops relationships in an honest and responsible manner. To establish a policy framework to promote and adhere to the spirit, a Code of Conduct for all employees of the Company has been instituted. The Board has also adopted Code of Conduct for Directors and Senior Executives of the Company and a declaration has been obtained from the Managing Director about its compliance.

BOARD MEETINGS AND COMMITTEES

Board Meetings are held at varying locations and are usually scheduled in advance. The Board generally meets at least once a quarter to, *inter-alia*, review quarterly financial results. The Agenda for meetings is prepared by the Company Secretary, in consultation with the Chairman and papers are circulated to all Directors in advance. Directors have access to the Company Secretary's support and all information of the Company and are free to suggest inclusion of any matter in the Agenda. Senior Officers are called to provide clarifications and make presentations whenever required. The Board met 4 times on April 25, July 28, October 31, 2008 and January 29, 2009. To enable fuller attention to the affairs of the Company, the Board delegates specified matters to its committees, which also prepares groundwork for decision-making and reports to the Board. However, no matter is left to the final decision of any committee, which under law or the Articles may not be delegated by the Board or may require its explicit approval.

Audit Committee

The terms of reference of the Audit Committee, as specified by the Board in writing, include the whole specified in the SEBI Code and the Companies Act, including a review of audit procedures and techniques, financial reporting systems, internal control systems and procedures besides ensuring compliance with regulatory guidelines. The committee members are all Independent Directors collectively having requisite knowledge of finance, accounts and company law. The committee recommends the appointment of external Auditors and their fees, payments and takes an overview of the financial reporting process to ensure that financial statements are correct, sufficient and credible. The reports of the statutory and internal auditors are reviewed along with management's comments and action-taken reports. The committee has explicit authority to investigate any matter within its terms of reference and has full access to the information, resources and external professional advice which it needs to do so. The committee comprises Sri A.C. Mukherji (as Chairman), Dr. G. Goswami and Sri G. Momen and is mandated to meet at least four times in a year; to assess the final audited accounts and to review each quarter, the limited review report before they are put up to the Board. The committee met 4 times on April 25, July 28, October 31, 2008 and January 29, 2009 during the year attended

by Sri A.C. Mukherji (4/4), Dr. G. Goswami (4/4) and Sri G. Momen (3/4). Sri G.K. Sureka, Company Secretary, acts as the Secretary to the committee.

Remuneration Committee

The Remuneration Committee comprises of non-executive Independent Directors, namely Sri R.K. Choudhury, Sri A.C. Mukherji, Dr. G. Goswami and Sri G. Momen. The committee helps ensure that non-executive Directors make decisions on the appointment, remuneration, assessment and progression of Executive Directors; any compensation of non-executive Directors is a subject only for the whole Board. Directors other than executive directors are paid sitting fees of Rs. 4,000/- for each meeting of the Board or its committees attended by them. No commission is paid to any Director. The committee meets when required.

As approved by the Shareholders and the Central Government, Sri C.L. Rath, Managing Director, is presently paid by way of salary Rs. 1.75 lac per month, housing facility/allowance upto 60% of salary and perquisites (which in aggregate fall within the overall limit laid down in Schedule XIII to the Companies Act, 1956) from June 1, 2006. Details of remuneration paid to Sri C.L. Rath are given elsewhere in this Annual Report. The term of Sri C.L. Rath as Managing Director will be expiring on May 31, 2009. After close of the year, the Remuneration Committee and the Board of Directors at their respective meetings have, subject to appropriate approvals, reappointed Sri C.L. Rath as Managing Director with effect from June 1, 2009 for a period of three years on a remuneration by way of salary Rs. 1.75 lac per month, housing facility/allowance upto 60% of salary and perquisites, which shall also be payable as minimum remuneration and is detailed in the resolution for approval of the members which has been included in the notice for the ensuing Annual General Meeting in this Annual Report. Necessary application to the Central Government would be made in due course.

There are no severance fees, other benefits, bonus or stock options. Either party may terminate the appointment on three months' notice in writing. The Company does not have any pecuniary relationship or transactions with any non-executive Director.

Share Transfer & Shareholders/Investors Grievance Committee

The committee reviews, records and helps expedite transfer of shares. The Company has about 86,000 shareholders and the committee meets frequently throughout the year to minimise delays in the transfer process. Any shareholders grievance is referred to this committee in the first instance for earliest resolution of a problem. The Company Secretary, Sri G.K. Sureka is appointed as Compliance Officer under relevant regulations. This committee comprised of Sri R.K. Choudhury (Chairman), Sri A.C. Mukherji, Dr. G. Goswami, Sri C.L. Rath, Sri U.C. Jain and Sri G.K. Sureka. 140 Complaints/queries were received in the year and have all been resolved; therefore none are pending. No cases of physical share transfers and for dematerialisation or re-materialisation were pending on March 31, 2009.

Committee of Directors

A Committee of Directors comprising of Sri S.K. Birla, Chairman, Sri Sidharth Birla, Vice-Chairman, Sri R.K. Choudhury, Sri A.C. Mukherji and Sri C.L. Rath attends to matters specified and/or delegated appropriately by the Board from time to time.

SHAREHOLDER INFORMATION & RELATIONS

The primary source of information for Shareholders is the Annual Report, which includes, *inter-alia*, the reports of the Directors and the Auditors, audited Accounts, and the Management's Discussion and Analysis Report on operations and outlook. Management's