

Letter to Shareholders

Dear Shareowners,

I have great pleasure in sharing with you the highlights of another year of great achievements.

It is my great pleasure that I share with you our signature milestones and highlights for the financial year ended 31st March 2010. We are heartened to report that Dynemic continued to deliver robust financial numbers and highly commendable margins. Despite the ever-escalating increases in the cost of raw materials and recessionary period in the market, the Company has continued to deliver, both operationally and financially. It is my indeed belief that we have emerged stronger and in better competitive shape than ever.

For the financial year ended on 31st March 2010, the Company turned in after tax profit of Rs. 485.01 Lacs on the back of total fund investment of approximately Rs. 4806.50 Lacs. These compared with profit after tax and revenue of Rs. 190.06 Lacs and Rs. 4282.42 Lacs, in the preceding 12-month period.

In spite of rising costs in raw materials, Dynemic was still able to demonstrate strong profitability. The Company recorded gross profit margin to 19.67 % compared to previous year 14.24 %.

Our current growth could be attributed to the core factors:-

- Strict adherence to International Quality Norms.
- Unrelenting passion for service.
- Commitment to delivery schedule.
- Deep concern for the environment.
- Competitive and attractive prices.

Earnings per share stood at Rs. 4.28 compared to Rs. 1.68 in the earlier period. The earning per share grew by Rs. 2.60.

#### **Review by Geographical Markets**

The Group's export sales grew by 22.58 % to reach Rs. 4697.62 Lacs, from Rs. 3832.42 Lacs in previous year. Domestic sales too increased by 47.57 % to reach Rs. 1592.00 Lacs.

#### **Industry Prospects**

The colour of food is the first contact point of the consumer with it. Thus, we first judge it from its appearance (colour, texture, shape) and then from other sensory attributes such as aroma or taste. The prominent role of food colours in their acceptability is therefore unquestionable. Food Colours are in use before the Food Industry was organized. With the span of time, the Food Industry started growing & got organized, in developed countries, resulting in increase of Food Colours. There has been an increasing awareness of the effects of synthetic colours. In this backdrop, natural food colours have a significant role to play in the Food Industry. Irrespective of what we use to dye our foods and how we regulate it may continue to change, but there is no end in sight to the timeless practice of coloring our food resulting in continuous increase in usage of Food Colour. Over the Years Consumption of Food Colours is continuously increasing with good pace & shall further grew as Food Industry is taking shape in Developing & Under Developed Countries apart from Developed Countries.

#### **Dividends**

Since the Company's public issue i.e. from 2005-06, the Company has maintained its consistency in paying dividend @ 10%. This year the Board is pleased to recommend a final dividend of 13% (i.e. Rs.1.30 per share), bringing the total dividend distribution for FY2010 to Rs. 147.27 Lacs.

#### **Looking Ahead**

We will strive for leadership in our chosen products and markets by providing high quality products and services to our customers. We will seek profitable growth by innovative application of science and technology. We will pursue excellence in all that we undertake and take steps to continuously improve. We will take responsible care of the environment around us and improve the quality of life in the communities we operate in. Our Motto is total 'Customer Satisfaction' Our Vision 'To be the Largest Global Supplier / Key Player in the Food Colors. Mission Statement 'Promise of Unmatched and International Quality, Terms and Customized Services – a Benchmark for Others to Follow'

#### **Commitment to shareholders**

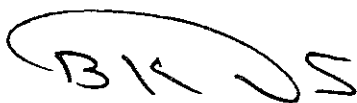
The Company's board has continued to focus on good governance. This is underpinned by our strong belief that good governance will invariably lead to a more valuable company.

With a bedrock foundation in best corporate practices, we are then better able to grow the Company, but also ensure sustained performance over the long term. We will drive initiatives to expand our business, and will develop people to uphold a culture that is adaptive to the ever-changing macro environment.

I would like to take this opportunity to express my gratitude to the Board of Directors, Bankers, Employees, Suppliers and the Shareholders for their unstinted support and the confidence reposed on us.

