

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Corporate Governance

The fundamental objective of the Company behind Corporate Governance is 'enhancement of long term shareholder's value while at the same time protecting the interest of the shareholders and adopting a methodology which enhances effectiveness, better utilization of resources, transparent and harmonious between various interest groups.'

2. Board of Directors

The Board of Directors of the company consists of majority of non-executive and one third independent directors, who are acknowledged as leading professionals in their respective fields. The Board Comprises of one (1) executive director and four (4) non-executive directors out of which one director is non-independent.

The constitution of Board is as under:

Director \$	Executive/Non-Executive./Independent*	Number of other Directorships#	Membership of other Board/Committees
Shri Pankaj Jajoo Chairman-Cum- Managing Director	Executive Promoter	None	1
Shri Manish Jajoo Director	Non-Executive Promoter	1	2
Shri Pankaj Singhal Director	Non-Executive Independent	1	3
Shri Sunil Choudhary** Director	Non-Executive Independent	None	3
Shri Prakash Chand Kala** Director	Non-Executive Independent	None	2
Shri Vijay Bakliwal** Additional Director	Non-Executive Independent	None	3

* An Independent Director is a director who apart from receiving director's remuneration does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries, which in the judgment of the Board may affect their independence of judgment.

This includes directorships held in Private Limited Companies and Overseas Companies.

\$ None of the Directors of the Company is member of any Committee of any other Company.

** Shri Sunil Choudhary and Shri Prakash Chand Kala is appointed as on 30.06.2011, Shri Vijay Bakliwal is appointed as additional director as on 09.02.2011 and Shri Prakash Chand Kala resigned from directorship on 31.10.2011.

Note on Directors re-appointment

Shri Pankaj Jajoo, the Managing Director of the Company is retiring at the forthcoming annual general meeting by rotation and he is eligible for re-appointment in the ensuing Annual General Meeting.

Shri Sunil Choudhary, the Director of the Company is retiring at the forthcoming annual general meeting by rotation and he is eligible for re-appointment in the ensuing Annual General Meeting.

Shri Vijay Bakliwal has been appointed as Non Executive, Independent, Additional Director of the Company w.e.f. 09.02.2012 and your directors proposed his appointment as the Non Executive, Independent director of the Company in ensuing Annual General Meeting.

The Board of the Company met Eight times during the last financial year, on the following dates:

- | | |
|------------------------------------|------------------------------------|
| (1) 30 th April 2011 | (2) 30 th June, 2011 |
| (3) 12 th August, 2011 | (4) 16 th August, 2011 |
| (5) 31 st October, 2011 | (6) 9 th November 2011 |
| (7) 31 st January 2012 | (8) 9 th February, 2012 |

The attendance at the Board Meetings and previous Annual General Meeting were as under:

Name of Director	Attendance	
	Board Meeting	Annual General Meeting
Shri Pankaj Jajoo	8	1
Shri Manish Jajoo	5	1
Shri Pankaj Singhal	8	1
Shri Sunil Choudhary	4	1
Shri Prakash Chand Kala	3	1
Shri Vijay Bakliwal	1	--

Information placed before the Board

Information placed before the Board of Directors broadly covers the items specified in clause 49 of the Listing Agreement and such other items which are necessary to facilitate meaningful and focused deliberations on issues concerning the Company and taking decision in an informed and efficient manner. Besides, the Directors on the Board have complete access to all information of the Company, as and when necessary.

Code of Conduct

The Board of Directors has laid down a code of conduct for all Board members and senior management personnel of the Company. A Certificate from the Compliance Officer for the same has been placed before the Board.

3. Audit Committee

During the financial year 2011-12 five committee meetings were held. The dates on which the said meetings were held are as follows:

- (1) 30th April 2011 (2) 12th August, 2011
(3) 16th August, 2011 (4) 9th November, 2011
(5) 31st January, 2012

The constitution of the Committee and the attendance of each member of the Committee are given below:

Name	Designation	Non-executive/ Independent	Committee Meetings Attended
Shri Pankaj Singhal	Chairman	Non-executive Independent	5
Shri Pankaj Jajoo**	Member	Executive	1
Shri Manish Jajoo	Member	Non executive /Non Independent	3
Shri Sunil Choudhary *	Member	Non executive Independent	4
Shri Prakash Chand kala*	Member	Non executive Independent	2
Shri Vijay Bakliwal	Member	Non Executive Independent	-

* Shri Sunil Choudhary is member of the Committee on and after 30.06.2011, Shri Prakash Chand kala is member of the Committee on 30.06.2011 and upto 31.10.2011 and Shri Vijay Bakliwal is member from 09.02.2012.

