

DYNEMIC PRODUCTS LIMITED

FIFTEENTH ANNUAL REPORT

For the Year : 2004-2005

BOARD OF DIRECTORS

Shri B.K.Patel	- Chairman & Managing Director
Shri Dasharathbhai P.Patel	- Whole Time Director
Shri Rameshbhai B.Patel	- Whole Time Director
Shri Shashikant P.Patel	- Whole Time Director
Shri Dixit B.Patel	- Whole Time Director
Shri Jagadishbhai S.Shah	- Director
Shri Hitendra H.Sheth	- Director
Shri Harish K.Shah	- Director (w.e.f. 2-7-2005)

REGISTERED OFFICE

B-301, Satyamev Complex-I
Opp.: New Gujarat High Court
S.G.Highway Road, Sola,
Ahmedabad.

Report  junction.com

FACTORY

Unit-I

6401, G.I.D.C.Estate
Ankleshwar
Dist.: Bharuch

Unit-II

3709/6, G.I.D.C.Estate
Ankleshwar
Dist.: Bharuch

BANKERS

CITI BANK N.A.
C.G.Road Branch
Ahmedabad

AUDITORS

SHAH RAJESH & ASSOCIATES
CHARTERED ACCOUNTANTS
4, Third Floor, Rambha Complex,
Opp.: Gujarat Vidhyapith, Ashram Road,
AHMEDABAD - 380 014

COMPANY SECRETARY

REENA K. DESAI

Directors' Report for the Year 2004-2005

To,
The Members,

Your Directors are pleased to present the 15th Annual Report and Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS:

Particulars	Year ended March 31	
	2005	2004
SALES AND OTHER INCOME	269313177	267105678
PROFIT BEFORE DEPRECIATION & PREL. EXPS W/OFF	40009571	23847573
LESS: DEPRECIATION	4167943	3762877
PRELIMINARY EXPS. WRITTEN OFF	118983	30153
PROFIT BEFORE TAX	35722645	20054543
LESS: PROVISION FOR TAXATION		
CURRENT INCOME TAX A/C	14000000	6000000
DEFERRED INCOME TAX A/C	1246242	1592658
NET PROFIT AFTER TAX	20476403	12461885
ADD: BALANCE OF PROFIT OF LAST YEAR	38073198	24335990
LESS: PROFIT UTILISED FOR ISSUE OF BONUS SHARES	31284400	NIL
PROFIT AVAILABLE FOR APPROPRIATION	27265202	36797875
ADD: DIVIDEND FOR THE YEAR 2002-03 WRITTEN BACK	NIL	6153552
TAX ON DIVIDEND FOR THE YEAR 2002-03	NIL	788424
WRITTEN BACK		
BALANCE PROFIT	27265202	43739851
LESS: APPROPRIATIONS :		
TRANSFER TO GENERAL RESERVE	1023820	1810000
DIVIDEND (INTERIM)	4379295	3418640
PROVISION FOR TAX ON INTERIM DIVIDEND	572319	438013
BALANCE CARRIED TO BALANCE SHEET	21289768	38073198

FINANCIAL REVIEW:

For the year ended 31st March 2005, the sales of the company was Rs. 2597.29 Lacs as compared to Rs. 2530.07 Lacs in the year 2003-04. Export Sales accounted for 77% of Net Sales. The Export Turnover of the Company is Rs. 2015.06 Lacs which is 11% more than previous year of Rs. 1816.22 Lacs. Still there is considerable scope for your Company, exploring possibilities of developing business in various countries all over world, based on its inherent strengths. Profit before Tax grew 78.13% to Rs. 357.23 Lacs up from Rs. 200.54 in the previous year. Profit after tax grew 64.31% to Rs 204.76 Lacs mainly on account of higher volumes and continued focus on costs, productivity and efficiency. The total paid up equity share capital stood at Rs. 690.59 Lacs.

FUTURE OUTLOOK:

The total demand of food colours & lake colours was 10000 MT & 11000 MT in the years 2003-04 & 2004-05 respectively. Your directors perceive the steady growth for the same in coming years as food colours are used in other industries like Edible Ink, Drug & Pharmaceuticals, and Cosmetics etc apart from food products. Supply of quality products at par with international standards and at market determined prices is major reason for enhanced market share of India as compared to American & European countries in last recent years. The demand for food colours is expected to be 12000 MT in the year 2005-06. At the same time, the coming years will see greater competition in the Food colour market, but your Company is confident of meeting the challenges by capitalizing on the opportunities offered by liberalization for securing rapid growth.

Your Company believes that the key to success lies in total commitment to exceptional standards of performance and productivity, with focus on embracing new ideas and learning. Your Company is striving to enhance marketing presence by satisfying customer needs at competitive costs, through improved productivity and optimum utilization of resources. The process of augmenting infrastructure, strengthening company image, improving efficiency through business and financial restructuring, optimizing human capital have been in place.

