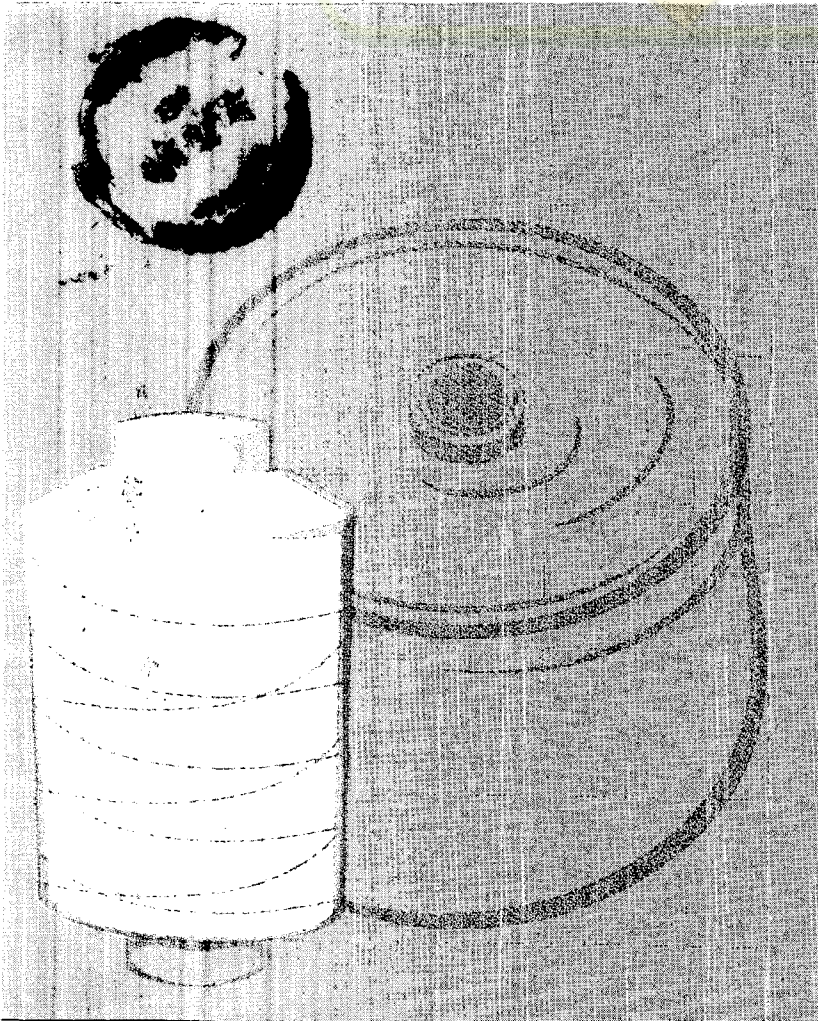


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DAMODAR THREADS LIMITED

20th Annual Report 2007-08

**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

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
Ph.: 022-66610301, 66610302,
Fax: 66610308

Plant Location

Survey No. 265/10/1,2 & 3
Demni Road, Dadra Village,
D. & N.H. (U.T.) – 396230
Ph.: 0260-3264788, Fax: 2668929

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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DAMODAR THREADS LIMITED

NOTICE FOR CONVENING THE ANNUAL GENERAL MEETING

NOTICE is hereby give that the 20th Annual General Meeting of the Members of **Damodar Threads Limited** will be held on Tuesday, 9th September, 2008 at 11.30 am at the Maheshwary Bhavan, 603, Chira Bazar (J S Road), Mumbai – 400 002 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account and Cash Flow Statement for the year ended March 31, 2008, the Balance Sheet as on that date, the Auditors Report and the Directors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri. Ajay D. Biyani, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. Anil D. Biyani, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following resolution as a **special resolution**:

"RESOLVED THAT pursuant to section 314(1)(b) and all other applicable provisions of the Companies Act, 1956 and subject to such approvals as may be necessary, consent of the Company hereby accorded that remuneration of Shri Aman Biyani, Sales Executive of the Company, be increased from Rs. 30,000/- per month to at a pay scale of Rs. 45,000 /- per month with effect from 1st April, 2008."

