DIGJAM

DIGJAM LIMITED

ANNUAL REPORT 2009/10

Sri S.K. Birla
Chairman Emeritus

Board of Directors

Sri Sidharth Birla
Chairman

Sri R.K. Choudhury
Dr. G. Goswami
Sri G. Momen
Sri A.C. Mukherji
Smt. Meenakshi Bangur
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 Sixtieth Annual General Meeting of the Members of the Company will be held on Tuesday, January 18, 2011 at 10.00 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 period ended September 30, 2010.
2. To appoint Directors in place of Sri Sidharth Birla and Dr. G. Goswami, 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 Resolutions:

4. **AS A SPECIAL RESOLUTION**

"RESOLVED that pursuant to Section 16 read with Section 31 and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Authorised Share Capital of the Company be and the same is hereby reorganized by re-classifying 2,00,00,000 (Two Crores) Unissued Cumulative Redeemable Preference Shares of Rs.10/- each out of the present Unissued Authorised Preference Share Capital forming part of the Authorised Share Capital of the Company into 2,00,00,000 Preference Shares of Rs.10/- each and consequently, the Memorandum of Association of the Company be and the same is hereby altered by substituting the Capital Clause being Clause V thereof with the following new Clause V:

Clause V. The Authorised Share Capital of the Company is Rs.125,00,00,000/- divided into 8,00,00,000 Equity Shares of Rs.10/- each; 25,00,000 Preference Shares of Rs.100/- each and 2,00,00,000 Preference Shares of Rs.10/- each with power to increase or reduce the capital of the Company and to divide the Shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by Board who shall also have power to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to classify or re-classify from time to time such shares into any class of shares."

5. **AS A SPECIAL RESOLUTION**

"RESOLVED that pursuant to Section 81 (1A) and all other applicable provisions of the Companies Act, 1956 ('the Act') (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and other rules/regulations/guidelines, notifications, circulars and clarifications issued from time to time by the Government of India, the Securities and Exchange Board of India ('SEBI') and/or prescribed by the Listing Agreement entered into by the Company with the Stock Exchanges on which the Shares of the Company are listed or any other relevant authority from time to time and subject to such approvals, consents, permissions and/or sanctions of the appropriate authority as may be required and subject to any condition imposed while granting such approvals, consents, permissions and sanctions which may be accepted by the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board), the Board be and is hereby authorised to offer, issue and allot from time to time on private placement basis in one or more tranches upto 50,00,000 Equity Shares of Rs.10/- each or upto 50,00,000 Preference Shares/Instruments of Rs. 10/- each, whether as Convertible Securities or otherwise, or in any combination thereof upto an aggregate amount of Rs. 5,00,00,000/- (Rupees Five Crores only) to the Institutions/Banks specified in the Explanatory Statement hereto to be redeemed in accordance with Section 80 of the Act and/or by issue of or conversion into appropriate number of Equity Shares of the face value of Rs.10/- each on such terms and conditions as the Board may in its absolute discretion decide at the time of issue of the aforesaid Shares including the price as well as the premium, if any, as may be determined and approved by the Board in accordance with the conditions specified in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

RESOLVED FURTHER that without prejudice to the generality of the above, the aforesaid issue of the Shares/Instruments may have all or any terms or conditions or combination of terms in accordance with the applicable regulations, prevalent market practices, including but not limited to terms and conditions relating to the price or period of exercise of option by the Company.

RESOLVED FURTHER that the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be necessary against the Convertible Securities in accordance with the terms of the offer, all such Equity Shares to rank pari passu inter se with the existing Equity Shares of the Company in all respects including dividend.

RESOLVED FURTHER that without prejudice to the generality of the above, the relevant date for determination of price for the Equity Shares to be issued and allotted shall be December 19, 2010.

RESOLVED FURTHER that the Board be and is hereby authorised on behalf of the Company to take all actions and to do all such acts, deeds, matters and things including to vary, modify or alter any of the terms or conditions including the size of the proposed issue, offer or allotment of any of the said Equity Shares and/or Preference Shares/Instruments, whether as Convertible Securities or otherwise and listing the said Equity Shares with the Stock Exchanges as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of the Equity Shares and/or Preference Shares/Instruments, whether as Convertible Securities or otherwise and to do all such acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent from the Shareholders of the Company or otherwise and that they shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

The Register of Members of the Company will remain closed from January 11, 2011 to January 18, 2011 (both days inclusive).

