



DIGJAM LIMITED

ANNUAL REPORT 2011/12

Sri S.K. Birla
Chairman Emeritus

Board of Directors

Sri Sidharth Birla
Chairman

Sri Bharat Anand (*wef 27.04.2012*)
Smt. Meenakshi Bangur
Sri R.K. Choudhury (*upto 23.08.2012*)
Dr. G. Goswami (*upto 23.08.2012*)
Sri G. Momen
Sri A.C. Mukherji
Sri S. Ragothaman (*wef 27.04.2012*)
Sri C.L. Rathi (*Managing Director upto 31.05.2012*)
Sri C. Bhaskar (*Managing Director wef 01.06.2012*)

Company Secretary

Sri G.K. Sureka
Company Secretary & Executive Vice President (Legal)

Senior Executives

Digjam Division

Sri R.K. Kedia
President & Chief Operating Officer

Sri P.K. Das
Vice President (Exports)

Sri Virender Gupta
Vice President (Operations)

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 Sixty-second Annual General Meeting of the Members of the Company will be held on Thursday, August 23, 2012 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 Statement of Profit and Loss as at and for the year ended March 31, 2012.
2. Sri R.K. Choudhury retires from office by rotation and though eligible, is not seeking re-election and as such, to consider and if thought fit, to pass the following Resolution as Ordinary Resolution: -
"RESOLVED that pursuant to the provisions of Section 256 and other applicable provisions of the Companies Act, 1956, the vacancy caused at this meeting due to retirement by rotation of the Director Sri R.K. Choudhury be not filled up."
3. Dr. G. Goswami also retires from office by rotation and though eligible, is not seeking re-election and as such, to consider and if thought fit, to pass the following Resolution as Ordinary Resolution: -
"RESOLVED that pursuant to the provisions of Section 256 and other applicable provisions of the Companies Act, 1956, the vacancy caused at this meeting due to retirement by rotation of the Director Dr. G. Goswami be not filled up."
4. 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:

5. AS AN ORDINARY RESOLUTION

"RESOLVED that Sri S. Ragothaman, who holds office as Additional Director of the Company upto the date of this Annual General Meeting under Article 140 of the Articles of Association of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation."

6. AS AN ORDINARY RESOLUTION

"RESOLVED that Sri Bharat Anand, who holds office as Additional Director of the Company upto the date of this Annual General Meeting under Article 140 of the Articles of Association of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation."

7. AS AN ORDINARY RESOLUTION

"RESOLVED that Sri C.L. Rath, who holds office as Additional Director of the Company upto the date of this Annual General Meeting under Article 140 of the Articles of Association of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation."

8. AS AN ORDINARY RESOLUTION

"RESOLVED that Sri C. Bhaskar, who holds office as Additional Director of the Company upto the date of this Annual General Meeting under Article 140 of the Articles of Association of the Company, be and is hereby appointed a Director of the Company."

9. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to the Articles of Association of the Company and provisions of Sections 198, 269, 309, 310 and 316 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, as may be necessary, the Company hereby approves the appointment of Sri C. Bhaskar 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 the period from June 1, 2012 to December 31, 2014, 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 conferred upon him from time to time by the Board and with liberty to either party to terminate the appointment on three months' notice to the other:

Salary and Perquisites/Benefits: Not exceeding Rs.3,00,000 per month whether by way of salary, house rent and other allowances and benefits/perquisites (as per rules of the Company) including periodic increments as may be decided by the Board duly recommended by the Remuneration and Nominations Committee within the limits specified in Para 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 or such higher sum as may be approved by the Central Government or vide any statutory modification or re-enactment thereof.

Sri C. Bhaskar shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above in accordance with the provisions of Schedule XIII of the Companies Act, 1956 and any amendment or statutory modification or re-enactment thereof: -

- a. 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,
- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- c. Encashment of unavailed leave at the end of the tenure.

