



**DYNAMIC INDUSTRIES LIMITED**

Registered Office : Plot no. : 5501/2, Phase III, GIDC, Vatva, Ahmedabad 382 445.

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## **BOARD OF DIRECTORS**

◆  
**DEEPAK V. SHAH**  
CHAIRMAN

**HARIN D. MAMLATDARNA**  
MANAGING DIRECTOR

**DEEPAK N. CHOKSI**  
VICE-CHAIRMAN

**DEEPAK R. SHETH**  
DIRECTOR

**BANKIM M. PATEL**  
DIRECTOR

**PARESH C. PATEL**  
DIRECTOR

◆  
**COMPANY SECRETARY**  
(CONSULTING)  
**CHETAN R. SHAH**

**AUDITORS**  
G. K. CHOKSI & CO.  
Chartered Accountants  
"Madhuban", Nr. Madalpur Underbridge,  
Ellisbridge, Ahmedabad - 6.

**BANKERS**  
CENTRAL BANK OF INDIA  
Lal Darwaja Branch  
Nr. Roopalee Cinema, Ahmedabad.

**REGISTRARS & SHARE TRANSFER AGENTS**  
PINNACLE SHARES REGISTRY P. LTD.  
Near Ashoka Mills, Naroda Road,  
Ahmedabad 380. 025.

◆  
**REGISTERED OFFICE**  
Plot No. 5501 / 2, Phase III,  
Nr. Trikampura Cross Roads, GIDC,  
Vatva, Ahmedabad 382 445

**FACTORY**  
Plot No. 125, Phase I,  
Nr. Trikampura Cross Roads, GIDC,  
Vatva, Ahmedabad 382 445

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**NOTICE**

**NOTICE** is hereby given that the Seventeenth Annual General Meeting of Dynamic Industries Limited will be held on 30th September, 2006 at 11.30 a.m. at 5501/2, Phase III, Near Trikampura Cross Roads, G.I.D.C., Vatva, Ahmedabad -382 445 to transact the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2006, Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Paresh C. Patel who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS :**

5. To consider and if thought fit, to pass, with or without modification(s), the following resolutions as Special Resolution :

**"RESOLVED THAT** subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act 1956, SEBI (Delisting of Securities) Guidelines, Listing Agreement and all other relevant laws, regulations and guidelines including any statutory modifications or re-enactment thereof for the time being in force, and subject to such approvals, permissions and sanctions as may be required, the consent of the Company be and is hereby accorded to the Board of Directors to delist the equity shares of the Company from The Stock Exchange, Ahmedabad".

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to agree to such terms and conditions which they may consider appropriate and to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable to delist the equity shares of the Company from The Stock Exchange, Ahmedabad, at Ahmedabad and to execute all such deeds, document, writings as may be necessary or expedient and for this purpose to delegate the authority to the Directors or the Consultants or any other person to whom the Board may consider suitable to do various acts, deeds and thing required to be done in this behalf".

**Regd. Office :**

5501/2, Phase III,  
Near Trikampura Cross Roads,  
G.I.D.C., Vatva,  
Ahmedabad - 382 445  
Date : 30-06-2006

**BY ORDER OF THE BOARD**

**DEEPAK N. CHOKSI**  
Vice Chairman

**Notes :**

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed herewith.
3. Register of Members and Share Transfer Books will remain closed from 23-09-2006 to 30-09-2006 (both days inclusive).
4. The dividend will be payable to those shareholders whose names appear on the Register of Members as on 30th September, 2006. The dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 22nd September, 2006 as per the details furnished by the Depositories for this purpose.

**Explanatory Statement pursuant to Section 173 (2) of the  
Companies Act, 1956**

**Item No. 5**

The Equity shares of the Company are presently listed on The Stock Exchange, Mumbai (BSE) and The Stock Exchange, Ahmedabad (ASE). The volume of trading of the equity shares of the Company at ASE has been nil or negligible for the last many years, which does not justify payment of listing fees, as also incurring of time and cost of other compliances with the said stock exchange.

As per the SEBI (Delisting of Securities) Guidelines, 2003 and subsequent amendments, if the equity shares of the Company are listed on any stock exchange having nation wide net work i.e. BSE or National Stock Exchange of India (NSE), then with the approval of the shareholders by a special resolution, the equity shares of the Company can be delisted from any other stock exchanges without giving an exit option to the shareholders of the region of the stock exchange where they are situated.

Therefore, the Board of Directors have decided to get the equity shares of the Company delisted from ASE in accordance with applicable laws, rules, regulations and guidelines.

Shareholders / investors in the region of ASE will neither suffer nor be put to hardship due to proposed delisting, as the equity shares of the Company will continue to be listed and traded on BSE which is having nation wide trading terminals as per SEBI guidelines.

