



# DAMODAR

## THREADS LIMITED

### 18<sup>th</sup> ANNUAL REPORT 2005-2006



# 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 Abhishek Shrivastava

## Auditors

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

## Bankers

### Bank of Baroda

1. Mumbai Main Branch,  
Mumbai 400 023
2. Daman Branch  
Nani Daman (U.T.) 396 210
3. Silvassa Branch  
Dadra & Nagar Haveli (U.T.) 396 310
4. Mandarwaja Branch  
Surat (Gujarat)

## Registered Office

A1/202, Centre Point, 243- A,  
N.M. Joshi Marg, Lower Parel (East),  
Mumbai 400013

## Plant Location

Plot No. 77 to 80, 89 to 91  
Dabhel Industrial Co-op. Society Ltd.  
Nani Daman, (Union Territory) 396 210  
Survey No. 265/8/2,  
Dadra, Silvassa  
Dadra & Nagar Haveli (U.T.) 396 310

## 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 2596 3838 Fax : 022 2594 6969  
Email : [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com)

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# DAMODAR THREADS LIMITED

## NOTICE TO THE MEMBERS

Notice is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Thursday the 24<sup>th</sup> August, 2006 at 4.30 p.m. at Registered office of the Company at A1/202, Centre Point, 243- A, N.M. Joshi Marg, Lower Parel (East), Mumbai 400013 to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt audited Profit & Loss Account, for the year ended March 31, 2006 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 2005-06.
3. To appoint a Director in place of Shri Arunkumar Biyani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Rajendra Prasad Khator, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint auditors and fix their remuneration.

### Special Business:

6. To consider and if thought fit, to pass with or without modification(S), the following resolution as Special Resolution:

"RESOLVED THAT in accordance with the provision of Section of Sections 16, 31 and 94 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded to the Board of Directors to increase the Authorized share capital of the Company from Rs. 5,00,00,000/- (Rupees Five Cores only) divided into 50,00,000 Equity shares of Rs. 10/- (Ten Only) each to Rs. 15,00,00,000/- (Rupees Fifteen Cores only) divided into 1,50,00,000 (One Crore Fifty Lacs Only) Equity shares of Rs. 10/- (Rupees Ten Only) each.

FURTHER RESOLVED THAT consent of the Company be and is hereby accorded to the Board of Directors to alter the Capital clause in the Memorandum of Association and Articles of Association of the Company for the purpose of giving effect to increase of the Authorized Share Capital of the Company.

FURTHER RESOLVED THAT Clause V of the Memorandum of Association of the Company be altered by substituting in its place and stead the following the new Clause V:

V.The Authorized capital of the Company is Rupees 15,00,00,000/- (Fifteen Crores only) divided into 1,50,00,000 (one Crore Fifty Lacs) Equity Shares of Rs. 10/- (Ten only) each.

FURTHER RESOLVED THAT the existing Article 3 of the Articles of Association of the Company be altered by substituting in its place and stead the following the new Article 3: The Authorised share capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores) divided into 1,50,00,000 (One Crore fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each.

FURTHER RESOLVED THAT the Board of Directors of the company be and is hereby authorized to do all such acts, deeds, matters, things and execute all such documents, instruments and writings as may be required in said connection and to delegate all or any of the powers therein vested in them to any duly constituted committee of directors or any director(s) to give effect to this resolution."

### 7. Preferential Allotment of Equity Shares:

- To consider and if thought fit, to pass with or without modification (S), the following resolution as Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956("the Act") and the Guidelines of Securities and Exchange Board of India or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations, the Articles of Association of the Company and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject





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to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot as many equity shares as may be decided by the Board as it deems fit in one or more tranches, not exceeding 904300 equity shares of Rs. 10/- each at premium not less than Rs. 15/- per share and subject to such terms and conditions as the Board may deem fit to any person or persons, as may be decided by the Board whether such person or persons is/are existing member or members of the company or not".

"RESOLVED FURTHER that the Securities to be so created, offered, issued and allotted shall be subject to the provisions of the Memorandum and Article of Association of the Company, and the new Equity Shares shall rank *pari passu* in all respect with the existing Equity Shares of the Company".

