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FROM THE CHAIRMAN'S DESK



The year 2005-06 was a historic one for your company. In this year your company has got the status of one star export house. On the other hand in February 2006 your company recorded an important milestone by virtue of its debut on BSE. The IPO was oversubscribed by about 11.83 times. I thank investors for the trust and confidence imposed in the management.

During the year under review your company's sales rose from Rs. 2597.29 Lacs to Rs. 2864.75 Lacs recording a growth of 10.29% in which export sales accounted for 77% of total sales. The domestic sales registered 15% growth despite of unfavorable market situation where Raw Materials price constantly kept rising during the year. We expect export sales to be the key driver of superior growth in future and see the enormous opportunity in the regulated global market. We are currently in the process of expanding our markets reach as well as product range. As a part of this process we have formed a 100% subsidiary Company Dynemic USA Inc in the USA to capture the market of USA.

But at the same time we continue to firmly believe in the Domestic Market opportunity and intend to further strengthen our leadership in the medium term.

At the same time, we continue to firmly believe in the Domestic Market potentiality & opportunity and intend to further strengthen our leadership in the medium term.

To chase & meet the above opportunities, the company has initiated expansion projects for enhancement in its manufacturing capacity of its plants at Ankleshwar. The project expansion includes mainly backward integration and forward integration the details of which are given in Directors Report.

Lastly, I acknowledge and appreciate the dedicated efforts of our talented and committed workforce enabling the company to scale new heights in the years to come.

B. K. PATEL

Chairman & Managing Director

Board of Directors	
Bhagwandas K. Patel	Managing Director
Dashrathbhai P. Patel	Whole Time Director
Rameshbhai B. Patel	Whole Time Director
Shashikant P. Patel	Whole Time Director
Dixit B. Patel	Whole Time Director
Jagdish S. Shah	Director
Hitendra H. Sheth	Director
Harishbhai K. Shah	Director
Vishnubhai G. Patel	Director
Shankarlal B. Mundra	Director
Company Secretary	Registered Office
Reena K. Desai	B-301, Satyamev Complex-1, Opp: New Gujarat High Court, S.G. Road, Sola, Ahmedabad-380 060. Gujarat.
Auditors	Plant Location
Shah Rajesh & Associates Chartered Accountants 4, 3 rd Floor, Rambha Complex, Opp: New Gujarat High Court, Ashram Road, Ahmedabad-380 014.	Unit-1: 6401, GIDC Estate, Ankleshwar. Unit-2: 3709/6, GIDC Estate, Ankleshwar.
Bankers	Registrar & Transfer Agent
Citibank N.A. C.G. Road, Ahmedabad	Bigshare Services Pvt. Limited E-2 Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai-400 072.
HDFC Bank Ltd. S.G. Road Branch, Ahmedabad	Shares Listed At
State Bank of India Overseas Branch, Ahmedabad	The Bombay Stock Exchange Limited

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Notice

Notice is hereby given that the Sixteenth Annual General Meeting of DYNAMIC PRODUCTS LIMITED will be held at Funpoint Club & Resorts Pvt Ltd, Gandhinagar Sarkhej Highway, Sola Road, Nr. Kargil Petrol Pump, Near New Gujarat High Court, Ahmedabad – 380 060 on Friday, August 4, 2006 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balancesheet as at March 31, 2006 and the Profit & Loss Account for the year ended on that date together with the Report of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended March 31, 2006.
3. To appoint a Director in place of Shri Jagdish S. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Harish K. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 “RESOLVED THAT Shri Vishnubhai G. Patel, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 read with Article No. 137 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received Notice from a member signifying his intention to propose Shri Vishnubhai G. Patel as a candidate for the office of Director, be and is hereby appointed a Director of the Company liable for retirement by rotation”.
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 “RESOLVED THAT Shri Shankarlal B. Mundra who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 read with Article No. 137 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received Notice from a member signifying his intention to propose Shri Shankarlal B. Mundra as a candidate for the office of Director, be and is hereby appointed a Director of the Company liable for retirement by rotation”.
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 “RESOLVED THAT pursuant to the provisions of Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, approval of the members of the Company be and is hereby accorded for the payment of sitting fees for each Meeting of the Board of Directors / Committees, attended by the Non-Executive Directors of the Company, upto a sum not exceeding the ceiling prescribed by the Companies Act, 1956 read with Rule 10B of Companies (Central Governments) General Rules and Forms, 1956 or as amended by the Central Government from time to time with the authority to the Board to revise the fees within the prescribed limit.”