Registered Office:
Aerodrome Road
Jamnagar 361 006
(Gujarat)
Dated : December 14, 2010

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. 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).
6. **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 Sidharth Birla, Chairman, aged 53 years, is a Science Honours Graduate and holds a Master's degree in Business Administration from IMD, Lausanne, Switzerland and has completed OPM (Owner-President Management) programme at Harvard Business School. He has extensive experience of over 30 years in the fields of Finance, Marketing, General Management, Corporate Governance, Company Law, Strategic Issues, Corporate and Financial Structuring, Resource Mobilisation, Acquisitions and Disinvestments.

Sri Sidharth Birla is Chairman of Xpro India Ltd. He is also on the Board of Directors of Alpha Capital Management Pvt. Ltd., Alpha Capital Management (Singapore) Pte. Ltd., Central India General Agents Ltd., iPro Capital Ltd. and Xpro Global Ltd. Sri Sidharth Birla is Chairman of the Committee of Directors of our Company besides being Chairman of the Committee of Directors and member of Remuneration and Nomination Committee of Xpro India Ltd. Sri Sidharth Birla is also Central Government nominee to the Council of the Institute of Chartered Accountants of India as well as member of the Board of Governors of Birla Institute of Technology & Science, Pilani and Executive Committee member and Chairman, Corporate Laws Committee of the Federation of Indian Chambers of Commerce & Industry besides being Executive Committee member of Indian Chamber of Commerce, Kolkata.

Sri Sidharth Birla holds 2000 Equity Shares in the Company.

Except for Sri Sidharth Birla and his daughter, Smt. Meenakshi Bangur, no other Director is interested in the aforesaid Resolution.

Dr. G. Goswami, aged 70 years, is an ex Banker, having wide knowledge and experience especially in the areas of Finance and Banking and Past Chairman of Industrial Investment Bank of India.

Dr. G. Goswami is Director of Ganpati Sugar Industries Ltd., Naffar Chandra Jute Mills Ltd., Amar Investments Ltd., Rishra Investments Ltd., AI Champdany Industries Ltd. and Shibir India Ltd. Dr. Goswami is member of the Audit Committees of AI Champdany Industries Ltd., Rishra Investments Ltd. and Shibir India Ltd. besides the Shareholders Grievance Committee of AI Champdany Industries Ltd. He is also member of the Audit Committee, the Share Transfer and Shareholders/ Investors Grievance Committee and the Remuneration Committee of our Company.

Dr. G. Goswami does not hold any Equity Share in the Company.

Except Dr. G. Goswami, no other Director is interested in the aforesaid Resolution.

Item No. 4:

The Authorised Share Capital of the Company is presently Rs. 125,00,00,000/- including, inter alia, unissued 2,00,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each of the aggregate face value of Rs. 20,00,00,000/- (Rupees Twenty Crores). It is proposed that the Capital Structure of the Company be reorganized by re-classifying the said 2,00,00,000 shares into Preference Shares of Rs.10/- each within the existing Authorised Share Capital of the Company. The proposed reorganization of the Authorised Share Capital structure will enable the Company to issue the aforesaid Preference Shares with such terms and conditions as may be appropriate. Your Directors therefore recommend the Resolution for approval by the Members.

None of the Directors of the Company is interested in this Resolution.

Item No. 5

In the light of the general strain on the economy and the textile sector in particular, the Company had been in discussions with Asset Reconstruction Company (India) Limited ('Arcil'), for settlement of relevant debts with a view to restore the net worth of the Company to the positive level and to better serve the interest of the Company's business and resultantly, of all stakeholders. Pursuant thereto, Arcil vide their letter no. BG II/SK/FY11/6098 dtd. September 15, 2010 have approved settlement of outstanding debts on the various terms and conditions which have been accepted vide the Company's letter dtd. September 18, 2010. As a part of the settlement, it is proposed to offer on private placement basis upto 50,00,000 Equity Shares of Rs.10/- each or 50,00,000 Preference Shares/Instruments of Rs.10/- each, whether as Convertible Securities or otherwise, or in any combination thereof upto an aggregate amount of Rs. 5,00,00,000/- (Rupees Five Crores only) to the Institutions/Banks listed in vi. below, the application money for which will be set off against the principal amount of the dues payable to Arcil by way of constructive payment. The terms and conditions for the issue of the said Equity Shares and Preference Shares/Instruments (including otherwise than as Convertible Securities), will be settled by the Committee of Directors duly authorized by the Board in consultation with Arcil and the Security Receipt holders at the time of issue thereof in accordance with the applicable legal provisions. Subject to the relevant approvals, the issue and allotment of Equity Shares and Preference Shares/Instruments as Convertible Securities on preferential basis to the Institutions/Banks named below, shall be in accordance with Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('SEBI ICDR Regulations 2009'). The required details under the aforesaid Regulations are given below:

i. **The Issue:** The proposed Special Resolution, inter alia, authorizes the Board to issue to the Institutions/Banks named below Equity Shares and/or Preference Shares/Instruments as Convertible Securities in such manner and on such terms and conditions as may be determined by the Board or a duly authorized Committee thereof.

ii. **Objects of the Issue:** To support the net worth rebuilding of the Company by strengthening the long term resource base of the Company by settling the relevant debts.

iii. **Proposal of the promoters, directors or key management personnel to subscribe to the offer:** The promoters, directors or key management personnel are not eligible to subscribe to the issue.

iv. Equity shareholding pattern of the issuer before and after the preferential issue:

Category	Pre-issue (as on September 30, 2010)		Post-issue	
	No. of Shares	%	No. of Shares	%
Promoters/Promoter Group	2,26,27,444	32.92	2,26,27,444	30.68
Institutions/Banks named in **vi.** below	1,16,74,457	16.98	1,66,74,457	22.61
Other Financial Institutions/Banks and Insurance Companies	12,54,234	1.82	12,54,234	1.70
Mutual Funds/UTI	3,451	0.01	3,451	0.01
Bodies Corporate	81,90,492	11.92	81,90,492	11.12
Non Resident Individuals	4,67,602	0.68	4,67,602	0.63
Resident Individuals/others	2,45,23,971	35.67	2,45,23,971	33.25
Total	6,87,41,651	100.00	7,37,41,651	100.00

Basis: Assuming no change from the holding position as on September 30, 2010 other than through this preferential issue at par, wholly by way of Equity Shares and/or Preference Shares/Instruments as Convertible Securities.

v. Proposed time limit within which the Preferential Issue shall be completed: The allotment of the Equity Shares and/or Preference Shares/Instruments as Convertible Securities is proposed to be completed within 15 days from the date of approval of the Special Resolution considering the applicability of SEBI ICDR Regulations, 2009.

vi. Identity of the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, consequent to the preferential issue: The Equity Shares and/or Preference Shares/Instruments as Convertible Securities are proposed to be issued to Institutions/Banks as may be eligible upto the amount mentioned against their respective names as indicated below:

Identity of the proposed allottee	Amount upto which allotment is to be made
	Rs.
ICICI Bank Limited	2,53,23,360
IDBI Limited	98,21,260
IFCI Limited	66,87,010
Punjab & Sind Bank	2,40,410
Punjab National Bank	14,95,900
State Bank of India	8,36,990
Bank of India	43,51,780
Asset Reconstruction Company (India) Limited	12,43,290
Total amount:	5,00,00,000

The number of Equity Shares to be ultimately allotted to the said Institutions/Banks will depend upon the price of the Equity Shares to be determined in accordance with the SEBI ICDR Regulations 2009 as well as the Equity Shares/Convertible Securities issued. Assuming the Equity Shares are issued at par for the entire amount, the percentage post the issue of Equity Shares as aforesaid to be held by the Institutions/Banks is indicated above.

As a result of the aforesaid allotment, there will be no change in control of the Issuer.

The lock in requirements as prescribed under the SEBI ICDR Regulations 2009 in respect of pre-issue shareholding and the Equity Shares and/or Preference Shares/Instruments to be issued as Convertible Securities will be complied with. The relevant date under the aforesaid Regulations shall be December 19, 2010. The Company will comply with the applicable provisions of the aforesaid Regulations including placing a copy of the Certificate regarding the issue from its Statutory Auditors before the General Meeting of the Members.

Your Directors commend the Resolution for approval by the Members.

None of the Directors of the Company is interested in this Resolution.

INSPECTION OF DOCUMENTS

All the documents referred to in the notice and explanatory statement including the Memorandum and Articies of Association of the Company are open for inspection at the Registered Office of the Company between 11: 00 a.m. and 1: 00 p.m. on any working day prior to the date of the General Meeting.

Registered Office:
Aerodrome Road
Jamnagar 361 006
(Gujarat)
Dated : December 14, 2010

BY ORDER OF THE BOARD

G. K. Sureka
Company Secretary

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We present our Report, along with Audited Accounts of the Company, for the eighteen-months period ended September 30, 2010.

GENERAL REVIEW

Following its deepest downturn in recent history, global output and trade bounced back in the second half of 2009. IMF estimates the world growth to reach over 4% in 2010- 2011, but at varying speeds across and within regions. The Indian Economy, after slowdown in 2008-09 turned around faster and recorded a growth of 7.4% in 2009-10. It is expected to grow by 8.5% during 2010-11. Good monsoons during the current year augur well for business during the coming months. High inflation rate, particularly in primary articles and fuel, remains a major concern and RBI may continue with tight monetary policy stance to check inflation.

We export a substantial part of our output, and faced subdued demand in its markets abroad particularly US and Europe. Export revenues and profitability were also impacted by sharp appreciation of the Rupee against major foreign currencies. Prices of wool, our principal raw material, rose by about 10-15% across various varieties, following strong global demand and lower Australian wool production and a strong Australian Dollar. All these factors i.e. inflation, adverse exchange rates, and higher wool prices etc had a natural negative impact on our expected performance and operations. The Company expects to improve its performance with easing of the economic conditions in India as well as globally.

During the period, the Company achieved production of 53.4 lac meters and sales of 66.9 lac meters of fabric (exports 34.7 lac meters); and sales amounted to Rs. 185.9 Crores. The detailed Management Discussion & Analysis Report is annexed hereto.

The loans outstanding to the Asset Reconstruction Company (India) Ltd. ("ARCIL") have been settled, according to a process which has an effective date of July 1, 2010. As stipulated, an amount of Rs.1600 lacs has already been repaid/adjusted from sale of Company's properties at Faridabad and non-core investments; Rs. 500 lacs will be soon converted into redeemable preference shares. Further amounts of Rs. 1400 lacs are to be repaid under stipulated schedule, within the next few months. The effect of the final reduction of loan liabilities post-settlement has been included as an exceptional item in the accounts.

It may please be noted that the Company now has a positive net worth, even if marginal, despite old accumulated losses, and now carries only a nominal debt that is capable of being serviced in routine course.

SHARE CAPITAL

As part of networth rebuilding and strengthening of long term resources, the Company allotted 1,50,000 8% Cumulative Redeemable Preference Shares of Rs. 100/- each aggregating Rs. 150 lacs, during the period, on private placement basis. The same was part of the shareholders' approval for issue/allotment of Preference Shares upto Rs. 4500 lacs. The proceeds of the issue has been utilised for working capital of the Company.

Further, as aforesaid, under the terms of settlement with ARCIL, loan amounts of Rs. 500 lacs are to be converted into preference shares, redeemable in 5 years from the date of issue. Pending actual allotment, the same has been reflected as Preference Capital Suspense Account in the accounts.

(Rs. Lacs)

WORKING	September 30, 2010 (18 months)	March 31, 2009 (12 months)
Working for the period/year yielded a Profit/(Loss) before Depreciation and Tax of	**(892.39)**	(712.22)
less : Depreciation	**765.79**	542.35
	(1,658.18)	(1,254.57)
add : Exceptional Items (net)	**6,048.61**	118.90
Profit/(Loss) Before Tax	**4,390.43**	(1,135.67)
less : Taxation	**(21.54)**	20.57
Profit/(Loss) After Tax	**4,411.97**	(1,156.24)
add : Balance brought forward	**(13,753.45)**	(12,597.21)
leaving a Balance of which is carried forward	**(9,341.48)**	(13,753.45)

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

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 period and there are none outstanding on September 30, 2010. Relations with employees were cordial and we appreciate the contribution made by all dedicated employees during the period.