With best wishes

Sincerely,



Bhagwandas K. Patel  
Chairman & Managing Director

## CONTENTS

	Page No.
Corporate Information .....	1
Directors' Report .....	2
Annexure - I Conservation of energy, etc .....	4
Annexure - II Management Discussion and Analysis .....	5
Annexure - III Corporate Governance .....	7
Auditors' Report .....	18
Balance Sheet .....	21
Profit and Loss Account .....	22
Cash Flow Statement .....	23
Schedules Forming Part of Balance Sheet and Profit and Loss Account .....	24
Statement Pursuant to Section 212 .....	39
Auditors' Report on Consolidated Financial Statement .....	41
Consolidated Balance Sheet .....	42
Consolidated Profit and Loss Account .....	43
Consolidated Cash Flow Statement .....	44
Schedules Forming Part of Consolidated Balance Sheet and Profit and Loss Account .....	45
Notice of Annual General Meeting .....	60

## Corporate Information

### BOARD OF DIRECTORS

Bhagwandas K. Patel	- Chairman & 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
Jagdishbhai S. Shah	- Director
Hitendra H. Sheth	- Director
Harish K. Shah	- Director
Vishnubhai G. Patel	- Director
Shankarlal B. Mundra	- Director

### Audit Committee

Hitendra H. Sheth, Jagdishbhai S. Shah  
Harish K. Shah

### Remuneration Committee

Shankarlal B. Mundra, Hitendra H. Sheth  
Jagdishbhai S. Shah

### Shareholders' / Investors Grievance Committee

Harish K. Shah  
Bhagwandas K. Patel

### Chief Financial Officer

Josekutty Thomas

### Company Secretary

Varsha R. Mehta

### Auditors

M/s Shah Rajesh & Associates  
Chartered Accountants  
4, Third Floor, Rambha Complex,  
Opp. Gujarat Vidhyapith, Ashram Road,  
Ahmedabad – 380 014.

### Principal Bankers

#### Citibank N.A.

C.G. Road Branch, Ahmedabad.

#### HDFC Bank Ltd.

S.G. Road Branch, Ahmedabad.

#### Axis Bank Limited

Vastrapur Branch, Ahmedabad.

### Registered Office

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

### Plant Location

Unit-1 : 6401/15/16 GIDC Estate, Ankleshwar.  
Unit-2 : 3709/6, 3710/1, 3710/3, GIDC Estate,  
Ankleshwar.

### Registrar & Transfer Agent

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

### Shares Listed At

The Bombay Stock Exchange Limited

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 20<sup>th</sup> Annual Report and the audited accounts of the Company for the year ended March 31, 2010.

### FINANCIAL RESULTS :

Particulars	Year Ended On March 31, 2010	Year Ended On March 31, 2009
Sales And Other Income	64,10,34,153	49,67,28,713
Profit Before Depreciation & Prel. Exps W/Off	8,96,39,097	4,14,42,880
Less : Depreciation	1,44,71,805	96,12,421
Preliminary Expenses Written Off	0	59,451
<b>Profit Before Tax</b>	<b>7,51,67,292</b>	<b>3,17,71,008</b>
Less : Provision for Taxation		
Current Income Tax A/c	1,94,00,000	61,65,000
Deferred Income Tax A/c	72,66,063	64,46,077
Fringe Benefit Tax	0	1,55,038
<b>Net Profit After Tax</b>	<b>4,85,01,229</b>	<b>1,90,04,892</b>
Add : Balance of Profit of Previous Year	5,17,73,237	4,73,00,845
Add / (Less) : Taxation of earlier years	5,45,457	47,781
<b>Profit Available for Appropriation</b>	<b>9,97,29,009</b>	<b>6,62,57,956</b>
Less : Appropriations :		
Transfer to General Reserve	24,60,000	12,31,000
Proposed Dividend	1,47,26,984	1,13,28,449
Tax on Dividend	25,02,851	19,25,270
<b>Balance Carried to Balance Sheet</b>	<b>8,00,39,174</b>	<b>5,17,73,237</b>

### DIVIDEND

Your Directors are pleased to recommend dividend of 13% i.e. Rs. 1.30 each on 11328449 equity shares of Rs. 10/- each, for your final approval. The total outflow on dividend will be Rs. 1,47,26,984 and tax on dividend Rs. 25,02,851. The proposed dividend is tax free in the hands of shareholders.

### FINANCIAL REVIEW

The Net Sales Turn over of the Company increased to Rs. 6289.62 Lacs in FY 2010 as against Rs. 4911.22 Lacs in PY 2009, showing an increase of 28.07%. Export Sales increased by 22.58% i.e. from Rs. 3832.42 Lacs to Rs. 4697.62 Lacs in the year under review. Profit before tax is Rs. 751.67 Lacs and Net Profit after tax is Rs. 485.01 Lacs.

### SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited accounts of the Subsidiary, Dynamic Overseas (India) Pvt. Limited are annexed to this report. The Board has reviewed the affairs of the said subsidiary. In the said report the financial results of the wholly owned subsidiary company Dynamic USA Inc is not incorporated as the said subsidiary has been closed down.

### 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.

### 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.

### 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.

## **CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS**

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the stipulations set out in the Listing Agreement with the Stock Exchanges.

A report on Corporate Governance and Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange forms part of the Annual Report.

Certificate from the Auditors of the Company, M/s Shah Rajesh & Associates, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report.

## **DIRECTORS RESPONSIBILITY STATEMENT**

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000, the Directors of your Company confirm :

- that the applicable accounting standards have been followed in the preparation of the annual accounts and that there are no material departures;
- that appropriate accounting policies have been selected and applied consistently and such 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;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis.

## **ENERGY, TECHNOLOGY, AND FOREIGN EXCHANGE**

The information to be disclosed under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in The Report of Board of Directors) Rules, 1988, with respect to energy, technology, and foreign exchange is given in Annexure I and is annexed separately to form part of this report.

## **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and Article 150 of the Articles of Association, Mr. Hitendra H. Sheth and Mr. Shankarlal B. Mundra, retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting. Members are requested to consider their re-appointment as Directors of the Company.

## **EMPLOYEE RELATIONS & 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.

## **RE-INSTATMENT IN REMUNERATION OF EXECUTIVE DIRECTORS**

The salary voluntarily decreased by Executive Directors on 01.06.2009 has been re-instated w.e.f. 01.04.2010.

## **AUDITORS**

M/s Shah Rajesh & Associates, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

## **AUDITORS REPORT**

The Auditors report is self-explanatory and so far, there is no negative remark by the Auditors.

## **LISTING**

The shares of the Company are listed on Bombay Stock Exchange Limited. The Company has paid the annual listing fees for the year 2010-11.

## **ACKNOWLEDGEMENT**

Your directors express their sincere thanks to all customers, vendors, investors, bankers, insurance companies, consultants and advisors for their continued support throughout the year.

Your Directors sincerely acknowledges the contribution made by all the employees for their dedicated services to the company.

Place: Ahmedabad  
Date: 29.05.2010

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

## ANNEXURE :- I TO DIRECTORS' REPORT

Information as per Section 217(1) (e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2010.

### 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 minimized.

(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 optimized and cost of production to that extent is under control.

(d) Total energy consumption and energy consumption per unit of production as per Form : A of the Annexure to the Rules in respect of industries specified in the schedule thereto

### II. TECHNOLOGY ABSORPTION :

The Company has not acquired outside technology and hence the question of technology absorption does not arise as per Form : B.

### III. FOREIGN EXCHANGE EARNING AND OUTGO :

	Current Year Rs.	Previous Year Rs.
* Foreign Exchange earned	41,36,59,835	32,58,65,212
* Foreign Exchange used	18,03,782	12,60,205

## FORM - A

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

#### 1] Power and Fuel Consumption :

	2009-10	2008-09
i] Electricity :		
Purchase Units :	Units 32,48,916	Units : 19,88,986
Total Amount :	Rs. 1,81,46,550	Rs. 1,12,67,052
Rate /Unit :	Rs. 5.59	Rs. 5.66
ii] Own (Diesel) Generator		
Total Ltrs.	Ltrs. 12,394	Ltrs. 14,138
Total Amount	Rs. 4,51,037	Rs. 5,35,173
Rate/ Ltrs.	Rs. 36.39	Rs. 37.85
ii] GAS :		
Total SCM.	Scm 19,22,633	Scm 11,97,350
Total Amount	Rs. 2,81,95,770	Rs. 1,42,84,454
Rate/ SCM.	Rs. 14.67	Rs. 11.93

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

	2009-10	2008-09
1 Production : Dyes, Chemicals & Food Colours	Kgs. 63,75,480.920	Kgs. 39,33,973.470
2 Electricity	Units 0.510	Units 0.506
3 Diesel	Ltrs. 0.002	Ltrs. 0.004
4 Gas	Scm. 0.302	Scm. 0.304

