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# 18<sup>TH</sup>

**ANNUAL REPORT**  
**2007 - 2008**

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**DYNAMIC**  
**PRODUCTS LTD.**



**BOARD OF DIRECTORS**

Bhagawandas K. Patel	- Chairman & Managing Director
Dasharathbhai P.Patel	- Whole Time Director
Rameshbhai B.Patel	- Whole Time Director
Shashikant P.Patel	- Whole Time Director
Dixit B.Patel	- Whole Time Director
Jagadishbhai S.Shah	- Director
Hitendra H.Sheth	- Director
Harish K.Shah	- Director
Vishnubhai G. Patel	- Director
Shankarlal B. Mundra	- Director

**AUDITORS**

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

**BANKERS**

Citibank N. A.  
 C.G.Road Branch, Ahmedabad  
 HDFC Bank Ltd.  
 S. G. road Branch, Ahmedabad

**REGISTERED OFFICE**

B-301,Satyamev Complex-I  
 Opp.: New Gujarat High Court  
 S.G.Highway Road,Sola,  
 Ahmedabad - 380 060.

**PLANT LOCATION**

Unit-1 : 6401, 6415, 6416,  
 GIDC Estate, Ankleshwar.  
 Unit-2 : 3709/6, 3710/1, 3710/3  
 GIDC Estate, Ankleshwar.

**REGISTRAR & TRANSFER AGENT**

Bigshare Services Pvt. Limited  
 E-2 Ansa Industrial Estate, Sakivihar Road,  
 Saki Naka, Andheri (E), Mumbai - 400 072.

**SHARE LISTED AT**

The Bombay Stock Exchange Limited

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## NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of DYNEMIC PRODUCTS LIMITED will be held at Flash Banquet at First Floor, Shailly Complex, Surdhara Circle, Nr. Sal Hospital, Ahmedabad – 380054 on Tuesday, 2nd September 2008, at – 11.00 a.m. to transact the following business :

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2008 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended March 31, 2008.
3. To appoint a Director in place of Hitendra Sheth who retires from office by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Harish K. Shah who retires from office by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors until the conclusion of the next Annual General Meeting and to fix their remuneration.

**Place: Ahmedabad**

**By Order of the Board**

**Date: 28/06/2008**

**Managing Director**

## NOTES

1. 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. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED HERewith AND, IF INTENDED TO BE USED, IT SHOULD BE RETURNED DULY COMPLETED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE COMMENCEMENT OF 18TH ANNUAL GENERAL MEETING.
2. The Share Transfer Books and Register of Members of the Company will remain closed from 23rd August 2008 to 2nd September, 2008 (both days inclusive).
3. Members holding shares in physical form are requested to notify / send the following to the Registrar & Transfer Agent of the Company :-
  - i) any change in their address / ECS mandate / bank details;
  - ii) particulars of their bank account, in case the same have not been sent earlier.
4. Members holding shares in the dematerialised form are requested to notify all changes with respect to their address, email id, ECS mandate and bank details to their Depository Participant.
5. 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 22nd August, 2008. 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 22nd August, 2008 as per details furnished by the Depositories for this purpose.
6. 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.
7. 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.

**INFORMATION AS REQUIRED UNDER CLAUSE 49(IV)(G) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING**

<b>Name of Director</b>	<b>Mr. Hitendra Sheth</b>	<b>Mr. Harish Shah</b>
Date of Birth	18/06/1954	12/09/1955
Date of appointment	07/06/2004	02/07/2005
Qualification	M.Com, L.L.B., C.A.(Inter)	B.Com, L.L.B.
Expertise in specific functional area	He is having experience of More than 22 years in legal and tax consultancy	He has wide experience of about 22 years in the field of legal consultancy.
Directorship held in other companies (excluding private & foreign companies)	None	None
Membership/ Chairmanship of committees in other public company	None	None
Shareholding in the company	1500 shares	Nil

Except Mr. Bhagwandas K. Patel and Mr. Dixitbhai B. Patel, No Directors are related to each other. Relationship between Mr. Bhagwandas K. Patel and Mr. Dixitbhai B. Patel is that of Father and Son.

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## Directors' Report

To,

Dear Shareholders,

Your Directors are pleased to present the 18th Annual Report and Audited Accounts for the year ended 31st March, 2008.