"RESOLVED FURTHER THAT every increase in remuneration as per above pay scale will be applicable with effect from 1st April of each subsequent years after the current year 2007-08."

By Order of the Board
For **Damodar Threads Limited**

Pramod Kumar Jain
Company Secretary

Dated : June 30, 2008

Place : Mumbai

NOTES

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto and forms part of this Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Share Transfer Books and Register of members of the Company will remain closed from Monday, 4th August 2008 to Saturday, 9th August 2008 (both days inclusive).
4. Members are requested to produce the attendance slip duly signed as per the specimen signature recorded with the Company/Depository Participant for admission to the meeting hall.



5. Members, who hold shares in de-materialized form, are requested to bring their client ID and DP ID Nos. for easier identification of attendance at the meeting.
6. A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
7. Members holding shares in physical form are requested to notify immediately any change in their address and Bank particulars to the Company or its Share Transfer Agents (STA) and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository participants and not to the Company/ STA, without any delay.
8. In all future correspondence with the Company, Members are requested to quote their account/folio numbers and in case there, shares are held in the dematerialized form, they must quote their DP ID and Client ID Number.
9. Members holding shares in physical form can now avail the facility of nomination in respect of shares held by them pursuant to the amendment in the Companies Act, 1956. The prescribed Form (Form 2B) can be obtained from the Share Department of the Company. Members desiring to avail this facility may send their Nomination Form (in duplicate) duly filled in, to the Company or its Share Transfer Agents by quoting their respective Folio Numbers.

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956.

Item No. 6

Shri Aman Biyani, Sales Executive of the Company, is son of Shri Arunkumar Biyani Executive Chairman of the Company. The Board of Directors, in their meeting held on 30th June, 2008, has increased the Remuneration of Shri Aman Biyani from Rs. 30,000/- per month to at a pay scale of Rs. 45,000 /- per month w.e.f. 1st April, 2008.

The Board recommends the special resolution set out in item No. 6 of the Notice, for your approval.

Except Shri Arunkumar Biyani, Shri Ajay D. Biyani and Shri Anil D. Biyani none of the Directors are interested or concerned in this resolution.

By Order of the Board

Pramod Kumar Jain
Company Secretary

Dated : June 30, 2008

Place : Mumbai


DAMODAR THREADS LIMITED

CHAIRMAN'S LETTER

Dear Shareholders,

I am extremely proud to present you the performance of your Company for the financial year 2007-08.

Let me begin by giving you an overview of the financial performance of the company and then share some thoughts from a strategic perspective.

During 2007-08 Damodar Threads has grown by 176.67 % in revenues from Rs.63.92 crore to Rs.176.85 crore. Every company to achieve growth has to become global. It has to tap and service international markets. This is portrayed in your company's result; exports have contributed to the major part of the growth. The net profit has increased by 14.04% from Rs. 2.35 crore to Rs.2.68 crore and cash profit by 126.33% from 3.95 crore to 8.94 crore during the year. This has also translated to a rise in Earnings per Share from Rs.7.57 to Rs.8.64. The Board has decided on a dividend of 15% (Rs.1.50/- per equity share).

Damodar Threads continues to be the market leader and pioneer in fancy yarn segment. We have already achieved a lot success on our aim to become the largest exporter of fancy yarns from India. We hope to receive the same support from our shareholders to help us reach our aim.

Unity in Diversity is the motto of our nation and is the same motto for our products. Apart from manufacturing Synthetics Blended Yarn and Cotton Yarn, We have created a new set of yarns which India has never seen before. Our new plant in Dadra, has been fully commissioned with 32,908 spindles, having capacity to produce daily about 15 tonnes of yarn. The Company has also installed 58 TFO's for doubled/twisted yarns. The Plant is fully operative since September 2007. The results of this plant will be fully reflected in the current financial year 2008-09.

Export Division, specializing in export of Cotton Yarn has done exceedingly well having achieved turnover of over Rs 90 crores within 1 year of operation. Export Division has very successfully developed markets for our fancy yarns. We expect fancy yarns contribution to increase in this years export sales.