## FORM - B TECHNOLOGY ABSORPTION

### RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company	The company is fully equipped with the research and development facilities and is constantly engaged in developing products as per specification of the customers. The Company is updating manufacturing process of the existing products leading to reduction in process time and cost of production and also in developing new products.
2. Benefit derived as a result of R & D	
3. Future Plan of Action	Not Planned at this stage

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION : NIL

Place: Ahmedabad  
Date: 29.05.2010

For and On Behalf of the Board of Directors  
Sd/-

**Bhagwandas K. Patel**  
Chairman & Managing Director

## ANNEXURE :- II MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure & Development

The Processed Food Industry is one of Fast Growing Industry not only in India but in rest of the Developing & under Developed Countries. Food Colour is one of the principle additives for colouring the Food & contributes significant role. India's Food & Grocery Sector is estimated worth US\$182 billion & is expected to grow to US\$ 340 billion by 2025. Whereas India's processed Food Market is estimated at US\$90 Billion with more than 1000 Million Consumers.

Our Company Manufacture Colours for many industries viz., Food, Drugs, Pharma, Cosmetics, Personal Care, Beverages, Confectionery, Pet Foods, Dairy Products & Edible Ink. Intense researches are carried out pertaining to diversified Uses of these Colours for More Value Addition.

Our Company is among the acknowledged leaders in the manufacturing of Food Colours. With High Quality standards, Timely delivery & competitive prices, the company had earned reputation in Local & International markets. The company is exploring new avenues of applications to widen the customer base & improve capacity utilization.

### Outlook on Opportunities & Strengths

- Growth in manufacture of food products, cosmetics, pharmaceuticals, confectionary, dairy products, soft drinks etc., are expected to result in significant growth in demand for the products.
- Stringent environmental laws in the western countries have led to discontinuance of production of certain dyes.
- Policy of American and European companies to outsource the lower value products from Non-Traditional Suppliers (NTS) countries like us has increased demand for dyestuffs. This can be exploited aggressively.
- Capability to produce World class end products.
- Strong presence in the export market due to timely delivery of products with required quality. Proven track record of the company in this area puts the company into preferred suppliers list of multinational companies.
- Major raw material component sources within the country.
- Good R&D base and quality human resources.
- Our Food Colour bear US FDA Certification and ISO 9001:2008, ISO 14001, HACCP & KOSHER Certification. Our modern quality control laboratory tests the raw materials, the food colour in production at intermediate steps and the finished food colour.

### Segment wise or Product wise performance as per Sect Standards and AS-17, Sec. 211

The Company is engaged in manufacturing and marketing of Dyes & Intermediates. There is only one reportable segment i.e. "Dyes & Dyes Intermediates". So the segment wise or product wise performance report is not given in the report.

### Project Progress Review

The Company has completed its expansion project during the previous year & had already started commercial production.

Also the company is continuously striving for progress & development. As apart of it, we have initiated to develop D&C Colors (Colors that are used in Drugs, Hair Care, Cosmetics, Personal Care) & Inkjet Dyes (these are used in producing Inks for Printing with Inkjet Nozzle on various substrate like, Leather, Various Textile Products, Food & also for producing Ink for Computer Printers, Writing Ink, Marking Ink, Finer Liner Ball Point Ink & other Ink Industries). The Company is eyeing to start production of these products in near future.

### Threats, Risk & Concerns

Risk taking is intrinsic to business growth. All business organisation face risks either from internal operations or from external environment. The base of any business is a healthy appetite for risk. This is why one of the greatest and most important challenges for an organisation is to define the optimal risk level for its business to ensure that its activities produce risk adjusted returns.

- Fiscal incentive offered to the small scale units in the past has led to fragmentation in the industry and diseconomies of scale.
- The industry, on account of its small size, finds it tough to compete in high margin products with global players, who can offer personalized buyer support on account of their diversified product base and investment in application development.
- Stiff competition from other regional players like, China and other low cost manufacturers can put pressure on price and impact the Company's global business.
- Stiff rational pricing pressures.

