



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. Rathi, 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)
Date : April 27, 2012

BY ORDER OF THE BOARD

G. K. Sureka
Company Secretary

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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	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">2009-10 (18 months)</td> <td style="width: 15%;">44.12</td> <td style="width: 15%;">185.93</td> <td style="width: 15%;">73.71</td> </tr> <tr> <td>2010-11 (6 months)</td> <td>4.32</td> <td>81.22</td> <td>34.87</td> </tr> <tr> <td>2011-12</td> <td>1.27</td> <td>180.87</td> <td>76.96</td> </tr> </table>	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
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 <i>Company Secretary</i>

**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 <i>(12 months)</i>	March 31, 2011 <i>(6 months)</i>
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 : Deprecation	5,01.53	2,49.09
	<u>(2,32.71)</u>	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.

DIGJAM LIMITED

The Board requires that the organization 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 5 times on April 28, July 27, November 9, 2011, January 9 & February 7, 2012. To enable fuller attention to the affairs of the Company, the Board delegates specified matters to its committees, which also prepare 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 and cost 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 28, July 27, November 9, 2011 and February 7, 2012 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. Sri S. Ragothaman has been appointed a member of this Committee w.e.f April 27, 2012.

Remuneration and Nominations Committee

The Remuneration & Nominations Committee comprises of non-executive Independent Directors, namely Sri A.C. Mukherji (as Chairman), Sri R.K. Choudhury, 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 and senior officers; any compensation of non-executive Directors is a subject only for the whole Board. When required, the Committee makes recommendations to the Board on filling up Board vacancies that may arise from time to time or on induction of further Directors to strengthen the Board. The Board has approved payment to each non-executive Director sitting fees of Rs.15,000 for every Board Meeting and every Audit Committee meeting, Rs.5,000 for every other Committee meeting attended by him. No commission is paid to any Director. The Committee is expected to meet at least once in a year. 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 being paid by way of salary Rs. 2.25 lac per month w.e.f April 1, 2010 (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). Details of remuneration paid to Sri C.L. Rathi are given elsewhere in this Annual Report. There are no severance fees, other benefits, bonus or stock options. Either party may terminate the appointment on three months' notice in writing. The term of Sri C.L. Rathi as Managing Director will expire on May 31, 2012. The Board, subject to relevant approvals and upon the recommendation of the Remuneration & Nominations Committee (including for the remuneration and terms), has decided to appoint Sri C. Bhaskar as Managing Director of the Company w.e.f June 1, 2012 on a remuneration not exceeding Rs. 3,00,000 per month comprising of salary, allowances and benefits/perquisites as may be decided by the Board duly recommended by the Remuneration & Nominations Committee, which is to be regarded as the minimum remuneration payable to him in the event of inadequacy/absence of profits. The Board has decided to pay him a salary of Rs. 1,50,000 per month w.e.f June 1, 2012 and benefits/perquisites as per the rules of the Company. There are no severance fees, other benefits, bonus or stock options. The Company does not have any pecuniary relationship or transactions with any non-executive Director; Sri Bharat Anand is a partner of Khaitan & Co. LLP, a reputed firm of Advocates, who also act for the Company from time to time and to whom the Company paid Rs. 3,99,066 during the year towards retainership, fee and reimbursement of expenses on different matters but the Board has determined that the said amount is not material to the firm's overall income and therefore would not be deemed to affect his independence.

Share Transfer & Shareholders/Investors Grievance Committee

The Committee reviews, records and helps expedite transfer of shares. The Company has about 85,500 shareholders and the Committee meets frequently throughout the year to minimize 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. 86 Complaints/queries were received during the year and have all been resolved. No cases of physical share transfers and for dematerialization or re-materialization were pending on March 31, 2012.

Committee of Directors

A Committee of Directors comprising of Sri Sidharth Birla, Chairman, Sri R.K. Choudhury, Sri A.C. Mukherji, Smt. Meenakshi Bangur 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 via print media of quarterly financial results and performance besides significant matters, within time periods stipulated from time to time by Stock Exchanges. Quarterly results are published in Financial Express, all editions (including Ahmedabad, in Gujarat).

General Meetings of the Company are held at its Registered Office at Aerodrome Road, Jamnagar 361 006, Gujarat. The last 3 Annual General Meetings were held on September 16, 2009, January 18, 2011 and August 25, 2011. The next AGM shall be held at the Registered Office as per the

notice in this Annual Report and Book Closure will be as per the notice. Special Resolutions were approved at the AGMs on September 16, 2009 for re-appointment of Sri C.L. Rathi as Managing Director from June 1, 2009 and approval of remuneration payable to him and on January 18, 2011 for re-organization of the Authorized Share Capital of the Company and to offer, issue and allot Equity and Preference Shares/Instruments aggregating to Rs.5 Crores on preferential basis U/s 81(1A) of the Companies Act. The last Annual General Meeting was attended by Sri Sidharth Birla, Sri A.C. Mukherji, Chairman of the Audit Committee and Sri C.L. Rathi. The Court convened meeting of the Shareholders was held on April 11, 2012 to consider the Scheme of Arrangement u/s 391-393 between the Company and its Shareholders for, inter alia, converting the outstanding Preference Share Capital into Equity Shares. No Special Resolution was put through postal ballot during the period and there is no item in the notice for the forthcoming Annual General Meeting requiring postal ballot. Dividends have not been declared over the last 3 financial years and thus there was no date of mailing nor delay in payment. The Company keeps all shareholders informed via advertisements in appropriate newspapers of relevant dates and items requiring notice. **MCS Limited, 77/2A, Hazra Road, Kolkata 700 029 are Registrars and Share Transfer Agents (RTA)** both for shares held in physical and dematerialized form. The address for Shareholders' general correspondence is Company Secretary, DIGJAM Limited, Aerodrome Road, Jamnagar 361 006 (Gujarat). Shareholders may also write to Registrars directly in matters relating to transfers etc. The Company had published and shall continue to publish quarterly results etc. in English and relevant vernacular print media and hold Annual General Meetings, and pay dividends (if any) within the time limits prescribed by law or regulations. The Company's website is www.digjam.co.in.

No presentation has been made to institutional investors, etc. The present financial year of the Company is from April 1 to March 31. The Company continues to upload from time to time necessary financial data on its website. There are no GDR/ADR, warrants or other secured convertible instruments issued or outstanding. The Company's Equity Shares are listed at National Stock Exchange of India Ltd., Mumbai (Stock Code 'DIGJAM') and BSE Ltd., Mumbai (Stock Code 503796). Company has paid the up-to-date listing fees for each of these Stock Exchanges. Equity Shares of the Company are compulsorily traded in dematerialized form since May 8, 2000. The Company has entered into agreements with NSDL and CDSL. The ISIN is INE471A01023. As on March 31, 2012, 7,14,62,859 Equity Shares representing 98.26% of the total Equity Shares were held in dematerialized form and 12,65,437 Equity Shares representing 1.74% were held in physical form. Pursuant to an amendment mandated by SEBI in the Listing Agreement of the Stock Exchanges, a listed company needs to transfer unclaimed shares issued in physical form pursuant to public/any other issue to a dematerialized Unclaimed Suspense Account. The Company's RTA has initiated steps to assess the details of the shareholders whose physical shares are still unclaimed pursuant to re-organization of its equity capital and rights issue and sent reminders to such shareholders. Upon determining the final list of such unclaimed shares, the Company will take steps to dematerialize the same and publish the required details in its Annual Report. Distribution of shareholding pattern of Equity Shareholding, high/low market price data and other information is given below:

Distribution of Equity Shareholding as on March 31, 2012

Shareholding range (Nos.)	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 – 500	76,796	90.06	64,41,972	8.86
501 – 1,000	4,235	4.97	36,34,923	5.00
1,001 - 2,000	2,062	2.42	32,87,978	4.52
2,001 - 5,000	1,321	1.55	45,63,201	6.27
5,001 - 10,000	437	0.51	33,10,745	4.55
10,001 and above	420	0.49	5,14,89,477	70.80
Total	85,271	100.00	7,27,28,296	100.00

This statement is on the basis of the Shareholding pattern as on March 31, 2012 submitted to the Stock Exchanges.