By order of the Board

Place: Ahmedabad
 Date: 18th May, 2006

Reena K. Desai
 Company Secretary

NOTES

1. **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.**
 Proxy forms to be effective must be received at the registered office of the company not less than 48 hours before the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos. 6 to 8 of the Notice set out above, is annexed hereto.
3. Copies of the audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Accounts for the year ended on that date and the Reports of the Directors and the Auditors thereon, have already been circulated to members along with the Notice forwarded to the members in respect of the aforesaid Annual General Meeting to be convened on 4th August, 2006.
4. Members are requested to intimate immediately change of address, if any, to the Company / Registrar.
5. The register of members shall remain closed from 29th July 2006 to 4th August 2006 (both days inclusive).
6. Payment of dividend as recommended by the Directors, if approved at the Meeting, will be made to those members whose names are on the Company's Register of Members on 28th July, 2006. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on 28th July, 2006 as per details furnished by the Depositories for this purpose. The dividend will be paid on or after 8th August, 2006.
7. Members are advised to avail the nomination facility in respect of the shares held by them singly. Nomination forms can be obtained from the Company.
8. Members/proxies should bring their Attendance slips sent herewith, duly filled in, for attending the meeting. Members who hold shares in Dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for easy identification at the meeting and number of shares held by them.

By order of the Board

Place: Ahmedabad
 Date: 18th May, 2006

Reena K. Desai
 Company Secretary

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

The following Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, set out all material facts relating to the business mentioned at Item Nos. 6 to 8 in the accompanying Notice dated 4th August 2006.

Item No. 6 & 7

The Board of Directors of the Company, at its meeting held on 8/09/2005 and 29/09/2005 appointed Shri Vishnubhai G. Patel and Shri Shankarlal B. Mundra respectively as Additional Directors of the Company pursuant to Section 260 of the Companies Act, 1956 and in exercise of the authority vested by the Articles of Association. The terms of office of Shri Vishnubhai G. Patel and Shri Shankarlal B. Mundra as Additional Director expire at this Annual General Meeting.

The Company has received notices under Section 257(1) alongwith the requisite amount of deposit from the members of the Company notifying their intention to propose the candidatures of Shri Vishnubhai G. Patel and Shri Shankarlal B. Mundra as the Directors of the Company.

Your Directors commend the Resolutions at Item No. 6 and 7 for your approval.

None of the Directors except above two director of the Company seeking appointment are concerned or interested in the Resolutions set out in Item No. 6 and 7 of the Notice.

Item No.8

Pursuant to one of the requirements of Clause 49 of the Listing Agreement relating to Corporate Governance, all fees/compensation payable to Non-Executive Directors, including independent Directors, shall be fixed by the Board of Directors and shall require approval of the shareholders in the General Meeting.

At present pursuant to Article 139 of the Articles of Association, the Company is paying to the Non-Executive Directors, sitting fees of Rs 2500/- for attending each Board meeting w.e.f. 1st April 2006. Presently Company is not paying any sitting fees to the Directors for attending any Committee Meetings.

Approval of the members is sought for payment of sitting fees for each meeting of the Board of Directors/Committees attended by the Non-Executive Directors of the Company upto a sum not exceeding the ceiling prescribed by the Companies Act, 1956 read with Rule 10B of Companies (Central Government's) General Rules and Forms, 1956 or as amended by the Central Government from time to time with the authority to the Board to revise the fees within the prescribed limit.

The Directors recommend passing of the above resolution as an ordinary resolution.

All the Directors of the Company, except Shri Bhagwandas K. Patel, Shri Dashrathbhai P. Patel, Shri Rameshbhai B. Patel, Shri Shashikant P. Patel and Shri Dixit B. Patel may be considered as deemed to be interested in passing of this resolution.