DIVIDEND:

The company has declared & paid interim dividend @ 7% on paid up equity capital of the company. Hence, your Directors do not recommend any final dividend, considering the requirement of fund for further expansion. The Directors propose that the Interim Dividend shall be treated as final dividend for the financial year ended 31st March, 2005.

BONUS SHARES:

At the General Meeting of the company held on 1st June, 2004, you had approved capitalization of reserves of the Company to issue Bonus Shares in the ratio of 1:1 to then existing Equity Shareholders of the company. Accordingly the company issued 3452940 Equity Shares of Rs.10 each on 7th June 2004 to the members of the company as bonus shares.

OTHER SIGNIFICANT DEVELOPMENTS:

- **Export Oriented Unit:**

Dynemic Products Ltd., understanding its business flow from the overseas market have promoted **Export Oriented Unit** for export operations. Your Directors are pleased to inform you that Unit I & unit II of the company have gained the status of EOU from Kandla Special Economic Zone w.e.f. 10/06/2005 & 9/06/2005 respectively. Now the EOU II of the company will avail 100% tax exemption benefit till the assessment year 2009-10.

- **Subsidiary Company:**

1) The company has acquired 60% shares of Dynamic Overseas (India) Pvt. Limited and hence it has become the subsidiary company of our company.

2) The company has incorporated a subsidiary company on 9th June 2005 in USA viz., Dynemic USA Inc. to expand its area of operations in USA. The business of the company is likely to be commenced from January 2006.

NEW PROJECTS AND EXPANSION PLANS:

The company proposes to expand both the Export Oriented Units of the company. In EOU-I the company proposes to install machinery/plant for the purpose of backward integration process for manufacturing Ethyl Acetate as in house process which will reduce cost of manufacturing S.P.C.P and cause saving of approx. 50 Lacs p.a. The company also proposes to install recovery plant of Glauber Salt by which the company will be benefited in the form of getting additional 1:4 PHPS of Rs. 50.00 Lacs p.a. and also reduction in effluent load and cost associated with it. Also, the company would get an additional income of Rs 33 Lacs p.a. approx from sale of Glauber Salt. The company will install wood/lignite fire boiler by replacement of gas fired boiler which will cause fuel cost saving amounting to Rs. 79 Lacs approx p.a.

Thus the entire expansion in EOU-I along with existing infrastructure and utilities will enable us to achieve more efficiency resulting in an increased competitiveness and raising our return on deployed capital.

In line with our aim of capturing a higher market share in dye intermediates, & food colours & Lake Colour industry, the company proposed to expand its EOU-II by manufacturing various primary food colours. The company also proposes to go into forward integration process for manufacture of lake colours. The overall effect of the expansion will be that the product range of the company will be increased & consequently market share in the industry.

The total cost of project is estimated at Rs. 18.19 Crore which will be partially financed by availing term loan and partially by raising capital of the company. The project is likely to commence in October 2005

DIRECTORS:

a) In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Jagdish Shah and Mr. Hitendra Sheth, Directors retire at the ensuing Annual General Meeting and, being eligible, have offered themselves for reappointment.

b) Mr. Harish K. Shah was appointed as an Additional Director on the Board of the Company on 2nd July, 2005. His term expires at the ensuing Annual General Meeting. Pursuant to the provisions of Section 257 of the Companies Act, 1956, the Company has received a notice proposing his candidature for the office of Director on rotational basis.

c) Your Directors have proposed to reappoint Mr. B.K. Patel as the Managing Director of the Company, subject to the approval of the shareholders who was appointed as M.D. of the company w.e.f. 1-1-2001 for the period of 5 years. The requisite resolution pertaining to his re appointment is set out in item no. 8 of the Notice and is recommended to the Shareholders.

d) Your Directors have proposed to reappoint Mr. Dashrathbhai P. Patel, Mr. Rameshbhai B. Patel & Mr. Shashikant P. Patel as the Whole time Directors of the Company, subject to the approval of the shareholders who were appointed as Whole Time Directors of the company w.e.f. 1-1-2001 for the period of 5 years. The requisite resolution pertaining to their reappointment is set out in item nos. 9, 10 & 11 of the Notice and is recommended to the Shareholders.

AUDITORS:

Shareholders are requested to appoint the auditors of the company M/s Shah Rajesh & Associates, Ahmedabad who retires as auditors of the company at ensuing general meeting and are eligible for reappointment.

AUDITORS REPORT:

The Auditors report is self explanatory and so far there is no negative remark by the Auditors, however regarding point no. 3 of Annexure to the Auditors report your company has received the amounts back from the concerns in which Directors are interested.