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Equity Shares allotted on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchanges concerned, the Guidelines and other applicable laws and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any question, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Equity Shares without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its power to any if its Director(s) or Committee of Directors to give effect to the aforesaid resolutions."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to execute all such arrangements, agreements, memorandum, documents, etc., with intermediaries.

"RESOLVED FURTHER THAT the relevant date for the purpose of issue of the shares in accordance with the SEBI Guidelines is 25<sup>th</sup> July, 2006 being the 30<sup>th</sup> day prior to 24<sup>th</sup> August, 2006, i.e. 30<sup>th</sup> day prior to the date on which the meeting of the general body of shares holders is to be held, in terms of section 81(1A) of the Companies Act, 1956 to consider the proposed issue.

Mumbai :

By Order of the Board

June 26, 2006

Abhishek Shrivastava  
Company Secretary

## 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 Friday, 18th August 2006 to Thursday, 24th August 2006 (both days inclusive).
- (c) The dividend on equity shares, if declared, will be payable on or after 24th August 2006, to those members whose names stand on the Register of Members of the Company on the 24th August 2006.
- (d) Pursuant to section 205A of the Companies Act, 1956, all unclaimed / Unpaid dividends up to the financial year 1998-99 have been transferred to the Investor Education and Protection Fund, established under section 205C(1) of the Companies Act, 1956.
- (e) Members, who have not yet encashed their dividend and demand Draft(s) for the financial year ended 31.03.2004 & 31.03.05, are requested to make their claims to the Company, without any delay.



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- (f) 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.

## ITEM No. 6 & 7

The present Authorized Share Capital of the Company is Rs. 5,00,00,000/- (Rupees Five Crores) divided into 50,00,000 (Fifty Lakhs) Equity Shares of Rs. 10/- (Ten Only) each. The paid up equity share capital of the Company is Rs. 3,09,57,000/- (Rupees Three Crores Nine Lakhs Fifty Seven Thousand Only) divided into 3095700 (Thirty Lakhs Ninety Five Thousand Seven Hundred Only) Equity Shares of Rs 10/- (Ten Only) each. In view of the expansion programme taken up by the company additional capital will have to be raised. Hence Authorised capital is being raised

Consequent to the increase in Authorized Capital of the company, it is necessary to alter the present Clause V of the Memorandum of Association and Article 3 of the Article of Association by substituting the same with the amended Clause V and Article 3 as given in the respective Special Resolution.

Copy of the Memorandum of Association and Article of Association of the Company will be available for inspection at the general meeting and is also available for inspection on all working days between 10.30 a.m. to 1.30 p.m. at the Registered Office of the Company.

The Directors of the Company recommend the passing of the aforeside Resolutions.

## ITEM No. 7

The company is in the process of expansion of its activities. The funds to be raised from the proposed issue of equity shares pursuant to this resolution will be utilized for part funding of the capital expenditure for setting up of new spinning Unit at Dadra & Nagar Haveli (U.T.). Your board in its meeting held on 10th March 2006, subject to the approval by the shareholders in general meeting & receipt of requisite statutory approvals including that of reserve bank of India (RBI) where ever applicable, negotiations and executions of appropriate documentations by the parties and fulfillment of the conditions mentioned therein, has proposed to offer for subscription by way of preferential allotment upto 9,04,300 equity shares of RS. 10/- each for cash at a price not less than of Rs. 25/- per shares (i.e. premium of Rs. 15/- per share) or such other amount as per SEBI Guidelines to domestic investors and / or its affiliates including some relatives of promoters/directors or their associates. The equity shares allotted shall rank pari passu with the existing shares of the company in all respect.

The special resolution has been proposed under the provisions of section 81(1A) of the Companies Act, 1956 in view of the facts that the shares will be offered to persons who may or may not be the existing members.

