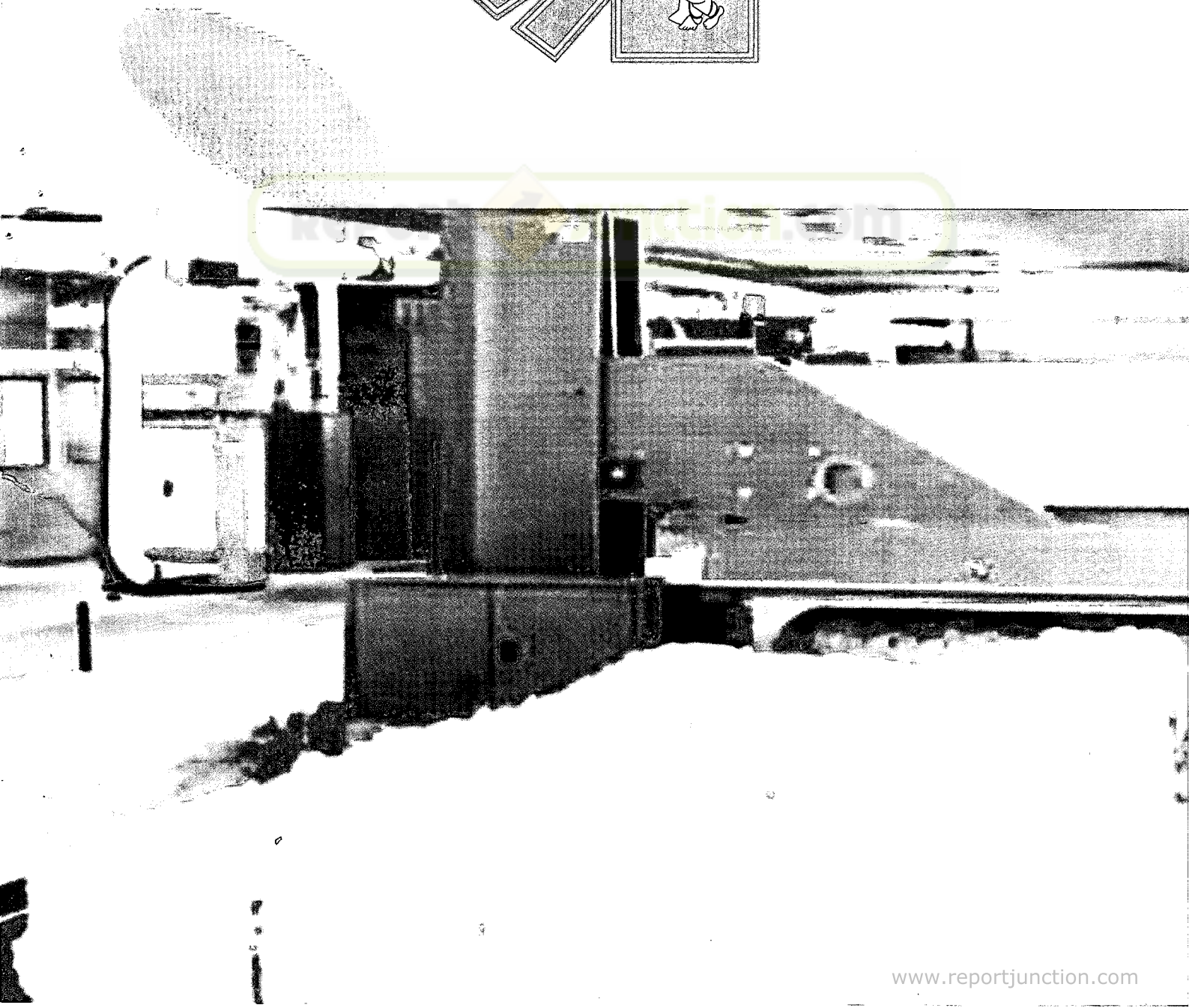
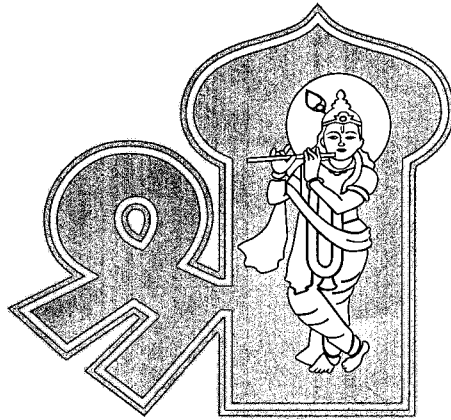


DAMODAR THREADS LIMITED

19th Annual Report 2006-07



The 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 & Compliance Officer

Mr. Pramod Kumar Jain

Auditors

M/s A.J. Baliya & Associates.
Chartered Accountants
Mumbai-400012

Bankers

1. Bank of Baroda
2. State Bank of India

Registered Office

A1/202, Centre Point,
243-A, N.M. Joshi Marg,
Lower Parel (E),
Mumbai - 400 013.

Plant Location

Survey No. 265/10/1, 2, & 3
Demni Road, Dadra Village,
D & N.H. (U.T) - 396230.

Registrar & Share Transfer Agent

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai 400078. Tel : 25963838.

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Chairman's Letter

Dear Shareholder,

I am very happy to present you the performance of your Company for the financial year 2006-07.

Damodar Threads Limited has grown by 7.22 % in revenues from Rs.5961.65 lakhs to Rs.6392.40 lakhs. Major contribution in the growth has come from exports. The net profit has increased by 22.12% from Rs.192.74 lakhs to Rs.235.38 lakhs. This has translated to a rise in Earnings per Share from Rs.6.27 to Rs.7.60. The Board has decided on a dividend of 12% (Rs.1.20 per equity share).

Damodar Threads Limited continues to sustain a significant share in the fancy yarn market. We are working towards the vision of being the largest fancy yarn manufacturer in India and the leading exporter of fancy yarn from India.

As you all know we are diversifying our product range. Apart from manufacturing Synthetic Blended Yarn , we have also started spinning cotton yarn. Our new plant in Silvassa, on completion will have 32,908 spindles, with a capacity to produce daily about 15 tonnes of yarn. The Company is also installing 58 TFO's for doubled/twisted yarns. The Plant will have capacity to produce about 12 tonnes of Multi folded yarn. The Plant is likely to be fully operative by September 2007 . The results of this plant will be partially reflected in the financial year 2007-08.

We have also started Merchant Export Division , specializing in export of Cotton Yarn. We are already exporting in a big way to various countries across the globe, like Turkey, Egypt, Indonesia, Thailand, Vietnam, Argentina, and Brazil. We are also exporting fancy yarns to these countries.

Importance of use of natural fibers for clothing across the globe is fast increasing. Keeping up with this change in the market scenario, the company is spinning specialty yarn from Excel Fibre (Lyocel Fibre). We aim to export not less than 50% of Yarn spinned from Excel fibre.

We at Damodar Threads are continuously striving to improve efficiency in operations, by Increasing the Strength and Quality of Human Resources. The company is continuously improving its IT Infrastructure, which is the need of the day to reduce operating costs of the company. The company at the same time is also opening offices at various textile centers across the country to offer better services to our clients and to improve operations.

I am proud and thankful to each and every one associated with Damodar Threads Limited, who has strived hard to achieve this performance. I am optimistic about the long-term growth prospects of your company. I am confident that our current approach and aggressive marketing strategies will enable us to keep going forward and generate value for all our stakeholders, employees, customers and investors. I am very much grateful to each and every one of you for your continuous support and confidence in the management team of the company and am looking forward to continually receive the same support for better performance of the company.

Thanking You,

Arunkumar Biyani
Chairman

A Seven Year Snap Shot

Financial Performance: Seven Year at a Glance.