### FINANCIAL RESULTS:

Particulars	Year Ended March 31	
	2008	2007
Sales And Other Income	365232709	337264086
Profit Before Depreciation & Prel. Exps W/Off	36049412	41839741
Less: Depreciation	5061828	4793730
Preliminary Exps. Written Off	144983	144983
<b>Profit Before Tax</b>	<b>30842601</b>	<b>36901028</b>
Less: Provision for Taxation		
Current Income Tax A/c	10740000	11000000
Deferred Income Tax A/c	1454614	-946131
Fringe Benefit Tax	150610	152275
<b>Net Profit After Tax</b>	<b>18497377</b>	<b>26694883</b>
Add: Balance of Profit of Previous Year	42916522	31756625
Add/ (Less) : Taxation of earlier years	371663	-1050267
<b>Profit Available for Appropriation</b>	<b>61785562</b>	<b>57401241</b>
Less: Appropriations:		
Transfer to General Reserve	1231000	1231000
Proposed Dividend	11328449	11328449
Tax on Dividend	1925270	1925270
<b>Balance Carried to Balance Sheet</b>	<b>47300843</b>	<b>42916522</b>

### DIVIDEND :

The Board is pleased to recommend a dividend of 10% (Rs 1/- per Equity Share) for the year 2007-08. If approved by the Shareholders at the Annual General Meeting, Dividend will absorb Rs 132.54 Lacs inclusive of the Dividend Distribution Tax borne by the Company.

### FINANCIAL REVIEW :

Sales turnover of Rs. 3657.69 Lacs for the year ended March 31, 2008 showed a growth of 13.20% over the previous year turnover of Rs. 3231.12 Lacs. Export sale for the year is 68.53% of Net Sales which stood at Rs. 2506.77 Lacs against Rs. 2475.52 Lacs during the previous year. Profit before tax is Rs. 308.43 and Net Profit After tax is Rs. 184.97 Lacs.

### MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT :

A detailed review of the progress of the project and the future outlook of the company and its business as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange is presented in a separate section forming part of the Annual Report.

### 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.

### 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.

### 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.

**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 in 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 31-3-2008.

**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 :**

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Hitendra Sheth and Mr. Harish K. Shah, Directors retire at the ensuing Annual General Meeting and, being eligible, have offered themselves for reappointment. Members are requested to consider their re-appointment as Directors of the Company.

**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.

**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.

**LISTING :**

The shares of the Company are listed on Bombay Stock Exchange Limited. The Company has paid the annual listing fees for the year 2008-09.

**ACKNOWLEDGEMENTS :**

Your company & Directors wish to place on record their appreciation of the assistance and co-operation extended by Investors, Bankers, Customers, Business Associates, Suppliers and Government. We are deeply grateful to shareholders for their continued faith, confidence and support to the company. The Directors wishes to place on record its appreciation of sincere and dedicated work of employees at all levels, which has largely contributed to the present growth of the Company.

For and On Behalf of the Board of Directors

Sd/-

Bhagwandas K. Patel

Chairman & Managing Director

Place: Ahmedabad

Date: 28th June 2008

## ANNEXURE :- A TO 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	Previous Year
	Rs.	Rs.
* Foreign Exchange earned	250677280	168519379
* Foreign Exchange used	1223309	1102712

## FORM - A

### DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

#### 1] Power and Fuel Consumption :

i] Electricity :			
Purchase Units :	Units	1883407	
Total Amount :	Rs.	8133830	
Rate /Unit :	Rs.	4.32	
ii] Own (Diesel) Generator			
Total Ltrs.	Ltrs.	6500	
Total Amount	Rs.	232886	
Rate/ Ltrs.	Rs.	35.83	
ii] GAS :			
Total SCM.	Ltrs.	989578	
Total Amount	Rs.	10442044	
Rate/ SCM.	Rs.	10.55	

#### 2] Consumption per unit of production :

1 Production : Dyes, Chemicals & Food Colours	3594095.180	Kgs.
2 Electricity	0.524	Units
3 Diesel	0.002	Ltrs.
5 Gas	0.275	Scm.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure & Developments :

Our Company manufactures Edible food Colors as Ingredients for Foodstuffs, Pharmaceuticals, Personal Care, Ink Industries, Confectionery, Pet foods, Dairy Products, and Soft Drinks & Cosmetics Industries encompassing Industrial Sector. The Food Colors being meant for Industrial use, the demand for the colors is derived directly from its customers and end users who in turn span of large and diverse industry spectrum. The company is among the acknowledged leaders in the manufacturing of food colors. The company is exploring new avenues of applications to widen the customer base and improve capacity utilization.

Dynemic has successfully entered in the field of Food Color to primarily cater to niche applications. These specialties enhance performance characteristics of variety of products resulting in value added end products for different market segments.

### Outlook on Opportunities :

On account of high cost of labour & Increasing Competition, the overseas manufacturers of food colors especially in developed countries are curtailing their production activities. In view of the same the demand of food colors had increased overall in the overseas market.