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. Bhaskar as minimum remuneration but within the limits specified in such approval(s) as may be necessary/Para 1(B) of 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 August 14, 2012 to August 23, 2012 (both days inclusive).

Registered Office:

Aerodrome Road
Jamnagar 361 006
(Gujarat)
Dated : April 27, 2012

BY ORDER OF THE BOARD

G. K. Sureka
Company Secretary

DIGJAM LIMITED

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. **The Ministry of Corporate Affairs, Government of India, pursuant to its Green Initiative in Corporate Governance, has permitted under Section 53 of the Companies Act, 1956 the service of documents including the Annual Report consisting of notice, accounts and other relevant reports through the electronic mode. The Company may henceforth e-mail the Annual Report and other documents/communications to the shareholders at the e-mail addresses registered with the Company/received through the respective Depository. Shareholders holding shares in physical form are requested to register/update their e-mail addresses with the Company's Registrars and Transfer Agents, M/s MCS Ltd., 77/2A, Hazra Road, Kolkata 700 029. Shareholders holding shares in dematerialised form are requested to register their e-mail addresses and changes therein with the concerned Depository through their Depository Participant. In absence of e-mail address, the documents will be sent in physical mode.**
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. 5: Sri S. Ragothaman was appointed as an Additional Director of the Company pursuant to Article 140 of the Articles of Association of the Company with effect from April 27, 2012. As provided therein and under Section 260 of the Act, Sri S. Ragothaman holds office as Director only upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notice pursuant to Section 257 of the Act from a Member alongwith deposit of Rs.500/- signifying his intention to propose the appointment of Sri Ragothaman as a Director of the Company at the ensuing Annual General Meeting.

Sri S. Ragothaman, aged about 66 years, is a Commerce Graduate and Chartered Accountant. He is presently self employed professional and was formerly a senior official of ICICI Limited. He has to his credit vast experience of over 42 years in the field of finance.

Sri S. Ragothaman is a Director on the Boards of Bombay Dyeing and Manufacturing Co. Ltd., Hinduja Foundries Ltd., Sakthi Finance Ltd., Shreyas Relay Systems Ltd., Shreyas Shipping & Logistics Ltd., Xpro India Ltd. and Xpro Global Ltd.

Sri Ragothaman is a member of the Audit Committee of our Company. He is Chairman of the Audit Committees of Bombay Dyeing and Manufacturing Co. Ltd., Shreyas Relay Systems Ltd. and Xpro India Ltd. and a member of the Audit Committees of Hinduja Foundries Ltd. and Shreyas Shipping & Logistics Ltd. He is also member of the Remuneration Committee, the Directors Committee and the Finance Committee of Bombay Dyeing and Manufacturing Co. Ltd. as well as Chairman of Remuneration Committee and member of Investor Grievance Committee of Hinduja Foundries Ltd. Besides, he is also a member of the Remuneration Committee of Shreyas Shipping & Logistics Ltd.

Sri Ragothaman and his spouse inter se hold 25,723 and 40,148 Equity Shares in the Company respectively.

Considering the qualifications and experience of Sri Ragothaman, the Board considers that it would be in the interest of the Company to appoint him as a Director of the Company and accordingly, recommends the proposed Resolution for your approval.

Except Sri S. Ragothaman, no other Director is interested in the above Resolution.

Item No. 6: Sri Bharat Anand was appointed as an Additional Director of the Company pursuant to Article 140 of the Articles of Association of the Company with effect from April 27, 2012. As provided therein and under Section 260 of the Act, Sri Bharat Anand holds office as Director only upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notice pursuant to Section 257 of the Act from a Member alongwith deposit of Rs. 500/- signifying his intention to propose the appointment of Sri Bharat Anand as a Director of the Company at the ensuing Annual General Meeting.