Pattern of Equity Shareholding as on March 31, 2012

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Banks, FIs, Insurance Companies	57	0.07	1,29,20,181	17.77
Domestic Companies	899	1.05	2,80,59,251	38.58
Mutual Funds (incl. UTI)	7	0.01	3,451	0.00
Non-residents	1,883	2.21	3,52,688	0.49
Resident Individuals/others	82,425	96.66	3,13,92,725	43.16
Total	85,271	100.00	7,27,28,296	100.00

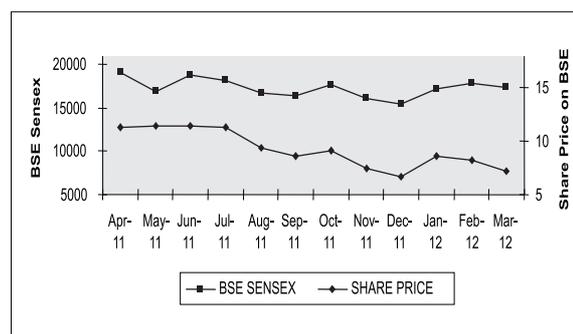
This statement is on the basis of Shareholding pattern as on March 31, 2012 submitted to the Stock Exchanges.

Aggregate of non-promoter shareholding : 66.04%

Monthly High and Low Market Price Data of Equity Shares (April, 2011 to March, 2012)

	BSE		NSE	
	High Rs.	Low Rs.	High Rs.	Low Rs.
Year 2011				
April	14.39	9.40	14.20	9.35
May	12.70	10.50	12.70	10.25
June	13.50	11.10	13.60	11.00
July	13.12	11.15	13.15	10.90
August	11.69	8.50	11.70	8.50
September	10.40	8.50	10.45	8.50
October	9.95	8.16	9.30	8.10
November	9.58	7.45	9.60	7.35
December	8.45	6.11	8.85	6.05
Year 2012				
January	9.79	6.21	9.80	6.40
February	9.64	8.03	9.40	8.00
March	8.99	6.50	8.45	6.50
During the year	14.39	6.11	14.20	6.05

Equity performance compared to BSE Sensex during April 1, 2011 to March 31, 2012



MANDATORY/NON-MANDATORY PROVISIONS

We have adopted all mandatory requirements (except where not relevant or applicable). Of the non-mandatory suggestions, we have adopted those relating to a Chairman's Office and the Remuneration

DIGJAM LIMITED

Committee. There have been no transactions of a material nature of the Company with its promoters, Directors or the management, their subsidiaries or relatives, etc. and accordingly no potential conflict with the interests of the Company. There has been no case of non-compliance by the Company nor any strictures or penalties imposed by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets. The above represents the Company's philosophy on, and implementation of, its corporate governance. Auditor's certification as required forms a part of this Annual Report.

For and on behalf of the Board

New Delhi
April 27, 2012

Sidharth Birla
Chairman

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of DIGJAM Limited

We have examined the compliance of the conditions of Corporate Governance by **Digjam Limited** for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117365W)

Gaurav J Shah
Partner

New Delhi, April 27, 2012

Membership No. 35701

AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS AND SENIOR EXECUTIVES

This is to confirm that the Company has received affirmation of compliance with "Code of Conduct for Directors and Senior Executives" laid down by the Board of Directors from all the Directors and Senior Management personnel of the Company, to whom the same is applicable, for the year ended March 31, 2012.

New Delhi
April 27, 2012

C. L. Rathi
Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2012.

A. Conservation of Energy

a. Energy conservation measures taken :

A phased programme for replacement of DC motors with AC motors as well as hydraulic systems with AC drives has been taken up. In the humidification plant, supply air fans are being replaced with FRP fans. The working of the air conditioning plant is being regularly monitored to control energy consumption. Steps have been taken to reduce transmission losses and maintain high power factor. Transformer losses have been checked by rearranging the load between the existing transformers and reducing the number of transformers. The existing lighting is being replaced in phases with energy efficient 4' tube lights and where feasible, with compact fluorescent lamps.

b. Additional Investments and proposals being implemented for reduction of consumption of energy :

A new 2-MVA Transformer (OLTC) is under installation to replace old transformers, with a view to further reduce transformer losses and to effectively regulate voltage and thereby save energy and minimise breakdowns. The programme for replacement of DC motors with AC motors and hydraulic systems with AC drives is proposed to be continued alongwith that for replacement of supply air fans in the humidification plant. Operation of viable processes is being maximized during off-peak hours. It is planned to continue the replacement of the existing lighting with 4' energy efficient tube lights and compact fluorescent lamps. A number of other proposals for energy conservation are under study.

c. Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

These measures are expected to lead to reduction in energy consumption per unit of production and bring about savings in cost of production.

d. Total energy consumption and energy consumption per unit of production :

As per Form - A annexed.

B. Technology Absorption

e. Efforts made in technology absorption:

As per Form - B annexed.

C. Foreign Exchange Earnings and Outgo

f. Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plan :

The Company exports fabrics to the markets in USA/Europe and also to Far East and the Middle East. We have got our fabrics certified for Oeko-Tex Standard 100 i.e. meeting ecological standards for wearing the fabrics next to the skin to meet the ecological requirement of our buyers. We are also producing fabrics with different finishes like nano for oil and soil repellency with soft handle, teflon, bio-polishing, 100% wool washable fabrics, etc. In view of the slow recovery in USA and the financial turmoil in Europe as well as the volatility of the Indian Rupee during the year, we have stepped up our efforts to expand exports.

g. Total Foreign Exchange used and earned :		
		(Lac Rs.)
	<u>2011-12</u>	<u>2010-11*</u>
- Used	3216	1997
- Earned	7696	3487
* 6 month period		

- c. Improvement in quality and marketability of existing products.
d. Energy and water conservation.
e. Control of Inventory
3. Future Plan of action :
Emphasis on product development, product quality, cost reduction, energy and water conservation, improvement in process, productivity, safety and ecology.