(Rs. in Lakhs)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1) Revenue Account							
Revenue	2751.03	3245.32	3674.91	5365.54	5232.58	5962.47	6326.46
PBIDT	162.89	167.31	206.69	256.64	232.63	397.11	454.09
Depreciation & Amorization	48.34	50.30	39.20	35.58	35.45	50.58	49.05
PBIT	114.55	117.01	167.49	221.06	197.18	346.53	405.04
Interest	91.77	72.09	63.15	54.17	51.73	66.62	60.56
Profit/(Loss) before Tax	22.78	44.92	104.34	166.89	145.45	279.91	344.48
Income Tax	0	2.70	8.22	46.04	53.25	87.17	109.11
Profit/(Loss) after Tax	22.78	42.22	96.12	120.85	92.20	192.74	235.37
Dividend	0	0	0	30.96	30.96	30.96	37.14
2) Capital Account							
Share Capital	309.57	309.57	309.57	309.57	309.57	309.57	309.57
Reserves and Surplus	177.22	219.45	315.57	379.47	424.03	582.69	773.54
Loan Funds	701.29	584.90	600	460.18	626.41	1320.28	4980.26
Net Block (including Capital Work in Progress)	417.31	390.58	305.63	275.42	424.94	902.58	4864.53
Investments	6.25	2.68	2.29	2.13	2.13	2.31	1.31
Net Current Assets	753.11	712.32	911.69	900.93	971.55	1342.82	1547
3) Other information							
Total Number of Shares	30.95	30.95	30.95	30.95	30.95	30.95	30.95
4) Ratios							
a) Profitability / Efficiency							
PBDITA/Total Turnover (%)	5.92	5.16	5.62	4.78	4.45	6.66	7.18
PBT/Turnover (%)	0.83	1.38	2.84	3.11	2.78	4.69	5.45
PAT/Turnover (%)	0.83	1.30	2.62	2.25	1.76	3.23	3.72
Return on Average Net Worth (PAT/Avg Net Worth) (%)	4.68	7.98	15.38	15.38	17.54	21.60	21.73
Return on Capital Employed (%)	9.64	10.50	13.67	19.24	14.50	15.66	6.68
Total Revenues to Total Assets	2.35	2.94	3.02	4.56	3.75	2.66	3.75
Fixed Asset Turnover	6.59	8.31	12.02	19.48	12.31	6.61	1.30
b) Liquidity							
Average Collection Period (Days)	52	41	63	43	47	60	66
Current Ratio	12.93	32.48	12.41	9.72	5.40	5.17	4.55
c) Leverage							
Debt - Equity Ratio	1.44	1.11	0.96	0.67	0.85	1.48	4.60
Interest Cover	2.25	2.62	3.65	5.08	4.81	6.20	7.69
Total Assets/ Net Worth	2.40	2.08	1.95	1.71	1.90	2.52	5.92
d) Growth							
Growth in Turnover (%)	5.02	15.23	11.69	31.51	-2.54	12.24	5.75
Growth in PBITDA (%)	63.64	2.64	19.05	19.46	-10.32	41.42	12.55
Net Profit Growth (%)		85.83	127.67	25.73	-25.90	115.23	22.12
Earning Per Share (E.P.S)	0.73	1.36	3.11	3.90	2.89	6.23	7.61

DAMODAR THREADS LIMITED**2006-07****DIRECTOR'S REPORT****To the Members,**

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

1. FINANCIAL RESULTS

		(Rs. In Lakhs)
PARTICULARS	2006-07	2005-06
Sales & Other Income	6392.40	5961.65
Profit before Depreciation & Tax	393.55	330.49
Depreciation	49.06	50.58
Profit before Tax	344.49	279.91
Provision for Taxation including Deferred Taxes	109.11	87.17
Prior year Tax Adjustments	-1.06	-1.21
Profit after Tax	235.38	192.74
Profit brought forward from previous year	314.00	275.34
Profit available for appropriation	548.31	469.30
APPROPRIATION		
Transfer to General Reserve	50.00	120.00
Proposed Dividend 12% (10%)	37.15	30.96
Corporate Dividend Tax	6.31	4.34
Profit carried to Balance Sheet	454.85	314.00

2. DIVIDEND

Your Directors are pleased to recommend a dividend on Equity Shares of the Company @ 12% (Rs. 1.20) per share, (Previous Year Rs. 1.00 per share) for the financial year ended 31st March, 2007.

3. EXPANSION

It may be recalled that the company has taken up a comprehensive expansion programme having a capital outlay of Rs 90 crores to cater the upsurge in the demand from the domestic and overseas customers. The work on the expansion programme had started in early 2006. 80% of the work stands completed. On completion of the expansion programme by September 2007, the unit will have 32,908 spindles. With a capacity to manufacture about 15,000 Kgs per day of superior quality cotton yarn, The Company will also have 58 TFO's with a capacity to manufacture about 12,000 kgs per day of multi folded yarn. During the year 2006-07, we have put 14,400 spindles in operation and the balance 18,508 spindles will be put in operation by September 2007 along with 58 TFO.

The Quality of yarn manufactured at our plant has wide acceptability and commands premium in the market. Our close competitors, our Global Customers have also appreciated the quality of our yarn.

4. DIRECTORS

Shri Girdharlal S. Daga and Shri Ashok Kumar Damani shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers themselves for re-appointment.

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. AUDITORS REPORT

There are no specific observations in the Auditors Report requiring further comments under Section 217 (3) of the Companies Act, 1956.

7. FIXED DEPOSITS

Fixed Deposits with your company as at year end were Rs.54.58 lakhs . None of these deposits has matured for payment and consequently there were no unclaimed deposits till the date of this report.

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, 2007 and of the Profit for the year ended March 31, 2007.
- 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. CORPORATE GOVERNANCE

As required under the Listing Agreement with Bombay Stock Exchange Limited, a report on Corporate Governance is given in Annexure B to this Report

12. DELISTING OF SECURITIES FROM CALCUTTA STOCK EXCHANGE

At Present Equity shares of the Company are listed at Bombay Stock Exchange Limited, (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 Bombay Stock Exchange Limited,.

