



DREDGING CORPORATION OF INDIA LIMITED

NOTICE

NOTICE is hereby given that the 31st Annual General Meeting of the shareholders of Dredging Corporation of India Limited will be held at 1000 hrs on Friday, the 28th September, 2007 in Siri Fort Auditorium No.1, Siri Fort Cultural Complex, August Kranti Marg, New Delhi - 110049 to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt Directors' Report for the year 2006-07, the audited Balance sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended 31st March, 2007 together with the Auditors' Report thereon.
 2. To declare dividend.
 3. To appoint a Director in place of Shri Rakesh Srivastava who retires as rotational Director and is eligible for re-appointment.
 4. To appoint a Director in place of Dr.S.Narasimha Rao who retires as rotational Director and is eligible for re-appointment.
 5. To appoint a Director in place of Shri A.K.Dhar who retires as rotational Director and is eligible for re-appointment.
 6. To pass with or without modification, the following resolution as ordinary resolution for payment of remuneration to Statutory Auditors :

"RESOLVED THAT pursuant to clause (aa) of Sub-Section (8) of Section 224 of the Companies Act, 1956, the remuneration of the Statutory Auditors of the Company, M/s.Sriramamurthy & Co., Visakhapatnam appointed by Comptroller and Auditor General of India be and is hereby fixed at Rs.2.50 lakh (rupees two lakh and fifty thousand only) for the year 2006-2007".
- By Order of the Board of Directors**
- | | |
|------------------------------|-----------------------------|
| Place : Visakhapatnam | (K.Aswini Sreekanth) |
| Dated : 20-08-07 | Company Secretary |
- NOTES :**
1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF. THE PROXY SO APPOINTED NEED NOT NECESSARILY BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHALL BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.**
 2. The Register of Members and Share Transfer Books of the Company will remain closed from 8th September, 2007 to 28th September, 2007 (both days inclusive).
 3. Dividend on equity shares as recommended by the Directors for the Financial year ended 31st March, 2007, if declared at this Annual General Meeting will be paid to the shareholders whose names appear :
 - a) as beneficial owners at the end of the business hours on 7th September, 2007 as per the list to be furnished by Depositories in respect of the shares held in the electronic form and
 - b) as members in the Register of Members after giving effect to all valid share transfers in physical form lodged with the Company/ R & T Agent on or before 7th September, 2007.
 4. a) Members holding shares in physical form are requested to furnish bank details by 7th September, 2007 to our R & T Agent - M/s Karvy Computershare Private Limited, Plot No. 17 to 24, Vithal Rao Nagar, Hyderabad- 500 081 in order to incorporate the same on the dividend warrants.
b) Shareholders holding shares in electronic form may kindly note that their Bank details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion/change in such Bank details. Shareholders who wish to change Bank details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account. Instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode.
 5. Electronic Clearing Service (ECS) facility:
With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic form and physical forms, in the cities where the facility for ECS is available.
Shareholders holding shares in physical form, who wish to avail ECS facility may authorise Company with their ECS mandate in the prescribed form which may be obtained from Registrars & Transfer Agent, M/s Karvy Computershare Private Limited on request. The requests for payment of dividend through ECS for the year 2006-07 should be lodged with M/s Karvy Computershare Private Limited on or before, 7th September, 2007.
 6. a) Members holding shares in physical form are requested to promptly notify any changes in their addresses to the R & T Agent of the



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Company M/s Karvy Computershare Private Limited on or before 7th September, 2007.

- b) Shareholders holding shares in dematerialised form are requested to advise immediately change in their address, if any, quoting their Client ID No., to their respective Depository Participants.
7. Members are requested to note that pursuant to provisions of Section 205 A (5) read with Section 205 C of the Companies Act, 1956, the dividend remaining unclaimed/ unpaid for a period of seven years from the date of transfer to the unpaid dividend account pursuant to Section 205 A (1) of the Companies Act, 1956 shall be credited to the "Investors Education and Protection Fund" (IEPF) set up by the Central Government. Members who have so far not claimed dividend are requested to make claim with the Company as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said fund. The unclaimed final dividend for the year 1999-2000 declared at the AGM held on 29-09-2000 is due for transfer to the IEP Fund on 08-11-2007 and the interim dividend for the year 2000-01 declared by the Board of Directors on 23-06-2001 is due for transfer to the IEP Fund on 25-07-2008.

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar and Transfer Agents, M/s Karvy Computershare Private Limited immediately. Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which are unclaimed and unpaid for a period of 7 (seven) years from the dates they first became due for payment and no payment shall be made in respect of any such claims.

8. Consequent upon the introduction of Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s Karvy Computershare Private Limited.
9. Members are requested to bring their copies of Annual Report to the meeting. Members/Proxies attending the meeting should bring the attendance slip, which should be duly filled in, signed and handed over at the venue of the meeting.
10. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are advised to send a duly certified copy of the Board Resolution authorising their representative to attend and vote at the meeting.
11. Members seeking any information with regard to accounts are requested to write to the Company at the earliest to facilitate keeping the information ready.
12. Entry to the Auditorium will be strictly against Entry Slip available at the counters at the venue and against exchange of Attendance slip.
13. Shareholders may kindly note that no gift/ gift coupon will be distributed at the meeting.
14. No Brief case or Bag will be allowed to be taken inside the auditorium.
15. At the ensuing Annual General Meeting, Shri Rakesh Srivastava, Dr.S.Narasimha Rao and Shri A.K.Dhar, retire by rotation and being eligible offer themselves for re-appointment. The information details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are given below.

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT / APPOINTMENT AT THE 31ST ANNUAL GENERAL MEETING

| | | | |
|---|--|--|---|
| Name of the Director | Shri Rakesh Srivastava | Dr.S.Narasimha Rao | Shri A.K.Dhar |
| Date of Birth | 23/03/1959 | 29/09/1941 | 15/11/1947 |
| Date of Appointment | 13/06/2007 | 05/03/2004 to 04/06/2007 reappointed from 26/06/2007 | from 09/08/1994 as DFN from 25/06/2007 as CMD additional charge |
| Qualifications | M.Sc(Physics) | M.E., Regional Eng College, Warangal Ph.D, IIS, Bangalore | B.Tech.(Hons), IIT, Kharagpur. FICWAI |
| Expertise in specific functional areas | He is working in the Ministry of Shipping, Road Transport and Highways as Joint Secretary(Ports) | Dredging, Rock, characteristics, Soil exploration, design of foundations, structural systems for Ports, Jetties etc. | Finance, Engineering Personnel & Administration |
| List of Public Companies in which Directorship held | Director, Sethusamudram Corporation Limited | NIL | NIL |



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DIRECTORS' REPORT FOR THE YEAR 2006-2007

Your Directors have pleasure in presenting this 31st Annual Report together with the audited accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

The Company earned the highest ever operational income of Rs.57,289.09 lakh compared to Rs.50,689.89 lakh for the previous year. The other income is also highest at Rs.4,919.86 lakh as compared to Rs.3,598.73 lakh for the previous year. The total income for the year is a record Rs.62,208.95 lakh as compared Rs.54,288.62 lakh for the previous year.

Profit after tax is Rs.18,872.95 lakh as compared to Rs.17,646.16 lakh for the previous year. This is the record profit after tax of the Company.

The Company's earning per share for 2006-2007 is Rs.67.40 as compared Rs.63.02 for the previous year.

DIVIDEND

Keeping in view the financial performance of your Company and other relevant considerations, your Directors recommend payment of dividend @ 150% on the paid up capital of the Company, (including 60% interim dividend paid in March 2007) absorbing an amount of Rs.4,863.89 lakh including dividend tax of Rs.663.89 lakh for the year 2006-07. For the previous year 2005-06 dividend @ 150% (including 60% interim dividend paid in February 2006) involving Rs.4789.05 lakh including dividend tax of Rs.589.05 lakh was paid. A sum of Rs.1,890.00 lakh has been transferred to General Reserves.

LOANS

As on 31st March 2007 the following loans are outstanding after paying interest and instalment of the principal regularly as per the terms and conditions of the relevant loan agreements.

| Foreign Currency Loans from Banks: | (Rs. in lakh) |
|------------------------------------|----------------|
| a) ABN AMRO Bank DR –XV | 260.42 |
| b) ABN AMRO Bank DR – XVI | 2755.18 |
| Total | <u>3015.60</u> |

DCI FLEET

As on 31st March 2007 your Company has in operation among others, 10 Trailer Suction Hopper Dredgers (TSHD) and 2 Cutter Suction Dredgers (CSD). DCI Tug-VI an ancillary craft capsized on 6-05-2006 at Nagapattinam. The Craft wise particulars are at Annexure-I.

DREDGING OPERATIONS

The dredging capacity available with DCI was 798.50 lakh CuM. as on 31st March 2007 which was the same as that for last year. During the year under review, the quantity dredged under various contracts amounted to 763.80 lakh Cu.M. as against

727.49 lakh Cu.M for last year. This represents 95.65% of DCI's capacity as compared to 91.10% for last year.

During the year under review maintenance dredging contracts were executed at Kolkata/ Haldia, Paradip, Visakhapatnam, Sothern Naval Command (Navy) Kochi, Cochin Port Trust, New Mangalore, Jawaharlal Nehru Port and capital dredging Sethusamudram Ship Channel Project. The works were executed either under the existing contracts or renewal of the contracts entered into with the Ports etc., during the previous years or new contracts entered into during the year.

The charter hire agreement of the Cutter Suction Dredger, DCI Dredge Aquarius with M/s Dredging International was pre-closed in October, 2006 for catering the dredging requirements at Sethusamudram Ship Channel Project.

SETHUSAMUDRAM SHIP CHANNEL PROJECT

As on 31st March, 2007, the Company has made a contribution of Rs.14.50 crore towards equity for the Special Purpose Vehicle, Sethusamudram Corporation Limited.

PLAN PROPOSALS

Order has been placed with Mazagaon Dock Limited, Mumbai in October, 2005 for procurement of one number Cutter Suction Dredger of 2000 Cu.M solids per hour capacity and is expected to be delivered by December, 2007. Action is on hand for procurement of three numbers 5000 Cu.M hopper capacity Trailer Suction Hopper Dredgers. Action is also on hand for procurement of Survey Launches, Backhoe dredger and self propelled hopper barges.

CHARTER-IN DREDGERS

To augment DCI's capacity and keeping in view the likely growth in the dredging market, your Company has been chartering-in dredgers which are presently being deployed in Sethusamudram Ship Channel Project. As on the date of this Report two such dredgers of varying capacities are in operation.

MEMORANDUM OF UNDERSTANDING

For the 16th consecutive year, your Company has signed Memorandum of Understanding (MOU) with Government of India for the year 2007-2008. The Company expects the rating of 'VERY GOOD' for the year 2006-07.

INTERNATIONAL SAFETY MANAGEMENT (ISM) CODE

The progress of implementation of ISM, ISPS and ISO upto 31st March, 2007 is as follows:-

ISM:-

a) Safety Management Certificates (SMCs) were issued to all Dredgers and Tug.



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b) Document of Compliance (DOC) was issued to DCI in the year 2002 and is being endorsed every year.

ISPS:-

International Ship Security Certificates (ISSC) valid upto the year 2009 were obtained for all dredgers. Intermediate ISPS audits were successfully completed on board Dr-VI, XI, XIV, XV, XVI & XVII.

ISO 9001:2000:-

ISO9001:2000 Quality Management system (QMS) was implemented in entire DCI and was checked through internal audits. Improvements were done through reviews and revising the manuals as required from time to time. External Audits were conducted by IRS for pre-assessment as well as certification and DCI was certified for ISO 9001:2000. The certification was an MOU target for 2006-07 and was achieved within time.

MEMBERS/ INVESTOR SERVICES

The shares of the Company are listed on Delhi, Mumbai, Calcutta Stock Exchanges and National Stock Exchange. The shares of the Company are dematerialised with both the depositories NSDL and CDSL. M/s. Karvy Computershare Private Limited, Hyderabad are the R & T Agents of the Company.

PARTICULARS OF THE EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956:

The particulars of employees for the year 2006-07 as required under Sec. 217 (2A) of the Companies Act, 1956 is nil as no employee is earning a salary of Rs.24.00 lakh per annum or Rs.2.00 lakh per month during the year 2006-07.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956 your Directors confirm:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements 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 or loss of the company for that period;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the Annual Accounts on a going concern basis.

INFORMATION TO BE GIVEN UNDER COMPANIES, (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

a) Conservation of energy under Sec.217(1)(e): Your Company does not fall under the category of companies which are required to furnish this information. However, the following measures have been taken:

- i) All the dredgers in DCI fleet are installed with sophisticated and state-of-the art instrumentation like Differential Global Positioning System (DGPS) and Draft Volume Load Monitoring (DVLM) systems to facilitate efficient dredging with potential energy saving.
- ii) While procuring new dredgers, fuel efficient design with advanced technology is selected.
- iii) Switching over to LDO from HFHSD/LFHSD as fuel for several dredgers resulted in cost savings.
- iv) Continuous efforts are being made to optimise the fuel consumption on board dredgers as cost of fuel constitutes approximately 49% of operational cost.

b) Technology absorption under Section 217 (1) (e): There was no transfer of technology and consequently there is no absorption of technology during the year.

c) Foreign Exchange earnings and outgo Under Section 217 (1)(e): (Rs. In Lakhs)

| | |
|--|----------------|
| i) Foreign Exchange Earnings : | |
| Foreign assignments | 726.97 |
| (Chartering of dredgers abroad) | |
| Total | 726.97 |
| ii) Foreign Exchange outgo: | |
| a) Import of components and spares (CIF value) | 2944.18 |
| b) Repayment of foreign currency loan | 1622.93 |
| c) Interest paid on loans from foreign banks | 212.26 |
| d) Travelling | 20.41 |
| e) Commission & brokerage | 0.77 |
| Total | <u>4800.55</u> |

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance are attached, forming part of this Report.

MAN POWER:

The total number of employees (both Shore and Floating) in the Corporation as on 31st March, 2007 was 815, as against 849 during the previous year. Further, 3 Monthly Paid Workers (MPWs) (20 for last year) were engaged in the Floating Establishment. Out of the total Manpower of 815 as on 31.03.2007, the strength on Shore Establishment and Floating Establishment was 384 and 431 respectively.



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EMPLOYMENT OF VARIOUS RESERVED CATEGORIES:

The manpower position with regard to various reserved categories is as indicated hereunder:

A. Employment of SC/ST Candidates

The Corporation continued its efforts to fulfil its obligations in providing employment opportunities to SC/ST candidates in accordance with the Government Policy. The overall representation of SCs/STs in the employment of the Company excluding MPWs as on 31st March, 2007 is 159 working out to 19.51% as against 19.90% for the previous year and 24.16% prescribed as per Presidential Directive.

B. Employment of Ex-Servicemen

The representation of Ex-Servicemen (both Shore and Floating) in group C and D categories in the Corporation was 10.53% and 7.69% as against 14.50% and 24.50% respectively prescribed by the Government.

C. Employment of Physically Handicapped

The number of physically handicapped employees in the Corporation as on 31st March, 2007 is 8. The break-up for Groups A, B, C & D is as under:-

| Group | Sanctioned strength | Total strength in identified posts | No. of persons with disabilities actually employed | Percentage with reference to identified posts |
|-------|---------------------|------------------------------------|--|---|
| A | 157 | 12 | 01 | 8.33 |
| B | 129 | 87 | 04 | 4.59 |
| C | 88 | 84 | 03 | 3.57 |
| D | 10 | 10 | Nil | Nil |
| Total | 384 | 193 | 08 | 4.14 |

The overall percentage in Group C and D posts comes to 3.06% of the total sanctioned strength in these groups which is higher than the prescribed percentage of 3%.

D. Employment of women

The number of women employees on Rolls as on 31.03.2007 is 41. Out of them number of executives is 3 and Non-Executives is 38.

WAGE SETTLEMENTS

A. Floating establishment:

- The INSA-MUI Wage Agreement in respect of Floating Officers (FG/HT) is valid upto 31.03.2008.
- The INSA-NUSI Wage Agreement in respect of Petty Officers(HT) is due from 01.04.2006.
- The Wage Agreements in respect of Crew and MPWs are due from 01.04.2006.

B. Shore establishment:

The next Pay revision of Executives and Non-Executive employees (Unionised Staff Category) is due from 01.01.2007.

INDUSTRIAL RELATIONS:

The industrial relations in the Corporation continued to be cordial throughout the period under report.

WELFARE MEASURES:

The Corporation continued various welfare schemes viz., Family Pension Scheme, Group Gratuity Assurance Scheme, Personal Accident Insurance Coverage, Group Savings Linked Insurance Scheme, Contributory Provident Fund, Maternity Benefit Scheme, Subsidised Canteen Facility, Transport Subsidy, Medical Attendance, Leave Travel Concession, Incentive Scheme for acquiring higher qualifications, Merit Scholarship for the children of SC/ST employees, etc.

Other welfare measures such as House Building Advance, HBA Interest Subsidy, HBA Family Security Mutual Fund, Special casual leave for maternity/paternity and incentives for adopting small family norms and advances for children's higher education, marriage and purchase of computer etc., are extended to the employees.

Besides the above, basing on the Apex Court's judgement and keeping in view the Government instructions on Sexual Harassment of women at work places, a circular was issued at Head Office as well as to the Projects and other offices of the Corporation, on prohibition of Sexual Harassment of working women at work places. Similarly a new provision relating to Sexual harassment of women at work places was also incorporated in CDA rules applicable to the Executive and in the Certified Standing Orders applicable to the Non-executives. A special Committee looks into the complaints on sexual harassment at work places and a complaints register is also being maintained. DCI is a life member of the Forum for Women in Public Sector (WIPS) with one woman representative from the Corporation. As a welfare measure, a Rest Room is provided exclusively for the women employees. Group 'D' women employees are also provided with working uniforms. 25 women employees were given various in-house and external training programmes. The WIPS co-ordinator in DCI along with 5 women employees were also nominated to attend the 17th National meet on WIPS held at Kochi in February, 2007.

The physically handicapped employees are being paid an additional conveyance allowance of Rs.75/- per month in addition to the normal entitlement of transport subsidy/ reimbursement of conveyance expenses as per the existing Rules of the Corporation.



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HUMAN RESOURCES DEVELOPMENT

The Company is making sincere efforts for the overall development of Human Resources, both on shore and floating establishment. During the year 2006-07, Rs.85 lakh (approx.) was spent on the Management Development and training activity, covering a majority of employees on both the establishments. During the year, employees were nominated to participate in the various training programmes and Seminars/Conferences on Project Management, IT, Finance & Accounts, National Conference on Internal Audit, MAN&BW Diesel, Copen Hagen, 4th National Convention on Reservation Policy for Chief Liason Officer for SC/STs and OBC, 17th National Meet of Forum for Women in Public Sector, National Seminar on Corporate Communications, Residential Programme on Vigilance, a lecture meeting-cum-workshop on RTI Act etc. The employees were imparted extensive inhouse training in computer hardware/ MS Office, MS Special Data, Web Design, E-Filing and Digital Signatures of Ministry of Company Affairs.

ISO/ISM Awareness and Quality Auditors Programmes were also organised for both shore and floating personnel. Under ISPS Code Certified Floating Officers were deputed for Ship Security Officer (SSO) Course and Company Security Officer (CSO) Course.

A Training programme on Dredging Techniques was organised by DCI in association with the Ministry of Flanders Community, Belgium at APEC ANTRAP during October, 2006, which was attended by 10 officers from the Corporation and participants from all Indian Ports and other organisations.

As against target of 125 personnel to be trained under the MoU Targets, a total of 190 employees were trained in the specified programmes.

IMPLEMENTATION OF THE RIGHT TO INFORMATION ACT, 2005

As per the directives of the Government of India, the Right to Information Act, 2005 was implemented w.e.f 12-10-2005 and all the required infrastructural arrangements required for implementation of the Act were made, such as, appointment of Public Information Officers, Assistant Public Information Officers and Appellate Authority, publication of 17 prescribed manuals giving required information about the Company for information of the public, set-up of procedure and submission of periodical reports on the progress of implementation of the Act. A Register is also being maintained for monitoring the requests from public seeking information and the replies by the concerned are also being co-ordinated

ALL INDIA DREDGING CADRE :

Under the 10th Batch of the AIDC Scheme, 7 Deck Cadets are undergoing Training at L.B.S.College, Mumbai and 4 Engine Cadets are undergoing Training for 12 months onboard the dredgers.

With regard to the induction of 11th Batch of Deck and 6th

Batch of Engine Cadets under the AIDC Scheme, an All India Level Entrance Examination was held in September, 2006 and the recruitment process is at various stages.

ACTIVITIES OF PUBLIC GRIEVANCES AND COMPLAINTS CELL :

A Public Grievance Cell is functioning in the Corporation ever since 1988. The General Manager (Finance) is the Director of Public Grievances assisted by a Dy. Manager (HRD) to look into the Grievances / Complaints received from the public. As per the Ministry's guidelines, a status report is being submitted for the information of the Board of Directors at their meetings and a quarterly status report is also forwarded to the Ministry regularly. In line with the Ministry's direction, a Public Grievance Redressal and Monitoring System (PGRAMS) software was installed in the computer network of the company, which works in hand-shake mode between the Ministry and the Company. One complaint was received during the year which was suitably replied to.

INFORMATION & FACILITATION COUNTER :

In order to have transparency in the functioning of the Corporation and also for easy and speedy access for any information to the public, an Information & Facilitation Counter (IFC) has been setup at DCI Head Office, Visakhapatnam.

PROGRESSIVE USE OF HINDI

The Corporation continued its efforts to implement the Official Language Policy of the Government. An Incentive Scheme to award cash prizes, personal pay etc., is in vogue in the Corporation.

Hindi Fortnight was observed and Hindi Exhibition was organised. The employees participated in the Hindi Seminars / Kavi Sammelan held at Visakhapatnam and presented papers/poetry. Poetry and radio talks in Hindi were also broadcast on AIR. Bharatiya Rajbhasha Vikas Sansthan awarded Rajbhasha Shilpi Samman to the Manager (OL) at a Regional Seminar held at Visakhapatnam.

Computerisation of forms / correspondence and reports in Hindi was implemented in various departments. Several formats, salary slips, letter-heads, visiting cards, and other items of stationery were made bilingual. Web-site information was also launched in Hindi. Useful Bilingual / Multi-lingual softwares were procured and installed on computers and employees working on them were given training in operating the software in Hindi also and sharing the bilingual formats and information on network. Lipi Line Printer, compatible to Hindi printing, was also installed in IT department and made available to other functional departments.

Issue of Office Orders / Circulars, Reports submitted to Government and Parliamentary Committees was ensured in bilingual. ISM Policy, ISM Code, all ISM Manuals, Safety Instructions, etc., were translated into Hindi. Correspondence



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in Hindi was extended to some more areas of work - such as RTI, IFC and records management. The Officers of the Company actively participated in the meetings and activities of the Town Official Language Implementation Committee, Visakhapatnam during the year.

ACTIVITIES OF VIGILANCE DEPARTMENT DURING 2006-2007

The departmental inquiries and the minor penalty proceedings initiated against the officers are in progress. During the year, the Vigilance Department conducted 22 inspections and 2 surprise checks. Depending on the outcome of the inspections, suggestions for systems improvement were made to the concerned departments and punitive action was initiated against one officer. Vigilance Awareness week was observed in the Corporation from 06.11.2006 to 10.11.2006. Complaints received during the year have been disposed off.

AUDITORS

M/s Sriramamurthy & Co., Chartered Accountants, Visakhapatnam were appointed by the Comptroller and Auditor General of India as Auditors for auditing the accounts of the Company for the financial year 2006-07. Pursuant to Section 224(8)(aa) of the Companies Act, 1956, the remuneration of the auditors has to be approved by the members at the AGM. The Board recommends the remuneration of Rs.2.50 lakhs (Rupees two lakh and fifty thousand only) for approval of the members at this AGM.

DIRECTORS

Ministry of Shipping, Road Transport and Highways appointed Cmde.G.V.Ratnam as Director (Operations & Technical). Cmde G.V.Ratnam assumed charge on 07-06-2006. Dr.S.Kathirolu ceased to be part-time non-official Director of the Company on completion of his term of three years on

16/08/2006. Ministry appointed Shri P.C.Dhiman as part-time official Director in place of Shri T.Srinidhi from 13/4/2007. Further Ministry appointed Shri Rakesh Srivastava and Shri Prabhakar as part-time official Directors in places of Shri A.K.Bhalla and Shri P.C.Dhiman from 13/06/2007. The Board is pleased to place on record its appreciation for the valuable guidance given by Dr.S.Kathirolu, Shri T.Srinidhi, Shri P.C.Dhiman and Shri A.K.Bhalla during their tenure as Directors of the Company.

Pursuant to Section 256, of the Companies Act, 1956, Shri Rakesh Srivastava, Dr.S.Narasimha Rao and Shri A.K.Dhar retire at this meeting and are eligible for re-appointment. The Board recommends for their re-appointment in this meeting.

ACKNOWLEDGEMENTS

The Directors thank Ministry of Shipping, Road Transport and Highways and its officers for the valuable help, assistance and guidance rendered from time to time. The Directors thank all other Ministries for the help and co-operation extended by them. The Board is grateful to the Comptroller & Auditor General of India, the Member, Audit Board and the Statutory Auditors for their co-operation. The Board also thanks the Bankers of the Company for their valuable services. The Board expresses its gratitude to the valued customers for their continued patronage.

The Directors place on record their appreciation of the services rendered by all the employees of the Corporation.

For and on behalf of the Board of Directors

Place : VISAKHAPATNAM (A.K.DHAR)
Dated : 20-08-2007 CHAIRMAN AND MANAGING DIRECTOR

ANNEXURE - I

INFORMATION IN RESPECT OF DREDGERS AND FLOATING CRAFTS OF DCI

| Craft | Year of Built | Type of Vessel | Maximum Dredging Depth | LOA (Mts.) | Installed Draft (Mts.) | Installed Hopper Volume (Cu.M) | Installed Horse Power |
|------------------------|---------------|-------------------------------|------------------------|------------|------------------------|--------------------------------|-----------------------|
| DCI Dredge V | 1974 | Self Propelled TSHD | 22.00 | 100.00 | 6.52 | 3539 | - |
| DCI Dredge VI | 1975 | Self Propelled TSHD | 22.00 | 104.00 | 6.30 | 3770 | - |
| DCI Dredge VII | 1976 | Non Propelled CSD | 22.00 | 86.00 | 2.50 | - | 8500 |
| DCI Dredge VIII | 1977 | Self Propelled TSHD | 25.00 | 124.30 | 8.50 | 6500 | - |
| DCI Dredge IX | 1984 | Self Propelled TSHD | 25.00 | 102.60 | 7.50 | 4500 | - |
| DCI Dredge XI | 1986 | Self Propelled TSHD | 25.00 | 102.60 | 7.50 | 4500 | - |
| DCI Dredge XII | 1990 | Self Propelled TSHD | 20.00 | 115.00 | 6.50 | 4500 | - |
| DCI Dredge XIV | 1991 | Self Propelled TSHD | 20.00 | 115.00 | 6.50 | 4500 | - |
| DCI Dredge XV | 1999 | Self Propelled TSHD | 25.00 | 122.00 | 8.50 | 7400 | - |
| DCI Dredge XVI | 2000 | Self propelled TSHD | 25.00 | 122.00 | 8.50 | 7400 | - |
| DCI Dredge XVII | 2001 | Self propelled TSHD | 25.00 | 122.00 | 8.50 | 7400 | - |
| DCI Dredge "Aquarius" | 1977 | Self Propelled CSD | 25.00 | 107.00 | 4.85 | - | 17300 |
| DCI Tug-VII | 2005 | Self Propelled - (Twin Screw) | - | 42.30 | 4.50 | - | 22.00T |
| (Bollard Pull) | | | | | | | |
| "A" Frame Pontoon - II | 1982 | Non propelled | - | 16.50 | 0.50 | - | - |
| Desiltation Plant | 1982 | Non Propelled | 3.80 | 6.00 | 0.60 | - | - |
| Survey Launch | 1999 | Self Propelled | - | 12.50 | 1.85 | - | - |



DREDGING CORPORATION OF INDIA LIMITED

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE

The Company strongly believes that good Corporate Governance is pre-requisite for enhancing shareholder value and its image in the prevailing competitive business scenario. The policies and practices of the Company are aimed at efficient conduct of business and effectively meeting its obligations to shareholders, customers, employees and society at large. The Company has consistently sought to improve its focus by increasing transparency and accountability to all its stakeholders.

2. BOARD OF DIRECTORS

2.i Composition of Board of Directors as on 31/03/2007

| Director | Executive/ Non-Executive | Official/Non-Official | Age | Qualifications |
|-------------------------------|--------------------------|------------------------|-----|----------------------------------|
| i) Shri K.R.Kishore, IAS, CMD | Executive | Additional Charge | 54 | MBA (UK) |
| ii) Shri A.K.Dhar, DFN | Executive | Whole-time official | 60 | B.Tech(Hons), F.I.C.W.A |
| iii) Cmde.G.V.Ratnam, DOT | Executive | Whole-time official | 58 | B.Tech, D.I.I.T(NA) |
| iv) Shri A.K.Bhalla, IAS | Non-Executive | Part-time official | 47 | M.Sc., MBA |
| v) Shri T.Srinidhi | Non-Executive | Part-time official | 52 | M.A.(Economics), MBA |
| vi) Dr.S.Narasimha Rao | Non-Executive | Part-time Non-official | 66 | B.E, M.E, Ph.D (IISc, Bangalore) |

As per the Articles of Association of the Company the appointment of Directors is made by the President of India. The Company has taken up the matter with the Government to increase the strength of the non-official part-time Directors in order to comply with the requirements of the amended provisions of Clause 49 of the Listing Agreement with respect to number of independent Directors.

Changes during 2006-07

| Director | | Date | Nature of Change |
|----------------------------|-----------------------------------|------------|--|
| i) Cmde.G.V.Ratnam | Director (Operations & Technical) | 07/06/2006 | Appointment |
| ii) Dr.S.Kathiroli | Part-time Non-Official Director | 16/08/2006 | Cessation on completion of tenure |
| iii) Shri N.K.Gupta | Chairman and Managing Director | 30/11/2006 | Cessation on completion of tenure |
| iv) Shri K.R.Kishore, IAS | Chairman and Managing Director | 01/12/2006 | Appointment - Additional charge in addition to his duties as Chairman, Visakhapatnam Port Trust for three months |
| v) -do- | -do- | 01/03/2007 | Extension of tenure as CMD, DCI for another three months |
| vi) Dr.S.Narasimha Rao | Part-time non-Official Director | 05/03/2007 | Extension for three years on completion of tenure on 04/03/2007 |
| vii) Shri T.Srinidhi | Part-time Official Director | 13/04/2007 | Cessation on appointment of Shri P.C.Dhiman in his place |
| viii) Shri P.C.Dhiman, IAS | Part-time official Director | 13/04/2007 | Appointment in place of Shri T.Srinidhi |

Changes after 31/03/2007

| Director | | Date | Nature of Change |
|---------------------------------|--------------------------------|------------|--|
| i) Shri P.C.Dhiman, IAS | Part-time Official Director | 13/06/2007 | Cessation on appointment of Shri Prabhakar in his place |
| ii) Shri A.K.Bhalla, IAS | Part-time Official Director | 13/06/2007 | Cessation on appointment of Shri Rakesh Srivastava in his place |
| iii) Shri Prabhakar | Part-time Official Director | 13/06/2007 | Appointment in place of Shri P.C.Dhiman |
| iv) Shri Rakesh Srivastava, IAS | Part-time Official Director | 13/06/2007 | Appointment in place of Shri A.K.Bhalla |
| v) Shri K.R.Kishore, IAS | Chairman and Managing Director | 25/06/2007 | Cessation on appointment of Shri A.K.Dhar as CMD |
| vi) Shri A.K.Dhar, | Chairman and Managing Director | 25/06/2007 | Appointment - Additional charge as CMD in addition to his duties as Director (Finance) |

Cmde.G.V.Ratnam has several years of experience as Commissioned Officer(Technical), Indian Navy. He was holding the post of General Manager (Ship Repairs) in Hindustan Shipyard Ltd., Visakhapatnam prior to his joining DCI as Director (Operations & Technical).



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Shri P.C.Dhiman, IAS is in Government Service. He worked at various senior levels in Government of India.

Shri K.R.Kishore, IAS is in Government service. He worked at various senior levels in Government of Andhra Pradesh. He is Chairman, Visakhapatnam Port Trust since September, 2003.

Shri Rakesh Srivastava, IAS is in government Service. He worked at various senior levels in Government including Joint Secretary/ Director in Ministry of Defence, Secretary, Irrigation Department and Secretary, Transport Department in Government of Rajasthan. He is presently Joint Secretary (Ports) in Ministry of Shipping, Road Transport and Highways, Department of Shipping.

Shri Prabhakar is in Government Service and is presently Director(Finance) in Ministry of Shipping, Road Transport and Highways, Departments of Shipping and Road Transport.

2.ii Attendance Record of Directors : 2006-07

Attendance of Directors at the meetings of Board of Directors during the financial year 2006-07 and the last Annual General Meeting held on 28.09.2006 are as follows:-

| Name of the Director | No. of Board Meetings | | Attended | |
|---|-----------------------|---------------|----------|---------|
| | Total | During tenure | Attended | lastAGM |
| 1. Shri K.R.Kishore | 9 | 3 | 3 | -- |
| 2. Shri A.K.Dhar | 9 | 9 | 9 | Yes |
| 3. Cmde.G.V.Ratnam | 9 | 7 | 7 | Yes |
| 4. Shri A.K.Bhalla | 9 | 9 | 9 | No |
| 5. Shri T.Srinidhi | 9 | 9 | 8 | No |
| 6. Dr.S.Narasimha Rao (Chairman of Audit Committee) | 9 | 9 | 8 | Yes |
| 7. Shri N.K.Gupta | 9 | 6 | 6 | Yes |
| 8. Dr.S.Kathioli | 9 | 4 | 1 | -- |

2.iii Number of other Boards or Board Committees in which Directors are Members/ Chairperson :

| Director | No. of outside position held | |
|------------------------|------------------------------|-----------|
| | Directorships | Committee |
| i) Shri K.R.Kishore | 2 | - |
| ii) Shri A.K.Dhar | - | - |
| iii) Cmde.G.V.Ratnam | - | - |
| iv) Shri A.K.Bhalla | 2 | - |
| v) Shri T.Srinidhi | 3 | 1 |
| vi) Dr.S.Narasimha Rao | - | - |

2.iv Details of Board Meetings held : 2006-07

| Sl.No. | Date | Place | No. of Directors Present |
|--------|------------|-----------|--------------------------|
| 1. | 05/04/2006 | New Delhi | 5 |
| 2. | 29/04/2006 | Chennai | 5 |
| 3. | 16/06/2006 | New Delhi | 6 |
| 4. | 29/07/2006 | New Delhi | 6 |
| 5. | 29/08/2006 | New Delhi | 6 |
| 6. | 28/10/2006 | Chennai | 5 |
| 7. | 16/12/2006 | New Delhi | 5 |
| 8. | 27/01/2007 | New Delhi | 6 |
| 9. | 23/02/2007 | New Delhi | 6 |

3 AUDIT COMMITTEE

3.i The Audit Committee is constituted in accordance with the requirements of the provisions of the Companies Act, 1956. The composition of the Board of Directors as of now is not sufficient to have an audit Committee as per the requirements of the Listing Agreement with the Stock Exchanges. The quorum for meetings of the Audit Committee is two Members or one third of the Members of the Audit Committee whichever is greater, but there should be a minimum of one independent member present. The powers, terms of reference and regulations of the Committee have been fixed by the Board as per the provisions of Section 292 A of Companies Act, 1956 read with the requirements of the Clause 49 of the Listing Agreement. The Company Secretary acts as Secretary of the Audit Committee. The Committee Meetings were also attended by Director (Finance) and Statutory Auditors. Further, Internal Auditors, Heads of Departments and senior executives attended the Audit Committee Meetings as and when required by Audit Committee.



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3.ii The Constitution of Audit Committee as on 31-03-2007 is as under :-

1. Dr.S.Narasimha Rao : Chairman
2. Shri T.Srinidhi : Member
3. Cmde.G.V.Ratnam : Member

3.iii Meetings of the Audit Committee and attendance during the year 2006-07:

Details of Audit Committee Meetings held during the year 2006-2007:

| Sl.No. | Date | Place | No. of Members Present |
|--------|------------|---------------|------------------------|
| 1. | 28/04/2006 | Chennai | 2 |
| 2. | 15/06/2006 | Chennai | 2 |
| 3. | 29/07/2006 | New Delhi | 3 |
| 4. | 02/09/2006 | Visakhapatnam | 3 |
| 5. | 28/10/2006 | Chennai | 2 |
| 6. | 27/01/2007 | New Delhi | 3 |

Details of attendance in Audit Committee Meetings during 2006-07:

| Sl.No. | Name of the Director | No. of Meetings | | |
|--------|----------------------|-----------------|---------------|----------|
| | | Total | during tenure | Attended |
| 1. | Dr.S.Narasimha Rao | 6 | 6 | 6 |
| 2. | Cmde.G.V.Ratnam | 6 | 3 | 3 |
| 3. | Shri T.Srinidhi | 6 | 6 | 3 |
| 4. | Dr.S.Kathiroli | 6 | 3 | 3 |

4 REMUNERATION OF DIRECTORS

4.i DCI being a Government of India Undertaking, the remuneration payable to its whole-time Directors is as per the Rules and Regulations prescribed by the Government of India, received through the Administrative Ministry, Ministry of Shipping, Road Transport and Highways.

4.ii The part-time official (Government) Directors do not receive any remuneration from the Company.

4.iii The Part-time Non-Official Directors are paid sitting fees of Rs.3,000/- for each Board/Committee meeting attended by them.

4.iv DCI does not have a policy of paying commission on profits to any of the Directors of the Company.

4.v Remuneration paid to Whole time Directors during 2006-07 is as under :-

(Rs. in lakhs)

| Name | Salary | P.F.Contribution | Medical | Total |
|---------------------|--------|------------------|---------|-------|
| 1. Shri N.K.Gupta* | 4.59 | 0.40 | 0.29 | 5.28 |
| 2. Shri A.K.Dhar | 7.30 | 0.62 | 0.07 | 7.99 |
| 3. Cmde.G.V.Ratnam* | 5.04 | 0.43 | 0.00 | 5.47 |

* part of the year

4.vi In addition to the above, wherever necessary, the Directors are reimbursed the travelling and other related expenses for attending the Board and other meetings.

5. SHAREHOLDERS COMMITTEE

SHAREHOLDERS/INVESTOR GRIEVANCE COMMITTEE

The Shareholders/ Investor Grievance Committee has been looking into grievances of shareholders/ investors and to suggest remedies and measures for improvement.

5.i The constitution of the Shareholders/ Investors Grievance Committee as on 31/3/2007 is as under :-

- i) Dr.S.Narasimha Rao: Chairman
- ii) Shri A.K.Dhar : Member

The Committee held one meeting during the year in the month of January, 2007.

5.ii Company Secretary is designated as Compliance Officer.

5.iii A total of 591 complaints were received during the year 2006-07.

5.iv The R&T Agents have made every effort to resolve the complaints to the satisfaction of the investors

5.v As on 31st March 2007, there was 1 pending complaint which was resolved on 2nd April, 2007.

SHARE TRANSFER COMMITTEE

The Company has a Share Transfer Committee constituted in the year 1997. As on 31st March, 2007, the Share Transfer



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Committee has Chairman and Managing Director, Director (Finance) and Director(Operations & Technical) as members. The Committee is authorized to approve transfer and transmission of shares of the Company. Share transfer/ transmission and other important matters are attended in time under the control of Company Secretary. As on 31-3-07 the company had 49,755 shareholders. The company has been taking all steps to ensure that shareholder related activities are given top priority and matters are attended to immediately. M/s Karvy Computershare Private Limited, Hyderabad is the Registrar and Transfer Agent of the Company providing the services of physical share registry work and electronic interface facility with the depositories.

6 GENERAL BODY MEETINGS

6.i Details of last 3 Annual General Meetings:-

| | 2003-2004 28 th AGM | 2004-05 29 th AGM | 2005-06 30 th AGM |
|----------|--|---|--|
| 1. Date | 24-9-2004 | 29-9-2005 | 28-9-2006 |
| 2. Time | 1600 hrs. | 1000 hrs. | 1000 hrs. |
| 3. Venue | NDMC Indoor Stadium, Talkatora Garden New Delhi 110001 | NDMC Indoor Stadium, Talkatora Garden, New Delhi 110001 | NDMC Indoor Stadium, Talkatora Garden New Delhi - 110001 |

6.ii During the previous year, no special resolution was passed through postal ballot.

6.iii There is no proposal before the AGM of this year requiring conduct through postal ballot.

7 DISCLOSURES

7.i In terms of Accounting Standard 18(Revised-2000), no disclosure is required in the financial statements of State controlled enterprise (An enterprise which is under the control of the Central Government and/or State Government) as regards related party relationships with other State controlled enterprises and transactions with such enterprises. The related party transactions of DCI for the year 2006-07 are only with other State controlled enterprises.

7.ii The Company has complied with the requirements of regulatory authorities on matters related to Capital Markets and no penalties/ strictures have been imposed against the Company by Stock Exchange or SEBI or any statutory authority during the last 3 years.

7.iii DCI is a Government of India undertaking and there are established Government guidelines and mechanism of reporting illegal or unethical behaviour. Employees are free to report violation of laws, rules, regulations or unethical conduct to their immediate supervisor/Chief Vigilance Officer/ Chairman and Managing Director. The Directors and senior management are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices. No employee has been denied access to the Audit Committee.

7.iv a) **Composition of the Board** :- Dredging Corporation of India Limited is a Government of India Undertaking under the Administrative control of the Ministry of Shipping, Road Transport and Highways (Ministry). Pursuant to the Articles of Association of the Company the Members of the Board of Directors are appointed by the President of India. The present strength of the Directors of the Company is five consisting of 2 whole time official Directors, 2 part time official Directors and 1 part-time non-official (Independent) Director. The Ministry was requested in the month of April 2005 to increase the strength of the Independent Directors to five so that the requirements of the amended Clause-49 of the listing agreement are met with. Ministry vide its letter No.PD-28028/29/2005-DCI dtd.2-1-2006 informed that the Competent Authority has approved the proposal for creation of posts of non-official (Independent) Directors increasing the strength of independent Directors to five and that action was being taken as per the Govt. procedure for filling of the vacant posts of non-official (Independent) Directors.

b) **Code of Conduct for Board Members and Senior Management**:- The Board in its meeting held on 6-12-2005 has adopted Code of Conduct for Board Members and Senior Management Personnel ('Code') as per the requirements of Clause-49 of the listing agreement. The Code lying down, in detail the standards of the conduct, ethical and transparent process in managing the affairs of the Company, centres around the following theme:-



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" The Company's Board Members and Senior Management Personnel shall act in accordance with the highest standard of honesty, integrity, fairness and ethical Conduct while working for the Company as well as representing the Company without allowing their Independent judgement to be subordinated and fulfill the fiduciary obligations."

A copy of the Code has been posted on the Company's website www.dredge-india.com. The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Chairman and Managing Director is given below:-

" I hereby confirm that the Company has obtained from all members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the Financial year 2006-07.

(A.K.Dhar)

"Chairman and Managing Director"

- c) The Company does not have any subsidiary company.
- d) The Company has followed the prescribed Accounting Standards in preparation of the financial statements for the year 2006-07.
- e) All major contracts before being undertaken by the Company are subjected to risk assessment at different departmental levels in the Company as per the different Government guidelines. The Company has constituted a Risk Management Committee consisting of senior officers of the Company to lay down a mechanism for risk assessment and minimisation procedures. The Committee's role is to list out the risks to which the properties, revenue, personnel and prestige of the Company are exposed, list out the coverage available and also the steps taken to mitigate the risk and also to review the adequacy of the existing procedures and policies to identify the risks and coverage.
- f) The Management Discussion and Analysis Report forms part of this Annual Report .
- g) No disclosures have been received to the Board from any senior management regarding any personal interest that may have conflict with the interest of the Company at large in any material financial and commercial transaction.
- h) The CEO i.e., Chairman and Managing Director and Director (Finance) and CFO i.e General Manager (Finance) have provided the prescribed certification as contained in Clause 49 (V) regarding the financial statements for the year 2006-07
- i) The Company has been submitting the quarterly compliance report on Corporate Governance to the Stock Exchanges within 15 days from the close of each quarter.
- j) **Adoption of Non-Mandatory requirements:-**
Audit Qualification :The Company is in the regime of unqualified financial statements.

8. Means of Communication:

8.i Quarterly Results

The schedule of consideration of quarterly results by the Board for the year 2007-08 is as under:

- a) Results for the 1st quarter ending 30th June, 2007 : 30.07.2007.
- b) Results for the 2nd quarter ending 30th Sept. 2007 : On or before 31.10.2007.
- c) Results for the 3rd quarter ending 31st Dec. 2007 : On or before 31.01.2008.
- d) Results for the 4th quarter ending 31st Mar., 2008 : On or before 30.04.2008.

- 8.ii The Quarterly Results are published in the English newspaper - "The Economic Times" - all editions and in the Hindi newspaper - "The Hindustan" - Delhi edition within 48 hours from the date of declaration.
- 8.iii The Quarterly Results are posted on the website of the Company - www.dredge-india.com after consideration and taking on record by the Board.
- 8.iv The website of the Company -www.dredge-india.com displays the official news releases, if any.
- 8.v The website of the Company -www.dredge-india.com displays the presentations made to institutional investors or to the analysts, if any.



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9 GENERAL SHAREHOLDERS INFORMATION :

The required shareholders information is given below :

- 9.i** Annual General Meeting- Date, Time & Venue : on 28th September, 2007 at 1000 hrs. in Siri Fort Auditorium No.1, Siri Fort Cultural Complex, August Kranti Marg, New Delhi - 110049
- 9.ii** Financial Year : 1st April to 31st March next year.
- 9.iii** Date of Book closure : 08/09/2007 to 28/09/2007 (both days inclusive)
- 9.iv** Date of payment of dividend : The final dividend after declaration by the shareholders in the 31st AGM to be held on 28-09-2007 would be paid tentatively by third week of October, 2007.
- 9.v** Listing on Stock Exchanges :
- National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
 - Delhi Stock Exchange Association Ltd.
DSE House, 3/1 Asaf Ali Road, New Delhi - 110 002
 - Stock Exchange, Mumbai ,
1st Floor, New Trading Ring, Rotunda Building,
Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
 - Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Kolkata - 700 001.

Annual Listing fee for the financial year 2007-2008 has been paid to National, Delhi and Mumbai Stock Exchanges. Calcutta Stock Exchange is yet to raise the bill for 2007-08. Payment would be released to Calcutta Stock Exchange soon after receipt of the bill.

9.vi Stock Codes :

| | |
|-------------------------------------|-----------------|
| National Exchange | : DREDGECORP |
| Delhi Stock Exchange | : 6398 |
| Mumbai Stock Exchange | : 523618 |
| Kolkata Stock Exchange | : 14050 |
| For trading in demat form: ISIN No. | : INE 506A01018 |

9.vii Market price data of the Company in comparison to BSE Sensex and NSE (S&P CNX NIFTY) during 2006-2007

| Month | BSE Share Price | | BSE SENSEX | | NSE Share Price | | NSE (S&P CNX NIFTY) | |
|--------------|-----------------|--------|------------|----------|-----------------|--------|---------------------|---------|
| | High | Low | High | Low | High | Low | High | Low |
| April'06 | 690.00 | 600.00 | 12102.00 | 11008.43 | 689.00 | 566.50 | 3598.95 | 3290.35 |
| May'06 | 675.80 | 575.10 | 12671.11 | 9826.91 | 663.90 | 526.65 | 3774.15 | 2896.40 |
| June'06 | 615.00 | 460.05 | 10626.84 | 8799.01 | 620.00 | 450.00 | 3134.15 | 2595.65 |
| July'06 | 545.00 | 460.05 | 10940.45 | 9875.35 | 548.00 | 460.00 | 3208.85 | 2878.25 |
| August'06 | 550.00 | 464.00 | 11794.43 | 10645.99 | 559.80 | 465.55 | 3452.30 | 3113.60 |
| September'06 | 581.00 | 501.15 | 12485.17 | 11444.18 | 582.35 | 486.25 | 3603.70 | 3328.45 |
| October'06 | 652.95 | 575.00 | 13075.85 | 12178.83 | 655.00 | 576.00 | 3782.85 | 3508.65 |
| November'06 | 625.00 | 571.10 | 13799.08 | 12937.30 | 638.00 | 572.00 | 3976.80 | 3737.00 |
| December'06 | 610.00 | 558.05 | 14035.30 | 12801.65 | 613.00 | 554.05 | 4046.85 | 3657.65 |
| January'07 | 648.95 | 554.05 | 14325.92 | 13303.22 | 682.40 | 560.00 | 4167.15 | 3833.60 |
| February'07 | 585.00 | 495.40 | 14723.88 | 12800.91 | 584.00 | 450.05 | 4245.30 | 3674.85 |
| March'07 | 544.00 | 470.15 | 13386.95 | 12316.10 | 535.00 | 458.90 | 3901.75 | 3554.50 |

Source: Websites of the Stock Exchange, Mumbai and National Stock Exchange

9.viii Registrar and share transfer agents:-

M/s Karvy Computershare Private Ltd., Hyderabad are the R & T Agents of the Company.

9.ix Share Transfer System

The documentation part for processing of Share Transfers is done by the Registrars. The Registrars send a Memorandum of Share Transfers periodically to the Company for approval of the Share Transfer Committee of the Company. After approval of the Committee, the same is communicated to the Registrars and they endorse the Share Certificates in favour of the transferees and send them to the transferees. Share Transfers are registered and Share Certificates are despatched within a period of 30 days from the date of the receipt, if documentation is correct and valid in all respects.



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9.x Distribution of shareholding as on 31/03/2007

| Category | No. of shares held | Percentage of shareholding |
|---|--------------------|----------------------------|
| A. Promoter Group | | |
| 1 Indian (President of India and his nominees) | 21997700 | 78.56 |
| 2 Foreign | - | - |
| Total shareholding A = A(1) + A(2) | 21997700 | 78.56 |
| B Public Shareholding | | |
| 1 Institutional | | |
| a. Mutual funds and UTI | 1891467 | 6.76 |
| b. Financial Institutions/Banks | 84326 | 0.30 |
| c. Central / State Govt. (s) | - | - |
| d. Venture Capital Funds | - | - |
| e. Insurance Companies | 1537938 | 5.49 |
| f. Foreign Institutional Investors | 1348336 | 4.82 |
| g. Foreign Venture Capital Investors | - | - |
| h. Any other | - | - |
| Sub - total B(1) | 4862067 | 17.36 |
| 2 Non-Institutions | | |
| a Bodies Corporate | 207184 | 0.74 |
| b Individuals | | |
| (i) Individual shareholders holding nominal share capital upto Rs.1 lakh | 835368 | 2.97 |
| (ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh | 71875 | 0.26 |
| c Any Other (Specify) | | |
| (i) Non-resident Indians | 20649 | 0.09 |
| (ii) Trusts | 37 | 0.00 |
| (iii) Clearing Members | 5120 | 0.02 |
| Sub - total- B (2) | 1140233 | 4.08 |
| Total Public Shareholding B = B(1) + B (2) | 6002300 | 21.44 |
| GRAND TOTAL A+ B | 28,000,000 | 100.00 |

9.xi Dematerialisation/ Rematerialisation of Shares and liquidity :-

The shares of the Company are traded compulsorily in dematerialised form.

Out of 2,80,00,000 fully paid up shares of Rs.10/- each 2,19,97,700 shares (78.56%) are held by the President of India and nominees and the remaining 60,02,300 shares (21.44%) are held by others. As on 31.03.2007 of the 60,02,300 shares held by others, 59,97,140 are held in dematerialised form. In the year 2006-07, 6,500 shares have been dematerialized covering 3 demat requests.

During the year, 14 requests for Rematerialisation of Shares for a total of 533 shares were received. As per the requests, Rematerialised Share Certificates were issued.

9.xii Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity :-

The Company has not issued and hence has no Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity.

9.xiii Project Locations :-

The project offices of the Company at present are situated at Haldia, Kolkata, Paradeep, Visakhapatnam, Chennai, Nagapattinam, Rameswaram, Cochin, Mangalore, Mumbai. The Registered Office of the Company is at New Delhi and the Head Office is at Visakhapatnam.

9.xiv Address for investors correspondence :

Company
Company Secretary
Dredging Corporation of India Limited.
Company Secretary Department
"Dredge House", Port Area,
Visakhapatnam - 530035.

Registrar & Transfer Agent :-
UNIT : Dredging Corporation of India Ltd.
Karvy Computershare Private Limited
Plot No. 17 to 24, Vithal Rao Nagar, Madhapur
Hyderabad- 500 081
Phone : (040) 23420818



DREDGING CORPORATION OF INDIA LIMITED

Phone: 0891- 2566537/ 2871 207/298
Fax:0891 - 2529846/ 2560581/ 2565920
e-mail : sreekanth@dredgeindia.co.in

Fax : (040) 23420814
e-mail : mailmanager@karvy.com
(Please mention Unit name as Dredging Corporation of India Ltd. in all correspondence with R&T Agent.)

10 OTHER INFORMATION :

a. Board Meetings, its Committee Meetings and procedure:

The minimum number of Meetings of the Board/ Committee(s) of the Board as required under the Companies Act/ Listing Agreement are held every year. The meetings of the Board, scheduled one year in advance, are more or less held on the scheduled dates. Apart from the above, additional Board Meetings are convened by giving appropriate notice to address the specific needs of the Company. In case of business exigencies or urgency of matters, resolutions are passed by circulation which are placed in the next meeting of the Board. The information placed before the Board includes:-

- i. Annual operating plans and budgets and any updates.
- ii. Capital budgets and any updates.
- iii. Quarterly results for the Company and its operating divisions/ business segments.
- iv. Minutes of the meetings of Audit Committee and other Committee of the Board.
- v. The information on recruitment and remuneration of senior officers just below Board level, including appointment or removal of Chief Financial Officer and Company Secretary.
- vi. Show Cause, demand, prosecution notices and penalty notices which are materially important.
- vii. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- viii. Any material default in financial obligations to and by the Company, or substantial non-payment for services rendered by the Company.
- ix. Any issue, which involves possible public liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- x. Details of any joint venture or collaboration agreement.
- xi. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property, if any.
- xii. Significant labour problems and their proposed solutions. Any significant development in human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- xiii. Sale of material nature, if any, of investments, subsidiaries, assets, which is not in normal course of business.
- xiv. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- xv. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- xvi. Terms of reference of the Board Committees

b. Agenda for Board / its Committee meetings:

All departments of the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/ approval/ decision or for information at the Board/ Committee meetings. The Members of the Board have complete access to all information on the organization. The Chairman and Managing Director in consultation with the other functional Directors and senior management personnel finalises the agenda papers for the Board Meetings which are then communicated to the Company Secretary in advance for circulation to the Board/ Committee Members. The Board Agenda comprising of the Board notes, management reports and other explanatory notes are circulated to the Directors in advance. In special and exceptional circumstances, additional or supplementary item(s) on the Agenda are permitted. Sensitive subject matters may be discussed at the meeting without written material being circulated advance.

c. Post meeting Follow-up Mechanism:

Follow-up Report on the decisions/ minutes of the previous meeting(s) is placed at the immediately succeeding meeting of the Board/Committee for noting by the Board/ Committee.

d. Recording of Minutes of proceedings at Board and Committee Meetings:

The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. The Minutes after approval of the Chairman are circulated to all the members of the Board and Committee meetings. The Minutes are confirmed in the next meeting of the Board/ Committee. The minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.



DREDGING CORPORATION OF INDIA LIMITED

e. Secretarial Audit :

As per the requirements of the Listing Agreement with the Stock Exchanges, a Secretarial Audit is undertaken on quarterly basis for all the quarters in the year 2006-07 for the purpose of reconciliation of total admitted capital with both the depositories and the total issued and listed capital of the Company. The Secretarial Audit Report obtained from M/s P.N.Rao & Co., Company Secretaries, Visakhapatnam was submitted to the Delhi, Mumbai, Calcutta Stock Exchanges and to National Stock Exchange for all the quarters and was also placed before the Board for information.

- f.** As per Clause 51 of the Listing Agreement, financial results and shareholding pattern are filed on Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC). The Company Secretary as the Compliance Officer is responsible for filing the above information in the EDIFAR system.

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

DREDGING CORPORATION OF INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Dredging Corporation of India Limited, for the year ended 31.03.2007, 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 management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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 the above mentioned listing agreement subject to:

1. The Company does not have 50% Directors as Independent Directors as per the provisions of Clause 49 of the Listing Agreement.

We state that as per the records maintained by the Company, no investor grievance is remaining pending for a period exceeding one month.

We further 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 SRIRAMAMURTHY & CO.
Chartered Accountants

Place : Visakhapatnam
Date : 24th July, 2007

(D.Prasanna Kumar)
Partner



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

DREDGING INDUSTRY STRUCTURE AND DEVELOPMENT

1. India has an extensive coastline of approximately 7,500 kilometers. There are 12 major ports under the administrative control of the Ministry of Shipping, Road Transport and Highways (MoSRTTH), approximately 180 non-major ports under the administrative control of the Government of India (GOI), State Governments and private ports. Approximately 75% of India's port traffic by volume is handled by the Major Ports, and the balance handled by the non-major ports. As per the GOI's 10th Five Year Plan, major ports represent approximately 93% of the overall Indian dredging market (excluding private ports) by volume and approximately 92% and 95% of the overall Indian maintenance dredging and capital dredging markets (excluding private ports) respectively.
2. In the coming years, it is expected that there will be substantial increase in the international trade levels which will necessitate increased port capacities. Planning Commission in its Approach Paper to the 11th Five year plan has stated that the GDP growth rate was likely to average to a little more than 8% in four years since 2003-04 to 2006-07. But this acceleration was helped by sizeable excess capacities that existed in the economy at the beginning of the 10th Plan Period. These possibilities have now been more or less exhausted. Therefore future growth will have to be driven by new capacity creation. All models indicate that with additional policy initiatives it is possible to raise the average growth rate in the 11th Plan to close to 9% with acceleration through plan period to end with a rate of around 10%. The approach paper further states that although there has been some improvement during the 10th Plan, the Port Sector needs major expansion and modernisation to support the growth rates envisaged for the future. The 11th Plan will develop Ports and related infrastructure to bring them to international standards in turnaround time and clearing of import and export cargoes. Keeping in view, the present trend, it is estimated that Indian Ports will have to handle cargo traffic of about 800 MT by 2012 as compared to 520 MT handled in 2004-05. This would require substantial capacity augmentation at major and minor ports. A deep sea port will be developed and drafts of existing ports will be deepened, where feasible, through capital dredging.
3. Expansion of port capacity either through construction of new ports or expansion and development of existing ports would create opportunities for both capital dredging and increased maintenance dredging.
4. Apart from capital and maintenance dredging requirement of major ports, which together constitute approximately 93% of the Indian dredging market, requirements also exist for beach nourishment, shore protection and land reclamation though at a much lower scale. Inland water ways dredging is largely confined to river bank ports. But Indian dredging market is primarily maintenance dredging driven.
5. Out of a total Rs 650 crore dredging market per annum at Major Ports, approximately Rs.600 crores represents maintenance dredging market, and the balance Rs.50 crores, capital dredging. The substantially lower capital dredging market is primarily due to uncertainty in funding availability and realization of port development programs. However, as new projects are likely to materialize in near future, there may be a quantum jump in capital dredging in the years to come.

CORPORATE PERFORMANCE

6. Operations

DCI is the largest dredging company in India and has generally operated at close to 100% capacity utilization. The capacity utilization is the ratio of the amount actually dredged by DCI in a year and its derived annual dredging capacity. Annual dredging capacity is derived from a number of parameters, including installed hopper volume, estimated number of days of dredging, location, soil characteristics, number of loads and dumping distance. In 2006-2007, DCI operated at a capacity utilization of approximately 95.65% (based on actual days dredged and other relevant factors). The lower capacity utilization is mainly on account of decrease in the number of dredging days than targeted in respect of some dredgers due to extended dry-dock periods, emergency dry docking and break downs.

7. As on 31st March, 2007 the Company has made a contribution of Rs.14.50 crore towards equity for the Special Purpose Vehicle, Sethusamudram Corporation Limited. The Company has commenced the dredging work in E3-E4 stretch of the Sethusamudram Ship Channel of about 13 Km involving approximately 13 million cubic meters of dredging to attain a depth of -12M in Palk Strait area adjoining Bay of Bengal which was awarded to the Company.



DREDGING CORPORATION OF INDIA LIMITED

8. Financial Performance

(Rs Lakhs)

| | 2005-06 | 2006-07 |
|--|---------|---------|
| Income from Operations | 50690 | 57289 |
| Other income | 3599 | 4920 |
| Total turnover | 54289 | 62209 |
| Profit before interest, depreciation and tax | 21183 | 24507 |
| Interest | 291 | 210 |
| Depreciation | 3709 | 3658 |
| Profit Before Tax | 17183 | 20639 |
| Provision for Current Tax | 1750 | 1650 |
| Provision for F.B.T | 74 | 111 |
| Provision for Wealth Tax | 3 | 5 |
| Deferred tax provision written back | 2290 | 0 |
| Profit after Tax | 17646 | 18873 |
| Capacity | | |
| Available capacity (Lakh cu.M.) | 798.50 | 798.50 |
| Utilised Capacity (Lakh Cu.M.) | 727.49 | 763.80 |
| Capacity utilisation (%) | 91.10 | 95.65 |
| Proposed/Declared Dividend % | 150 | 150 |
| including Interim Dividend % | 60 | 60 |
| Rs. Lakhs | 4200 | 4200 |
| Earnings Per Share (Rs.) | 63.02 | 67.40 |
| Book Value per share | 354.65 | 404.68 |

9. OPPORTUNITIES AND THREATS

The Company perceives the following opportunities -

- targeted GDP growth rate of average 9% per annum during 11th Plan which is expected to result, among others, in increase in Port Traffic and Port Capacity during 11th Plan.
- Upcoming capital dredging projects at various Ports in India.
- Upcoming private ports at Pipavav, Kakinada, Mundra, Gangavaram and Hazira.
- The Sethusamudram Ship Channel Project.
- Increased maintenance dredging requirements consequent to new capital dredging works.
- Growing International Trade volumes – opportunities abroad.

The Company perceives the following threats

- Increasing foreign competition.
- Increasing competition from Indian dredging companies.
- Frequent and expensive repairs to dredgers due to ageing
- Non-availability of experienced and trained technical persons/ floating personnel which is mainly because of the not so attractive pay packages in the public sector.

10. INDIAN DREDGING MARKET OUTLOOK

During the 11th Plan while the consistent maintenance dredging requirements at the major ports are expected to continue, increasing private sector participation in port development and related capital dredging activity is expected. At the same time, the dynamics in the Indian market are rapidly changing. The key changes taking place include changes in customer profile for dredging companies from Government to private sector developers, changes in payment patterns for dredging work from a daily rate basis to quantitative or performance-based methods, the expansion of Indian port capacity and increasing participation of international companies in the Indian dredging market. Other developments include:

- Deeper draught requirements of Indian Ports.
- Tourism development and increasing need for beach nourishment.
- Land reclamation for low lying areas.
- Sethusamudram Ship Channel Project.

DCI's customers include Major Ports under the administrative control of the Ministry of Shipping, Road Transport & Highways (MoSRT&H), non-Major Ports under the administrative control of the Gol and State Governments, private ports, the Indian Navy and shipyards. The Indian dredging market is primarily maintenance dredging-oriented.



DREDGING CORPORATION OF INDIA LIMITED

RISKS AND CONCERNS:

11. Government Policy on dredging

MoSRT&H letter vide its letter No. 12/2/2007 announced the Dredging Policy to be followed by major Ports w.e.f 1/4/2007 for a period of three years The policy inter-alia stated as under :-

- All major ports shall invite open competitive bids for dredging works and Indian Companies owning Indian flag dredgers, including DCI shall have the right of first refusal if the rate is within 10% of the lowest valid offer. This would apply to both maintenance and capital dredging works with the sole exception of the maintenance dredging requirement of Kolkata Port for which separate instructions shall apply.
- If more than one Company owning Indian flag dredger participates in the tender, the right of refusal will go to that India Company which has quoted the lowest rate and is within 10% of the lowest valid offer.
- The GOI through Department of Shipping reserves the right to assign, in public interest, any contract for dredging work in any of the major ports to DCI on nomination.

While the procurement action for acquisition of new dredgers have projected a high cost of construction of new dredgers, the emerging competitive market scenario indicates lower rate of returns on the capital expenditure, thus hindering the additions to the capacity and filling the gap between the present capacity with the Company and the growing demand within the Country.

12. INITIATIVES TAKEN/FUTURE PLANS OF THE COMPANY

Keeping the various developments in the dredging industry in view, your Company has initiated action in several areas, including:

- Consolidation of share in maintenance dredging in India
- More participation in capital dredging – acquiring necessary skills, training company personnel, acquiring/chartering dredgers, entering into suitable JVs/SPVs
- Acquisition of dredgers with fuel efficient design and advanced technology, fitted with sophisticated and state-of-the-art technology, i.e.

Three 5,000 cu m capacity trailer suction hopper dredger

One 2,000 cu m solids per hour dumb Cutter Suction Dredger

Order has been placed with Mazagaon Dock Limited, Mumbai in October, 2005 for procurement of one number Cutter Suction Dredger of 2000 Cu.M solids per hour capacity and is expected to be delivered by December, 2007. Tendering action is on hand for procurement of one number 5000 Cu.M hopper capacity Trailer Suction Hopper Dredger and for two numbers survey launches. Action is also on hand for procurement of one number Backhoe dredger and two numbers self propelled hopper barges for carrying out dredging works in front of berths and jetties and for consolidated strata, which cannot be carried out by TSHDs or CSDs.

- Optimizing capacity utilization – continuous project monitoring and review, increased use of IT, reducing dredger and equipment downtime through appropriate maintenance strategies
- Develop strategic alliances and international joint ventures to increase international presence
- Benchmarking against international dredging companies and reviewing strategic initiatives with the help of leading management consultants
- Reducing costs –
Operational costs - Focusing on fuel efficiency in ship operations, streamlining spare parts procurement systems
Financing costs – Entering into full currency swaps in respect of foreign currency loans to hedge against exchange and interest rate fluctuations

- Close monitoring of repairs

13. CHARTER - IN OF TRAILER SUCTION HOPPER DREDGERS

To augment DCI's capacity and keeping in view the likely growth in the dredging market, the company has been Chartering - in dredgers to augment capacity for working in Sethusamudram Ship channel Project.

14. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has reasonable system of delegation at proper levels and an adequate system of internal control commensurate with its size and nature of its business. The Company has an adequate and independent internal audit department for conducting extensive audit of various important operational and financial matters both at Head Office and at projects. The internal controls are reviewed by the Internal Audit Department. The Vigilance Department deals with vigilance and disciplinary cases with emphasis on preventive vigilance. C&AG conducts proprietary audit. The Company has formed an Audit Committee of Directors consisting of four independent non-executive directors. Significant audit observations and follow up action thereon are reported to the Audit Committee. The proceedings of the Audit Committee are submitted to the Board.

15. INDUSTRIAL RELATIONS

The industrial relations in the Corporation continued to be cordial throughout the period under report.

16. CAUTIONARY STATEMENT

Statements in this "Management Discussion and Analysis" describing the objectives, expectations, assumptions or predictions of the Company may be forward-looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the operations of the Company include economic conditions affecting demand/supply, price conditions in the domestic and international markets, Government policies and regulations, statutes and other incidental factors.



DREDGING CORPORATION OF INDIA LIMITED

AUDITORS' REPORT

To

The Members

DREDGING CORPORATION OF INDIA LIMITED.

1. We have audited the attached Balance Sheet of DREDGING CORPORATION OF INDIA LIMITED as at 31st March, 2007 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow statement for the year ended on that date. 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (i) 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.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) The provisions of Section 274 (1) (g) of the Companies Act, 1956 are not applicable to this company vide number 2/5/2001 - CL-V : General Circular No.8/2002 dated 22-03-2002 issued by Ministry of Law, Justice and Company Affairs, Department of Company Affairs.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting Policies and Notes on 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.
 - (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Sriramamurthy & Co.,
Chartered Accountants**

**(D.Prasanna Kumar)
Partner**

Membership No. 023999

**Place : Visakhapatnam
Date : 29th June 2007**



DREDGING CORPORATION OF INDIA LIMITED

ANNEXURE TO AUDITORS' REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) All the fixed assets have been physically verified by the management during the year in a phased manner. As informed to us, no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off substantial part of the fixed assets during the year and the going concern status of the Company is not affected.
- (ii) (a) Physical verification of inventory has been conducted by the management at reasonable intervals during the year.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company has maintained proper records of inventory. As informed to us, no material discrepancies were noticed on physical verification as compared to the book records.
- (iii) (a) 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 view of the above, Clause 4 (iii) (b), (c) and (d) are not applicable.

 - (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

In view of the above, Clause 4 (iii) (f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
- (v) (a) According to the information and explanations given to us, there were no contracts or arrangements referred to in Section 301 of Companies Act, 1956 that need to be entered into the Register required to be maintained in pursuance of Section 301 of the Companies Act, 1956.

In view of the above, Clause 4 (v) (b) is not applicable.
- (vi) The Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the nature of business carried on by the Company.
- (ix) (a) The Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of afore mentioned dues were in arrears, as at 31st March 2007 for a period of more than six months from the date they became payable.
 - (b) According to information and explanations given to us, the statutory dues that have not been deposited on account of dispute and the matters pending before appellate authorities are as under:



DREDGING CORPORATION OF INDIA LIMITED

| S.No. | Name of the Statute | Nature of dues | Forum where dispute is pending | Amount (Rs.in lakh) |
|-------|----------------------------|--------------------------------|--|---------------------|
| 1 | Orissa Sales Tax Act, 1947 | Sales Tax for the year 2002-03 | Sales Tax Tribunal,Cuttack, Orissa | 181.67 |
| 2 | Orissa Sales Tax Act, 1947 | Sales Tax for the year 2003-04 | Sales Tax Tribunal,Cuttack, Orissa | 205.89 |
| 3. | Karnataka Sales Tax Act | Sales Tax | Karnataka Appellate Sales Tax Tribunal | 74.65 |
| 4. | KTEG(Entry Tax) Act, 1979 | Entry Tax | Jt. Commissioner of Commercial Tax (Appeals) | 212.00 |
| 5. | Income Tax Act, 1961 | Income Tax - AY 1991-92 | Andhra Pradesh High Court | 0.16 |
| 6. | -- do -- | AY 1993-94 | -- do -- | 13.77 |
| 7. | -- do -- | AY 1997-98 | Income Tax Appellate Tribunal, Visakhapatnam | 6.28 |
| 8. | -- do -- | AY 2000-01 | -- do -- | 66.90 |
| 9. | -- do -- | AY 2002-03 | -- do -- | 2596.55 |
| 10. | -- do -- | AY 2003-04 | -- do -- | 5073.67 |
| 11. | -- do -- | AY 2004-05 | -- do -- | 6908.48 |

- (x) The Company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to financial institutions or banks. As there are no debentures, the question of repayment does not arise.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (xiv) The Company has not been dealing or trading in shares, securities, debentures and other investments. Therefore, clause 4(xiv) of the Companies (Auditors Report) Order, 2003 is not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore, clause 4(xv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (xvi) The Company has not obtained any term loans during the year and therefore, clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (xvii) The Company has not raised any funds on short-term basis or long-term basis during the year and therefore, clause 4(xvii) of the Companies (Auditor's Report) Order, 2003 is not applicable.
- (xviii) 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.
- (xix) The Company has not issued debentures during the year and therefore, the clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 is not applicable.
- (xx) The Company has not raised money by public issue during the year and therefore, the clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 is not applicable.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

**For Sriramamurthy & Co.,
Chartered Accountants**

**(D.Prasanna Kumar)
Partner
Membership No. 023999**

**Place : Visakhapatnam
Date : 29th June 2007**



DREDGING CORPORATION OF INDIA LIMITED

BALANCE SHEET AS AT 31st MARCH 2007

(Rs. in Lakh)

| | Schedule No. | | As at 31-3-2007 | As at 31-3-2006 |
|---|--------------|-----------------|------------------|------------------|
| A. SOURCES OF FUNDS : | | | | |
| 1. SHARE HOLDERS' FUNDS | | | | |
| Share Capital | I | 2800.00 | 2800.00 | |
| Reserves and Surplus | II | 110510.55 | 113310.55 | 96501.49 |
| 2. LOAN FUNDS: | | | | |
| Unsecured Loans | III | | 3015.60 | 4638.53 |
| TOTAL | | | <u>116326.15</u> | <u>103940.02</u> |
| B. APPLICATION OF FUNDS: | | | | |
| 1. FIXED ASSETS | | | | |
| Gross Block | IV | 84901.39 | | 84874.08 |
| LESS: Depreciation | | 55175.88 | | 51527.43 |
| LESS: Impairment loss | | 30.17 | | 1.50 |
| Net Block | | <u>29695.34</u> | | <u>33345.15</u> |
| Capital work in progress | | 14321.51 | 44016.85 | 2441.47 |
| 2. INVESTMENTS: | | | | |
| | V | | 1450.01 | 550.01 |
| 3. CURRENT ASSETS, LOANS AND ADVANCES: | | | | |
| Inventories | | 2258.98 | | 1047.57 |
| Sundry Debtors | | 22972.14 | | 19620.68 |
| Cash and Bank Balances | | 39855.44 | | 47214.28 |
| Other Current Assets | | 12737.44 | | 8298.37 |
| Loans and Advances | | 11832.47 | | 8822.82 |
| | | <u>89656.47</u> | | <u>85003.72</u> |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | | |
| Current Liabilities | VII | 14999.23 | | 12457.10 |
| Provisions | | 3797.95 | | 4943.23 |
| | | <u>18797.18</u> | | <u>17400.33</u> |
| Net Current Assets | | | <u>70859.29</u> | <u>67603.39</u> |
| TOTAL | | | <u>116326.15</u> | <u>103940.02</u> |
| Notes on Accounts | XV | | | |
| Accounting Policies | XVI | | | |

Schedules referred to above form an integral part of the Accounts.

For and on behalf of Board of Directors

(A.K.DHAR)
Director (Finance),
Chairman and Managing Director

(CMDE.GV.RATNAM)
Director (Operations & Technical)

(K. KIRITI)
General Manager (Finance)

(K.ASWINI SREEKANTH)
Company Secretary

As per our Report of even date
For Sriramamurthy & Co
Chartered Accountants

(D.PRASANNAKUMAR)
Partner

PLACE : NEWDELHI
DATED : 28-06-2007

PLACE : VISAKHAPATNAM
DATED : 29-06-2007



DREDGING CORPORATION OF INDIA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

(Rs. in Lakh)

| | Schedule No. | YEARENDED 31-3-2007 | | YEARENDED 31-3-2006 | |
|---|--------------|---------------------|-----------------|---------------------|-----------------|
| A. INCOME FROM: | | | | | |
| Operations | VIII | 57289.09 | | 50689.89 | |
| Others | IX | 4919.86 | | 3598.73 | |
| | | <u>62208.95</u> | | <u>54288.62</u> | |
| B. EXPENDITURE ON : | | | | | |
| Operations | X | 34800.80 | | 28807.13 | |
| Administration | XI | 2909.64 | | 2646.63 | |
| Interest | | 209.71 | | 290.89 | |
| Depreciation | | 3658.31 | | 3709.15 | |
| Provisions | XII | 402.83 | | 822.22 | |
| | | <u>41981.29</u> | | <u>36276.02</u> | |
| PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS : | | <u>20227.66</u> | | <u>18012.60</u> | |
| PRIOR PERIOD ADJUSTMENTS: | | | | | |
| ADD : Credits | XIII | 0.00 | | 418.71 | |
| LESS : Debits | XIII | 1.24 | (-)1.24 | 1432.21 | (-)1013.50 |
| | | | <u>20226.42</u> | | <u>16999.10</u> |
| ADD : Provisions no longer required written back | XIV | | 412.13 | | 184.25 |
| PROFIT BEFORE TAX | | | <u>20638.55</u> | | <u>17183.35</u> |
| LESS : Provision for Income Tax | | | | | |
| Current | | 1650.00 | | 1750.00 | |
| F.B.T | | 110.78 | | 73.57 | |
| Provision for Wealth Tax | | 4.82 | 1765.60 | 3.22 | 1826.79 |
| ADD : Deferred Tax Provisions written back | | | 0.00 | | 2289.60 |
| PROFIT AFTER TAX | | | <u>18872.95</u> | | <u>17646.16</u> |
| ADD : Transfer from Reserve U/s 33 AC Utilisation Account | | | 0.00 | | 1100.00 |
| DEDUCT : Transfer to Tonnage Tax Reserve U/s 115 VT of IT Act | | | 4200.00 | | 4000.00 |
| ADD : Balance brought forward from previous year | | | 15335.66 | | 7148.55 |
| DEDUCT : Interim Dividend paid | | 1680.00 | | 1680.00 | |
| : Proposed Dividend | | 2520.00 | | 2520.00 | |
| : Dividend Tax on | | | | | |
| : Interim Dividend Paid | | 235.62 | | 235.62 | |
| : Proposed Dividend | | 428.27 | 4863.89 | 353.43 | 4789.05 |
| DEDUCT : Transfer to General Reserve | | | 1890.00 | | 1770.00 |
| BALANCE OF PROFIT CARRIED OVER TO BALANCE SHEET | | | <u>23254.72</u> | | <u>15335.66</u> |
| Earnings per share: Basic / Diluted (in Rs) | | | <u>67.40</u> | | <u>63.02</u> |
| (Note 9 (d) to Schedule - XV) | | | | | |
| Notes on Accounts | XV | | | | |
| Accounting Policies | XVI | | | | |

Schedules referred to above form an integral part of the Accounts.

For and on behalf of Board of Directors

(A.K.DHAR)
Director (Finance),
Chairman and Managing Director

(CMDE.GVRATNAM)
Director (Operations & Technical)

(K.KIRITI)
General Manager (Finance)

(K.ASWINI SREEKANTH)
Company Secretary

As per our Report of even date
For Sriramamurthy & Co
Chartered Accountants

(D.PRASANNA KUMAR)
Partner

PLACE : NEW DELHI
DATED : 28-06-2007

PLACE : VISAKHAPATNAM
DATED : 29-06-2007



DREDGING CORPORATION OF INDIA LIMITED

SCHEDULE - I

SHARE CAPITAL

(Rs. in Lakh)

| | As at 31-3-2007 | As at 31-3-2006 |
|--|--------------------|--------------------|
| AUTHORISED: | | |
| 3,00,00,000 Equity Shares of Rs.10/- each | <u>3000.00</u> | <u>3000.00</u> |
| ISSUED, SUBSCRIBED AND PAID-UP: | | |
| For Cash - 1400 Equity Shares of Rs.10/- each fully paid | 0.14 | 0.14 |
| For consideration other than cash - 2,79,98,600 Equity Shares of Rs.10/- each allotted as fully paid | <u>2799.86</u> | <u>2799.86</u> |
| | <u>2800.00</u> | <u>2800.00</u> |

SCHEDULE - II

RESERVES AND SURPLUS

(Rs. in Lakh)

| | As at 31-3-2007 | As at 31-3-2006 |
|--|--------------------|--------------------|
| CAPITAL RESERVE:(*) | | |
| As per last Balance Sheet | 451.83 | 451.83 |
| GENERAL RESERVE: | | |
| As per last Balance Sheet | 37814.00 | 36044.00 |
| Add: Transfer during the year | <u>1890.00</u> | <u>1770.00</u> |
| | 39704.00 | 37814.00 |
| RESERVE U/S 33AC OF THE INCOME TAX ACT 1961 | | |
| As per last Balance Sheet | 33300.00 | 33300.00 |
| RESERVE U/S 33AC UTILISATION ACCOUNT | | |
| As per last Balance Sheet | 5600.00 | 6700.00 |
| Less : Transfer to Profit and Loss Account | <u>0.00</u> | <u>1100.00</u> |
| | 5600.00 | 5600.00 |
| TONNAGE TAX RESERVE U/S 115 VT OF IT ACT | | |
| As per last Balance Sheet | 4000.00 | 0.00 |
| Add: Transfer during the year | <u>4200.00</u> | <u>4000.00</u> |
| | 8200.00 | 4000.00 |
| PROFIT AND LOSS ACCOUNT | <u>23254.72</u> | <u>15335.66</u> |
| | <u>110510.55</u> | <u>96501.49</u> |

(*) Represents Sale Proceeds / Claims realised in excess of original cost of Assets sold.

SCHEDULE - III

LOAN FUNDS

(Rs. in Lakh)

| | As at 31-3-2007 | As at 31-3-2006 |
|--|--------------------|--------------------|
| UNSECURED LOANS: | | |
| From Foreign Banks | | |
| (Installments repayable within one year - Rs.1362.50 Lakh, previous year - Rs. 1622.92 Lakh) | 3015.60 | 4638.53 |
| | <u>3015.60</u> | <u>4638.53</u> |



DREDGING CORPORATION OF INDIA LIMITED

SCHEDULE-IV

FIXED ASSETS

(Rs. in Lakh)

| DESCRIPTION | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--|------------------|--------------------------|----------------------------|------------------|-----------------|--------------------|----------------------------|-----------------|------------------|------------------|
| | As on 31-3-06 | Additions in the year | Deductions/ Adjustments | As on 31-3-07 | Upto 31-3-06 | During the year | Deductions/ Adjustments | Upto 31-3-07 | As on 31-3-07 | As on 31-3-06 |
| 1 LAND - FREE HOLD | 35.98 | 0.00 | 0.00 | 35.98 | 0.00 | 0.00 | 0.00 | 0.00 | 35.98 | 35.98 |
| 2 BUILDINGS | 346.05 | 0.00 | 0.00 | 346.05 | 231.95 | 12.29 | 0.00 | 244.24 | 101.81 | 114.10 |
| 3 DREDGERS | 78722.13 | 0.00 | 0.00 | 78722.13 | 47611.85 | 3402.32 | 0.00 | 51014.17 | 27707.96 | 31110.28 |
| 4 ANCILLARY CRAFTS | 1900.22 | 0.00 | 0.00 | 1900.22 | 403.08 | 115.91 | 0.00 | 518.99 | 1381.23 | 1497.14 |
| 5 PIPELINE, BALL & SOCKETS JOINTS ETC. | 2632.01 | 0.00 | 0.00 | 2632.01 | 2508.35 | 62.27 | 0.00 | 2570.62 | 61.39 | 123.66 |
| 6 OTHER OPERATIONAL ASSETS | 331.84 | 0.00 | 0.00 | 331.84 | 186.78 | 8.22 | 0.00 | 195.00 | 136.84 | 145.06 |
| 7 FURNITURE, FITTINGS, EQUIPMENTS ETC | 355.69 | 17.34 | 14.01 | 359.02 | 143.36 | 21.71 | 11.36 | 153.71 | 205.31 | 212.33 |
| 8 COMPUTERS | 480.36 | 23.98 | 0.00 | 504.34 | 386.64 | 64.28* | 0.00 | 450.92 | 53.42 | 93.72 |
| 9 MOTOR VEHICLES | 15.59 | 0.00 | 0.00 | 15.59 | 2.71 | 1.48 | 0.00 | 4.19 | 11.40 | 12.88 |
| 10 TEMP. STRUCTURES FIXTURES/ERLECTIONS | 54.21 | 0.00 | 0.00 | 54.21 | 54.21 | 0.00 | 0.00 | 54.21 | 0.00 | 0.00 |
| TOTAL | 84874.08 | 41.32 | 14.01 | 84901.39 | 51528.93 | 3688.48 | 11.36 | 55206.05 | 29695.34 | 33345.15 |
| CAPITAL WORK IN PROGRESS INCLUDING ADVANCES | 2441.47 | 11880.04 | 0.00 | 14321.51 | 0.00 | 0.00 | 0.00 | 0.00 | 14321.51 | 2441.47 |
| TOTAL | 87315.55 | 11921.36 | 14.01 | 99222.90 | 51528.93 | 3688.48 | 11.36 | 55206.05 | 44016.85 | 35786.62 |
| PREVIOUS YEAR'S TOTAL | 84712.82 | 3997.92 | 1395.19 | 87315.55 | 47833.85 | 3710.65 | 15.57 | 51528.93 | 35786.62 | 36878.97 |

* includes Rs.30.17 lakh provided towards impairment loss

NOTE TO SCHEDULE IV:

- (a) Buildings include Rs.8.20 lakh (previous year Rs 8.20 lakh) being the cost of four residential flats at Mumbai which are yet to be registered in the name of the Company.
- (b) The Collector of Customs, Calcutta issued a demand for short levy of customs duty on spares held on board Dredger Aquarius amounting to Rs.335.33 lakh. This amount was capitalized in the year 1994-95 based on the show cause notice issued. The Company has contested the demand. However, an amount of Rs.150.00 lakh was paid pursuant to directions by CEGAT, Calcutta, under protest.
- (c) Ancillary Craft Tug-VI (with 2% residual value in books of account) capsized on 6-05-2006 nearly 2 nautical miles north of the Sethusamudram Channel. Pending finalisation of nature of claim and uncertainty thereon, the income is not recognised in the books of accounts for the year.
- (d) As per the Accounting Standard 28 pronounced by the Institute of Chartered Accountants of India, the Impairment loss has been recognized in respect of Computers. The recoverable amount has been determined to the extent of the carrying amount of the asset exceeded its estimated recoverable amount.
- (e) Fixed Assets include assets removed from active use (Gross block Rs.220.46 lakh, Net Block Rs.41.63 lakh previous year NIL).

SCHEDULE - V

INVESTMENTS

(Rs. in Lakh)

| | As at 31-3-2007 | As at 31-3-2006 |
|---|--------------------|--------------------|
| At Cost - Non- Trade (Unquoted) | | |
| a) 5 Shares of Rs. 50/- each fully paid - up in Mittal Chambers Premises Co-operative Society Ltd., Bombay | 0.01 | 0.01 |
| b) Sethusamudram Corporation Limited | | |
| i) 100 lakh (Previous year - 10 lakh) Equity shares of Rs.10 each fully paid | 1000.00 | 100.00 |
| ii) Equity contribution pending allotment | 450.00 | 450.00 |
| | 1450.01 | 550.01 |



DREDGING CORPORATION OF INDIA LIMITED

SCHEDULE - VI

CURRENT ASSETS, LOANS AND ADVANCES

(Rs. in Lakh)

| | As at 31-3-2007 | | As at 31-3-2006 | |
|---|--------------------|------------------------|--------------------|------------------------|
| A. CURRENT ASSETS: | | | | |
| INVENTORIES: | | | | |
| Stock of spares and stores(Note 1) (Valued at cost and as certified by the Management) | 2501.99 | | 1260.23 | |
| LESS: Provision for unserviceable Spares & Stores | <u>243.01</u> | 2258.98 | <u>212.66</u> | 1047.57 |
| SUNDRY DEBTORS (Unsecured) : | | | | |
| a) Debts outstanding for a period exceeding 6 months | 18515.78 | | 19456.06 | |
| b) Other Debts | <u>17336.81</u> | | <u>13114.90</u> | |
| | 35852.59 | | 32570.96 | |
| LESS: Considered doubtful and provided for debts considered good | <u>12880.45</u> | 22972.14 | <u>12950.28</u> | 19620.68 |
| CASH AND BANK BALANCES : | | | | |
| a) Cash on Hand (Note 2) | 149.32 | | 127.85 | |
| b) Cheques on Hand | 22.38 | | 0.10 | |
| c) With Scheduled Banks: | | | | |
| i) Current Account | 1267.74 | | 775.33 | |
| ii) Fixed Deposit Account | <u>38416.00</u> | | <u>46311.00</u> | |
| | | 39855.44 | | 47214.28 |
| OTHER CURRENT ASSETS: | | | | |
| a) Interest accrued on Deposits and Advances | 2181.02 | | 2209.61 | |
| b) Unbilled Operational Income | <u>10556.42</u> | 12737.44 | <u>6088.76</u> | 8298.37 |
| B. LOANS AND ADVANCES | | | | |
| ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED: | | | | |
| a) Secured-considered good | 261.31 | | 322.91 | |
| b) Unsecured (Note 3) | <u>1142.10</u> | 1403.41 | <u>215.77</u> | 538.68 |
| c) Income Tax Paid & Tax deducted at source | 14775.67 | | 12314.14 | |
| LESS: Provision for Income Tax | <u>8067.47</u> | 6708.20 | <u>6415.87</u> | 5898.27 |
| DEPOSITS: | | | | |
| a) Customs, Post & Telegraphs | | 6.09 | | 5.45 |
| b) Others | | 647.20 | | 506.26 |
| PREPAID EXPENSES: | | 201.11 | | 98.02 |
| CLAIMS & OTHER RECOVERABLES: | 2878.28 | | 1787.96 | |
| LESS: Provision for Doubtful Claims | <u>11.82</u> | 2866.46 | <u>11.82</u> | 1776.14 |
| | | <u>11832.47</u> | | <u>8822.82</u> |
| GRAND TOTAL | | <u><u>89656.47</u></u> | | <u><u>85003.72</u></u> |