By order of the Board

Place: Ahmedabad
Date: 18th May, 2006

Reena K. Desai
Company Secretary

INFORMATION AS REQUIRED UNDER CLAUSE 49 (IV)(G) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING APPOINTED / RE-APPOINTED

Particulars	Shri Jagdish Shah	Shri Harish Shah	Shri Vishnubhai Patel	Shri Shankarlal Mundra
Date of birth	1/06/1956	12/09/1955	1/06/1954	1/11/1960
Date of appointment	7/06/2004	2/07/2005	8/09/2005	29/09/2005
Qualification	B.Com, L.L.B.	B.Com, L.L.B.	M.B.B.S., (D.G.O.)	B.Com, L.L.B.
Expertise in specific functional area	He is working with iNDEXTb (Industrial Extension Bureau-A Govt. Of Gujarat Organisation) from last 24 years.	He is an advocate & is practicing as legal advisor for civil & revenue matters at Citi Civil Court & High Court of Gujarat since 20 years.	He is having experience of 19 years as a Gynecologist in Ahmedabad.	He is practicing as tax consultant since 16 years with
Directorship held in other companies	None	None	None	None
Membership/ chairmanship of committees in other public Company	None	None	None	None
Shareholding in the company	Nil	Nil	Nil	Nil

Directors' Report

To,
The Members,
Your Directors are pleased to present the 16th Annual Report and Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS:

Particulars	Year ended 31st March	
	2006	2005
Sales And Other Income	295508932	269313177
Profit Before Depreciation & Preliminary Exps W/Off	41085606	40009571
Less: Depreciation	4442043	4167943
Preliminary Exps. Written Off	144983	118983
Profit Before Tax	36498580	35722645
Less: Provision for Taxation		
Current Income Tax A/c	11500000	14000000
Deferred Income Tax A/c	383458	1246242
Net Profit After Tax	24615122	20476403
Add: Balance of Profit of Previous Year	21289768	38073198
Less: Profit Utilised for Issue of Bonus Shares	0	31284400
Profit Available for Appropriation	45904890	27265201
Less: Appropriations :		
Transfer to General Reserve	1231000	1023820
Proposed Dividend	11328449	
Tax on Dividend	1588815	
Dividend (Interim)	0	4379295
Provision for Tax on Interim Dividend	0	572319
Balance Carried to Balance Sheet	31756626	21289767

DIVIDEND

The Board is pleased to recommend a dividend of 10% (Re. 1/- per Equity Share) for the year 2005-06 on the increased capital. If approved by the Shareholders at the Annual General Meeting, dividend will absorb Rs 129.17 Lacs inclusive of the Dividend Distribution Tax borne by the Company. The Company had paid an interim dividend of 7% in the financial year 2004-05 and had not declared any final dividend for 2004-05.

INITIAL PUBLIC OFFER

In January, 2006, your Company had successfully completed its Initial Public Offer (IPO) and the shares were listed on The Bombay Stock Exchange Limited (BSE) in February 2006. It was a Fixed price issue consisted of a fresh issue of 4421000 equity shares of Rs 10/- each at a Premium of Rs. 25/- per share (i.e. At a price of Rs. 35/- per share) aggregating to Rs.1547.35 Lacs. The IPO received a good response from the investors & the issue was over-subscribed by about 11.80 times.

The Company has allotted 4422569 (1569 additional shares due to rounding off of the shares) on 20th February, 2006 subsequent to which the Company's Paid up share capital is increased from Rs 690.59 Lacs to Rs 1132.84 Lacs and share premium account is increased to Rs. 1105.64 Lacs.

FINANCIAL REVIEW

For the year ended 31st March 2006, the sales of the company were Rs. 2864.75 Lacs as compared to Rs. 2597.29 Lacs in previous year. Export Sales accounted for 77% of Net Sales. The Export Turnover of the Company is Rs. 2195.14 Lacs which is 8 % more than previous year of Rs. 2015.06 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 to Rs. 364.98 from Rs. 357.23 of the previous year. Profit after tax grew by 20.21% to Rs 264.15 Lacs mainly on account of higher volumes and continued focus on costs, productivity and efficiency compared to Rs. 204.76 Lacs in previous year.

Expansion:

The proceeds of the Company's Initial Public Offer (IPO), to which reference has been made hereinabove, are being utilised for the projects which are as under:

At unit I

- 1) The company is going in to backward integration process for manufacturing of Ethyl Acetate having present consumption of Approx. 475 MT p.a. for production of 1020 MT p.a. of SPCP as in house process .
- 2) The company is installing a recovery plant of Gaulber's salt and 1:4 PHPS to enable the company to recover 140 MT per month of Glauber's salt and 8 MT per month of 1:4 PHPS as finished goods from the filtration of Effluent disposed off during the production.
- 3) The company will replace their existing Gas Fired Boiler with a wood /lignite Fired boiler as cost saving measure.

After implementation of the project, the manufacturing capacity will be increased to 990 MT for Tatzine and other food colour from existing 720 MT per annum. Also the company will be capable of manufacturing 1680 MT Glauber salt and 96 MT 1:4 PHPS recovery per annum after project implementation. This expansion project is carried out in its existing land admeasuring 5664 sq Mtrs comprising of three plots situated at 6401, 6415 & 6416 G I D C, Estate Ankleshwar 393002. The company has already deployed 30.10 Lacs towards this project implementation against the proposed project cost of Rs. 411.86 Lacs.

The company expects to complete this project by August 2006.

At unit II

The company in this unit proposes to make expansion by installation of three plants for manufacturing of Food Colours and Lake Colours. The expansion for Lake Colours plant is Forward Integration by further processing of Food Colors and the company is also setting up its own Research & Development Center.

This expansion project is carried out in its existing land admeasuring 3700 sq Mtrs comprising of a plot situated at 3709/6 G I D C, Estate Ankleshwar 393002.

The proposed cost of the project is Rs. 1321.56 Lacs.

The company expects to complete this entire project by March 2007.

The unutilized funds are temporarily invested in the Mutual Funds and shall be withdrawn from it as per requirement of project implementation.

OTHER SIGNIFICANT DEVELOPMENTS**Participation in Exhibition**

During the year under review, your Company has participated in the Fi Asia exhibition at Malaysia and Fi-Europe exhibition at France. The response at these exhibitions has been encouraging and indicates the growing trust your Company has been able to garner during such events. It also indicates that there is wide market of food colours manufactured by Indian companies at the international level. The major reason for enhanced market share of India as compared to American & European countries in last recent years is supply of quality products by Indian Companies at par with international standards and at competitive prices.

One Star Export House

During the year the company has received the status of **One Star Export House** which will benefit the company to maintain its competitiveness in the international market in offering variety of products because the company will enjoy facilities like 100% retention of Foreign Exchange in EEFC A/c, Exemption from compulsory negotiation of documents through bank and acquiring licences/certificates/permissions and custom clearance on self declaration basis which will lead to saving of both time and money of the company.

Export Oriented Unit

Both the Units of the Company situated at Ankleshwar has been granted status of Export Oriented Units due to which the Company will get exemption in payment of Custom & Excise duty. Further Unit –II of the company at Ankleshwar is eligible to enjoy a tax holiday status till 2008-09. Also policies of Government of India pertaining to export sector have been favourable in the past and it is expected to continue in future. Thus with lower overhead and labour cost the company will attain a competitive position in international market.

Presence in USA

The company has incorporated a 100% Subsidiary Company in USA by the name of Dynemic USA Inc. to expand geographical as well as its product coverages and capture the opportunities to develop market of its products in USA.

R&D Center

As a next step in the development process, your Company is establishing the state of art inhouse R & D center as a part of product development to offer new variety of Synthetic Food Colours and D & C Colours. The total cost for this is estimated to be Rs. 200 Lacs.

During the year the company has started providing colours in Granule form apart from powder form as it provides low dust color which is fast dissolving, porous and cling free and which has very high demand in USA and European market now a days.

Also the company is manufacturing food grade inkjet inks enabling the high speed printing on food products which is new area of application of Synthetic Food Colours.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the Audited Accounts, along with the Report of the Board of Directors and Auditors' Report relating to the Company's subsidiary, Dynamic Overseas (India) Pvt. Limited are annexed to this Report. In the said report the financial results of the wholly owned subsidiary company Dynamic USA Inc which was incorporated on 9th June 2005 in the United States of America is not included as there has been no operations during the year under review.