**ANNEXURE
FORM - A**

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

A. POWER & FUEL CONSUMPTION	<u>2011-12</u>	<u>2010-11*</u>
1. Electricity		
a. Purchased Units (in thousand)	17,728	8,591
Total amount (Rs. in thousand)	1,15,026	52,446
Avg. rate/Unit (Rs.)	6.49	6.10
b. Own Generation		
Through Diesel Generator		
Units (in thousand)	49	42
Units per Ltr. of Diesel Oil	2.93	2.57
Avg. Cost/Unit (Rs.)	15.59	15.86
2. Coal (Steam Coal and Lignite used in Boiler for steam)		
Qty. (M. Tonnes)	10,904	5,466
Total Cost (Rs. in thousand)	35,331	16,352
Avg. rate/M. Tonnes (Rs.)	3,240	2,991

B. CONSUMPTION PER UNIT OF PRODUCTION

Products Fabric/Shawls (per Mtr.)		
- Electricity (KWH)	4.47	3.65
- Coal (Steam & Lignite Kg/Mtr.)**	2.74	2.31

* 6 month period
** For generation of steam.

**ANNEXURE
FORM - B**

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION:

RESEARCH AND DEVELOPMENT (R&D) :

1. Specific areas in which R&D carried out by the Company :
- Product development by using new fibres and new processes.
 - New finishes.
 - Improvement in quality.
 - Process and System improvement particularly by implementing the Quality Management System IS/ISO 9001:2008.
 - Energy and Water conservation.
 - Increased productivity.
2. Benefits derived as a result of the above R&D :
- Fabrics certified in accordance with Oeko-Tex Standard 100 as meeting the human ecological standards for products with direct contact to skin.
 - Increased variety of fabric finishes like bio-polishing, 100% wool washable fabrics and nano finished fabrics.

4. Expenditure on R&D :		(Lac Rs.)
	<u>2011-12</u>	<u>2010-11*</u>
a. Capital	-	-
b. Recurring	14.34	9.97
c. Total	14.34	9.97
d. Total R&D expenditure as a percentage of total turnover	0.08%	0.12%

* 6 month period

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
Regularly in contact with Research Organisations in India and abroad, such as The Woolmark Company, Hohenstein Textile Testing Institute, Germany.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. :
- Better and easier availability of materials.
 - Improved productivity and improved machine performance resulting in saving in process cost.
 - Less dependence on imported items and saving of foreign exchange outgo.
 - Technology upgradation to meet the specifications of exportable products.
 - Increase in product range.
 - Imparting a variety of finishes to fabrics such as nano finish to all types of fabrics and washable to 100% wool fabrics.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial period) following information is being furnished :
- Technology imported :)
 - Year of Import :)
 - Has Technology been fully absorbed ? :) N O N E
 - If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action :)

For and on behalf of the Board

New Delhi
April 27, 2012

Sidharth Birla
Chairman

DIGJAM LIMITED

AUDITORS' REPORT

To the Members of DIGJAM Limited

1. We have audited the attached Balance Sheet of **DIGJAM LIMITED** ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) *attention is invited to Note No. 11 regarding advances of Rs. 880.63 lacs towards purchase of building, considered good by the management, on which in absence of necessary evidences, we are unable to comment upon ultimate recoverability of the same.*
 - (f) *subject to our comment in paragraph e above*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the Directors as on 31st March, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117365W)

Gaurav J Shah
Partner

New Delhi, April 27, 2012

Membership No. 35701

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/ result, clauses (xii), (xiii) and (xiv) of paragraph 4 of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventories:
 - (a) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

In respect of unsecured loans, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

- (a) The Company has taken loans from four companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1,605 lacs and the year-end balance of such loans was Rs.1,579 lacs
- (b) The rate of interest of such loans is, in our opinion, *prima facie* not prejudicial to the interests of the Company. There are no other terms and conditions of such loans.
- (c) The Company is regular in repaying the principal amount and has been regular in payment of interest.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for sale of goods. During the course of the audit, we have not observed any continuing failure to correct material weaknesses in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in the Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where such transactions are in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except in cases of certain transactions being of specialized nature, where as explained, no alternative quotations / sources are available.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (viii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (ix) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (x) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which

have not been deposited as on 31st March, 2012 on account of any disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in Lakhs)
Income Tax Act	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 1992-93	0.90
Income Tax Act	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 1994-95	2.05
Income Tax Act	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 1997-98	1.82
Income Tax Act	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2007-08	3.63

In view of Interim Stay Order granted by the Hon'ble High Court of Gujarat, for assessee of the state, the Company has deposited Fringe Benefit Tax amounting to Rs. 2.54 lacs and Rs. 9.18 lacs for Assessment Year 2006-07 and 2007-08 respectively, in a separate bank account held for the purpose.

- (xi) The Company's accumulated losses at the end of the year are more than fifty percent of its net worth. The Company has not incurred cash loss during the year under report and the immediately preceding financial period.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks.
- (xiii) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xvi) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvii) The Company did not have any outstanding debentures during the year.
- (xviii) The Company has not raised any money through a public issue during the year.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117365W)

Gaurav J Shah
Partner

New Delhi, April 27, 2012

Membership No. 35701

DIGJAM LIMITED

BALANCE SHEET AS AT MARCH 31, 2012

	Notes	March 31, 2012	(Rs. in lacs) March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	94,36.89	94,36.89
Reserves and Surplus	3	(86,93.35)	(88,20.71)
Non-current Liabilities			
Long Term Borrowings	4	30,00.85	35,27.34
Other Long Term Liabilities	5	2,06.11	6,43.44
Long Term Provisions (Employees benefits)		3,00.04	2,03.03
Current Liabilities			
Short Term Borrowings	6	47,39.71	33,80.06
Trade Payables	7	31,05.24	24,63.85
Other Current Liabilities	8	28,03.42	27,39.94
Short Term Provisions	9	1,63.03	1,43.34
Total		150,61.94	137,17.18
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	10a	47,30.83	51,83.45
Intangible Assets	10b	50.32	65.95
Capital Work-in-progress		16.52	6.36
Long Term Loans and Advances	11	9,62.72	9,59.62
Current Assets			
Inventories	12	45,38.67	40,11.55
Trade Receivables	13	42,35.03	30,09.93
Cash and Cash Equivalents	14	1,65.98	38.85
Short Term Loans and Advances	15	3,23.73	3,90.01
Other Current Assets		38.14	51.46
Total		150,61.94	137,17.18

Significant Accounting Policies 1
Accompanying notes form integral part of the financial statements

As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

Gaurav J. Shah
Partner
Membership No. 35701

New Delhi
April 27, 2012

G. K. Sureka
Company Secretary

C. L. Rathi
Managing Director

Sidharth Birla
G. Goswami **Meenakshi Bangur**
A. C. Mukherji **C. Bhaskar**
Directors

