



*17th Annual Report 2004-2005*



# DAMODAR THREADS LIMITED

## Board of Directors

Shri Arunkumar Biyani	- Executive Chairman
Shri Ajay D. Biyani	- Managing Director
Shri Anil D. Biyani	- Executive Director
Shri Girdharlal S. Daga	- Independent Director
Shri Rajendra Prasad Khator	- Independent Director
Shri Ashok Kumar Damani	- Independent Director

## Company Secretary

Shri Dinesh Birla

## Auditors

M/s. A. J. Baliya & Associates  
Chartered Accountants  
Mumbai

## Bankers

Bank of Baroda  
Mumbai Main Office  
Mumbai - 400 023

Bank of Baroda  
Daman Branch  
Nani Daman (U.T.) 396 210

## Registered Office

5/145-B, Dr. Viegas Street,  
Ground Floor, Kalbadevi,  
Mumbai - 400 002

## Plant Location

Plot No. 77 to 80, 89 to 91  
Dabhel Industrial Co-op. Society Ltd.  
Nani Daman, (Union Territory) - 396 210

## Registrar & Share Transfer Agent

M/s Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W),  
Mumbai - 400 078.  
Ph. 022 - 5555 5454 Fax - 022 - 5555 5353  
Email : [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com)

Contents	Page
Notice	2
Directors' Report	3
Report on Corporate Governance	6
Auditors' Report	12
Balance Sheet	15
Profit and Loss Account	16
Schedule forming part of the Balance Sheet	17
Schedules annexed to and forming part of the Profit and Loss Account	20
Cash Flow Statement	26
Attendance slip and Proxy Form	28



# DAMODAR THREADS LIMITED

## NOTICE TO THE MEMBERS

**Notice** is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Friday the 2<sup>nd</sup> September, 2005 at 4.30 p.m. at Maheshwari Bhavan, 603, Chira Bazar (J.S.S. Road) Mumbai - 400 002 to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt audited Profit & Loss Account, for the year ended March 31, 2005 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares for the financial year 2004-05.
3. To appoint a Director in place of Shri Girdharlal S. Daga, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Anil D. Biyani, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint auditors and fix their remuneration.

By Order of the Board

Dinesh Birla  
Company Secretary

Registered Office:  
5/145-B, Dr. Viegas Street,  
Ground Floor, Kalbadevi,  
Mumbai - 400 002

Date: June 23, 2005

### Note:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- (b) The Register of Members and Transfer Book of the Company will remain close from Saturday, 27<sup>th</sup> August, 2005 to Friday, 2<sup>nd</sup> September, 2005 (both days inclusive).
- (c) The dividend on equity shares, if declared, will be payable on or after 2<sup>nd</sup> September, 2005, to those members whose names stand on the Register of Members of the Company on the 2<sup>nd</sup> September, 2005.
- (d) Pursuant to section 205A of the Companies Act, 1956, all unclaimed / Unpaid dividends up to the financial year 1997-98 have been transferred to the Investor Education and Protection Fund, established under section 205C(1) of the Companies Act, 1956. However, no claim shall be against the said fund or the company in respect of individual amounts, which were unclaimed / unpaid for a period of seven years from the dates that they first became due for payment.  
Members, who have not yet encashed their dividend warrant(s) for the financial year ended 31.03.2004, are requested to make their claims to the Company, without any delay.
- (e) Members are requested to intimate to the Company queries, if any, regarding the accounts/notices at least ten days before the Annual General Meeting to enable the management to keep the information ready at the meeting.
- (f) Shareholders who are holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.



# DAMODAR THREADS LIMITED

## DIRECTORS' REPORT

### To the Members,

Your Directors have pleasure in presenting the Seventeenth Annual Report together with audited statement of accounts for the year ended 31<sup>st</sup> March, 2005.