A copy of the certificate M/S A. J. Baliya & Associates, Chartered Accountants, Mumbai the statutory Auditors of the Company, certifying that the issue of the shares and shares arising is being made in accordance with the requirements of the SEBI Guidelines shall be available for inspection of member at the registered office of the company between 2.00 p. m. and 4.00 p.m. on any working till the date of conclusion of the Extraordinary General Meeting and will be placed before the Shareholders at the Extraordinary General Meeting.

The Board of Director believes the issue of Securities is in the interest of the Company and therefore recommends the resolution for your approval.

Disclosures required to be made in the Explanatory Statement pursuant to the provisions of the SEBI (Disclosures and Investors Protection) Guidelines, 2000(the SEBI Guidelines) are set out below:

### 1. The object of the issue through preferential offer:

As mentioned above, the funds to be raised from the preferential issue of equity shares pursuant to this resolution will be utilized for part funding of the capital expenditure setting up spinning unit at Dadra & Nagar Haveli The Total cost of Project is 60 Crores. It is proposed to be financed by way of



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Term Loan of Rs. 40 Crores. Promoters contribution of Rs. 20 Crores would be by way of Long Term Internal accruals & Issue of Equity shares. Thus the company proposes to issue 904300 equity shares of Rs. 10 /- each at premium of Rs. 15/- or at such higher premium as may be permissible under the SEBI Guidelines

## 2. Intention of the Promoters / Directors / subscribers to subscribed the offer:

The Promoters, Directors and Key management personnel are not subscribing to the preferential issue.

### Identity of the Proposed Allotees:

Name of the Shareholders	Identity	Pre Issue		Proposed to be Subscribed	After Allotment	
		No of shares held	% of holding	No. of shares	Total No of shares held	% of holding
Sunil S Biyani	Person Acting in Concert			100000	100000	2.50
Suam Overseas Pvt Ltd	Person Acting in Concert			160000	160000	4.00
Savitrivedi S Biyani	-do-			100000	100000	2.50
Taradevi Birla	Non Promoter			30000	30000	0.75
Rajesh Birla	-do-			30000	30000	0.75
Seema Ladha	-do-			20000	20000	0.50
Meena Kabra	-do-			20000	20000	0.50
S G Kabra	-do-			20000	20000	0.50
Sitaram Agrawal	-do-	1300	0.03	20000	21300	0.53
Minish Patel	-do-			10000	10000	0.25
Sachin Dhoot	-do-			20000	20000	0.50
Sunil Jain	-do-			5000	5000	0.12
Shrikant Ladha	-do-			10000	10000	0.25
B C Maheshwary	-do-	3000	0.07	10000	13000	0.33
Ketan Patel	-do-	1500	0.04	1300	2800	0.07
Giriraj Ladha	-do-			20000	20000	0.50
Kamlesh Patel	-do-			10000	10000	0.25
Pushpa Maru	-do-			50000	50000	1.25
Aqua Steelwater Purity Sys P Ltd.	Non Promoter			34000	34000	0.85
Rajveda Properties Pvt Ltd	Non Promoter			24000	24000	0.60
Kusian Ind Ltd.	Non Promoter			60000	60000	1.50
<b>Total</b>		<b>7350</b>		<b>904300</b>	<b>911650</b>	

None of the Directors of the Company is in any way concerned or interested in the said resolution save and except to the extent share allotted to persons acting in concert as shown here in above.

Mumbai :

June 26, 2006

By Order of the Board

Abhishek Shrivastava  
Company Secretary



# DAMODAR THREADS LIMITED

## Directors' Report

To the Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report together with audited statement of accounts for the year ended 31st March, 2006.

### 1. FINANCIAL RESULTS

		(Rs. In Lakhs)
Particulars	2005-06	2004-05
Sales & Other income	5962.47	5232.58
Profit before Depreciation & Tax	330.49	190.89
Depreciation	50.58	35.45
Profit before Tax	279.91	145.45
Provision for Taxation including Deferred Taxes	87.17	53.25
Prior year Tax Adjustments	-1.21	12.64
Profit after Tax	192.74	92.20
Profit brought forward from previous year	275.34	240.78
Profit available for appropriation	469.30	320.34
<b>APPROPRIATION</b>		
Transfer to General Reserve	120.00	10.00
Proposed Dividend	30.96	30.96
Corporate Dividend Tax	4.34	4.05
Profit carried to Balance Sheet	314.00	275.34

### 2. DIVIDEND

Your Board recommends a dividend on Equity Shares of the Company @ 10% (Rs. 1/- per share) for the financial year ended 31st March, 2006.