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED MARCH 31, 2012**

	Notes	<u>2011- 12</u>	(Rs. in lacs) <u>2010 -11</u> (6-Months)
INCOME			
Revenue from operations	18	180,92.66	81,21.83
Less : Excise Duty		6.07	-
Revenue from operations (Net)		180,86.59	81,21.83
Other Income	19	77.39	33.69
		181,63.98	81,55.52
EXPENSES			
Cost of Materials Consumed	20	73,81.75	31,73.82
Purchase of Trading Goods	21	22,29.41	8,15.35
Changes in Inventories (of Finished Goods, Work-in-progress and Stock-in-trade)	22	(4,33.52)	(3,33.75)
Employees Benefits Expenses	23	21,95.63	10,00.51
Finance Cost	24	14,26.82	5,82.76
Other Expenses	25	50,95.07	26,05.76
		178,95.16	78,44.45
Profit before Depreciation and Tax		2,68.82	3,11.07
Depreciation and Amortisation	10	5,01.53	2,49.09
Profit/(Loss) before Exceptional Items and Tax		(2,32.71)	61.98
Exceptional Items	26	3,60.07	3,69.89
Profit Before Tax		1,27.36	4,31.87
Tax Expense		-	-
Profit After Tax for the year/period		1,27.36	4,31.87
Earnings per Equity Share	34		
(Face Value – Rs. 10)			
Basic and Diluted Earnings per Share – Rs. :			
Before considering Exceptional Items		(0.59)	(0.05)
After considering Exceptional Items		(0.10)	0.48

Significant Accounting Policies 1
Accompanying notes form integral part of the financial statements

As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

Gaurav J. Shah
Partner
Membership No. 35701

New Delhi
April 27, 2012

G. K. Sureka
Company Secretary

C. L. Rathi
Managing Director

Sidharth Birla
G. Goswami **Meenakshi Bangur**
A. C. Mukherji **C. Bhaskar**
Directors

DIGJAM LIMITED

CASH FLOW STATEMENT for the year ended March 31, 2012

	<u>2011-12</u>	(Rs. in lacs) <u>2010-11</u> (6-Months)
A. Cash Flow from Operating Activities		
Net profit/(loss) before tax and Exceptional items	(2,32.71)	61.98
Adjusted for :		
Depreciation and Amortisation	5,01.53	2,49.09
Interest and Finance Charges	14,26.82	5,82.76
Interest income	(80.35)	(32.42)
Loss/(Profit) on sale/discard of Fixed Assets	3.11	(0.69)
Foreign Exchange Fluctuation (unrealised)	1.15	2.74
Operating Profit before working capital changes	16,19.55	8,63.46
Adjusted for :		
(Increase) in Trade and Other Receivables	(11,66.72)	(5,34.24)
(Increase) in Inventories	(5,27.12)	(1,41.23)
Increase in Trade Payables and other Liabilities	5,24.02	66.11
Cash generated from operations	4,49.73	2,54.10
Direct taxes	1.72	(1.40)
Net Cash from Operating Activities ... (A)	4,51.45	2,52.70
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(56.22)	(17.64)
Sale of Fixed Assets	9.66	3.00
Interest received	80.35	32.42
Net Cash from Investing Activities ... (B)	33.79	17.78
C. Cash Flow from Financing Activities		
Proceeds from borrowings (net)	11,49.19	1,17.36
Interest and Financial Charges	(15,07.30)	(5,61.65)
Net Cash (used) in Financing Activities ... (C)	(3,58.11)	(4,44.29)
Net increase/(decrease) in Cash or Cash Equivalents (A+B+C)	1,27.13	(1,73.81)
Cash and Cash Equivalents (Opening Balance)*	38.85	2,12.66
Cash and Cash Equivalents (Closing Balance) *	1,65.98	38.85
* Refer Note 14		

Notes :

- Figures in brackets represent outflow.
- Cash and Cash Equivalents includes Cash on hand, Balances with Banks and foreign exchange fluctuation (unrealised) in bank balance in foreign exchange - Rs. 0.14 lacs (Previous period: Rs. 0.04 lacs)

As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

Gaurav J. Shah
Partner
Membership No. 35701

New Delhi
April 27, 2012

G. K. Sureka
Company Secretary

C. L. Rathi
Managing Director

Sidharth Birla
G. Goswami **Meenakshi Bangur**
A. C. Mukherji **C. Bhaskar**
Directors

Notes to the Financial Statements**1. Significant Accounting Policies****1.1 Basis of Preparation of Financial Statements**

The financial statements have been prepared on a going concern basis under the historical cost convention, (except in case of certain fixed assets which are re-valued, in accordance, in material respects, with the generally accepted accounting principles in India), the applicable Accounting Standards as notified under the Companies (Accounting Standards) Rules 2006 ("AS") and provisions of the Companies Act, 1956, as adopted consistently by the Company.

The Company follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis. Where it is not possible to determine the quantum of accrual with reasonable certainty e.g. insurance and other claims, refund of custom/excise duty etc., these continue to be accounted for on settlement basis.

1.2 Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

1.3 Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost is inclusive of freight, duties, taxes, incidental expenses related to acquisition/installation, adjusted for revaluation, if any.

1.4 Depreciation and Amortisation

Depreciation is charged under Straight Line Method in accordance with the rates and manner specified in Schedule XIV of the Companies Act, 1956. Depreciation in respect of increase in value of assets due to revaluation is provided on Straight Line Method over the remaining life of assets as estimated by the valuers.

Amortisation in respect of intangible assets is provided on straight line basis over the period of underlying contract or estimated period of its economic life.

1.5 Impairment of Assets

An asset is treated as impaired when the carrying cost of the same exceeds its recoverable amount. An impairment is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of the recoverable amount.

1.6 Investments

Long Term investments are stated at cost less provision for diminution in value other than temporary, if any.

1.7 Inventories

Inventories are valued at lower of cost or net realisable value, except waste, scrap and by-products valued at net realisable value. Cost is determined on weighted average basis. Finished goods and process stock include cost of conversion and other costs incurred in bringing the inventories to the present location and condition.

1.8 Revenue Recognition

Sales are recognised on transfer of significant risks and rewards of the ownership of the goods to the buyer and are reported net of turnover/trade discounts, returns and claims. Revenue from job work or services are accounted as and when incurred.

Dividend income on investments is accounted for when the right to receive the payment is established.

Interest income is accounted on time proportion basis taking into account the amount outstanding and applicable interest rate.

1.9 Employee Benefits

Contributions to Provident Fund and Superannuation Fund, which are defined contribution schemes, are made to a government administered Provident Fund and an LIC administered fund respectively, and are charged to the Profit and Loss account as incurred. The Company has no further obligations beyond its monthly contributions to these funds.

Provision for gratuity, under a LIC administered fund, and leave encashment, which are in the nature of defined benefit plans, are provided based on actuarial valuations based on projected unit credit method, as at the balance sheet date.

1.10 Borrowing cost

Borrowing cost relating to (i) funds borrowed for acquisition/construction of qualifying assets are capitalised upto the date the assets are put to use, and (ii) funds borrowed for other purposes are charged to Profit and Loss Account.

1.11 Research & Development Expenditure

Research and Development expenses of revenue nature are charged to the Profit and Loss Account under respective heads of account and Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.

1.12 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as expense in the Profit and Loss account as per the terms of the lease.

DIGJAM LIMITED

1.13 Taxation

Tax liability is estimated considering the provisions of the Income Tax Act, 1961. Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. On prudent basis, Deferred tax asset recognised and carried forward to the extent only when there is reasonable certainty that the assets will be adjusted in future.

1.14 Government grants

Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset. Project capital subsidy is credited to Capital Reserve. Other government grants or subsidies including export incentives are credited to Profit and Loss account or deducted from related expenses.

1.15 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

1.16 Foreign Currency Transactions and Forward Contracts

Foreign currency transactions, on initial recognition, are recorded by applying to the foreign currency amount the exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported using the closing rate and non-monetary, carried at historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

Premium paid/received on a foreign currency forward contract is recognised as income/expenditure over the life of the contract.

2. SHARE CAPITAL

2.1 Schedule

		Par Value	31.3.2012	(Rs. in lacs) 31.3.2011
		Rs.		
Authorised				
8,00,00,000	Equity Shares	10	80,00.00	80,00.00
25,00,000	Preference Shares	100	25,00.00	25,00.00
2,00,00,000	Preference Shares	10	20,00.00	20,00.00
			125,00.00	125,00.00
Issued				
7,27,38,045	Equity Shares	10	72,73.81	72,73.81
21,50,000	Preference Shares	100	21,50.00	21,50.00
1,24,329	Preference Shares	10	12.43	12.43
			94,36.24	94,36.24
Subscribed & fully paid				
7,27,28,296	i. Equity Shares	10	72,72.83	72,72.83
	Add: Forfeited Shares		1.63	1.63
			72,74.46	72,74.46
ii. 8% Cumulative Redeemable Preference Shares:				
20,00,000	- Allotted on February 23, 2009	100	20,00.00	20,00.00
1,50,000	- Allotted on September 17, 2010	100	1,50.00	1,50.00
1,24,329	iii. 8% Non-cumulative Redeemable Preference Shares allotted on February 28, 2011	10	12.43	12.43
			94,36.89	94,36.89

2.2 Equity Shares carry voting rights at the General Meeting of the Company and are entitled to dividend and to participate in surplus, if any, in the event of winding up.

Preference Shares are entitled to the fixed rate of dividend @ 8% p.a. in preference to the Equity Shares but are not entitled to vote at the General Meeting of the Company unless dividend has been in arrears for the prescribed minimum period. 20,00,000 8%-Cumulative Redeemable Preference Shares of Rs.100 each allotted on February 23, 2009 have consequently acquired voting rights at the Annual General Meeting held on August 25, 2011. In the event of winding up, the preference shares have a preferential right to repayment of capital over Equity Shares.

The 8% Cumulative Preference Shares of Rs.100 each are redeemable on expiry of 10 years from the respective dates of allotment with option to the holders to call for redemption after 5 years therefrom with notice of 3 months.

The 8% Non-cumulative Preference Shares of Rs.10 each are redeemable on expiry of 5 years from the date of allotment.

2.3 The Company has proposed, during January, 2012, a Scheme of Arrangement with its Shareholders in terms of Sections 391-393 and other applicable provisions of the Companies Act, 1956 for conversion of outstanding preference share capital aggregating Rs 2162.43 lacs, as aforesaid, into appropriate number of equity shares at a price of Rs 14.50 (including premium of Rs 4.50) per share subject to necessary statutory and other approvals/consents including sanction of the Hon'ble High Court of Gujarat. Pending such approvals/consents, the effect of the said Scheme has not been given in the accounts.

2.4 Reconciliation of number of Shares

	Equity Shares of Rs. 10 each	Rs. in lacs	8 % Cumulative Preference Shares of Rs. 100 each	Rs. in lacs	8 % Non- Cumulative Preference Shares of Rs. 10 each	Rs. in lacs
Outstanding as at October 1, 2010	6,87,41,651	68,74.16	21,50,000	21,50.00	—	—
Issued and Allotted during the previous period	39,86,645	3,98.67	—	—	1,24,329	12.43
Outstanding as at March 31/ April 1, 2011	7,27,28,296	72,72.83	21,50,000	21,50.00	1,24,329	12.43
Issued and Allotted during the year	—	—	—	—	—	—
Outstanding as at March 31, 2012	7,27,28,296	72,72.83	21,50,000	21,50.00	1,24,329	12.43

2.5 Shareholders holding more than 5% shares in the Company

	31.3.2012		31.3.2011	
	No. of Shares	% holding	No. of Shares	% holding
i. Equity Shares of Rs. 10 each				
Central India General Agents Ltd.	1,09,00,000	14.99	1,09,00,000	14.99
ICICI Bank Ltd.	93,87,053	12.91	93,87,053	12.91
iPro Capital Ltd.	50,00,000	6.87	50,00,000	6.87
ii. 8% Cumulative Redeemable Preference Shares of Rs. 100 each				
Birla Holdings Ltd.	6,34,000	29.49	6,34,000	29.49
Central India General Agents Ltd.	6,05,000	28.14	6,05,000	28.14
Astra Merchandizing Pvt. Ltd.	4,00,000	18.60	4,00,000	18.60
Sukriti Education Society	2,50,000	11.63	2,50,000	11.63
Fairdeal Channels Pvt. Ltd.	—	—	1,50,000	6.98
iPro Capital Ltd.	1,50,000	6.98	—	—
iii. 8% Non-cumulative Redeemable Preference Shares of Rs. 10 each				
Sukriti Education Society	1,24,329	100.00	1,24,329	100.00

(Rs. in lacs)

3. Reserves and Surplus	30.9.2010	Addition during the Period	31.3.2011	Addition during the Year	31.3.2012
Securities Premium Reserve	—	88.90	88.90	—	88.90
Surplus	(93,41.48)	4,31.87*	(89,09.61)	1,27.36*	(87,82.25)
	(93,41.48)	5,20.77	(88,20.71)	1,27.36	(86,93.35)

* as per Statement of Profit and Loss

4. Long Term Borrowings

	31.3.2012	31.3.2011
Secured		
Term Loans :		
—Banks	9,44.06	12,50.75
—Financial Institutions	77.79	3,37.59
Unsecured		
Deposits	19,79.00	19,39.00
	30,00.85	35,27.34

DIGJAM LIMITED

Loans from a bank [total outstanding - Rs. 12,50.00 lacs (Previous period: Rs. 12,50.00 lacs)] is secured by first charge on the fixed assets of the Company at Jamnagar, DIGJAM brand and by pledge of part of the promoters' shareholding in the Company. The loan is repayable, in 16 quarterly instalments from the date of loan, by March, 2016.

Loans from banks for purchase of vehicles [total outstanding - Rs. 9.02 lacs (Previous period: Rs. 2.42 lacs)] are secured against the vehicles purchased out of those loans. The loans are repayable, in equated monthly instalments, by March, 2016.

Loan from Housing Development Finance Corporation Limited [total outstanding - Rs. 53.00 lacs (Previous period: Rs. 77.00 lacs)] is secured by mortgage on specified immovable properties. The loan is repayable, in monthly instalments, by June, 2014.

Loan from Export Import Bank of India [total outstanding - Rs. 2,84.58 lacs (Previous period: Rs. 5,20.39 lacs)] is secured by a mortgage and hypothecation, subservient to the charges in favour of term lenders/working capital lenders, over the movable and immovable fixed assets of the Company situated at Jamnagar, both present and future. The loan is repayable, in quarterly instalments, by July, 2013.

Unsecured Deposits are repayable latest by July, 2014.