As per our governance practices the management's statement on the integrity and fair presentation of financial statements is provided to the Board as an integral part of the accounts approval process. However, pursuant to Section 217(2AA) of the Companies Act the Directors indicate that they have taken reasonable and bonafide care (a) that in the preparation of the annual accounts the applicable accounting standards had been followed and proper explanations relating to material departures, if any, have been furnished; (b) that such accounting policies were selected and applied consistently and judgments and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the period and of the profit of the Company for the period; (c) that proper and sufficient care had been taken 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; and (d) that these accounts have been prepared on a Going Concern basis.

DIRECTORS

During the period, Sri Sujit Gulati, the nominee of Government of Gujarat resigned from the Board. We place on record our sincere appreciation for the valuable services rendered by Sri Sujit Gulati during his tenure. Sri Sidharth Birla and Dr. G. Goswami 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
October 28, 2010

S. K. BIRLA
Chairman

MANAGEMENT DISCUSSION & ANALYSIS REPORT

We submit herewith our Management Discussion & Analysis Report on the Company's business for eighteen-months period ended September 30, 2010. 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, with normal production capacity of 5.5 million meters fabric per annum. 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 Company has been consistently taking steps to push forward its marketing efforts by enhancing its brand visibility, strengthening marketing organization and closer interaction with channel partners.

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

OPERATIONS

The global economy started the process of reviving in the second half of 2009, driven by the stimulus policies announced by several countries. Overall Global output is expected to rise over 4% in 2010 and 2011. However, the developed economies are expected to grow slower than the emerging and developing economies. The Indian economy also turned around in the second quarter of 2009 and is expected to grow at 8.5% during 2010-11 against 7.4% in 2009-10.

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	**2009–10 (18 Months)**	2008 – 09 (12 Months)	Change* %
Production (Lac Mtrs.)	**53.4**	40.7	(13)
Sales (Lac Mtrs.):			
– Domestic	**32.2**	26.5	(19)
– Exports	**34.7**	23.4	(1)
	66.9	49.9	(11)
Sales (Cr. Rs.)	**185.9**	139.9	(11)

** of annualized figures of 2009-10 over those of 2008-09*

The production, sales and average sales realisations were lower than those in last year mainly on account of economic downturn, subnormal monsoon in 2009, high inflation, etc.

The slow recovery in developed economies and sharp appreciation (about 10% against last year) in Indian Rupee against major currencies i.e. US Dollar and Euro etc, particularly due to strong financial inflows and debt crisis in many European economies, impacted woollen textile industry, which exports a significant portion of its output. As a result, our export volumes and realisations suffered during the period.

Prices of wool, the principal raw material, rose about 10-15% across various microns, following lower Australian wool production and strong Chinese demand. The exchange rate of Australian Dollar, in which the Company's wool imports are denominated, has appreciated by about 20% since March 2009, pushing up the raw material cost. Inflation and hike in fuel prices have increased cost of products and affected our profitability.

The Company continued its emphasis on enrichment of its product mix, with increasing share of standard and premium varieties. It maintained strict control over expenses and continued its efforts in the areas of operations and marketing efficiencies. It has implemented ERP package, which will help better planning and control of operations.

The Company expects to better its performance with ongoing improvements in domestic conditions, particularly with good monsoon this year, and recovery in world economies.