The Trading business of Dynemic USA Inc is likely to commence from June 2006. Presently Dynemic Products Limited has invested USD 20000 (Rs. 1058400 in terms of Indian Currency).

CONSOLIDATED FINANCIAL STATEMENTS

As required under Clause 32 of the Listing Agreement with the Bombay Stock Exchange Limited, audited consolidated financial statements form part of the annual report. The audited consolidated financial results include results of its subsidiary company Dynamic Overseas (India) Pvt. Limited only, as no operations have started in its subsidiary company Dynamic USA Inc in the year under review.

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, it relates to the loans to the subsidiaries of the company only, and now, your company has framed the policy for the amount given as loan to 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, 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 in Annexure-A 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 31-3-2006.

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

- a) In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Shri Jagdish S. Shah and Shri Harish K. Shah, Directors retire at the ensuing Annual General Meeting and, being eligible, have offered themselves for reappointment.
- b) Shri Vishnubhai G. Patel and Shri Shankarlal B. Mundra, Independent Directors, were appointed as Additional Directors of the Company by the Board of Directors at their meetings held on 8/09/2005 and 29/09/2005 respectively and they hold the office of Director till the ensuing Annual General Meeting. Pursuant to the provisions of Section 257 of the Companies Act, 1956, the Company has received a notice proposing their candidature for the office of Director on rotational basis.

In view of their varied experience, it is eminently in your Company's interest to appoint Shri Vishnubhai G. Patel and Shri Shankarla B. Mundra as Directors. Accordingly, Item No. 6 and 7 of the Notice in regard to appointment of Shri Vishnubhai G. Patel and Shri Shankarlal B. Mundra is recommended to the shareholders.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 your Directors would like to State that:

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- 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 and of the Profit of the Company for the year under review;
- 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;
- We have prepared the Annual Accounts on a going concern basis.

LISTING

The shares of the company are listed on Bombay Stock Exchange Limited. The company has paid the annual listing fees for the year 2006-07.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and a certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing agreement with BSE together with the Management Discussion and Analysis of the financial position of the Company forms part of the Annual Report.

ACKNOWLEDGEMENTS

Your Company continues to consolidate its leadership position in its business through value addition to its products and services. Your Company & Directors wish to extend their sincere thanks to the Investors, Bankers, Customers, Business Associates, Suppliers and Government for their continuous co operation and Guidance. 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.

For and On Behalf of the Board of Directors

Place: Ahmedabad
Date: 18th May 2006

Bhagwandas K. Patel
Chairman

ANNEXURE 'A' to the Directors' Report

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:

	Current Year Rs.	Previous Year Rs.
* Foreign Exchange earned	144445325	136600308
* Foreign Exchange used	2213245	1259573

FORM - A
DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

1] Power and Fuel Consumption :

i]	Electricity :		
	Purchase Units :		1518087
	Total Amount :	Rs.	6385300
	Rate /Unit :	Rs.	4.21
ii]	Own (Diesel) Generator		
	Total Ltrs.		4766
	Total Amount	Rs.	158983
	Rate/ Ltrs.	Rs.	33.36
iii]	GAS :		
	Total SCM.	z	714982
	Total Amount	Rs.	6409202
	Rate/ SCM.	Rs.	8.96

2] Consumption per unit of Production :

1	Production : Dyes, Dye Intermediates & Food Colours	3285259.856	Kgs.
2	Electricity	0.462	Units
3	Diesel	0.001	Ltrs.
5	Gas	0.218	Scm.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

NATURE OF BUSINESS

The Company is engaged in the manufacturing of Dye Intermediates and various types of Food Colours.

Dye Intermediates are mainly used in the manufacture of Food Colours, Acid Dyes, Reactive Dyes, Ramazol Dyes, Direct Dyes etc.

Food Colours are mainly of two types: Primary Colours and Lake Colours. Primary Colour is water soluble and Lake Colours are vegetable oil dispersible. Food colours have variety of applications as it is generally used in food, drug and cosmetic industries. Moreover it has application in industries like Soft drinks & Beverages, Animal Feeds, Cheese, Dessert Edible Ices & Confectionery, Decoration & coatings, Alcoholic & Non-Alcoholic Drinks, Pickles, Sauces & Seasonings, Baked Goods, Washing Powder etc.