	31.3.2012	(Rs. in lacs) 31.3.2011
5. Other Long Term Liabilities		
Trade Deposits	2,06.11	2,03.37
Interest Accrued but not due on loan from a financial institution	-	4,40.07
	<u>2,06.11</u>	<u>6,43.44</u>
6. Short Term Borrowings		
Secured Loans from Banks	41,90.71	32,45.06
Unsecured Deposits	5,49.00	1,35.00
	<u>47,39.71</u>	<u>33,80.06</u>
Secured loans are for working capital from consortium of banks, and are secured by first charge on inventory and book debts besides second charge on movable machinery and fixed assets at Jamnagar as well as on DIGJAM brand, all ranking pari passu, and pledge of part of the promoters' shareholding in the Company.		
7. Trade Payables		
Acceptances	22,08.59	16,47.40
Others	8,96.65	8,16.45
	<u>31,05.24</u>	<u>24,63.85</u>
There are no dues to Micro and Small Enterprises, determined to the extent such parties have been identified on the basis of information available with the Company, as at March 31, 2012, which requires disclosure under the Micro, Small and Medium Enterprises Development Act, 2006.		
8. Other Current Liabilities		
Current maturities of long term loans	5,74.76	2,61.47
Interest accrued but not due on borrowings	80.81	81.30
Advance from Customers	2,07.46	2,09.98
Employees benefits liabilities	2,11.60	1,25.43
Selling expenses liabilities	12,20.60	16,11.11
Utility expenses payable	92.04	-
Unclaimed rights Issue - excess application money refund	1.33	1.38
Others	4,14.82	4,49.27
	<u>28,03.42</u>	<u>27,39.94</u>
9. Short Term Provisions		
Short Term Employees Benefits	1,54.75	1,35.06
Provision for Fringe benefit tax	8.28	8.28
	<u>1,63.03</u>	<u>1,43.34</u>

DIGJAM LIMITED

(Rs. in lacs)

10. FIXED ASSETS	Gross Value				Depreciation & Amortization				Net Value	
	As at 31.3.2011	Additions	Sale/ Adjustments	As at 31.3.2012	As at 31.3.2011	For the year	On Sale/ Adjustments	Upto 31.3.2012	As at 31.3.2012	As at 31.3.2011
10.a. Tangible Assets										
Land	12,09.58	-	-	12,09.58	-	-	-	-	12,09.58	12,09.58
Building	26,27.21	-	-	26,27.21	15,89.23	41.97	-	16,31.20	9,96.01	10,37.98
Plant & Equipment	206,55.70	18.23	69.36	206,04.57	178,44.69	4,24.00	67.62	182,01.07	24,03.50	28,11.01
Furniture & Fixtures	98.84	3.78	2.66	99.96	85.26	1.86	2.52	84.60	15.36	13.58
Vehicles	1,11.32	13.17	17.27	1,07.22	55.53	9.54	9.93	55.14	52.08	55.79
Office Equipments	1,23.95	10.88	17.08	1,17.75	68.44	8.53	13.52	63.45	54.30	55.51
	248,26.60	46.06	1,06.37	247,66.29	196,43.15	4,85.90	93.59	200,35.46	47,30.83	51,83.45
Prev. Period	248,14.44	15.76	3.60	248,26.60	193,99.17	2,45.27	1.29	196,43.15	51,83.45	
10.b. Intangible Assets										
Software	78.17	-	-	78.17	12.22	15.63	-	27.85	50.32	65.95
Prev. Period	78.17	-	-	78.17	8.40	3.82	-	12.22	65.95	

Accumulated Depreciation of Tangible Assets upto March 31, 2012 includes impairment loss on Plant & Equipment - Rs. 11.85 lacs (Previous period: Rs. 11.85 lacs).

11. Long Term Loans and Advances	31.3.2012	31.3.2011
(Unsecured, considered good)		
Capital Advances *	8,80.63	8,80.63
Security Deposits	44.39	44.39
Others **	37.70	34.60
	9,62.72	9,59.62

* The Capital Advances include Rs. 8,80.63 lacs (Previous period: Rs. 8,80.63 lacs) towards building, the physical possession of which has been arbitrarily withheld by the developer. The Company has taken necessary steps to get the possession of the said building/recovery of amounts paid alongwith interest. Necessary recognition of interest etc., if any, will be made on settlement of the ongoing legal/arbitration proceedings.

** includes interest free loan to employees – Rs. 3.00 lacs (Previous period : Nil)

12. Inventories	31.3.2012	31.3.2011
(Please refer Note 1.7 for accounting policy for valuation)		
Raw Materials*	4,33.42	2,99.11
Work-in-progress	22,17.71	17,96.11
Finished Goods	13,77.33	13,83.94
Stock-in-trade	2,67.97	2,49.44
Stores and Spares	2,42.24	2,82.95
	45,38.67	40,11.55

* includes materials in-transit - Rs. 2,93.70 lacs (Previous period : Rs. 59.28 lacs)

13. Trade Receivable	31.3.2012	31.3.2011
(Secured, considered good)		
Outstanding for a period exceeding 6 months from the date they are due for payment	68.78	59.46
(Unsecured, considered good)		
Outstanding for a period exceeding 6 months from the date they are due for payment (Net)*	6.12	14.57
Others	41,60.13	29,35.90
	42,35.03	30,09.93

* excludes doubtful debts - Rs. 2,59.25 lacs fully provided (Previous period: Rs. 3,58.09 lacs). Bad Debts written off during the

DIGJAM LIMITED

year (i) against Provision for doubtful debts – Rs. 64.24 lacs (Previous period: Rs. 87.06 lacs), and (ii) charged to Profit & Loss Account for the year – Nil (Previous period: Rs. 1.48 lacs).

	(Rs. in lacs)	
	<u>31.3.2012</u>	<u>31.3.2011</u>
14. Cash and Cash Equivalents		
Balances with Banks *	1,62.51	33.22
Cash on hand	3.47	5.63
	<u>1,65.98</u>	<u>38.85</u>
* Balances with banks include:		
(i) Held in fixed deposits as margin money - Rs. 1,36.61 lacs (Previous period: Nil)		
(ii) Earmarked account for unclaimed Rights Issue - excess application money refundable Rs. 1.33 lacs (Previous period : Rs. 1.38 lacs).		
15. Short Term Loans and Advances	<u>31.3.2012</u>	<u>31.3.2011</u>
(Unsecured, considered good)*		
Security Deposits	16.06	1,59.56
Advance Income Tax (Net of Provision)	29.31	31.04
Prepaid Expenses	21.09	10.78
Export Incentives Receivable	1,71.63	1,01.05
Other Advances **	85.64	87.58
	<u>3,23.73</u>	<u>3,90.01</u>
* exclude doubtful advances, against which provision made, of Rs. 5.58 lacs (Previous period: Rs. 8,79.93 lacs), Doubtful advance of Rs. 8,74.35 lacs (Previous period: Nil) written off during the year against provision for doubtful advances.		
** include interest free loans to employees - Rs. 7.44 lacs (Previous period: Rs. 4.62 lacs). Maximum outstanding balance of such loans during the year - Rs. 14.93 lacs (Previous period: Rs. 8.19 lacs).		
16. Contingent Liabilities	<u>31.3.2012</u>	<u>31.3.2011</u>
(not provided for)		
Income Tax matters under appeal	8.40	–
17. Arrears of Cumulative Preference Shares dividend - Rs. 5,98.15 lacs (Previous period: Rs. 3,98.25 lacs) including Dividend Distribution Tax - Rs. 83.49 lacs (Previous period : Rs. 55.59 lacs)		
		(Rs. in lacs)
18. Revenue from Operations	<u>2011-12</u>	<u>2010-11</u>
Sale of Goods		
- Cloth	171,96.63	78,93.05
- Others	2,03.29	21.78
Sub-total	173,99.92	79,14.83
Export Incentives and Claims	3,82.95	1,66.31
Other Operating Revenue	3,09.79	40.69
Revenue from Operations	180,92.66	81,21.83
Less : Excise Duty	6.07	–
Revenue from Operations (Net)	<u>180,86.59</u>	<u>81,21.83</u>
19. Other Income	<u>2011-12</u>	<u>2010-11</u>
Interest Income	80.35	32.42
Profit /(loss) on sale/discard of Fixed Assets (Net)	(3.11)	0.69
Other Non-operating Income	0.15	0.58
	<u>77.39</u>	<u>33.69</u>
20. Cost of Materials Consumed	<u>2011-12</u>	<u>2010-11</u>
Wool and Synthetic Fibers	71,43.90	29,79.06
Yarn (bought out)	1,58.82	1,21.31
Others	79.03	73.45
	<u>73,81.75</u>	<u>31,73.82</u>

DIGJAM LIMITED

	(Rs. in lacs)	
	2011-12	2010-11
21. Purchase of Trading Goods		
Cloth	21,29.25	7,79.73
Others	1,00.16	35.62
	22,29.41	8,15.35
22. Changes in Inventories		
Opening Stock:		
Finished Goods	13,83.94	11,43.30
Work-in-progress	17,96.11	17,10.93
Stock-in-trade	2,49.44	2,41.51
Sub-total (I)	34,29.49	30,95.74
Closing Stock:		
Finished Goods	13,77.33	13,83.94
Work-in-progress	22,17.71	17,96.11
Stock-in-trade	2,67.97	2,49.44
Sub-total (II)	38,63.01	34,29.49
Total (I-II)	(4,33.52)	(3,33.75)
23. Employees Benefits Expenses		
Salaries, Wages, Bonus, etc.	16,70.46	8,15.38
Contribution to Provident & other funds	3,44.48	1,04.00
Employees Welfare expenses	1,80.69	81.13
	21,95.63	10,00.51

Defined benefits plans: The Company has defined benefit plans for gratuity to eligible employees, contributions for which are made to Life Insurance Corporation of India, who invests the funds as per the IRDA Regulations. The Company also provides leave encashment to the employees. The details of these defined benefit plans recognised in the financial statements are as under:

	(Rs. in lacs)			
	Gratuity		Leave Encashment	
	2011-12	2010-11	2011-12	2010-11
a. Reconciliation of opening and closing balances of the present value of defined benefit obligation				
Obligation at the beginning of the year/period	10,55.12	10,32.83	1,68.27	1,70.10
Current Service Cost	60.42	28.10	27.08	25.70
Interest Cost	42.66	41.76	6.80	6.88
Actuarial (gain)/loss	1,36.92	(17.78)	(4.07)	(10.38)
Benefits paid	(92.25)	(29.79)	(16.22)	(24.03)
Obligation at the end of the year/period	12,02.87	10,55.12	1,81.86	1,68.27
b. Reconciliation of opening and closing balances of fair value of plan assets				
Plan assets at the beginning of the year/period, at fair value	8,85.30	8,25.85	-	-
Expected Return on Plan Assets	35.80	33.39	-	-
Actuarial gain/(loss)	46.37	5.85	-	-
Contribution	54.72	50.00	-	-
Benefits paid	(92.25)	(29.79)	-	-
Plan assets at the end of the year/period at fair value	9,29.94	8,85.30	-	-
c. Net Liability recognised in Balance Sheet				
Obligation at the end of the year/period	12,02.87	10,55.12	1,81.86	1,68.27
Less : Plan assets at the end of the year/period at fair value	9,29.94	8,85.30	-	-
Liability recognised in Balance Sheet as at the end of the year/period as under:	2,72.93	1,69.82	1,81.86	1,68.27
- Long Term Provision for Employees Benefits	1,36.86	47.70	163.18	1,55.33
- Short Term Provision for Employees Benefits	1,36.07	1,22.12	18.68	12.94

DIGJAM LIMITED

(Rs. in lacs)

	<u>Gratuity</u>		<u>Leave Encashment</u>	
	2011-12	2010-11	2011-12	2010-11
d. Components of employer expense for the year/period				
Current service cost	60.42	28.10	27.08	25.70
Interest cost	42.66	41.76	6.80	6.88
Expected return on plan assets	(35.80)	(33.39)	–	–
Net Actuarial (gain)/loss	90.55	(23.63)	(4.07)	(10.38)
Net cost	1,57.83	12.84	29.81	22.20
e. Assumptions				
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Discount Rate (p.a.)	8.50	8.25	8.50	8.25
Expected Rate of Return on plan assets (p.a.)	8.50	8.25	–	–
Expected rate of increase in compensation levels (p.a.)	6.50	6.50	6.50	6.50

f. Experience History	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Gratuity					
Defined Benefit Obligation at the end of the year/period	12,02.87	10,55.12	10,32.83	10,94.95	9,81.35
Plan Assets at the end of the year/period	9,29.94	8,85.30	8,25.85	7,84.98	6,94.82
Funded Status - Surplus/(Deficit)	(2,72.93)	(1,69.82)	(2,06.98)	(3,09.97)	(2,86.53)
Experience Adjustment on Plan Liabilities - (Gain)/Loss	1,71.48	(26.46)	(93.76)	36.59	19.94
Experience Adjustment on Plan Assets - Gain/(Loss)	46.37	5.85	13.96	10.57	(4.17)
Leave Encashment					
Defined Benefit Obligation at the end of the year/period	1,81.86	1,68.27	1,70.10	1,69.15	1,50.84
Funded Status - Surplus/(Deficit)	(1,81.86)	(1,68.27)	(1,70.10)	(1,69.15)	(1,50.84)
Experience Adjustment on Plan Liabilities - (Gain)/Loss	0.19	(12.29)	0.69	15.50	1.61

g. The contribution expected to be made by the Company during the next financial year has not been ascertained.

24. Finance Cost	<u>2011-12</u>	<u>2010-11</u>
Interest Expenses	12,76.61	5,00.39
Other Finance Charges	1,50.21	82.37
	<u>14,26.82</u>	<u>5,82.76</u>
25. Other Expenses	<u>2011-12</u>	<u>2010-11</u>
Stores and Spares consumed	6,58.11	3,29.51
Power and Fuel	16,62.16	7,84.40
Processing Expenses	4,69.33	3,53.52
Repairs to Building	40.22	31.40
Repairs to Machinery	2,36.75	1,17.91
Repairs (Others)	11.21	7.58
Insurance	12.96	6.83
Directors Fees	7.90	3.15
Professional & Legal Fees and Expenses	2,28.99	94.38
Payment to Auditors *	21.96	12.97
Rates & Taxes	14.92	8.93
Rent **	42.10	21.19
Travelling Expenses	1,32.37	57.13
Advertisement & Sales Promotion	7,25.79	3,41.01
Brokerage, Rebate, Discount & Commission	5,24.47	2,90.17
Freight & other Selling Expenses	1,35.45	46.40
Miscellaneous Expenses	1,70.38	99.28
	<u>50,95.07</u>	<u>26,05.76</u>

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	(Rs. in lacs)	
	2011-12	2010-11
* Payment to Auditors :		
As Auditors	8.00	6.00
For Taxation matters	9.50	4.95
For other services	0.32	0.30
Reimbursement of expenses and Service Tax	4.14	1.72
	21.96	12.97

** The Company is lessee under various operating leases, none of which is non-cancellable.

26. Exceptional Items during the year is on account of gain of Rs. 3,60.07 lacs on settlement of interest liability on term loan from a financial institution. Those during the previous period included writeback of old unsecured loan and interest provision of Rs. 3,69.89 lacs.
27. In view of uncertainty that sufficient future taxable income will be available against unabsorbed depreciation and carried forward losses under tax laws, deferred tax asset has not been recognised.