As required by the SEBI (Delisting of Securities) Guidelines, 2003 and the provisions of the listing agreement and other applicable laws, the approval of the members is sought by way of a special resolution for delisting the equity shares of the Company from ASE.

None of the directors of the Company is in any way interested or concerned in the resolution.

**Regd. Office :**

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Ahmedabad -382 445  
Date : 30-06-2006

**BY ORDER OF THE BOARD**

**DEEPAK N. CHOKSI**  
Vice Chairman

**DIRECTORS' REPORT**

**Dear Members,**

Your Directors have pleasure in placing before you the Seventeenth Annual Report and Audited Accounts for the year ended on 31st March, 2006.

<b>Financial Results</b>	<b>(Rs. in lacs)</b>	
<b>Particulars</b>	<b>Year ended 31-03-2006</b>	<b>Year ended 31-03-2005</b>
Total Income	5556.35	5499.58
Profit before depreciation and tax	172.53	181.96
Depreciation	59.06	54.45
Provision for Taxation		
Current year	40.10	48.10
Deferred tax	(7.45)	1.96
Fringe Benefit Tax	2.58	—
Provision for tax for earlier years written back	—	(19.24)
Profit After Tax	78.25	96.70
Prior period adjustment	—	3.23
Profit after tax and prior period adjustments	78.25	93.47
Balance b/f. from previous year	342.41	288.17
Profit available for appropriation	420.66	381.65
<b>Appropriation :</b>		
General Reserve	5.00	5.00
Proposed Dividend	30.28	30.28
Distribution tax thereon	4.25	3.96
<b>Balance carried to Balance Sheet</b>	<b>381.13</b>	<b>342.41</b>

**Dividend**

Your Directors are pleased to recommend Dividend @ 10% (Re.1/- per share) on equity shares for the year ended 31st March, 2006.

**Performance**

In spite of acute competition, the performance of your Company for the year under review has remained satisfactory. The income for the year under review was Rs. 5556.35 lacs (previous year Rs. 5499.58 lacs). The net profit after tax was Rs. 78.25 lacs (previous year Rs. 96.70 lacs).

**Future outlook**

The Company has a good presence in the Global market. The quality products of the Company have established a name and brand image in overseas market. But the Company has not entered in to the domestic market till now, so the area where company wishes to extend its presence is the domestic market. The thrust on the competitive strength, newer product development and consolidation of customer relationship has resulted into a bright future for the Company. Looking to the global economy your Directors are optimistic of achieving higher turnover and profits during current financial year.

**Directorate**

Shri Pares C. Patel, Director of the Company who retires by rotation, and being eligible, offers himself for appointment.

**Disclosure on Stock Exchanges**

The equity shares of the Company are listed on the Ahmedabad and Mumbai Stock Exchanges. The Company has paid necessary Listing fees for the year 2006-2007 to both the Stock Exchanges.

**Fixed Deposits**

The Company has not accepted any deposits from the public.

**Insurance**

All the properties and assets of the Company are adequately insured.

**DYNAMIC INDUSTRIES LIMITED**

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**Energy, Technology and Foreign Exchange**

In accordance with the provisions of section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption, foreign exchange earning and outgo is given in Annexure – 1 to the Directors' Report.

**Corporate Governance**

The Company has complied with the recommendations and code on Corporate Governance. A separate Report on Corporate Governance together with the Certificate from Auditors is provided in a separate Annexure.

**Particulars of Employees**

The information pursuant to the provisions of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is nil.

**Personnel**

Relations between the Employees and the Management continued to be cordial during the year under review. Your Directors hereby place on record their appreciation for the efficient and loyal services rendered by the employees of the Company at all levels.

**Directors' Responsibility Statement**

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956 as amended by Companies {Amendment} Act, 2000, your Directors state :

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and a fair view of the state of affairs of the Company at the end of the financial year ended on 31.03.2006 and of the Profit of the Company for the year ended on 31.03.2006;
3. That the Directors have taken proper and sufficient care 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;
4. That the Directors have prepared annual accounts on a going concern basis.

**Auditors**

M/s. G. K. Choksi & Co., Chartered Accountants, Ahmedabad hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a certificate under section 224(1)(B) of the Companies Act, 1956 from them. You are requested to appoint the Auditors and fix their remuneration.

**Acknowledgement**

Your Directors take this opportunity to express their gratitude for the co-operation and support from its customers, vendors, bankers and business associates and look forward to their continued support.

The Directors are also grateful to the shareholders for the confidence reposed in the Company. Your Directors also wish to place on record their sincere appreciation of the valuable contribution and efforts made by all the employees to achieve success in these trying times.

**For and on behalf of the Board**

**Place : Ahmedabad**

**Date : 30 - 06 - 2006**

**HARIN D. MAMLATDARNA**  
**Managing Director**

**DEEPAK CHOKSI**  
**Director**

**ANNEXURE 1 TO THE DIRECTOR'S REPORT****A. TECHNOLOGY ABSORPTION :-**

The Company has adopted indigenous technology.