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
October 28, 2010

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 7 Directors, of which 6 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 41 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 7 our Board has 4 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) and Sri R.K. Choudhury (Senior Consultant & Advocate), ex-partner of the reputed firm of Advocates, Khaitan & Co. (who act for the Company from time to time). Sri Sujit Gulati, Nominee Director of Government of Gujarat has resigned from the Board. 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 atten-dance **	Atten-dance at last AGM	B/C/Ch+	Sitting Fees Paid Rs.	No. of Shares held
Sri S. K. Birla	P	5/6	No	5/-/-	53,000	37,589
Sri Sidharth Birla	P	6/6	Yes	6/-/-	54,000	2,000
Sri R.K. Choudhury	I	3/6	No	12/2/3	1,12,000	–
Dr. G. Goswami	I	6/6	No	7/5/1	2,00,500	–
Sri G. Momen	I	5/6	No	14/7/1	91,500	–
Sri A.C. Mukherji	I	6/6	Yes	8/4/5	2,19,500	116
Sri Sujit Gulati (upto Dec 29, 2009)	N/I	-/3	No	7/-/-	–	–
Sri C.L. Rathi	E	5/6	Yes	3/1/-	–	–

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

** : For the period 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 the 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 6 times on April 29, July 22, October 28, 2009, January 19, May 7 and July 21, 2010. 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 6 times on April 29, July 22, October 28, 2009, January 19, May 7 and July 21, 2010 during the period attended by Sri A.C. Mukherji (6/6), Dr. G. Goswami (6/6) and Sri G. Momen (5/6). 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. During the period, the Committee met on April 22, 2009 when all the Committee members were present. 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. The Board has approved payment to each non-executive Director sitting fees of Rs.10,000 for every Board Meeting, Rs.7,500 for every Audit/Remuneration Committee meeting and Rs.5,000 for every other Committee meeting attended by him. No commission is paid to any Director.

As approved by the Shareholders and the Central Government, Sri C.L. Rathi was re-appointed as Managing Director from June 1, 2009 and is presently paid by way of salary Rs.1.75 lac per month (in the salary scale of Rs. 1.75 lac to Rs. 2.50 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). Details of remuneration paid to Sri C.L. Rathi are given elsewhere in this Annual Report. The term of Sri C.L. Rathi as Managing Director will be expiring on May 31, 2012.

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 88,000 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 comprises of Sri R.K. Choudhury (Chairman), Sri A.C. Mukherji, Dr. G. Goswami, Sri C.L. Rathi, Sri U.C. Jain and Sri G.K. Sureka. 105 Complaints/queries were received during the period and have all been resolved; therefore none are pending. No cases of physical share transfers and for dematerialisation or re-materialisation were pending on September 30, 2010.

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. Rathi 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 statement on the integrity and fair presentation of financial statements is provided to the Board as part of the process of accounts approval. Shareholders are intimated through print media of quarterly financial results and performance besides significant matters, within time periods stipulated from time to time by Stock Exchanges. The quarterly results are published in Financial Express, all editions (including the Ahmedabad edition in Gujarati). General Meetings of the Company are held at its Registered Office at Aerodrome Road, Jamnagar 361 006, Gujarat. The last three Annual General Meetings were held on September 11, 2007, September 26, 2008 and September 16, 2009. The next AGM shall be held at the Registered Office as per the notice in this Annual Report and the Book Closure will be as per the notice. Special Resolutions were approved at the AGMs held on September 26, 2008 to amend Article 141.a of the Articles of Association of the Company to provide for appointment of only one Nominee Director by Government of Gujarat and on September 16, 2009 for re-appointment of Sri C.L. Rathi as Managing Director from June 1, 2009 and approval of the remuneration payable to him. Besides, Special Resolutions pertaining to change of Company's name and issue of Preference Shares upto Rs. 45 Crores were approved at the Extraordinary General Meeting held on March 17, 2008. The last Annual General Meeting was attended by Sri Sidharth Birla, Vice-Chairman, Sri A.C. Mukherji, Chairman of the Audit Committee and Sri C.L. Rathi, the Managing Director. No Special Resolution was put through postal ballot in the previous year and there is no item in the notice for the forthcoming Annual General Meeting requiring postal ballot. However, an Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 for disposal of Universal Clothing Division of the Company at Faridabad was approved by the shareholders vide postal ballot for which the Notice alongwith Explanatory Statement dated April 29, 2009 and postal ballot forms were sent to all the shareholders. Sri Narendra V. Vyas, Advocate was appointed as the Scrutinizer for this purpose. Based on the report of the Scrutinizer prepared on the basis of