### 1. FINANCIAL RESULTS

Particulars	(Rs. In Lakhs)	
	2004-05	2003-04
Sales & Other income	5230.86	5365.54
Profit before Depreciation & Tax	179.17	202.47
Depreciation	35.45	35.58
Profit before Tax	143.72	166.89
Provision for Taxation including Deferred Taxes	53.25	45.87
Prior year Tax Adjustments	12.64	0.17
Profit after Tax	<b>77.84</b>	<b>120.85</b>
Profit brought forward from previous year	240.78	166.88
Profit available for appropriation	<b>318.62</b>	<b>287.73</b>
<b>APPROPRIATION</b>		
Transfer to General Reserve	10.00	12.12
Proposed Dividend	30.96	30.96
Corporate Dividend Tax	4.05	3.87
Profit carried to Balance Sheet	273.61	240.78

### 2. DIVIDEND

Your Board recommends a dividend on Equity Shares of the Company @ 10% (Rs. 1/- per share) for the financial year ended 31<sup>st</sup> March, 2005.

### 3. EXPANSION

Your Directors are pleased to inform you that your Company has set up a weaving plant with 32 Picanol looms alongwith other preparatory machines at its Factory building situated at Daman at a capital outflow of Rs. 150 Lacs. This plant became operational in November, 2004. During the year under review your Company acquired Building Premises on lease basis at Silvassa for setting up a doubling plant of fancy yarn and the same has become operational in May, 2005.

Your Company intends to setup a Spinning Plant of about 12000 Spindles at Silvassa, Dadra & Nagar Haveli (U.T.) with state of arts machine to manufacture value added yarn. The Total Cost of Project would be around Rs. 2000 Lacks, which would be financed by way of long term loan and internal accruals of the Company. The Company has already acquired the land at Silvassa and has placed order of required Plant & Machineries. The Plant is expected to become operational in the financial year 2006-07.

### 4. DIRECTORS

Shri Girdharlal S. Daga and Shri Anil D. Biyani shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers themselves for reappointment. Both the Directors have confirmed that they are not disqualified in terms of section 274(1)(g) of the Companies Act, 1956 from being appointed as Directors of the Company.

### 5. AUDITORS

M/s A. J. Baliya & Associates, Chartered Accountants, retires at the conclusion of the forthcoming annual general meeting and have given their consent for reappointment.



# DAMODAR THREADS LIMITED

## 6. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standard had been followed.
- ii. appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state affairs of the Company as at March 31, 2005 and of the Profit & Loss Account for the year ended March 31, 2005.
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. the annual accounts have been prepared on a going concern basis.

## 7. DELISTING OF SECURITIES FROM STOCK EXCHANGE

At Present Equity shares of the Company are listed at The Stock Exchange, Mumbai (BSE) and The Calcutta Stock Exchange Association Ltd. The Company has applied for Delisting of its equity shares from the Calcutta Stock Exchange on 29<sup>th</sup> March, 2004 and application is under process. Equity shares of the Company have been delisted from the Jaipur Stock Exchange w.e.f. 20<sup>th</sup> December, 2004. However, equity shares of the Company will continue to remain listed on The Stock Exchange, Mumbai.

## 8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pursuant to section 217(i)(e) of the Companies Act, 1956 read with the Companies (disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed.

## 9. PARTICULARS OF EMPLOYEES

None of the employees of the Company has received remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## 10. CORPORATE GOVERNANCE REPORT

A Report on Corporate Governance along with a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance Code is annexed hereto.

## 11. INDUSTRIAL RELATIONS AND ACKNOWLEDGE

The Industrial relations at unit and offices of the Company are continued to be peaceful and cordial during the year under review.

The Board acknowledges with appreciation the efforts put in by its employees during the year under review. The Company is grateful to its customers and bankers for their support and understanding and the shareholders for their faith and confidence.