** Shri Pankaj Jajoo was member of the Committee up to 30.06.2011.

The terms of reference of the Audit Committee inter-alia include the following:

- a) To overview the Companies financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b) To hold periodic discussions with the Statutory auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/ Internal Auditors;
- c) To recommend the re-appointment of statutory auditors and fixation of audit fees.
- d) To review performance of statutory and internal auditors and adequacy of internal control systems;
- e) To review quarterly, half yearly and annual financial results of the Company before submission to the Board;
- f) To discuss any significant findings made by internal auditors and follow-up thereon;
- g) To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting matter to the Board;

- h) To look into substantial defaults, if any in payments to depositors, debenture-holders, creditors & shareholders.
- i) Any related party transactions that may have the potential conflict with the interest of the Company.

4. Remuneration Committee

The Remuneration Committee will review and make recommendations on annual salaries, performance commission, perquisites and other employment conditions of the Executive Directors. The remuneration committee consists of the following Directors:

Name	Designation	Executive/Non-Executive/ Independent
Shri Pankaj Singhal	Chairman	Non-executive / Independent
Shri Sunil Choudhary	Member	Non-executive / Independent
Shri Prakash Chand kala	Member	Non-executive / Independent
Shri Vijay Bakliwal	Member	Non-executive / Independent

One meeting of the Remuneration Committee was held during the year on 30th July 2011 attended by each member to review remuneration of any Executive Director, except Shri Vijay Bakliwal.

Details of remuneration paid/payable to the directors for the year ended March 31, 2012 are as follows:

Director	Relationship with other directors	Sitting Fees* Rs.	Salary and Perquisites Rs.	Commission Rs.	Total Rs.
Shri Pankaj Jajoo	Related to Shri Manish Jajoo	Nil	Nil	Nil	Nil
Shri Manish Jajoo	Related to Shri Pankaj Jajoo	Nil	Nil	Nil	Nil
Shri Pankaj Singhal	None	Nil	Nil	Nil	Nil
Shri Prakash Chand Kala	None	Nil	Nil	Nil	Nil
Shri Sunil Choudhary	None	Nil	Nil	Nil	Nil
Shri Vijay Bakliwal	None	Nil	Nil	Nil	Nil

5. Investors Grievance Committee

The Board has constituted an 'Investors Grievance Committee' which looks into shareholders and investors grievances. Meeting of the Committee was held on 23th January 2012 during the year. The following are the members of the Committee:

Name	Designation	Executive/Non-Executive/ Independent
Shri Manish Jajoo	Member	Non-executive/ Non Independent
Shri Sunil Choudhary	Member	Independent / Non-executive
Shri Pankaj Singhal	Chairman	Independent / Non-executive
Shri Vijay Bakliwal	Member	Non-executive / Independent

Name, Designation & Address of Compliance Office:

Mr. Pankaj Jajoo, Managing Director
C-1/A, Low Land Area,
Pologround Industrial Estate, Indore-452 015

During the year the Company no complaint/s has been received from its shareholders and there is no pending complaint with the Company.

6. Annual General Meetings

The location and time of the Annual General Meetings held during the last 3 years are as follows:

Annual General Meeting	Date	Time	Venue	No. of Special Resolutions passed
Twenty Fifth	15 th February 2010	10.30 a.m.	Registered office	-
Twenty Sixth	30 th September 2010	10.30 a.m.	Registered office	-
Twenty Seventh	30 th September 2011	10.30 a.m.	Registered office	-

No resolution is passed through postal ballot till date. Presently, the Company does not have any transaction/proposal for postal ballot.

7. Disclosures

- Related Party Transactions are disclosed in the notes to accounts in the Annual Report.
- There has been no instance of non-compliance by the Company on any matter related to capital markets and there are no instances of penalties or strictures imposed by SEBI or the Stock Exchanges.
- There is no accounting treatment difference from prescribed in Accounting Standard.
- No employee of the Company was denied access to the Audit Committee.

8. Secretarial Audit

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total numbers of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

9. General Shareholder Information

a) Annual General Meeting

Date and Time 29th September, 2012
at 10.30 a.m.

Venue
C-1/A, Low Land Area,
Pologround Industrial Estate,
Indore-452 015

b) Financial Calendar

Financial Reporting Period
(For 2012-2013)

Date of Board Meeting
On or before

Quarter ending 30th June, 2012
Half year ending 30th September, 2012
Quarter ending 31st December, 2012
Year ending 31st March, 2013

14th Aug, 2012 (already held)
On and before 14th November, 2012
On and before 14th February, 2013
On and before 15th May, 2013

Date of Annual General Meeting
On or before

For Year ending March, 2012

29th September, 2012

c) Date of book closure

25th Sept. 2012 to 29th Sept. 2012

d) Dividend Payment Date

None

e) Registered Office

C-1/A, Low Land Area,
Pologround Industrial Estate,
Indore-452 015

j) Listing of Equity Shares on Stock Exchanges

- Mumbai Stock Exchange
- Ahmedabad Stock Exchange
- Madhya Pradesh Stock Exchange
- Madras Stock Exchange
- Delhi Stock Exchange
- Jaipur Stock Exchange
- Calcutta Stock Exchange

k) Stock Code

530949

l) **Stock Market Data on B.S.E.** (Trading of shares of the Company is suspended during the year on BSE, last available data is reproduced below)

Month	High (Rs.)	Low (Rs.)	Volume	Trade
April 08	3.97	3.61	1656	4
May 08	4.48	3.64	27637	22
June 08	3.91	3.85	2133	3
July 08	4.04	3.70	33504	23
Aug 08	3.83	3.17	37894	39
Sep. 08	3.91	3.30	12446	23
Oct. 08	4.15	3.79	896	14
Nov. 08	4.09	4.09	204	2
Dec. 08	4.47	2.87	11594	32
Jan. 09	3.02	2.86	1214	6
Feb. 09	2.72	2.41	6193	31

m)

Registrar and Transfer Agent (for Physical and Electronic both)

M/s. Intime Spectrum Registry Limited

C-13 Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (W) Mumbai – 400078.

The Share transfer and de-materialisation related activities are being handled by the Share Transfer Agent.

j) Distribution of shareholding as on 31st March, 2012

Slab of Shareholding	Shareholders	%	Amount in Rs.	%
1-5000	1339	80.8662	2783350	4.4119
5001-10000	154	9.2771	1257520	1.9933
10001-20000	79	4.7590	1232790	1.9541
20001-30000	27	1.6250	688590	1.0915
30001-40000	8	0.4819	285950	0.4533
40001-50000	13	0.7831	606050	0.9606
50001-100000	14	0.8434	970440	1.5382
100001 and above	26	1.5663	55262840	87.5971
Total	1660	100.000	63087530	100.000

According to categories of shareholdings as on 31st March, 2012

SR.NO	CATEGORY	NO.OF SHARES	% OF HOLDING
A	PROMOTER'S HOLDING	3027719	47.99
1.	Promoters		
	-Indian Promoters	3027719	47.99
	-Foreign Promoters		
2.	Persons acting in concert#		
	Sub-Total	3027719	47.99
B	Non Promoters Holding		
3.	Institutional Investors		
a.	Mutual funds and UTI	949938	15.06
b.	Banks, Financial Institutions, Insurance Companies(Central/State Govt. Institutions /Non-government Institutions)	544541	08.63
C.	FII		
	Sub-Total	1494479	23.69
4.	Others		
a.	Private Corporate Bodies	426223	6.76
b.	Indian Public	1156048	18.32
c.	NRIs/OCBs	197884	3.13
d.	Any Other (Please Specify)	6400	0.11
	Sub-Total	1786555	28.32
	GRAND TOTAL	6308753	100.00

k) Dematerialisation of shares

As on 31st March 2012 77.12 % Shares are in dematerialized form.

l) Outstanding GDRs/ ADRs/ Warrants or any convertible instruments

There are no outstanding convertible warrants / instruments. The Company has not issued any ADRS or GDRS.

m) Project Location

Yarn Division - 188, Sector I, Pithampur Dist Dhar, M.P.

Fabric Division - C-1/A, Low Land Area, Pologround Industrial Estate, Indore, M.P.

n) Investor Correspondence Address

The Dhar Textile Mills Limited or
C-1/A, Low Land Area,
Pologround Industrial Estate,
Indore – 452015

Intime Spectrum Registry Limited
C-13,Pannalal Silk Mills Compund,
L.B.S Marg, Bhandup (W),
Mumbai - 400 078

BY ORDER OF THE BOARD

**PANKAJ JAJOO
MANAGING DIRECTOR**

Declaration

As provided under clause 49 of the Listing Agreement with the stock exchanges, it is hereby declared that all board members and senior management personnel of the Company have affirmed the compliance of Code of Conduct for the year ended 31st March, 2012.

Pankaj Jajoo
Chairman & Managing Director

AUDITORS' CERTIFICATE

**To
The Members of
The Dhar Textile Mills Limited
Indore**

We have examined the compliance of the conditions of Corporate Governance by The Dhar Textile Mills Limited for the year ended March, 31, 2012 as stipulated in clause 49 of the listing agreements of the said company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the company has complied in all material respects with the conditions of corporate governance as stipulated in the abovementioned listing agreements. Except constitution of the Board of Directors, Audit Committee and Remuneration Committee for the part of the financial year 2011-12.

We state that in respect of investor grievances received during the year ended March, 31, 2012 no investor grievances are pending against the company as on date as per the records maintained by the company and presented to the investors/shareholders grievance committee.

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 B. Bansal & Co.
Chartered Accountants**

**B. L. Bansal
Partner**

**Place: Indore
Date: 22.08.2012**