The Company does not deploy any foreign technology. The management of the Company is well conversant with technology.

**B. CONSERVATION OF ENERGY :-**

(i) As power and energy expenditure are not main cost constituent of company's overall product costing. So at present company is not required to take any conservation measures.

(ii) Power and fuel consumption

	2005 - 2006	2004 - 2005
<b><u>Electricity</u></b>		
Purchase unit	12 61 078	11 35 557
Total amount	57 50 650	51 30 125
Rate (per unit)	4.56	4.52
<b><u>Light Diesel Oil/Diesel Oil / Furnace oil / Fire Wood</u></b>		
Quantity (in LTRS/Kgs.)	32 15 494	3 91 800
Total amount	1 14 62 800	74 04 263
Average rate per unit	3.56	18.90

**C. RESEARCH AND DEVELOPMENT (R & D) :-****a. Specific areas in which R&D carried out by the company.**

Dyes

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

By addition on new products the company has been able to improve presence in overseas market.

**c. Future plan of Action**

R&D is being strengthened and equipped to play an effective role for improving the quality.

**d. Expenditure on R&D.**

No separate expenditure on R&D is booked in the accounts but are included in laboratory expenses.

**D. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :-****a. Efforts Made**

The company employs indigenous technology. However, for the economical production and of high quality, product is developed with help of technical personnel and instillation of latest machineries and equipments

**b. Benefits derived as a result of above efforts**

Product improved through high efficiency and energy saving has improved an overall working

**Foreign Exchange earning and out go (Rs. In lacs)**

	2005 - 2006	2004 - 2005
Foreign exchange earning	3844.06	3415.32
Foreign exchange out go	1658.78	1654.75

**DYNAMIC INDUSTRIES LIMITED****REPORT ON CORPORATE GOVERNANCE****1. COMPANY'S PHILOSOPHY**

Company's philosophy on Corporate Governance is to ensure fairness, transparency, accountability and responsibility to all the stakeholders.

The Company believes in code of governance, which fulfills the motto of "Service to Society through commercial activities". The Company has implemented code of Corporate Governance to ensure proper quality, customer satisfaction, payment regularity, harmonious employer – employees relationship, legal compliances, maximizing the value of equity shareholders and responsibility to the nation by timely payment of taxes and as a premier exporter. The Company believes, it must leverage its human and capital resources into reality, create awareness of corporate vision and spark dynamism and entrepreneurship at all levels. Corporate Governance must balance individual interest with corporate goals and operate with accepted norms of propriety, equity, fair play and a sense of justice.

**2. BOARD OF DIRECTORS****Composition of the Board of Directors**

The Board of Directors is comprised of 6 members of which 3 are Promoters and Executive Directors including Chairman, All other Directors are Non-Executive Directors. The Board believes that the current size is appropriate based on the Company's present circumstances.

Name of Director	Category	No. of other Director-ships	Membership of Board Committees
Deepak V. Shah	Chairman	Nil	1
Deepak N. Choksi	Executive Director	Nil	1
Harin Mamlatdarna	Executive Director	Nil	1
Deepak R. Sheth	Non-Executive Director / Independent	Nil	3
Bankim M. Patel	Non-Executive Director / Independent	Nil	3
Paresh C. Patel	Non-Executive Director / Independent	Nil	2

**Attendance of each Director at Board Meetings and the last Annual General Meeting**

8 Board Meetings were held during the financial year 2005-2006. The composition of Directors and the attendance at the Board Meeting during the year 2005-2006 and last Annual General Meeting are as under :

Director	Category of Directorship	No. of Board Meetings held	No. of Board Meetings attended	Last AGM Attendance
Deepak V. Shah	Chairman	8	3	Yes
Deepak N. Choksi	Vice Chairman	8	8	Yes
Harin Mamlatdarna	Managing Director	8	8	Yes
Deepak R. Sheth	Director	8	Nil	No
Bankim M. Patel	Director	8	7	Yes
Paresh C. Patel	Director	8	7	Yes

Number of Board Meetings held during the financial year 2005-2006 was 8. The dates on which these Board Meetings were held are 30-04-2005, 23-06-2005, 30-07-2005, 20-09-2005, 30-09-2005, 28-10-2005, 31-01-2006 and 13-03-2006.

The last Annual General Meeting was held on 30-09-2005.

### 3. AUDIT COMMITTEE

The Audit Committee aims to provide effective supervision of various areas of the management, to monitor financial reporting process with a view to ensure accurate and timely compliances, disclosures, transparency, integrity of financial reporting.

Terms of reference of the Audit Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement. Main areas are deliberated as under.