**For and on behalf of the Board**

**Place: Mumbai**  
**Date: June 23, 2005**

**ARUNKUMAR BIYANI**  
**Chairman**



# DAMODAR THREADS LIMITED

## ANNEXURE TO DIRECTORS' REPORT

### CONSERVATION OF ENERGY

Total energy consumption and energy consumption per unit of production

	2004-05	2003-04
<b>[A] Power and fuel consumption</b>		
1. Electricity		
A) Purchased unit	1290300	1134900
Amount (Rs.'000)'	3376.69	2895.79
Rate/Unit (Rs.)	2.62	2.55
B) Own Generation		
i) Through Diesel Generator Unit	98668	382900
ii) Unit/Liter of Diesel Oil	4	4
iii) Fuel cost / unit (Rs.)	6.21	5.5
<b>[B] Electricity units Consumption in</b>		
production of Yarn per KG. (Unit/Kg)	0.41	0.42

### RESEARCH AND DEVELOPMENT

**a. Specific areas in which R & D was carried out by the Company**

The Company is actively engaged in product upgradation design development.

**b. Benefits derived as a result of the above R & D**

Improved product designs resulted in higher value added products and better realisations.

**c. Future plan of action**

Emphasis on the above activities will be on going exercise.

**d. Expenditure on R & D**

Since the expenditure incurred on research and development activities were not substantial, no separate account for the same were being maintained.

### TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Since the Company's products are being developed by an in-house R & D team, no further information under this head is required to be given.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

**a. Initiatives taken to increase exports and exports plans**

Your Company has been in constant touch with various customers around the world. We do hope that our regular follow up will result in order from other countries.

**b. Development of new export markets for synthetic yarn.**

Your Company is consistently exploring possibilities of exporting its products to new markets. This is an on going process.

**c. Total Foreign Exchange Earnings and outgo (Rs. In Lacs)**

Particulars	2004-05	2003-04
Foreign Exchange outgo (used)	3.29	4.59
Earned (FOB Value of Export goods)	10.28	10.42

For and on behalf of the Board

Place: Mumbai  
Date: June 23, 2005

ARUNKUMAR BIYANI  
Chairman





# DAMODAR THREADS LIMITED

## REPORT ON CORPORATE GOVERNANCE

(Annexure to the Seventeenth Directors' Report for the financial year 2004-05)  
The following is a report on Corporate Governance as implemented by your Company.

### 1. PHILOSOPHY ON CORPORATE GOVERNANCE.

The Company's philosophy on Corporate Governance is to conduct its affairs in a manner, which is transparent, clear and evident to those having dealing with or having a stake in the company, namely shareholders, lenders, creditors and employees. The company's philosophy on Corporate Governance is thus concerned with the ethics, values and morals of the Company and its Directors, who are expected to act in the best interest of the Company and remain accountable to shareholders and other beneficiaries for their action.

### 2. BOARD OF DIRECTORS

#### (i) Composition

The Board of Damodar Threads Ltd. is comprised of 6 Directors of which three are Executive Directors and three are Independent Non-Executive Directors. None of the Directors of the Company is a member of more than 10 Committees or Chairman of more than 5 Committees (as specified in clause 49 of the Listing Agreement). The Board is primarily responsible for the overall management of Company's business. The composition of Board is as under:

SL. No.	Name of Director	Nature of Directorship	Number of Directorship of other Public Companies	Number of Membership in Board Committees	Number of Chairmanship in Board Committees
1.	Shri Arunkumar Biyani	Executive Chairman	Nil	1	Nil
2.	Shri Ajay D. Biyani	Managing Director	Nil	Nil	Nil
3.	Shri Anil D. Biyani	Executive Director	Nil	Nil	Nil
4.	Shri Girdharlal S. Daga	Independent Non-Executive Director	Nil	3	2
5.	Shri Rajendra Prasad Khator	Independent Non-Executive Director	Nil	2	1
6.	Shri Ashok Kumar Damani	Independent Non-Executive Director	Nil	2	Nil

#### (ii) Brief Resume of Directors seeking appointments/reappointments

**Shri Girdharlal S. Daga**, aged 50 years, is a Practicing Chartered Accountant and having around 25 years experience in the field of Finance and Taxation.