- Environmental hazards concerns.
- Non tariff barriers imposed by developed countries.
- **Operational risks** are associated with systems, processes and people and cover areas such as succession planning, attrition and retention of people, operational failure or interruption, disruption in supply chain, failure of research & development facilities, and faulty application of information technology and non-compliance of regulatory provisions. The Company is exposed to all such operational risks. However, the policies and process framework of the Company supported by the strong management information system and group guidelines provide proactive approach to mitigate operational risks to a great extent.
- **Strategic risks** arise from inability to adjust to changes in the environment such as arising from acquisition or merger, customer priorities, customer loyalty, competition threats etc. Company is better placed to mitigate risk arising out of such strategies. Company's approach in providing solution and servicing its customer for over almost twenty years, its attitude towards the customers to consider them as its partners in progress provide the Company requisite comforts to mitigate risks arising out of competition and customer loyalty.
- Any economic downturn/recession or unforeseen events like terrorist attacks, floods, can dampen the sales.

#### **Environmental & Hazardous Safety And Quality Assurance**

Hazard risks are related to natural hazards arising out of nature of product/operations, accidents, fire, earthquake or cyclone etc. Risk associated with protection of environment, safety of operations and health of people at work is monitored regularly with reference to statutory regulations prescribed by the government authorities. The company has well organized effluent treatment system which forms part of 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.

The company has sustained ISO 14001 accreditation for Environment Management System and HACCP Code : 2003 accreditation under food safety programme for its both plants.

The company has got the international competitiveness in quality and cost benchmarks of its products. Also company has got the KOSHER & HALAL certification for its products. Moreover both the plants at Ankleshwar as well as corporate office of the company have sustained the status ISO 9001:2008 certification.

#### **Internal Control Systems And its Adequacy**

The Company has adequate internal control procedures commensurate with its size and nature of business. The Company has clearly laid down policies, guidelines and procedures that form a part of the internal control systems. The adequacy of Internal Control Systems, which encompass the Company's business processes and financial reporting systems, is examined by the management as well as by its internal auditors at regular intervals. The internal auditors carry out audits at regular intervals in order to identify weaknesses and suggest improvements for better functioning. The observations and recommendations of the Internal Auditors are discussed by the Audit Committee, to ensure effective corrective action.

#### **Human Resources and Industrial Relations**

The Company constantly facilitates and encourages its employees at all levels to enhance their knowledge and skills and continuously seeks to inculcate within its employees, a strong sense of business ethics and social responsibility. Relations with the employees at all levels remained cordial during the year. Your Company has 150 permanent employees as on 31st March, 2010.

#### **Financial Performance**

The Company has credit limits with Citibank N.A. and Axis Bank Limited to meet its regular working capital requirements. Financial risks are concerned with volatility in interest and exchange rates, credit, asset-liability mismatch. The Company is exposed to forex risks arising from various currency exposures, primarily with respect to USD and Euro. As a measure of prudent foreign exchange management and as a matter of policy, the Company does not speculate on foreign currencies. Company has put in place system driven credit control procedure and proactive approach to prepare liquidity planner and constant review thereof to ensure that at any given point of time there is adequate cover available to extinguish its liabilities.

#### **(a) Net Sales and Other Income**

Sales during the year ended 31st March, 2010 were Rs. 6289.62 Lacs as against Rs. 4911.22 Lacs in the previous year. There was an increase of Rs. 1378.40 Lacs in sales over the previous year. In spite of higher manufacturing overheads, finance cost and depreciation charges, Company earned more profits on account of higher sales and lower material consumption. Their was increase in other income from Rs. 56.07 Lacs to Rs. 120.72 Lacs during the year.



**(b) Expenditure**

The total expenditure increased from Rs. 4649.57 Lacs to Rs. 5658.67 Lacs for the year under review which shows an increase of 21.70% over the previous financial year. Out of the total expenditure, there is an increase in financial charges, material cost, manufacturing, depreciation, administrative expenses.

**(c) Interest and Financial Expenses**

Interest and Financial charges were Rs. 177.04 Lacs as compared to previous year Rs. 146.12 Lacs. Financial charges increased by 21.16 % due to increase in borrowings to meet increased working capital requirements.

**(d) Profit before tax**

Due to our good quality product and marketing strategy the Company was able to earn the Profit before tax Rs. 751.67 Lacs as compared to previous year Rs. 317.72 Lacs.

**(e) Net Profit**

The Company's net profit after tax is Rs. 485.01 Lacs as compared to previous year Rs. 190.06 Lacs.