	(Rs. in lacs)	
	2011-12	2010-11
28. Foreign Currency Transactions		
i. Value of imports on CIF basis		
Raw Materials	27,59.12	17,32.46
Store & Spare parts (incl. Components)	71.88	49.25
ii. Expenditure in foreign currency		
Professional and Consultancy fees	82.32	14.33
Travelling expenses	21.71	4.18
Others	2,81.11	1,96.40
iii. Earnings in foreign exchange		
Export (including Deemed) of goods (on FOB basis)	76,95.99	34,86.73

29. Foreign Exchange Exposure

- i. The outstanding foreign exchange exposures hedged under forward contracts :

Receivables: EURO - 9.98 lacs (Previous period: 3.40 lacs), USD - 8.62 lacs (Previous period: 2.78 lacs) and GBP - Nil (Previous period : 0.11 lacs).

Payable: AUD - 8.57 lacs (Previous period: 13.39 lacs) and USD - 2.54 lacs (Previous period: Nil)

- ii. The foreign exchange exposures not covered -

Receivables: EURO - 1.30 lacs (Previous period : 0.24 lacs), USD - 2.20 lacs (Previous period: 0.74 lacs) and GBP - 0.06 lacs (Previous period : Nil).

Payables: AUD - 10.88 lacs (Previous period : 2.69 lacs) , EURO - 1.63 lacs (Previous period : 2.59 lacs), USD - 2.53 lacs (Previous period : 1.25 lacs) and GBP - 0.06 lacs (Previous period : 0.20 lacs).

30. Foreign Exchange loss (net) of Rs. 96.66 lacs (Previous period: Rs. 6.54 lacs) has been included in respective heads of the Statement of Profit and Loss.

31. Value of consumables

	2011-12		2010-11	
	Rs. in lacs	%	Rs. in lacs	%
Raw Material				
Imported origin	41,82.74	56.66	18,15.49	57.20
Indigenous	31,99.01	43.34	13,58.33	42.80
	73,81.75	100.00	31,73.82	100.00
Spares and Components				
Imported origin	1,31.92	20.05	63.47	19.26
Indigenous	5,26.19	79.95	2,66.04	80.74
	6,58.11	100.00	3,29.51	100.00

DIGJAM LIMITED

32. Segment Information

(in terms of AS 17)

As the Company operates in a single business segment "Textiles", the segment information in terms of AS 17 are not required to be given. The information based on location of customers are as under:

	<u>2011-12</u>	(Rs. in lacs) <u>2010-11</u>
Revenue from Operations		
Within India	127,24.93	55,97.67
Outside India (excluding Deemed Exports)	54,39.05	25,57.85
Total	181,63.98	81,55.52
Carrying amount of Assets		
Within India	137,32.37	132,78.29
Outside India	13,00.26	4,07.86
Total	150,32.63	136,86.15
Addition to Fixed Assets		
Within India	56.22	17.64
Outside India	—	—
Total	56.22	17.64

33. Related party disclosures

(in terms of AS 18)

The Company has identified Shri C. L. Rathi, Managing Director, as a related party, being key managerial personnel. His remuneration (excluding gratuity funded through LIC, for which his contribution is not separately identified) was Rs 35.18 lacs (Previous period: Rs 21.06 lacs). There was no other transaction with him during the year.

34. Earnings per share

(in terms of AS 20)

	<u>2011-12</u>	<u>2010-11</u>
		(6 Months)
Profit after Tax	Rs. in lacs 1,27.36	4,31.87
Preference dividend (including Dividend Distribution tax) for the year/period	Rs. in lacs (1,99.90)	(99.68)
Profit/(loss) pertaining to equity shareholders	Rs. in lacs (72.54)	3,32.19
Profit/(loss) pertaining to equity shareholders (without considering Exceptional items)	Rs. in lacs (4,32.61)	(37.70)
Number of Equity Shares (Weighted Average)	Nos. 7,27,28,296	6,94,42,600
Nominal value per Equity Share	Rs. 10	10
Basic & Diluted Earnings per share:		
Before considering Exceptional items	Rs. (0.59)	(0.05)
After considering Exceptional items	Rs. (0.10)	0.48

35. The current year's figures are for 12 months ending March 31, 2012 whereas previous period's figures are for 6 months i.e. from October 1, 2010 to March 31, 2011. Hence these are not comparable.

36. In view of the revision to the Schedule VI as per notification issued by the Central Government, the financial statements for the year ended 31st March, 2012 have been prepared as per the requirements of the Revised Schedule VI to the Companies Act, 1956. The previous period's figures have been accordingly regrouped/reclassified to confirm to the current year's classification.

As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

Gaurav J. Shah

Partner

Membership No. 35701

New Delhi
April 27, 2012

G. K. Sureka
Company Secretary

C. L. Rathi
Managing Director

Sidharth Birla
G. Goswami **Meenakshi Bangur**
A. C. Mukherji **C. Bhaskar**
Directors

DIGJAM LIMITED

Registered Office : Aerodrome Road, Jamnagar 361 006 (Gujarat)

PROXY FORM

Proxy No.	
No. of Shares	

Folio No.	
DP ID No.	
Client ID No.	

I/We.....of.....being
a Member/Members of **DIGJAM LIMITED**, Aerodrome Road, Jamnagar 361 006 (Gujarat), do hereby appoint

.....of.....

or failing himof.....

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting
of the Company to be held on Thursday, August 23, 2012 at 10.00 a.m. and at any adjournment thereof.

As Witness my/our hand/hands thisday of2012

Signature.....

Affix
Revenue
Stamp

Note : The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time
for holding the meeting.

CUT HERE

DIGJAM LIMITED

Registered Office : Aerodrome Road, Jamnagar 361 006 (Gujarat)

ATTENDANCE SLIP

PLEASE SIGN THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

I hereby record my presence at the Annual General Meeting of the Company held on Thursday, August 23, 2012 at
10.00 a.m. at Aerodrome Road, Jamnagar 361 006 (Gujarat).

FOLIO NO./DP ID NO. & CLIENT ID NO.	NO. OF SHARES
NAME OF THE MEMBER(S)	
SIGNATURE OF THE MEMBER(S) OR PROXY	

BOOK - POST

A product of  Progressive Art House +91 33 3258 4757

If undelivered, please return to:
DIGJAM LIMITED
Aerodrome Road,
Jamnagar 361 006 (Gujarat)
INDIA