PARTICULARS OF EMPLOYEES:

There was no employee drawing salary in excess of limits described under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, and henceforth not applicable to the Company.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required under 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 is given as per Annexure-I and forms part of Directors' Report.

FIXED DEPOSITS:

The company has complied with the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975. There is no unclaimed deposit for the year ended on 31-3-2005.

INSURANCE

The building, plant and machinery and other fixed assets of the company including stock of goods of the company are adequately insured against risk of fire, riots etc.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors state:-

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2004-2005 and of the profit of the Company for that year;
- that we 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;
- that we have prepared the annual accounts on a going concern basis.

QUALITY ASSURANCE AND PRODUCT DEVELOPMENT:

The company has sustained the status ISO 9001:2000 certification of fully integrated ISO certified Company with its two plants at Ankleshwar & Corporate Office having been accredited by ISO certification. Also company has got the KOSHER certification for its products. To keep pace with the international standards, the manufacturing of dye intermediates & food colours are constantly reviewed and upgraded and a number of new products were introduced during the year under review. All the plant laboratories are equipped with the most modern automated equipment to maintain high analytical standards of various dye intermediates & colours. The Company is fully geared to face a rapidly changing environment by using its expertise, enhanced strength, various ISO accreditations and available infrastructure, including R&D Department.

ENVIRONMENTAL & HAZARDOUS SAFETY:

In pursuit of its commitment to environment protection and preservation of ecological balance, the company has well organized effluent treatment system. Company's Primary effluent treatment plant forms a part of effluent control system coupled with a full fledged effluent treatment plant of C.E.T.P to take care of the effluents to standard limits regulated by Gujarat Pollution Control Board & law. The solid waste is disposed off according to approval of GPCB. There are continuous efforts towards minimising effluent discharge at both plants, which are being continuously monitored for improvement. The Company has sustained ISO 14001 Environment Management System accreditation for both the plants during the year, through regular surveillance audit.

Industrial safety continues to be accorded high priority. The company has also sustained HACCP Code: 2003 accreditation under food safety programme for both the plants during the year.

ACKNOWLEDGEMENTS:

Your Company continues to consolidate its leadership position in its business through value addition to its products and services. It is also progressively gaining international competitiveness in quality and cost benchmarks and aims to build shareholder value and sustain its performance track record. Your Directors look forward to the future with confidence.

Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from shareholders, customers, business associates, bankers, vendors, regulatory and governmental authorities. Your Directors also thank the employees at all levels, who through their dedication, co-operation, support and smart work have enabled the Company to achieve rapid growth.

Place: Ahmedabad
Date: 16th July 2005

For and On Behalf of the Board of Directors
Sd/-
B. K. Patel
Chairman & Managing Director

ANNEXURE - I

Information required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988.

i] Conservation of Energy :

a] Energy conservation measures taken :

The Company has adopted several energy conservation measures besides what had been carried out earlier. Periodical testing is being taken for each unit of power supply to verify that the energy consumed is minimised.

b] Additional Investments and Proposals, if any being implemented for reduction of consumption of energy : Not Planned at this stage.

c] Impact of the measures at (a) and (b) above :

Energy consumption has been optimised and cost of production to that extent is under control.

d] Total energy consumption and consumption per unit of production : As per Form : A

ii] Technology Absorption :

The Company has not acquired outside technology and hence the question of technology absorption does not arise.

iii] Foreign Exchange earning and outgo :

Particulars	Current Year Rs.	Previous Year Rs.
Foreign Exchange earned	136600308	112096582
Foreign Exchange used	1259573	11154153

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

1] Power and Fuel Consumption :

i]	Electricity :		
a]	Purchase Units :	Units	1520749
	Total Amount :	Rs.	6328273
	Rate /Unit :	Rs.	4.16
b]	Own Generator (Diesel Generator)		
	Total Ltrs.	Ltrs.	2400
	Total Amount	Rs.	62432
	Rate/ Ltrs.	Rs.	26.01
ii]	a]	Boiler Oil (Shatherm & Shanhy) :	
		Total Ltrs.	Ltrs. 1660
		Total Amount	Rs. 91301
		Rate/ Ltrs.	Rs. 55.00
	b]	GAS :	
		Total Ltrs.	Ltrs. 722498
		Total Amount	Rs. 6073069
		Rate/ Ltrs.	Rs. 8.41

2] Consumption per unit of production :

1	Production	:	Dyes, Chemicals & Food Colours	3360620.125 Kgs.
2	Electricity	:	0.453 Units	
3	Diesel	:	0.001 Ltrs.	
4	Fuel	:	0.000 Ltrs.	
5	Gas	:	0.215 Scm.	