Importance of use of natural fibres for clothing across the globe is fast increasing, keeping up with this change in the market scenario; the company is spinning specialty yarn by blending various natural fibres. After achieving success in spinning Excel Fiber, This year your company aims at spinning and developing a market in Organic Cotton 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 in various textile centers across the country to offer better service 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 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.

Thank You,

Arun kumar Biyani

Chairman



A SEVEN YEAR SNAP SHOT

Financial Performance: Seven Year at a Glance.

(Rs. in lacs)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1) Revenue Account							
Revenue	3245.32	3674.91	5365.54	5232.58	5962.47	6326.46	17684.5
PBITD	167.31	206.69	256.64	232.63	397.11	454.09	1433.49
Depreciation & Amortization	50.3	39.2	35.58	35.45	50.58	49.05	396.93
PBIT	117.01	167.49	221.06	197.18	346.53	405.04	1040.96
Interest	72.09	63.15	54.17	51.73	66.62	60.56	545.42
Profit/(Loss) before Tax	44.92	104.34	166.89	145.45	279.91	344.48	495.54
Income Tax	2.7	8.22	46.04	53.25	87.17	109.11	228.03
Profit/(Loss) after Tax	42.22	96.12	120.85	92.2	192.74	235.37	267.51
Dividend	0	0	30.96	30.96	30.96	37.14	46.44
2) Capital Account							
Share Capital	309.57	309.57	309.57	309.57	309.57	309.57	309.57
Reserves and Surplus	219.45	315.57	379.47	424.03	582.69	773.54	986.72
Loan Funds	584.9	600	460.18	626.41	1320.28	4980.26	9678.68
Net Block (including Capital Work in Progress)	390.58	305.63	275.42	424.94	902.58	4864.53	8086.36
Investments	2.68	2.29	2.13	2.13	2.13	1.31	1.06
Net Current Assets	712.32	911.69	900.93	971.55	1342.82	1547	3866.08
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(%)	5.16	5.62	4.78	4.45	6.66	7.18	8.11
PBT/Turnover (%)	1.38	2.84	3.11	2.78	4.69	5.45	2.80
PAT/Turnover (%)	1.30	2.62	2.25	1.76	3.23	3.72	1.51
Return on Average Net Worth (PAT/Avg Net Worth) (%)	7.98	15.38	15.38	17.54	21.60	21.73	20.64
Return on Capital Employed (%)	10.50	13.67	19.24	14.50	15.66	6.68	9.48
Total Revenues to Total Assets	2.94	3.02	4.56	3.75	2.66	3.75	2.66
Fixed Asset Turnover	8.31	12.02	19.48	12.31	6.61	1.30	2.19
b) Liquidity							
Average Collection Period (Days)	41	63	43	47	60	66	66
Current Ratio	32.48	12.41	9.72	5.40	5.17	4.55	4.55
c) Leverage							
Debt-Equity Ratio	1.11	0.96	0.67	0.85	1.48	4.60	7.47
Interest Cover	2.62	3.65	5.08	4.81	6.20	7.69	2.91
Total Assets/Net Worth	2.08	1.95	1.71	1.90	2.52	5.92	9.22
d) Growth							
Growth in Turnover (%)	15.23	13.24	46.00	-2.48	13.95	6.10	179.53
Growth in PBITDA (%)	2.64	23.54	24.17	-9.36	70.70	14.35	215.68
Net Profit Growth (%)	85.83	127.67	25.73	-25.9	115.23	22.12	14.04

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

Your Directors have pleasure in presenting the Twentieth Annual Report on the Operations of the Company together with audited statement of accounts for the year ended 31st March, 2008.