- a) To provide an open avenue of communication between the independent auditors, internal auditors and the Board of Directors (BOD).
- b) To oversee the work of the independent auditors for the purpose of preparing or issuing an audit report or related work.
- c) To consider and review the adequacy of internal control including computerized information system controls and security: and related findings and recommendations of the independent auditor and internal auditor together with the management's responses.
- d) To review and discuss with the management and the independent auditors, the annual audited financial statements and quarterly audited / un audited financial statements, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and of Results of Operations"
- e) To conduct a post – audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors.
- f) Review, in conjunction with counsel, any legal matters that could have a significant impact on the company's financial statements.
- g) Report periodically to the Board of Directors on significant activities.

Relying on the review and discussions with the management and the independent auditor, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles in all material aspects.

The Committee has recommended to the Board the re-appointment of Chartered Accountants, as the statutory and independent auditors of the Company for the fiscal year ending March 31, 2007, and that necessary resolution for appointing them as Auditors be placed before the shareholders. The Committee recommended the re-appointment of internal auditors to review various operations of the company.

The Constitution of the committee and the attendance of each member of the committee is given below :

Name	Designation	Category
Shri Bankim M. Patel	Chairman	Non-Executive Director / Independent
Shri Paresh C. Patel	Member	Non-Executive Director / Independent
Shri Deepak R. Sheth	Member	Non-Executive Director / Independent

  

Members	Meetings Held	Meetings attended
Shri Bankim M. Patel	4	4
Shri Paresh C. Patel	4	4
Shri Deepak R. Sheth	4	–

Four meetings of the Audit Committee were held during the year on the following dates :  
23-06-2005, 30-07-2005, 28-10-2005 and 31-01-2006.

By invitation : Shri Kamlesh H. Shah,  
Senior.Audit Manager.  
G. K. Choksi & Co. (Statutory Auditors)

### 4. REMUNERATION COMMITTEE

The Remuneration Committee is formed to review the policy on remuneration packages for Executive Directors. The Committee determines and recommends to the Board the compensation to the directors. All Board-level compensation is approved by shareholders, and separately disclosed in the financial statements.

In fixing remuneration, practices followed by the companies of size and standing similar to the Company and that of the industry standards are taken into consideration. However, remuneration to Non- Executive Directors will be decided by the Board of Directors.

The Constitution of the committee and the attendance of each member of the committee is given below :

Name	Designation	Category
Shri Paresh C. Patel	Chairman	Non-Executive Director / Independent
Shri Bankim M. Patel	Member	Non-Executive Director / Independent
Shri Deepak R. Sheth	Member	Non-Executive Director / Independent

There is no fixation, revision or increase in remuneration of any of the Executive Directors during the financial year under review. Hence, there was no meeting of the Remuneration Committee during the financial year.

**Details of remuneration paid / payable to the Directors for Financial Year 2005-2006**

Name	Salary and Perquisites (Rs.)	Commission	Shares issued under ESOP	Details of service contracts: notice period and severance fees
Deepak V. Shah	1133849	Nil	Nil	Ordinary Resolution dt. 30-09-2005, valid upto 30-09-2007. No Notice period and no severance fees
Deepak N. Choksi	1121999	Nil	Nil	
Harin Mamlatdarna	1126231	Nil	Nil	

**5. SHARE TRANSFER CUM INVESTOR GRIEVANCE COMMITTEE**

The Share Transfer Cum Investor Grievance Committee has been constituted to administer the following activities:

- Transfer of shares
- Transmission shares
- Issue of Duplicate Share Certificates
- Change of Status
- Change of Name
- Transposition of Shares
- Sub-Division of Share Certificates
- Consolidation of folios
- Shareholders' requests for Dematerialisation of shares
- Shareholders' requests for rematerialisation of shares

The Committee meets from time to time and approves the transfer and transmission of shares, deletion of names, issue of duplicate share certificates etc. The Committee facilitates prompt and effective redressal of investors' complaints and the reporting of the same to the Board of Directors.

The Board has constituted a Share Transfer Cum Investor Grievance Committee which looks after shareholders' and investors' grievances.

Name	Designation	Category
Shri Deepak R. Sheth	Chairman	Non-Executive Director / Independent
Shri Bankim M. Patel	Member	Non-Executive Director / Independent
Shri Deepak V. Shah	Member	Executive Director
Shri Deepak N. Choksi	Member	Executive Director
Shri Harin Mamlatdarna	Member	Executive Director

The Board has delegated the power of Share Transfer to Registrar and Share Transfer Agent, M/s. Pinnacle Share Registry P. Ltd. who processes the transfers.

- No. of shareholders' complaints received — nil.
- No. of complaints not solved to the satisfaction of shareholders — nil.
- No. of pending share transfers — nil.
- As at 31st March, 2006 no equity Shares were pending for transfer.