Sri Bharat Anand, aged about 36 years, is an Economics and Law Graduate and Member of the Bar Council of Delhi and Solicitor, England and Wales. After working for eight years in the London office of Freshfields Bruckhaus Deringer, he joined Khaitan & Co. LLP and is a Partner in their Corporate Department. His practice focuses on acquisitions, joint ventures and strategic alliances and he has advised several major transactions in these areas. Sri Anand has been ranked amongst India's leading Second Generation Lawyers.

Sri Bharat Anand is a Director on the Boards of Dalmia Bharat Enterprises Ltd., H D Motor Company India Pvt. Ltd. and SIS Cash Services Pvt. Ltd. He is member of the Audit Committee of Dalmia Bharat Enterprises Ltd.

Sri Bharat Anand does not hold any Equity Share in the Company.

Considering the qualifications and experience of Sri Anand, the Board considers that it would be in the interest of the Company to appoint him as a Director of the Company and accordingly, recommends the proposed Resolution for your approval.

Except Sri Anand, no other Director is interested in the above Resolution.

Item no. 7: Sri C.L. Rathi has been appointed as an Additional Director of the Company pursuant to Article 140 of the Articles of Association of the Company with effect from June 1, 2012 upon completion of his term as Managing Director of the Company. As provided therein and under Section 260 of the Act, Sri C.L. Rathi holds office as Director only upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notice pursuant to Section 257 of the Act from a Member alongwith deposit of Rs.500/- signifying his intention to propose the appointment of Sri C.L. Rathi as a Director of the Company at the ensuing Annual General Meeting.

Sri C.L. Rathi, aged 66 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 vast expertise in managing the affairs of large industrial undertakings and has experience of more than 43 years in manufacturing industries like textiles, plastics, edible oil, light engineering, etc. at top management levels in India and abroad. He has served the Company in various capacities over a long period, lastly as Managing Director of the Company. He is a member of Share Transfer and Shareholders/Investors Grievance Committee as well as the Committee of Directors of the Company. He is a Director of Drap Leasing & Finance Pvt. Ltd. and Drap Plastics Pvt. Ltd.

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

In order to benefit from his continued association with the Company, the Board considers that it would be in the interest of the Company to appoint Sri C.L. Rathi as a Director of the Company and accordingly, recommends the proposed Resolution for your approval.

Except Sri C.L. Rathi, no other Director is interested in the above Resolution.

Item nos. 8 & 9 : Sri C. Bhaskar was initially appointed as an Additional Director of the Company pursuant to Article 140 of the Articles of Association of the Company with effect from November 9, 2011. As provided therein and under Section 260 of the Act, Sri C. Bhaskar holds office as Director only upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notice pursuant to Section 257 of the Act from a Member alongwith deposit of Rs.500/- signifying his intention to propose the appointment of Sri Bhaskar as a Director of the Company at the ensuing Annual General Meeting. Further, at the Board Meeting held on April 27, 2012, it was unanimously decided to appoint Sri C. Bhaskar as the Managing Director of the Company for the period from June 1, 2012 to December 31, 2014 and the details of the remuneration payable to him are furnished in the proposed Resolution and the Corporate Governance Report. Sri C. Bhaskar will continue to hold office of the Managing Director in Xpro India Limited and his aggregate remuneration shall be in accordance with and within the limits specified in Schedule XIII of the Act.

Sri C. Bhaskar is the Managing Director of Xpro India Ltd. He is also a Director of Xpro Global Ltd., Market Café Foods Ltd., Prosperous Healthy Life Pvt. Ltd. and Xpro Global Pte. Ltd., Singapore and a member of the Executive Committee and Treasurer of Organisation of Plastics Processors of India.

Sri C. Bhaskar is the member of Share Transfer & Investor Grievance Committee and Committee of Directors of Xpro India Ltd.

Sri Bhaskar and his spouse inter se hold 2,100 and 2,500 Equity Shares in the Company respectively.

Considering the qualifications and experience of Sri Bhaskar, the

Board considers that it would be in the interest of the Company to appoint him as a Director of the Company and to designate him as the Managing Director not liable to retire by rotation and accordingly, recommends the proposed Resolutions for your approval.