### 3. EXPANSION

It may be recalled that the company has taken up expansion programme to cater to the upsurge in demand from domestic and overseas customers. The Company is setting up Spinning Plant of 14400 Spindles at Dadra & Nagar Haveli (U.T) with state of arts machines to manufacture value added yarn. It would install additional 20000 spindles later on. The Total Cost of Project would be around Rs. 6000 Lacs 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. Construction of factory building is expected to be completed by October 2006. Plant & Machinery is expected to be erected by February/March 2007. The Plant is expected to become operational in the financial year 2007-08.

### 4. DIRECTORS

Shri Arunkumar Biyani and Shri Rajendra Prasad Khator 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.

### 6. INDUSTRIAL RELATION

The management places on record its appreciation for the excellent performance put in by the employees of all cadres during the year under review. The company continues to enjoy a cordial and harmonious





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relationship with its employees and the management believes that it is this harmonious relationship that plays a pivotal role in the overall growth and development of the company.

## 7. INSURANCE

The properties of the Company including its building, plant and machinery and stocks wherever necessary and to the extent required have been adequately insured.

## 8. 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.

## 9. 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.

## 10. 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, 2006 and of the Profit & Loss Account for the year ended March 31, 2006.
- 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.

## 11. 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 29th March, 2004 and application is under process. However, equity shares of the Company will continue to remain listed on The Stock Exchange, Mumbai.

## 12. 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.

## 13. ACKNOWLEDGE

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.

Place: Mumbai

For and on behalf of the Board

Date: June 14, 2006

ARUNKUMAR BIYANI  
Chairman





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## ANNEXURE TO DIRECTORS' REPORT

### CONSERVATION OF ENERGY

Total energy consumption and energy consumption per unit of production

	2005-06	2004-05
<b>[A] Power and fuel consumption</b>		
1. Electricity		
A) Purchased unit	1754852	1290300
Amount (Rs.'000)	4691.65	3376.69
Rate/Unit (Rs.)	2.67	2.62
B) Own Generation		
i) Through Diesel Generator Unit	89400	98668
ii) Unit/Liter of Diesel Oil	4	4
iii) Fuel cost / unit (Rs.)	8.05	6.21
<b>[B] Electricity units Consumption in</b>		
Production of Yarn per KG. (Unit/Kg)	0.37	0.41
Production of Fabrics Per Mtr. (Unit/Mtr)	0.50	

### 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 future orders from other countries also.

**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	2005-06	2004-05
Foreign Exchange outgo (used)	1.34	3.29
Earned (FOB Value of Export goods)	35.38	10.28

Place: Mumbai

For and on behalf of the Board

Date: June 14, 2006

ARUNKUMAR BIYANI

Chairman



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## REPORT ON CORPORATE GOVERNANCE

(Annexure to the Eighteenth Directors' Report for the financial year 2005-06)

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 Arunkumar Biyani, aged 50 years, is a Commerce Graduate and having around 28 years experience in the field of textile industry. Shri Arunkumar Biyani is the key person in setting up Company's unit and Chairman of the Company. He is also on the Board of Panna Yarn Private Limited.

Shri Rajendra Prasad Khator, aged 66 years, is B.A. (Hons.) in Economics, having 50 years experience of various industries. He was the Precedent of Bombay Oxygen Corporation Limited, Mumbai since 1985 and Joint Managing Director for 5 years from 25 th September, 1998.

He was President of All India Gases Manufacturers' Association (AIGMA) for the year 1989 90 and 2002-03. He has been unanimously re-elected as President of AIGMA for further two years i.e. 2004-2006. Shri Khator is a member of Power Committee of Federation of Indian Chambers of Commerce and Industry (FICCI), New Delhi, for the year 2003-04.