**Shri Anil D. Biyani**, aged 41 years, is a BBA from USA, having experience of 22 years in the textile industry. Shri Anil D. Biyani is the key person in setting up Company's unit. He is associated with the Company since incorporation of the Company and is well versed with marketing and production process aspects of Fancy Yarn.

#### (iii) Board Meetings

Sl. No.	Name of the Directors	No. of Board Meetings Held during the period	No. of Board Meeting Attended	Last AGM Attended
1.	Shri Ajaykumar Biyani	6	6	Yes
2.	Shri Arunkumar Biyani	6	6	Yes
3.	Shri Anilkumar Biyani	6	6	Yes
4.	Shri Girdharlal S. Daga	6	6	Yes
5.	Shri Rajendra Prasad Khator	6	6	Yes
6.	Shri Ashok Kumar Damani	6	6	Yes



# DAMODAR THREADS LIMITED

During the Financial year 2004-05 six Board Meetings were held on May 9, 2004, June 18, 2004, July 31, 2004, October 25, 2004, January 26, 2005 and March 15, 2005.

### 3. BOARD COMMITTEES

For effective and efficient functioning of the Company the Board has formed the following Committees:

- Audit Committee
- Shareholders / Investors' Grievance Committee
- Remuneration Committee

#### AUDIT COMMITTEE

The Audit Committee consists wholly of Independent Directors having knowledge of Finance, Accounts and Company Law. At present, the committee comprises of the following independent Directors:

1. Shri Girdharlal S. Daga,
2. Shri Rajendra Prasad Khator; and
3. Shri Ashok Kumar Damani.

Shri Girdharlal S. Daga, Chartered Accountant, who has good financial and accounting knowledge, is the Chairman of the Committee.

During the year under review, the committee met three times on June 18, 2004, October 25, 2004 and March 15, 2005.

The role and terms of reference of the Audit Committee covers the following areas mentioned under clause 49 of the Listing Agreement:

- a) Review of the Company's financial reporting process and disclosure of its financial information.
- b) Recommending the appointment and removal of Statutory Auditors, fixation of Audit fee and also approve payment for any other services.
- c) Reviewing with management the annual financial statement before submission to the Board.
- d) Review the adequacy of internal control systems with the Management, Statutory and Internal Auditors.
- e) Review the Company's financial and risk management policies.

#### SHAREHOLDER'S / INVESTOR'S GRIEVANCE COMMITTEE:

The Shareholders' Investors' Grievance Committee comprises of Shri Girdharlal S. Daga and Shri Arunkumar Biyani, Directors of the Company. Shri Girdharlal S. Daga, Independent Non-Executive Director, is the Chairman of the Committee. The Committee looks into the redressing of shareholders and investor complaints like transfer of shares, non-receipt of Balance sheet, non-receipt of declared dividend etc.

#### REMUNERATION COMMITTEE

The Remuneration Committee consists of three Independent Directors. The Committee comprises of Shri Rajendra Prasad Khator, Shri Girdharlal S. Daga and Shri Ashok Kumar Damani, all Independent Non Executive Directors of the Company. Shri Rajendra Prasad Khator is the Chairman of the Committee.

The remuneration Committee is primarily responsible for implementing the remuneration policy of the Company.

The Remuneration policy of the Company for managerial personnel is primarily based on the following:

- to address the policy on remuneration packages for Executive Directors and their Service Contracts;
- to prepare performance link Remuneration package and retiral benefits;
- to Track record, potentials and performance of individual managers; and
- to prepare policy for training, development, job rotation and delegation as important tools for optimum utilization of available man power resources.
- to formalize guidelines for out sourcing skills and capabilities for new opportunities from the External competitive environment.