**Cautionary Statement**

*Certain statements under "Management Discussion & Analysis" may be forward looking statement within the meaning of applicable securities laws and regulations. The forward looking statements are based on certain assumptions and expectations of future events. Actual results may differ materially from those expressed or implied from the statement since the Company's operations are influenced by many external and internal factors beyond the control of the Company.*

For and On Behalf of the Board of Directors

Sd/-

Place: Ahmedabad

Date: 29.05.2010

**Bhagwandas K. Patel**

Chairman & Managing Director

---

## **ANNEXURE :- III REPORT ON CORPORATE GOVERNANCE**

### **Company's Philosophy on Code of Governance**

Corporate Governance is the set of policies, processes and practices governing the affairs of a company in pursuit of its business goals. Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. As stakeholders across the globe evince keen interest in the practices and performance of companies, Corporate Governance has emerged on the centre stage. Good governance practices stem from the culture and mindset of the organization.

Your Company endeavors to adopt best practices of Corporate Governance.

Over the years, governance processes and systems have been strengthened and institutionalized at Company. Effective implementation of these policies underpins the commitment of the Company to uphold highest principles of Corporate Governance consistent with the Company's goal to enhance shareholder value.

The Company has complied with the requirements of the Corporate Governance in terms of Clause 49 of the Listing Agreement. The Board of Directors presents a composite Corporate Governance report on the compliance of the Listing requirements in the following paragraphs.

#### **(1) Board of Directors**

The Company has a balanced mix of executive and non-executive independent directors. The Board consists of 10 directors as on 31<sup>st</sup> March, 2010, comprising of five being Executive & Non Independent Directors and five being Non Executive & Independent Directors. The composition of the Board is in compliance with the requirements of Clause 49(I)(A) of the Listing Agreement with the Stock Exchange.

#### **(2) Board Procedure**

Board members are provided appropriate documents and information pertaining to the matters to be considered at each board and committee meetings, to enable the Board to discharge its responsibilities effectively and the chairman and managing director reviews the overall performance of the Company.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year.

Name of Director	Category of Director	No. of Board Meetings attended		Attendance at the last AGM	Directorships in other Indian Public Companies* as at 31 March 2010	Other Mandatory Committee** membership as at 31st March 2010	
		Held	Attended			Chairman	Member
Bhagwandas K. Patel	CMD-Executive (Promoter)	9	9	Yes	NIL	NIL	NIL
Dashrathbhai P. Patel	WTD-Executive (Promoter)	9	9	Yes	NIL	NIL	NIL
Rameshbhai B. Patel	WTD-Executive (Promoter)	9	9	Yes	NIL	NIL	NIL
Shashikant P. Patel	WTD-Executive (Promoter)	9	9	Yes	NIL	NIL	NIL
Dixit B. Patel	WTD-Executive (Promoter)	9	9	Yes	NIL	NIL	NIL
Hitendra H. Sheth	NE-Independent	9	8	Yes	NIL	NIL	NIL
Jagdish S. Shah	NE-Independent	9	8	Yes	NIL	NIL	NIL
Harish K. Shah	NE-Independent	9	6	Yes	NIL	NIL	NIL
Vishnubhai G. Patel	NE-Independent	9	6	Yes	NIL	NIL	NIL
Shankarlal B. Mundra	NE-Independent	9	7	Yes	NIL	NIL	NIL

\* Excludes Directorships in private/foreign companies and companies incorporated under Section 25 of the Companies Act, 1956.

\*\* Represents Membership/Chairmanship of the Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committee of other Companies.

★ CMD – Chairman & Managing Director, WTD – Whole Time Director, NE – Non Executive.

### (3) Board Meeting

Minimum four Board meetings are held in each year. Apart from the four prescheduled Board meetings, the meetings are also convened by giving appropriate notice to address the specific needs of the Company.

During the Financial Year ended on 31<sup>st</sup> March, 2010, 9 (Nine) meetings of the Board of Directors were held on the following dates :-

1<sup>st</sup> May, 2009, 27<sup>th</sup> June, 2009, 25<sup>th</sup> July, 2009, 1<sup>st</sup> September, 2009, 24<sup>th</sup> September, 2009, 31<sup>st</sup> October, 2009, 9<sup>th</sup> December, 2009, 30<sup>th</sup> January, 2010 and 11<sup>th</sup> February, 2010.

The time gap between any two board meetings was not more than 4 months.

### (4) Committees of the Board

#### A Mandatory Committees

##### → Audit Committee

i) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Exchanges, read with Section 292A of the Companies Act, 1956.

ii) The Terms of reference of the Audit Committee are as follows :-

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required the replacement or removal of the Statutory Auditor and the fixation of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditor.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;