1. FINANCIAL RESULTS**Rs. In Lacs**

Particulars	2007-08	2006-07
Sales & Other Income	17684.52	6392.40
Profit before Depreciation & Tax	892.47	393.55
Depreciation	396.93	49.06
Profit before Tax	495.54	344.49
Provision for Taxation including Deferred Taxes	228.03	109.11
Prior year Tax Adjustments	0	1.06
Profit after Tax	267.51	235.38
Profit brought forward from previous year	454.85	314.00
Profit available for appropriation	722.36	548.31
Appropriation		
Transfer to General Reserve	50.00	50.00
Proposed Dividend @ 15%	46.44	37.15
Corporate Dividend Tax	7.89	6.31
Profit carried to Balance Sheet	618.03	454.85

2. DIVIDEND

Your Directors are pleased to recommend a dividend on Equity Shares of the Company @ 15% (Rs. 1.50/- per share) for the financial year ended 31st March, 2008. (Previous year 12%(Rs. 1.20/- per share)

3. EXPANSION

It may be recalled that the company had taken up a comprehensive expansion programme having a capital outlay of Rs 90.00 crore to cater the upsurge in the demand from the domestic and overseas customers. This plant having 32,908 spindles with a capacity to manufacture 15,000 Kgs per day of fine quality cotton yarn has been fully commissioned. The Company has also installed 58 TFO's with a capacity of 7000 kgs per day of twisted/doubled yarn. The Quality of yarn manufactured at our plant has been found of superior range and commands premium in the market. Our close competitors, our Global Customers have also appreciated the quality of our yarn and have desired to enter into long-term supply contracts.

4. RIGHT EQUITY ISSUE:

To part finance the company's Rs 90.00 crore expansion plan you authorized your board for a right issue of Equity Shares. The company filed draft letter of prospectus with SEBI on December 14, 2007 for issue of 49,53,120 fully paid Equity shares with a face value of Rs. 10/- each at a premium, to be decided later by the board. We expect SEBI approval shortly and the issue will be launched soon thereafter.

5. DIRECTORS

Shri Ajay D. Biyani and Shri Anil D. Biyani shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers themselves for re-appointment. The Board is pleased to recommend their re-appointment.



6. 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 re-appointment.

7. AUDITORS REPORT

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

8. FIXED DEPOSITS

Fixed Deposit with your company as at year-end were Rs. 58.61 lacs. None of these deposits has matured for payment and consequently there were no unclaimed deposits till the date of this report.

9. PARTICULARS OF EMPLOYEES

As required by the provisions of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the report.

10. 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.

11. 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, 2008 and of the Profit for the year ended March 31, 2008.
- 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.

12. 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

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 30, 2008

ARUNKUMAR BIYANI
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

Particulars pursuant to Companies (Disclosure in 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

	2007-08	2006-07
[A] Power and fuel consumption		
I. Electricity		
A) Purchased unit	13752760	1829277
Amount (Rs.'000)'	40983.23	5287.88
Rate/Unit (Rs.)	2.98	2.89
B) Own Generation		
i) Through Diesel Generator Unit	93912	125025
ii) Unit/Liter of Diesel Oil	4	4
iii) Fuel cost / unit (Rs.)	8.50	8.50
[B] Electricity units Consumption in		
Production of Yarn per KG. (Unit/Kg)	2.33	0.40
Production of Fibrics Per Mtr. (Unit/Mtr)	0.00	0.52

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 realisations.

c. Future plan of action

Emphasis on the above activities is the 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. Making frequent visits and servicing them in the right manner, introducing them new developments, participating in various International Fairs are the various initiatives taken by your company to boost exports.

DAMODAR THREADS LIMITED

**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	2007-08	2006-07
Foreign Exchange outgo (used)	1688.68	286.75
Earned (FOB Value of Export goods)	9540.35	635.27

PARTICULARS OF EMPLOYEES

Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

S. No.	Name	Designation	Total Remuneration	Qualification	Age (Years)	Experience (Years)	Commencement of Employment	Service F.Y.
1.	Arunkumar Biyani	Executive Chairman	1895460	B. Com.	51	29	09.02.1992	7 Months
2.	Ajay D. Biyani	Managing Director	1405460	B. Com.	46	26	05.06.1988	7 Months
3.	Anil D. Biyani	Executive Director	1720460	B.B.A.	44	25	28.03.1992	7 Months

For and on behalf of the Board

Place : Mumbai
Date : June 30, 2008

ARUNKUMAR BIYANI
Chairman