None of the Directors, except Sri C. Bhaskar, is concerned or interested in the Resolutions concerning his appointment and remuneration payable to him as Managing Director.

In accordance with the requirement of Schedule XIII of the Act, a statement providing the required information for the appointment and payment of remuneration to Sri C. Bhaskar 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 projects approved by financial institutions appearing in the prospectus	Not applicable
4. Financial Performance based on given indicators	The net profit after tax, net sales and foreign exchange earned through exports (FOB Value)/deemed exports for last three years were as follows:
	(In Crores Rs.)
	Year Net Profit Revenue Exports
5. Export performance and net foreign exchange collaboration	2009-10 (18 months) 44.12 185.93 73.71
	2010-11 (6 months) 4.32 81.22 34.87
	2011-12 1.27 180.87 76.96
6. Foreign Investments or collaborations, if any.	Nil

II. Information about appointee:

1. Background details	Sri C. Bhaskar, aged 56 years, is a B. Tech (Chem.), MIMA, PGDM (IIM-Cal). He is having expertise in operations, management, marketing and general management and is having an experience of over 33 years in consultancy and in industry. He has been Managing Director and Chief Executive Officer of Xpro India Limited since a long time.
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2. Past remuneration	This is his first appointment in the Company.		
3. Recognition or Awards	He was the Vice President of the All India Plastics Manufacturers Association and presently is a member of Committees of the Plastindia Foundation and also member of the Executive Committee & Treasurer of Organisations of Plastics Processors of India. He is elected fellow of the Indian Plastics Institute.		
4. Job Profile and his suitability	Sri C. Bhaskar 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 conferred upon him from time to time by the Board. Considering his background and experience, he is eminently suitable to hold the position of Managing Director in the Company.	3. Expected increase in Productivity/ Profits	was written down, debts were restructured, non-core assets and investments were disposed off. 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 aggregating to Rs. 21.62 Crores during February, 2009, September, 2010 and February, 2011 besides a Preferential allotment of Equity Shares aggregating to Rs. 4.88 Crores. 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. leading to improvement in revenue from operations to Rs. 180.87 Crores for the year ended March 31, 2012 despite the turbulent financial conditions prevailing in global markets. The Company is committed to achieve continuous improvements in its operations and profitability.
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 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	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 and as provided thereunder, the then Share Capital		
2. Steps taken/ proposed to be taken for improvement			
IV. Disclosures:			
The Remuneration details are given in the proposed Resolution and the Corporate Governance Report.			
The Resolution alongwith the Explanatory Statement may also be treated as an abstract of the terms of appointment of Sri C. Bhaskar as Managing Director as required under Section 302 of the Act.			
Your approval is sought by Special Resolution as stipulated under the relevant provisions of Part II of Section II of Schedule XIII to the Act and the Board commends the proposed Resolution as set out above for your approval as a Special Resolution.			
Inspection of Documents			
All the documents referred to in the notice and explanatory statement including the Memorandum and Articles 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 : April 27, 2012		BY ORDER OF THE BOARD G. K. Sureka Company Secretary	

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We present herewith our Annual Report along with the Audited Accounts of the Company for the year ended March 31, 2012.

REVIEW OF KEY BUSINESS MATTERS

The world economy has been passing through stress. Financial turmoil in Europe has affected other countries. This contagion has pushed up borrowing costs and slowed growth in many parts of the world, and capital flows to developing countries have fallen. As a result, and despite a strengthening of activity in the United States and Japan, world trade has slowed down. Under this scenario, the forecast for global economic growth has been revised downward to about 2.5% in 2012. Indian economy also slowed down in 2011-12 mainly due to weak industrial growth. Inflation remained a major concern constraining RBI to pursue tight monetary policy.