The aim of the company is to support and train constantly food industry in the correct selection and application of colours and to explore new applications of the colours.

OUTLOOK ON OPPORTUNITIES

Colours affect every moment of our lives strongly. The clothes we wear, the furnishing at our home, the food which we eat all have influence of colours. So every one is sensitive to colours of food. Also the food colour market is rapidly growing due to growth of food processing industry, sociological changes and consumer preference, The International Market for food colours has reached at \$1 Billion in the year 2005. Of which almost 40% is estimated of Synthetic Food Colours which is expected to grow @ 5% per year. The rest Food Colour market is enjoyed by Natural Colours, Natural Identical Colours and Caramel Colours.

India- the emerging destination:

The main reason for growth of market in India is that the India is second largest populated country after China. And the Indian people are known to be foody. So it is quite logical that there will constant increase in intake of colours by Food Processing Industries in as well as outside India expanding the existing market of Dye Intermediates and Food Colours. On one side, the people have become more conscious for their health and prefer to have quality food, on the other side Indian FDA is strengthening their rules and regulation to curtail manufacturing of colours which are hazardous to use - mainly industrial colours manufactured by small and scattered units which are not having regulatory approval. So in coming years, small players will be thrown out of the industry and the Food Colour industry will emerge as organized industry. Moreover India has been at an advantage with the large number of skilled work force keeping India at competitive era and hence large companies are looking at outsourcing opportunities and acquisitions in Indian Food Colour Industry.

US FDA Approval:

It is necessary to have US Food & Drug Administration Approval to market the colours in USA. During the year under review, 8082 MT of Food Colours were certified by US FDA which proves large potential for business expansion there, as all the colours manufactured by the company has got the US FDA approval. So the company expects to capture good market from USA through its subsidiary company Dynamic USA Inc.

Product Line up:

Development:

Food colours are available in Liquid Dyes, powders, plating and fine Grind and granules. Dyes produced as fine powder have proved problematic in terms of dusting and clumping. So as a part of product development, the company has started offering colours in Granule form, in addition to powder form, as they are fast dissolving, which saves the time and money of the user industry and which are in heavy demands by American and European countries which will create good market for the Company's Product.

Diversification:

The Company has explored market opportunity in Dyes and Colours for Inks, the main application of which is as ink for Inkjet printing. So the company has introduced Product Diversification with the utilization of existing infrastructure facility and has started its manufacturing as it has wide market which can be captured with strategic marketing efforts.

Expansion:

Moreover, the company has raised the fund of Rs. 1547.90 Lacs through Public Issue for the expansion of its both manufacturing facilities which are utilized at their 100% capacity at present. After project implementation, the manufacturing capacity will be increased almost to double enabling the company to capture more portion of Food Colour market. The details of the project expansion are already given in Director Report.

OUTLOOK ON THREATS, RISKS AND CONCERNS

In recent years, the input prices have shown a higher rise than the finished goods realisation and consequently, the margins are under pressure which can slow down and can have adverse effect on the growth of Food Colour market. Also the continued lowering of tariffs by the Government of India has impacted sales realisation and entitled stiff international competition. Though the Company is consistently striving to maintain/improve realisation and procure material at competitive price, it seems that this trend is likely to continue.

PERFORMANCE REVIEW: DYE INTERMEDIATES AND FOOD COLOURS

Both segments have performed well during the year. the company sold 1096.67 Lacs of Dye intermediates and 1768.08 Lacs of Food colours in the year under review as compared to 902.76 Lacs and 1694.54 Lacs in previous year recording growth of 21% and 4% respectively in each segment.

FINANCIAL REVIEW

Operations:

Sales turnover of Rs. 2864.75 Lacs for the year ended March 31, 2006 showed a growth of 10.30% over the previous year turnover of Rs.2597.29 Lacs. Export sales for the year was 77% of Net Sales which stood at Rs.2195.14 Lacs against Rs.2015.06 Lacs during the previous year.