Note : 1. Inventories include Spares and Stores in Transit Inward Rs.250.51 lakh (previous year Rs. 117.27 lakh)

2. Cash on hand includes Franking Machine balance Rs.0.01 lakh (previous year Rs.0.06 lakh)

3. Advances recoverable in cash or kind include

a) Tour advances to

(Rs. in lakh)

| | As at 31/3/07 | Max Amt. during the year | As at 31/3/06 | Max Amt. during the year |
|---|---------------|-----------------------------|---------------|-----------------------------|
| Chairman and Managing Director | 0.00 | 1.80 | 0.00 | 1.04 |
| Director(Finance) | 0.00 | 1.01 | 0.00 | 0.70 |
| Director(Operations & Technical) | 0.74 | 0.44 | 0.00 | 0.00 |
| b) Advance on Capital Works Rs.9.07 lakh (Previous year Rs.6.42 lakh) | | | | |



DREDGING CORPORATION OF INDIA LIMITED

SCHEDULE - VII

CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lakh)

| | As at 31-3-2007 | As at 31-3-2006 |
|--|--------------------|--------------------|
| A) CURRENT LIABILITIES : | | |
| i) Sundry Creditors Note (1) | 2780.34 | 1264.79 |
| ii) Deposits from contractors | 165.49 | 143.64 |
| iii) Advances from customers | 86.75 | 394.82 |
| iv) Other Liabilities | 11937.46 | 10618.96 |
| v) Interest accrued but not due on loans | 18.60 | 27.75 |
| vi) Un-claimed Dividend | 10.59 | 7.14 |
| | <u>14999.23</u> | <u>12457.10</u> |
| B) PROVISIONS | | |
| i) For Proposed Dividend | 2520.00 | 2520.00 |
| ii) For dividend Tax | 428.27 | 353.43 |
| iii) For employee benefits | 809.57 | 662.98 |
| iv) For contractual obligations | 40.11 | 40.11 |
| v) For dry-dock repairs due | 0.00 | 1366.71 |
| | <u>3797.95</u> | <u>4943.23</u> |
| | <u>18797.18</u> | <u>17400.33</u> |

| | |
|--|-------------|
| Note : (1) Sundry Creditors include: | Rs. in lakh |
| a) Amounts due to the following Small Scale Industrial undertakings to whom a sum exceeding Rs.1 lakh is outstanding for more than 30 days as per agreed terms | Nil |
| b) Amounts due to Small Scale Industries other than (a) above | Nil |

SCHEDULE - VIII

OPERATIONAL INCOME

(Rs. in Lakh)

| | Year Ended 31-3-2007 | Year Ended 31-3-2006 |
|----------------------------|-------------------------|-------------------------|
| Dredging and Deployment | 39914.19 | 36037.90 |
| Mobilisation Income | 778.65 | 898.56 |
| Chartering Income | 726.98 | 5442.52 |
| Escalation Income | 9467.89 | 7616.68 |
| Other Operational Income | 6407.52 | 701.82 |
| | <u>57295.23</u> | <u>50697.48</u> |
| Less : Rebates / Discounts | 6.14 | 7.59 |
| | <u>57289.09</u> | <u>50689.89</u> |

SCHEDULE - IX

OTHER INCOME

(Rs. in Lakh)

| | Year Ended 31-3-2007 | Year Ended 31-3-2006 |
|---|-------------------------|-------------------------|
| INTEREST | | |
| i) On Fixed Deposits (Tax Deducted at Source Rs. 744.14 Lakh; Previous year Rs. 384.97 Lakh) | 3631.43 | 2977.51 |
| ii) On House Building and other Advances | 27.91 | 35.16 |
| MISCELLANEOUS INCOME (Note 2 to Schedule XV) | <u>1260.52</u> | <u>586.06</u> |
| | <u>4919.86</u> | <u>3598.73</u> |

SCHEDULE - X

OPERATIONAL EXPENSES

(Rs. in Lakh)

| | Year Ended 31-3-2007 | Year Ended 31-3-2006 |
|--|-------------------------|-------------------------|
| Pay and Benefits to Operational staff | 3003.16 | 4019.13 |
| Contribution to Provident and Other funds | 87.91 | 100.16 |
| Spares and stores | 4534.97 | 4418.78 |
| Repairs and Maintenance | 5679.40 | 3962.45 |
| Add : Provision for Dry-dock repairs due | 0.00 | 1366.71 |
| Less: Provision no longer required written back for Dry-dock repairs due | (-)1366.71 | (-)1000.00 |
| Fuel and Lubricants | 17173.77 | 14560.05 |
| Insurance | 417.97 | 318.49 |
| Other Operational Expenses (Note 3 to Schedule XV) | 5270.33 | 1061.36 |
| | <u>34800.80</u> | <u>28807.13</u> |



DREDGING CORPORATION OF INDIA LIMITED

SCHEDULE - XI

ADMINISTRATIVE EXPENSES

(Rs. in Lakh)

| | Year Ended 31-3-2007 | | Year Ended 31-3-2006 | |
|---|-------------------------|-------|-------------------------|-------|
| 1. Pay and Benefits to Employees* | 1585.78 | | 1530.95 | |
| 2. Contribution to Provident and other funds | 101.81 | | 90.96 | |
| 3. Remuneration to Directors (Note 4 of Schedule XV) | | | | |
| a) Chairman and Managing Director | 5.28 | | 7.59 | |
| b) Director (Finance) | 7.99 | | 6.95 | |
| c) Director (Operations & Technical) | 5.47 | 18.74 | 0.00 | 14.54 |
| 4. Rent | 29.50 | | 20.68 | |
| 5. Rates and Taxes | 4.44 | | 7.94 | |
| 6. Other Establishment Expenses (Note 5 of Schedule XV) | 1169.37 | | 981.56 | |
| | <u>2909.64</u> | | <u>2646.63</u> | |

* includes Rs.NIL(previous year Rs.67.09 lakh) towards amounts paid under Voluntary Retirement Scheme

SCHEDULE - XII

PROVISIONS

(Rs. in Lakh)

| | Year Ended 31-3-2007 | | Year Ended 31-3-2006 | |
|--|-------------------------|--|-------------------------|--|
| 1. For doubtful debts | 342.30 | | 790.21 | |
| 2. For unserviceable spares and stores | 30.36 | | 30.51 | |
| 3. For impairment loss | 30.17 | | 1.50 | |
| | <u>402.83</u> | | <u>822.22</u> | |

SCHEDULE - XIII

PRIOR PERIOD ADJUSTMENTS

(Rs. in Lakh)

| | Year Ended 31-3-2007 | | Year Ended 31-3-2006 | |
|--|-------------------------|-------------|-------------------------|---------------|
| | Debit | Credit | Debit | Credit |
| EXPENDITURE: | | | | |
| OPERATIONAL EXPENSES: | | | | |
| 1. Repairs and maintenance | 0.00 | 0.00 | 395.43 | 0.00 |
| 2. Other operational expenses | 1.24 | 0.00 | 47.58 | 0.00 |
| ADMINISTRATION EXPENSES: | | | | |
| 3. Payments & benefits to employees(SO& S) | 0.00 | 0.00 | 14.94 | 0.00 |
| 4. Other establishment expenses | 0.00 | 0.00 | 974.26 | 0.00 |
| | <u>1.24</u> | <u>0.00</u> | <u>1432.21</u> | <u>0.00</u> |
| INCOME: | | | | |
| 1. Operational Income | 0.00 | 0.00 | 0.00 | 59.64 |
| 2. Other income | 0.00 | 0.00 | 0.00 | 359.07 |
| | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>418.71</u> |
| Net Debit | <u>1.24</u> | <u>0.00</u> | 1013.50 | 0.00 |
| Net Credit | <u>0.00</u> | <u>0.00</u> | 0.00 | 0.00 |

SCHEDULE - XIV

PROVISIONS NO LONGER REQUIRED WRITTEN BACK

(Rs. in Lakh)

| | Year Ended 31-3-2007 | | Year Ended 31-3-2006 | |
|--|-------------------------|--|-------------------------|--|
| Provision for doubtful debts and contractual obligations | 412..13 | | 184.25 | |
| | <u>412.13</u> | | <u>184.25</u> | |

SCHEDULE - XV

NOTES ON ACCOUNTS

(Rs. in Lakh)

| | YEAR ENDED 31-3-2007 | | YEAR ENDED 31-3-2006 | |
|---|-------------------------|--|-------------------------|--|
| 1. CONTINGENT LIABILITIES : | | | | |
| a. Letters of Credit | 531.09 | | 125.67 | |
| b. Claims made against the Company not acknowledged as debts | 438.29 | | 521.75 | |
| c. Estimated amount of contracts remaining to be executed on capital account and not provided for | 15240.32 | | 22913.85 | |
| d. Sales Tax Demands received but disputed by the Company | 674.21 | | 796.18 | |
| e. Income Tax Demands received but disputed by the Company | 14665.82 | | 15092.67 | |
| 2. BREAK-UP OF "MISCELLANEOUS INCOME" (REF. SCHEDULE-IX) | | | | |
| 1. Sale of scrap, empties, condemned stores etc. | 73.04 | | 23.51 | |
| 2. Rent recoveries | 3.64 | | 4.70 | |
| 3. Others* | 1183.84 | | 557.85 | |
| | <u>1260.52</u> | | <u>586.06</u> | |

* "Others" is net of Rs.44.80 lakh(previous year NIL) in respect of previous years insurance claims withdrawn. It includes Rs.0.79 lakh (previous year Rs.0.87 lakh) towards profit on sale of assets.



DREDGING CORPORATION OF INDIA LIMITED

SCHEDULE-XV Contd.

3. BREAK-UP OF "OTHER OPERATIONAL EXPENSES" (REF. SCHEDULE-X)

(Rs. in Lakh)

| | YEAR ENDED | |
|--|----------------|----------------|
| | 31-3-2007 | 31-3-2006 |
| 1. Lodging expenses: Floating staff | 67.98 | 68.34 |
| 2. Travelling, portorage & conveyance - Floating staff | 69.32 | 91.18 |
| 3. Equipment transportation expenses | 311.83 | 19.46 |
| 4. Direct works expenses: | | |
| a) Boat/Tug hire charges | 467.37 | 168.56 |
| b) Crane hire charges | 8.44 | 1.54 |
| c) Pipeline laying/maintenance expenses | 52.37 | 34.20 |
| d) Payments to contractors | 50.77 | 137.61 |
| e) Others * | 3943.15 | 279.06 |
| 5. Miscellaneous expenses | 299.10 | 261.41 |
| | 5270.33 | 1061.36 |

*"Others" include Rs.5.01 lakh (previous year Rs.NIL)towards arbitration awards.

4. BREAK-UP OF "REMUNERATION TO DIRECTORS" (REF. SCHEDULE - XI)

(Rs. in Lakh)

| | Chairman and Managing Director | | Director (Finance) | | Director (Ops.& Tech.) | |
|--------------------------------|--------------------------------|-------------|--------------------|-------------|------------------------|-------------|
| | Year ended | Year ended | Year ended | Year ended | Year ended | Year ended |
| | 31-3-2007* | 31-3-2006 | 31-3-2007 | 31-3-2006 | 31-3-2007* | 31-3-2006 |
| 1. Salary | 4.59 | 5.81 | 7.30 | 6.38 | 5.04 | 0.00 |
| 2. Provident Fund contribution | 0.40 | 0.55 | 0.62 | 0.55 | 0.43 | 0.00 |
| 3. Medical Expenses | 0.29 | 1.23 | 0.07 | 0.02 | 0.00 | 0.00 |
| | 5.28 | 7.59 | 7.99 | 6.95 | 5.47 | 0.00 |

* part of the year

5. BREAK-UP OF "OTHER ESTABLISHMENT EXPENSES" (REF. SCHEDULE-XI)

(Rs. in Lakh)

| | YEAR ENDED | |
|---|----------------|---------------|
| | 31-3-2007 | 31-3-2006 |
| 1. Donations | 202.17 | 0.00 |
| 2. Travelling expenses | 435.14 | 340.10 |
| 3. Bank charges & guarantee fee | 21.06 | 16.91 |
| 4. Printing & stationery | 30.40 | 29.46 |
| 5. Postage, telegrams, phones & telex | 43.90 | 46.16 |
| 6. Insurance | 27.94 | 16.90 |
| 7. Repairs and maintenance of building, vehicles and others | 67.02 | 78.69 |
| 8. Expenditure on data processing | 23.16 | 19.24 |
| 9. Advertisement & Publicity | 22.82 | 18.69 |
| 10. Dailies & periodicals and cost of library | 12.67 | 16.47 |
| 11. Remuneration to Auditors: | | |
| a) As Auditors | 2.50 | 2.00 |
| b) For other services | 1.80 | 1.91 |
| 12. Tax Audit fees | 0.30 | 0.30 |
| 13. Legal Adviser fee & expenses | 6.70 | 2.15 |
| 14. Electricity, water charges | 31.64 | 31.10 |
| 15. Expenses on seminars | 12.92 | 38.35 |
| 16. Research & Development expenses | 0.00 | 100.00 |
| 17. Others | 227.23 | 223.13 |
| | 1169.37 | 981.56 |

6. EARNINGS IN FOREIGN EXCHANGE

(Rs. in Lakh)

| | YEAR ENDED | |
|---|---------------|----------------|
| | 31-3-2007 | 31-3-2006 |
| From : i) Chartering of dredgers | 726.97 | 5442.52 |
| ii) Reimbursement of spares & fuel etc., issued | 0.00 | 746.87 |
| | 726.97 | 6189.39 |



DREDGING CORPORATION OF INDIA LIMITED

SCHEDULE-XVI Contd.