13. ACKNOWLEDGEMENTS

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 20, 2007

ARUNKUMAR BIYANI

Chairman

ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the Report of Board of Directors), Rules, 1988

CONSERVATION OF ENERGY

The nature of the Company's Operation entails a very High Level of Energy Consumption. Adequate measures however, have been taken to conserve energy. Total energy consumption and energy consumption per unit of production

	2006-07	2005-06
[A] Power and fuel consumption		
1. Electricity		
A) Purchased unit	1829277	1754852
Amount (Rs.'000) `	5287.88	4691.65
Rate/Unit (Rs.)	2.89	2.67
B) Own Generation		
i) Through Diesel Generator Unit	125025	89400
ii) Unit/Litre of Diesel Oil	4	4
iii) Fuel cost / unit (Rs.)	8.50	8.05
[B] Electricity units Consumption in		
Production of Yarn per KG. (Unit/Kg)	0.40	0.37
Production of Fabrics Per Mtr. (Unit/Mtr)	0.52	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 up gradation & design development.

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

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

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 Lakhs)

Particulars	2006-07	2005-06
Foreign Exchange outgo (used)	286.75	40.27
Earned (FOB Value of Export goods)	635.27	35.38

For and on behalf of the Board

Place : Mumbai

Date : June 20, 2007

ARUNKUMAR BIYANI
Chairman

DAMODAR THREADS LIMITED**2006-07****Report on Corporate Governance****1. Company's Philosophy on Code of Governance**

Damodar Threads Ltd maintains an unwavering focus on adopting sound corporate governance standards and ethical business practices. The Company's philosophy on corporate governance stems from its belief that timely disclosure, transparent accounting policies, and a strong and independent board go a long way in maximizing corporate value. Your company believes that all actions and strategic plans should deliver value to all stakeholders, including shareholders as well as conform to the highest standard of corporate behavior. It was this conviction, which led Damodar Threads to incorporate best of the Corporate Governance Practices.

2. Board of Directors**Composition of the Board**

As on 31st March 2007, the Board of Damodar Threads Limited is comprised of 6 Directors of which three are Executive Directors and three are Independent Director. The Composition of the Board is in conformity with the Clause 49 of the Listing Agreement. The Board is primarily responsible for the overall management of the Company's Business. The Composition of the Board and other relevant details relating to the Directors are given below :

SL. No.	Name of Director	Nature of Directorship	Number of Directorship of other Public Companies	Number of other Membership in Board Committees	Number of other 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 Girdharilal 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

Appointment/Re-appointment of Directors

Pursuant to the provisions of Sections 255 & 256 of the Companies Act, 1956, Shri. Girdharilal S. Daga and Shri Ashok Kumar Damani shall retire by rotation at the forthcoming Annual General Meeting.

Brief Resume of Directors seeking reappointments

Shri Girdharilal S. Daga, aged 51 years, he is a practicing Chartered Accountant, having 27 years experience in the field of Finance and Taxation. His guidance will be very helpful in the business of the company.

Shri Ashok Kumar Damani, aged 49 years, having 28 years experience in financial Market. His guidance will be very helpful in the business of Company. Shri Damani is also on the Board of Mahtab Investment Pvt. Ltd., Priyanka Antibiotics Pvt. Ltd. and Lavolta Investment Pvt. Ltd.

Board Meetings and Annual General Meeting.

During the Financial year 2006-07, Five Board Meetings were held on June 14, 2006, July 25, 2006, October 27, 2006, November 13, 2006, and January 16, 2007. The details of attendance of Directors in Board Meetings and the previous Annual General Meeting are as follows:

DAMODAR THREADS LIMITED**2006-07**

Sl. No.	Name of the Directors	No. of Board Meeting Attended	Last AGM Attended
1.	Shri Arun Kumar Biyani	5	Yes
2.	Shri Ajay D. Biyani	5	Yes
3.	Shri Anil D. Biyani	5	Yes
4.	Shri Girdharlal S. Daga	5	Yes
5.	Shri Rajendra Prasad Khator	4	Yes
6.	Shri Ashok Kumar Damani	4	Yes

Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the company.

The Company has obtained the confirmation of the Compliance with the Code from all its Board members and senior management personnel. As required by Clause 49 of the Listing Agreement, the declaration on compliance of the Company's code of conduct signed by Managing Director forms a part of this Annual Report.

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 Four times on June 14, 2006, July 25, 2006, October 27, 2006 and January 16, 2007. . The details of attendance of the members are as follows:

Committee Members Attending the Meeting	Designation	No. of Meetings Attended
Shri Girdharlal S. Daga,	Chairman	4
Shri Rajendra Prasad Khator;	Member	4
Shri Ashok Kumar Damani.	Member	4

The terms of reference of the Audit Committee as defined by the Board are as under:

- i) Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the and review the quarterly, half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- ii) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- iii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.