In this generally depressed scenario the Company achieved about 10% growth in sales value which stood at Rs. 174 Crores for the year; we may recall that the previous financial year was restricted to a 6-month period due to the end of debt resolution and this period had coincided with the Company's peak season. Sales volume for the year was 55.7 lac mtrs against 29.3 lac mtrs in the previous period. The volumes and overall profitability were affected mainly due to recessionary conditions in export markets and higher raw material costs. The price of wool (the principal raw material) saw a highest level over the last 10 years in June 2011 which, coupled with sharp appreciation in importing currency i.e. Australian Dollar, pushed up input costs significantly. Under competitive pressures in markets, cost and finance cost increases could not be fully recovered by way of any enhanced pricing. We however report with some satisfaction that management was able to through proactive actions maintain pro rata operating profits and margins close to that of the previous period.

The management has taken measures as part of its continuous improvements to strengthen operations and viability. It has widened and improved the product range and price points in domestic market to enlarge the customer base. The brand visibility has enhanced particularly with emphasis on wider publicity at point of sale. Dealer network has been further strengthened. To achieve better sales realizations and margin, the Company emphasizes on premium qualities and has achieved good growth in this segment. Newer markets for exports are being explored to lessen impact of countries facing economic problems.

FINANCIAL RESULTS

(Rs. Lacs)	March 31, 2012 (12 months)	March 31, 2011 (6 months)
Working for the year resulted in an Operating Profit before Finance Cost of	16,95.64	8,93.83
less : Finance Cost	14,26.82	5,82.76
less : Depreciation	5,01.53	2,49.09
	(2,32.71)	61.98
add : Exceptional Items	3,60.07	3,69.89
Profit Before Tax	1,27.36	4,31.87
less : Taxation	—	—
Profit After Tax	1,27.36	4,31.87
add : Balance brought forward	(89,09.61)	(93,41.48)
leaving a Balance of which is carried forward	(87,82.25)	(89,09.61)

In view of the above, the Directors do not recommend any dividend.

SHARE CAPITAL

The Company has issued Preference Capital to the extent of Rs. 21.62 Crores in earlier years to build net worth and support operations. It was considered by the Board to be of long term benefit to the Company if such capital be converted to permanent Equity Capital. The fair value of such conversion was independently worked out to be Rs. 14.50 per equity share (including premium of Rs. 4.50 per share) which was further seen to be advantageous to the Company. Under legal advise the appropriate method to achieve such conversion under existing laws and regulations was a fairly simple Scheme of Arrangement in terms of Section 391 to 393 of the Companies Act, 1956 ("Act") for the conversion of preference share capital into appropriate number of equity shares, subject to necessary approvals including sanction of the Hon'ble High Court of Gujarat. Equity Shareholders (alongwith the Preference Shareholders having voting rights in terms of Section 87 of the Act) unanimously approved the said Scheme at the meeting convened by the Hon'ble High Court on April 11, 2012. The Company has since filed petition with Hon'ble High Court of Gujarat to obtain the sanction of the Scheme.

DIRECTORS

Sri R.K. Choudhury and Dr. G. Goswami retire by rotation and, though eligible, have intimated their intention not to seek re-election due to personal reasons. The Board has accepted this with regret and decided not to fill up the vacancies arising out of their retirement and also places on record its sincere and deep appreciation of the valuable guidance and services rendered by Sri Choudhury and Dr. Goswami during their respective long tenures on the Board.

Sri C. Bhaskar was appointed as an Additional Director, classified as a Non-executive Director, on November 9, 2011. In accordance with the recommendations of the Remuneration and Nominations Committee the Board has also appointed Sri S. Ragothaman and Sri Bharat Anand as Additional Directors on April 27, 2012 and they would be classified as Independent Directors under applicable regulations. In terms of Article 140 of the Articles of Association all the Additional Directors hold office upto the date of the forthcoming Annual General Meeting; the Company has received notices u/s 257 of the Act proposing their appointment as Directors. Their details are included in the resolutions and the Directors recommend their appointment.

Sri C.L. Rathi, Managing Director, demits office on completion of his tenure on May 31, 2012, having served on the Board for about 14 years. We place on record our deep appreciation of the valuable services rendered by Sri Rathi during his long tenure, first as an executive of the Company and then on the Board. In order to benefit from his continuing association the Board has in accordance with recommendations of the Remuneration and Nominations Committee appointed Sri Rathi as Additional Director, to be classified as a Non-executive Director with effect from June 1, 2012 to hold office upto the forthcoming Annual General Meeting. The Company has received notice u/s 257 of the Act proposing his appointment, which is recommended by the Board.

The Board has unanimously approved appointment of Sri C. Bhaskar as Managing Director of the Company with effect from June 1, 2012, at remuneration approved by the Remuneration and Nominations Committee, in accordance with Section 316 of the Act subject to relevant approvals; the Resolution setting out the terms of his appointment is proposed for the forthcoming Annual General Meeting. Sri C. Bhaskar will, as permitted in law, continue to hold the office of Managing Director in Xpro India Limited.

STATUTORY INFORMATION AND OTHER MATTERS

Our report on Corporate Governance along with Auditors' certificate on compliance, and the Managements' Discussion & Analysis Report, both 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

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Report of Board of Directors) Rules 1988, all form part of this report and are annexed hereto. Section 217(2A) of the Act is not applicable as there were no relevant employees during the year. The Company has not invited/accepted any Fixed Deposits and there are none outstanding on March 31, 2012. Relations with employees were cordial and we record our appreciation of the contribution made by employees during the year.

The CEO (Managing Director) has certified as per the requirements of Clause 49(V) of the Listing Agreement, which has been reviewed by the Audit Committee and taken on record by the Board. Having taken reasonable and bonafide care, pursuant to Section 217(2AA) of the Companies Act the Directors indicate that (i) in the preparation of the annual accounts the applicable accounting standards had been followed along with proper explanations relating to material departures; (ii) the directors had 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 financial year and of the profit of the Company for the year; (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and (iv) the directors had prepared the annual accounts on a going concern basis.

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.

The Company had appointed M/s N.D. Birla & Co., Cost Accountants, Ahmedabad to audit the cost accounts of the Company pursuant to Section 233B of the Act. The Cost Audit Report for the period ended March 31, 2011 due for filing by September 27, 2011 had been e-filed by the Cost Auditor on September 7, 2011.

ACKNOWLEDGEMENTS

We place on record our sincere appreciation of the valuable cooperation and support received at all times by the Company from its bankers, other stakeholders, concerned Government Departments, other authorities, its channel partners, employees and shareholders.

FOR AND ON BEHALF OF THE BOARD

New Delhi
April 27, 2012

Sidharth Birla
Chairman

MANAGEMENTS' DISCUSSION & ANALYSIS REPORT

We submit herewith our Managements' Discussion & Analysis Report for the year ended March 31, 2012. We have included 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 textiles 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 million meters of 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 60 years. Its commitment to quality and customer orientation reflects in its strong nationally recognized and valuable brand **DIGJAM**, supported by an established national distribution. 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 and expansion of its channel partners.

The Company has always laid stress on export markets and exploring new areas. It has an independent marketing team supported by an appropriate network abroad for export business. It exports a significant portion 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

A summary of key operating indicators is given below; detailed performance may be viewed from financial statements and notes thereto in the Annual Report.

Product : Fabrics	2011-12 (12 Months)	2010 - 11 (6 Months)
Production (Lac Mtrs)	39.7	23.5
Sales (Lac Mtrs):		
– Domestic	33.9	16.8
– Exports	21.8	12.6
	55.7	29.4
Sales (Lac Rs.)	174.00	79.15

The world economy and particularly the Euro Zone faced financial turmoil and uncertainty through most of the year. The recessionary conditions in Europe affected our exports. The Indian economy also faced slowdown with estimated growth rate down to 6.9%. RBI continued with tight monetary stance. High interest rates made funds costlier, thus further affecting profitability. However, despite these constraints the Company achieved a higher sales level with better realizations due to a good product mix, but profitability remained elusive due to external factors. The Company imports wool, its principal raw material, mainly from Australia. Wool prices continued to rise, and reached a 10-year peak in June, 2011. Wool cost was aggravated due continued appreciation of the Australian Dollar by about 13% at the year-end from April 2011 levels. The higher cost of wool and other inputs impacted our costs and put severe pressure on margins and working capital resources.

The Company continues its initiatives for growth and improvement in operations and expects to better its overall performance with improvement in economic conditions and stability in wool prices and foreign exchange rates. While the Company maintains its emphasis on growth of its export business, the recessionary conditions in many countries etc. may impede its export thrust for some time.

ENVIRONMENT & SAFETY

We are fully conscious of the need for both environmentally clean and safe operations. 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 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 "Managements' 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 27, 2012

C. L. Rathi
Managing Director

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board has always followed the principles of good governance and emphasizes 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 10 Directors, of which 9 are non-executive. The position of the Chairman is essentially non-executive, non-managerial in character. The overall management of the Company is vested in the Managing Director, subject to general supervision, control and direction of the Board. Sri C.L. Rathi, appointed as Managing Director is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and has about 43 years of commercial and industrial experience. The day-to-day working of the plant at Jamnagar is looked after by experienced officers reporting to the President of the Division, who is responsible for the overall operations of the plant and reports to the Managing Director.

The SEBI Code requires that if the non-executive chairman is from the promoter group, at least one-half of the Board shall consist of independent directors. At the present, out of 10 Directors our Board has 6 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 R.K. Choudhury (Senior Consultant & Advocate) as well as Sri S. Ragothaman (Company Director, formerly senior official at ICICI) and Sri Bharat Anand (Advocate & Solicitor and partner at Khaitan & Co. LLP.), who have been appointed as Additional Directors wef April 27, 2012 after the close of the year. Sri C. Bhaskar (non-executive director) was appointed as an Additional Director of the Company wef November 9, 2011. The aforesaid Additional Directors hold office until the ensuing Annual General Meeting. Sri Sidharth Birla, Chairman (MBA, B.Sc. (Hons.)) and Smt. Meenakshi Bangur (BBA, M.Sc (Management)) represent promoters. The Board had conferred the title of Chairman Emeritus to the past Chairman Sri S.K. Birla and

he is invited to be present at Board Meetings. Sri C.L. Rathi, the only Executive Director, demits office on May 31, 2012. The Board has decided to appoint Sri C. Bhaskar as Managing Director wef June 1, 2012 and he will simultaneously continue to hold the office of Managing Director in Xpro India Limited. The Board has also decided to appoint Sri C.L. Rathi as Additional Director wef June 1, 2012, the appointment being in the nature of non-executive (non-independent) Director. None of the Directors except Sri Sidharth Birla and Smt. Meenakshi Bangur 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, 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 Sidharth Birla	P	4/5	Yes	7/-	55,000	50,000
Sri R.K. Choudhury	I	1/5	No	9/2/2	85,000	-
Dr. G. Goswami	I	5/5	No	7/5/1	2,17,500	-
Sri G. Momen	I	4/5	No	15/7/1	1,10,000	-
Sri A.C. Mukherji	I	5/5	Yes	8/4/5	2,17,500	116
Smt. Meenakshi Bangur	P	5/5	No	2/-	75,000	324
Sri C. Bhaskar	NE	2/2	-	5/1/-	30,000	2,100
(w.e.f. Nov 9, 2011)						
Sri C.L. Rathi	E	5/5	Yes	3/1/-	-	-

* : P = Promoter, I = Independent, E = Executive, NE = Non-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 rotational Directors retire every year; when eligible, qualify for re-appointment. Nominee Directors, if any, 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.