7. VALUE OF IMPORTS

(Rs. in Lakh)

| | YEAR ENDED YEAR ENDED | |
|--|-----------------------|-----------|
| | 31-3-2007 | 31-3-2006 |
| a) Components and spare parts (CIF Value) | 2944.18 | 3373.89 |
| b) Value of imported spares and components consumed | 3846.19 | 3573.79 |
| c) Value of indigenous spares and components consumed | 197.95 | 241.14 |
| d) Percentage of imported spares & components consumed to total spares & components consumed | 95.11 | 93.68 |
| e) Percentage of indigenous spares & components consumed to total spares & components consumed | 4.89 | 6.32 |

8. EXPENDITURE IN FOREIGN CURRENCY

| | | |
|--|--------|--------|
| a) Interest paid on loans from Foreign Banks | 212.26 | 293.23 |
| b) Travelling | 20.41 | 28.81 |
| c) Commission & Brokerage | 0.77 | 11.72 |

9. GENERAL

- a) Letters seeking confirmation of balances have been sent to Customers and replies from some of the customers are awaited .
- b) The CEGAT issued orders during the year 2001-02 setting aside the earlier orders of the Customs Department levying duty of Rs.1132.81 lakhs on the accessories and spares of Dr-Aquarius. Since the process of refund is long winding, the necessary adjustments to capital cost of the dredger will be made on receipt of the refund.
- c) Escalation Claims for Labour and Material have been preferred on the basis of latest available indices.
- d) Earnings per share:
- | | As on 31-03-2007 | As on 31-03-2006 |
|---|------------------|------------------|
| i) Profit After Tax (Rs. in Lakh) | 18872.95 | 17646.16 |
| ii) Weighted average number of equity shares (No.'s). Face value- Rs.10/- per share | 28000000 | 28000000 |
| iii) Basic Earnings per share (in Rs.) | 67.40 | 63.02 |
- e) In view of adoption of Tonnage Tax Scheme under the Income Tax Act, 1961, no provision is required for deferred tax liability / asset for the year ended 31st March, 2007.
- f) Provision for current tax liability for the year ended 31st March 2007 has been made as per the provisions of Tonnage Tax Scheme adopted by the Company under section 115 VT of Income Tax Act 1961 and for "other income" provision is made as per applicable provisions of the Income Tax Act, 1961.
- g) Consequent upon change in Accounting Policy No.4(a) regarding Spares and Stores, Oil and Lubricants delivered to vessels, Current Assets are increased by Rs.1084.34 lakhs and profit is increased by Rs.1084.34 lakhs.
- h) Consequent upon deletion of earlier Accounting Policy No.4(c) regarding Dry-dock repairs, "Current Liabilities & Provisions" are decreased by Rs.1225 lakhs and Profit is increased by Rs.1225 lakhs.
- i) Gratuity Liability - No provision is made in the current year since the fund available with the Trust exceeded the liability estimated by the Actuary.
- j) Figures have been rounded off to decimals of lakh.
- k) Figures for the previous year have been regrouped wherever necessary to confirm with current year groupings.

SCHEDULE-XVI - ACCOUNTING POLICIES:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

- a) The Financial Statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles.
- b) The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. OPERATIONAL INCOME:

- a) Unbilled values of works executed up to 31st march are considered as income although bills are raised subsequently. The Corresponding debit balances are shown under "Current Assets-unbilled operational income receivable".
- b) Claims preferred on Customers for works/items not contemplated are considered as income on their acceptance.
- c) Income in respect of incomplete dredging jobs undertaken on insitu basis are accounted for on the basis of estimated realizable value of the work done up to 31st March.

3. OTHER INCOME:

- a) Sale proceeds of condemned and unserviceable Spares, Stores, Empties, Waste Oil, etc are accounted for in the year of disposal.
- b) Liquidated damages recovered from suppliers are accounted on settlement of bills.
- c) Interests on Tax refunds are accounted on receipt basis.
- d) In respect of hull and machinery insurance claims, until final settlement, 80% of the claimable amount based on estimate of technical department, after deductible excess, or the actual amount received, whichever is higher, is treated as income from insurance claims. Provision for repair expenditure is simultaneously made as per the estimate of technical department where actual repairs have not been completed and/or bills not settled with the repairers. In respect of other claims, the same are accounted for on realization/settlement by the underwriters.



DREDGING CORPORATION OF INDIA LIMITED

4. OPERATIONAL EXPENSES:

a) SPARES AND STORES:

Spares and Stores and Lubricants delivered to the crafts during the year and acknowledged by the Master/CEO are charged to revenue. Provision is made towards consumption for the material delivered to crafts up to 31st March in respect of which acknowledgements are not received.

b) INSURANCE:

Final adjustments to Insurance Premium paid are considered in accounts on the basis of demands received.

5. DEPRECIATION:

Depreciation is provided under straight-line method in accordance with Schedule XIV of the Companies Act. In respect of the following Assets, depreciation is provided on straight-line method at the following rates based on the technical estimation of the useful lives of such assets:-

a) Pipeline Equipment: 25% for Mild Steel Pipeline equipment and 12.5% for High Density polyethylene pipeline equipment.

b) Second hand assets: as per the estimated balance service life.

c) Building on lease: Cost of Buildings constructed on lease hold land is amortised over the lease period.

d) Items of Fixed Assets whose cost does not exceed Rs.5000/-(Rupees Five thousand) each are capitalized and depreciated 100% during the year.

e) Cost of Library: Cost of Library is considered as Other Establishment expenditure.

6. FIXED ASSETS:

a) Fixed Assets are stated at historical cost less depreciation (historical cost includes financing cost and other related overheads).

b) Grants in Aid relating to specific Fixed Assets are shown as deduction from the gross value of the assets concerned in arriving at book value.

7. BORROWING COSTS:

Borrowing costs attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, till the time the asset is put to use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

8. STOCK OF SPARES AND STORES:

a) Stock of spares and stores is valued at weighted average cost and is inclusive of:

i) Customs Duty, if any, as applicable to the whole consignment and

ii) Overheads at pre-determined rate.

b) Reconditioned spares are valued at the respective cost of reconditioning.

c) Value of Materials dispatched on F.O.B. basis by Foreign Suppliers on or before 31st March of a year is considered in the accounts of that year, provided dispatch documents are retired or accepted within 15 days of the end of the accounting year.

9. INVESTMENTS:

Investments are classified as long term and are carried at cost.

10. EMPLOYEE BENEFITS:

a) Provision for Gratuity Liability is made on the basis of actuarial valuation.

b) Provision for encashment of leave is made on the basis of actuarial valuation except in the case of crew and MPW of floating employees who are entitled to settlement of leave in full on signing off. Provision in this case is made for the leave at credit of such employees as on 31st March.

For and on behalf of Board of Directors

(A.K.DHAR)
Director (Finance),
Chairman and Managing Director

(CMDE.GVRATNAM)
Director (Operations & Technical)

PLACE : NEWDELHI
DATED : 28-06-2007

(K. KIRTI)
General Manager (Finance)

(K.ASWINI SREEKANTH)
Company Secretary

As per our Report of even date
For Sriramamurthy & Co
Chartered Accountants

(D.PRASANNA KUMAR)
Partner

PLACE : VISAKHAPATNAM
DATED : 29-06-2007

EXPENDITURE INCURRED ON SOCIAL OVERHEADS

| | (Rs. in Lakh) | |
|--|--------------------------|--------------------------|
| | Year ended 31/03/2007 | Year ended 31/03/2006 |
| 1. Rent on leased quarters | 35.20 | 37.16 |
| Less: Recovery | 3.64 | 4.70 |
| 2. Medical Expenses (Shore Staff) | 100.18 | 83.53 |
| 3. Leave Travel Concession (Shore Staff) | 61.76 | 63.76 |
| 4. Transport Subsidy | 3.63 | 3.19 |
| 5. Canteen Subsidy | 29.99 | 30.78 |
| 6. Depreciation on residential accommodation | 0.60 | 0.60 |
| | <u>227.72</u> | <u>214.32</u> |



DREDGING CORPORATION OF INDIA LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No. : 008129

State Code : 55

Balance Sheet Date : 31 03 2007
Date Month Year

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

NIL

Bonus Issue

NIL

Rights Issue

NIL

Private Placement

NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

011632615

Total Assets

011632615

Source of Funds

Paid-up Capital

00280000

Reserves & Surplus

011051055

Secured Loans

NIL

Unsecured Loans

00301560

Deferred Tax Liability

NIL

Application of Funds

Net Fixed Assets

004401685

Investment

000145001

Net Current Assets

007085929

Misc. Expenditure

NIL

Accumulated Losses

NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

006220895

Total Expenditure

004157040

+ -

Profit / Loss Before Tax

002063855

+ -

Profit / Loss After Tax

001887295

(Please tick Appropriate Box + for Profit, - for Loss)

Earning Per Share in Rs.

0000067

Dividend rate %

150

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. : NOT SPECIFIED

(ITC Code)

Product Description : DREDGING SERVICES

For and on behalf of Board of Directors

(A.K.DHAR)
Director (Finance),
Chairman and Managing Director

(K. KIRITI)
General Manager (Finance)

As per our Report of even date
For Sriramamurthy & Co
Chartered Accountants

(CMDE.G.VRATNAM)
Director (Operations & Technical)

(K.ASWINI SREEKANTH)
Company Secretary

(D.PRASANNA KUMAR)
Partner

PLACE : NEW DELHI
DATED : 28-06-2007

PLACE : VISAKHAPATNAM
DATED : 29-06-2007



DREDGING CORPORATION OF INDIA LIMITED

SEGMENT REPORT For the year ended 31st March 2007

(Rs. in Lakh)

| S.NO | PARTICULARS | Year ended 31-Mar-07 | Year ended 31-Mar-06 |
|-----------|---|-------------------------|-------------------------|
| 1 | SEGMENT REVENUE: | | |
| | Segment-A: - Dredging Activity | 56562 | 44619 |
| | Segment-B: - Chartering Activity | 727 | 6071 |
| | Others | 0 | 0 |
| | TOTAL | 57289 | 50690 |
| | Less: Inter-segment Revenue | 0 | 0 |
| | Net Income from Operations | 57289 | 50690 |
| 2. | SEGMENT RESULTS: | | |
| | (Profit+)/ Loss(-) before tax and interest from each segment): | | |
| | Segment-A: - Dredging Activity | 15297 | 10426 |
| | Segment-B: - Chartering Activity | 632 | 3449 |
| | Others | 4920 | 3599 |
| | TOTAL | 20849 | 17474 |
| | Less: i) Interest | 210 | 291 |
| | ii) Other unallocable expenditure net of income | 0 | 0 |
| | Total Profit before Tax | 20639 | 17183 |
| 3 | CAPITAL EMPLOYED | | |
| | (Segment assets-Segment Liabilities) | | |
| | Segment-A: - Dredging Activity | 100488 | 75380 |
| | Segment-B: - Chartering Activity | 67 | 25569 |
| | Others | 0 | 0 |
| | Total | 100555 | 100949 |

For and on behalf of Board of Directors

(A.K.DHAR)
Director (Finance),
Chairman and Managing Director

(CMDE.GVRATNAM)
Director (Operations & Technical)

(K. KIRITI)
General Manager (Finance)

(K.ASWINI SREEKANTH)
Company Secretary

As per our Report of even date
For Sriramamurthy & Co
Chartered Accountants

(D.PRASANNA KUMAR)
Partner

PLACE : NEW DELHI
DATED : 28-06-2007

PLACE : VISAKHAPATNAM
DATED : 29-06-2007



DREDGING CORPORATION OF INDIA LIMITED

To
The Board of Directors,
DREDGING CORPORATION OF INDIA LIMITED

We have examined the attached Cash Flow Statement of DREDGING CORPORATION OF INDIA LIMITED for the year ended 31-3-2007. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with Stock Exchanges and based on and in agreements with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our Report, dated 29-06-2007 to Members of the Company.

For SRIRAMAMURTHY & CO.
Chartered Accountants

(D.Prasanna Kumar)
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 (Rs. in Lakh)

| | YEAR ENDED 31-3-2007 | YEAR ENDED 31-3-2006 |
|---|-------------------------|-------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before Tax | 20638.55 | 17183.35 |
| Less/Add: Profit/Loss on sale of assets | (-)0.79 | (-)0.87 |
| | <u>20637.76</u> | <u>17182.48</u> |
| ADJUSTMENT FOR: | | |
| Depreciation | 3658.31 | 3709.15 |
| Impairment loss | 30.17 | 1.50 |
| Interest Expense | 290.71 | 290.89 |
| Interest Income | (-) 3659.34 | 238.85 |
| | <u>238.85</u> | (-) 3012.67 |
| Operating Profit before Working Capital Changes: | <u>20876.61</u> | <u>18171.35</u> |
| Working Capital changes | | |
| Increase/decrease in inventory | (-)1211.41 | 305.92 |
| Increase/decrease in Sundry Debtors | (-)3351.46 | (-)5365.37 |
| Increase/decrease in other current Assets | (-)6667.39 | (-)261.19 |
| Increase/decrease in trade payables | 1331.16 | 4862.36 |
| | <u>(-)9899.10</u> | <u>(-)458.28</u> |
| Cash generated from operations | <u>10977.51</u> | <u>17713.07</u> |
| Less: Interest paid | (-)218.86 | (-) 300.05 |
| Income Taxes paid | (-)2575.53 | (-)3673.19 |
| | <u>(-)2794.39</u> | <u>(-)3973.24</u> |
| Net Cash from operating activities (A) | <u>8183.12</u> | <u>13739.83</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (-)11921.36 | (-) 2619.05 |
| Proceeds from Sale of Equipments | 3.45 | 1.75 |
| Interest Received | 3687.93 | 2368.37 |
| Investments | (-)900.00 | (-)450.00 |
| | <u>(-)9129.98</u> | <u>(-)698.93</u> |
| Net Cash from investing activities (B) | <u>(-)9129.98</u> | <u>(-)698.93</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from Long term Borrowings | 0.00 | 0.00 |
| Payment of Long Term Borrowings | (-)1622.93 | (-) 1622.92 |
| Dividend paid | (-) 4200.00 | (-)3920.00 |
| Corporate Dividend Tax | (-)589.05 | (-)549.78 |
| | <u>(-)4789.05</u> | <u>(-) 4469.78</u> |
| Net Cash from Financing Activities (C) | <u>(-)6411.98</u> | <u>(-) 6092.70</u> |
| Net increase/decrease in cash and cash equivalents (A+B+C) | <u>(-)7358.84</u> | <u>6948.20</u> |
| Cash & Equivalents as at 01.04.2006 (Opening Balance) | <u>47214.28</u> | <u>40266.08</u> |
| Cash & Equivalents as at 31.03.2007 (Closing Balance) | <u>39855.44</u> | <u>47214.28</u> |

For and on behalf of Board of Directors

(A.K.DHAR)
Director (Finance),
Chairman and Managing Director

(CMDE.GV.RATNAM)
Director (Operations & Technical)

PLACE : NEW DELHI
DATED : 28-06-2007

(K. KIRITI)
General Manager (Finance)

(K.ASWINI SREEKANTH)
Company Secretary

As per our Report of even date
For Sriramamurthy & Co
Chartered Accountants

(D.PRASANNAKUMAR)
Partner

PLACE : VISAKHAPATNAM
DATED : 29-06-2007



DREDGING CORPORATION OF INDIA LIMITED

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF DREDGING CORPORATION OF INDIA LIMITED, VISAKHAPATNAM, FOR THE YEAR ENDED 31st MARCH, 2007.

The preparation of financial statements of Dredging Corporation of India Limited, Visakhapatnam for the year ended 31 March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 June 2007.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Dredging Corporation of India Limited, Visakhapatnam for the year ended 31 March 2007. This supplementary audit has been carried out independently and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

**For and on behalf of the
Comptroller and Auditor General of India**

(G.N.SUNDER RAJA)

Principal Director of Commercial Audit
and ex-officio Member, Audit Board

Place : HYDERABAD
DATED : 14 August 2007