### Project Progress Review :

- **Dynemic Products Ltd. EOU-I**
- Company's backwards integration Plant for Ethyl Acetate has already been completed and commercial Production was started from 18th August, 2007.
- Recover Plant (MEE) for 1:4 PHPS has already been completed & commercial production will start from 1st July, 2008.
- Company has also expanded their production capacity as given below :

#### Production Capacity Chart :

Product Name	Existing Capacity	Extended Capacity	Total Capacity
1:4 S.P.C.P.	1020 MT/PA	480 MT/ PA	1500 MT / PA
Pyrazolone	—	480 MT/ PA	480 MT / PA
Food Colors	720 MT/PA	480 MT/ PA	1200 MT / PA

The Commercial Production will start from 1st July, 2008.

- **Dynemic Products Ltd. EOU- II.**
- Plant – A has already been completed and Commercial Production will start from 15th July, 2008.
- Plant – C had also been completed and Commercial Production will start from 31st of July, 2008.
- Plant- B is under process and tentatively it should be completed latest by 30th of September, 2008 and commercial production is likely to start from 1st October, 2008.

### Outlook on Threats, Risks and Concern :

The company continuously monitors the business environments and has put in place a framework for identification, assessment and management of Risks. Appropriate risk response strategies have been developed for achievements of business objective:

- Increasing unhealthy cut-throat competition from others small industries units base at Gujarat is seen as threat.
- Appreciating / Fluctuating currency is an area of concern.

Your Company has planned suitable action to deal with the competition and increasing price of fuel by substituting the fuel to the boiler. The implementation of the same is completed. Your company is also considering automation in the production equipments and the process.

### Performance Review :

Sales turnover of Rs. 3657.69 Lacs for the year ended March 31, 2008 showed a growth of 13.20% over the previous year turnover of Rs. 3231.12 Lacs. Export sale for the year is 68.53% of Net Sales which stood at Rs. 2506.77 Lacs against Rs. 2475.52 Lacs during the previous year.

### Internal Control System and their adequacy :

The company has proper and adequate system of internal controls to provide reasonable assurance that all assets

are safeguarded, transactions are authorized and recorded correctly to ensure compliance with the applicable policies and code of conduct. The Internal Control System have been found to be adequate commensurate with the size and nature of the business of Company and are reviewed from the time to time for further improvement. The Internal Control System of the company has well defined policies, guidelines, authorisation and approval procedures. The effectiveness of control continuously monitored by the management and is reviewed from time to time for future improvements.

#### **Human Resources / Industrial Relations :**

The Company has total 91 nos. of manpower as on 31st March, 2008 Relations between employees at various levels and the Management has been cordial. The Company has identified and assessed the competencies of Managers to develop their potential through trainings and management development activities and various measures are underway to maintain high motivation level of human resources.

#### **Safety & Ecology :**

The factory at Ankleshwar continues to achieve a considerable success in the prevention of accidents by adhering to strict guidelines. The Company takes pride that there are "No" Reportable Accidents since inception. This was made possible by appointing safety consultants, safety day mock drills and strict adherence to lay down ISO standards ,whereby calibration of instruments and safety interlocks were checked as per planned schedules .Maintenance of all equipments and testing thereof was carried out as per statutory requirements. Refresher Annual Safety Training Programmes of all concerned, which also include contractors, were conducted to enhance awareness of safety standards. A greater degree of participations/ involvements of workers in safety matters attained of holding periodical shop floor safety meetings.

In addition to continuous efficient operations of the effluent treatment plant at the factory, promotion of general awareness amongst the employees of the Company by training at all levels has provided good results with regard to pollution control and conservation of natural resources like waste and fuel. Solid waste is regularly disposed off as per statutory requirements. The Company is looking forward to further improving its commitments to environments and ecology.

Strict adherence to maintenance schedule has also reduced downtime of critical equipments, which in turn increased operational efficiency and reduced costs.

#### **Cautionary Statement :**

*Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, availability and cost of inputs, changes in government regulations, amendments in tax laws, socio-economic developments within the country and other factors such as litigation and industrial relations.*

## **REPORT ON CORPORATE GOVERNANCE**

### **Governance Philosophy**

The Company believes in adopting the Best Practices in the area of Corporate Governance and follows the principles of full transparency and accountability, thereby protecting the interests of all its stakeholders. The Board acknowledges its responsibilities to the Shareholders for creating and safeguarding Shareholders' Wealth. During the year under review, the Board continued its pursuit of achieving these objectives through the adoption and monitoring of corporate strategies, prudent business plans ensuring that the Company pursues policies and procedures to satisfy its legal and ethical responsibilities. Your Company is committed to good corporate governance practices that create a long term relation of trust and harmony between the company and stakeholders.

### **BOARD OF DIRECTORS**

#### **a) Size and Composition of the Board:**

The Company has a proper blend of Executive and Independent Directors to maintain the independence of the Board. The Board consists of ten members, five being Executive & Non Independent Directors and five being Non Executive & Independent Directors.

The details in regard to the attendance of Directors at Board Meetings/Shareholders Meetings held during the year as also the number of Directorship/s held by them in other Companies and the position of membership of Committee/s are given below: