

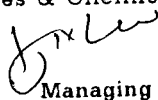
ISHAN DYES & CHEMICALS LIMITED



13th ANNUAL REPORT

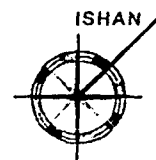
2005-2006

For Ishan Dyes & Chemicals Ltd.


Managing Director

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DIRECTORS' REPORT



To,
The members
Ishan Dyes & Chemicals Ltd.

Your Directors have pleasure in presenting the THIRTEENTH Annual Report and Audited Accounts of the Company for the ended 31st March 2006.

1. FINANCIAL RESULTS :

The financial highlights of the year are as under :

	RS IN LAC	
	YEAR ENDED ON 31.03.2006	YEAR ENDED ON 31.05.2005
Total Income	1571.58	1698.54
Profit (Loss) before interest and depreciation	185.67	13.09
Profit (Loss) for the year	19.91	(-126.21)
Provision for Taxation	-----	-----
Profit/Loss carried to Balance Sheet	19.91	(-126.21)

2. REVIEW OF OPERATIONS:-

During the year Under report the sales of the company have increased from Rs.122,492,506. To Rs.126,136,462. Consequently, the company has been able to earn profit. The company has profit of Rs.19,91,571/- as against the previous years loss of Rs.1,26,20,780/- However, With a view to strengthen the financial position of the company, your Directors do not recommend any dividend.

3.FIX DEPOSITS :-

The Company has not accepted any fixed deposit as laid down under section 58 A of the companies Act, 1956, are applicable.

4 PARTICULARS REGARDING EMPLOYEES: -

There is no employee who is an receipt of remuneration exceeding the limit specified under Section 217 (2A) of the companies Act, 1956.

5. POLLUTION AND ENERGY CONSERVATION ETC :-

Pursuant to Section 217 (1) (e) of the companies Act, 1956 the information required in respect of pollution and energy conservation is given in the Annexure.

There were no earnings of foreign exchange. Out goings of foreign exchange during the year was Rs. 5.16 lacks.

6. DIRECTORS :-

Shri Piyushbhai N. Patel and Marutbhai D. Patel retires by rotation but being eligible offers them selves for reappointment. Your Boards recommends their reappointment.

7. DIRECTORS' RESPONSIBILITY STATEMENT :

The Board of Directors of the company confirms:

(1) that in the preparation of the annual accounts, the applicable accounting standards have been followed except as reported by auditors of the company in their audit report for non charging of interest on term loans. Except this, there has been no material departure.

With reference of Non charging of interest on Loan of Bank of India, the one time settlement application of our company has been approved by the bank and considering this fact, now no interest is payable by our company.

In ase of interest on term loan of C.N. S. Bank, our company is in process of applying for one time sttlement and the said bank is under liquidaion. Your directors do not see any further liability of interest payment and hence no interest is provided.

(2) that the selected accounting policies were applied consistaently and tne Directors made judgements and estimates that are resonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the year under report and of the profit of the company for the year ended on that date;

(3) 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 detaching fraud and other irregularities;

(4) that the annual accounts have been prepared on a going concern basis.

(5) Company has not provided the estimated liabilities of gratuity since the number of employees having service of morethan 5 years are very few and in principaly company has decided to debit Gratuity on actual payment basis since the amount is not material.

8. AUDITORS :

You are requested to appoint auditors from the conclusion of ensuing Annual General Meeting up to the conciution of next Annual General Meeting and fix their remuneration. The present Auditors M/S.K.G.Patel & Co. Chartered Accountants, Borsad, are eligible for reappointment.

9. APPRECIATION:

The Board takes on record its appreciation of services rendered by employees, and co-operation given by customers, Bankers and all concerned.

Registered Office.
Dinsha Chambers
Borsad. 388540

By Order Of the Board
For & On behalf of Board of
Director

Dated: 28.6.2006

PIYUSH. N. PATEL

[A] CONSERVATION OF ENERGY :

Measure for energy conservation is taken up as a part of on going programme.

Total Energy consumption per unit of Production;

1] POWER & FUEL CONSUMPTION	2005-06	2004-2005
<u>ELECTRICITY</u>		
(a) Purchased Units	3545580	4827685
Total Amount	16060225	22545674
Rate / Unit (Rs)	4.53	4.67
(b) Own Generation		
(i) Through Stream Turbine/ Generator	NIL	NIL
Unit per Ltr of Diesel Oil	NIL	NIL
Cost/Unit (Rs.)	NIL	NIL
(ii) Through Steam Turbine/Generator	NIL	NIL
Unit per Ltr of Furnace Oil Gas	NIL	NIL
Cost/Unit (Rs.)	NIL	NIL
2) COAL		
Qty. In. Kgs	3129783	3696560
Total Amount	5725676	6524194
Rate/ Tone (Rs.)	1.83	1.76
3] L.D.O./ Furnace Oil		NIL
Qty. In. Ltr.	7685	NIL
Total Amount	269382	NIL
Rate/ Ltr (Rs.)	35.05	NIL
4] GAS FUEL		
Fuel gas (In Unit)	105977.00	NIL
Total Amount	1513693.00	NIL
Cost/Unit (Rs.)	14.28	NIL
[II] Consumption per kgs of production		
Electricity (In Unit)	2.83	2.38
Furnace Oil/ L.D.O. (IN LTR)	0.01	NIL
Coal (In Kgs)	2.50	2.17
Fuel gas (In Unit)	0.08	NIL
[B] Technical absorption ,Adoption and Innovation :		
1 Effort in brief made towards technology by standards for technology absorption, adoption, innovation and motivation	NIL	NIL
2 Benefit derived as a result	NIL	NIL
3 In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year). Following information may be furnished	NIL	NIL
a. Technology Imported		
b. Year of import		
c. Has technology been fully absorbed		
d. if fully not absorbed areas where the same has been absorbed therefore		
[C] FOREIGN EXCHANGE		
1 Foreign Exchange Used for Import of Raw Material	5.16	NIL
2 Foreign Exchange Earned	NIL	NIL

Auditors' report To the members of Ishan Dyes & Chemicals Ltd.

1. We have audited the attached Balance Sheet of ISHAN DYES & CHEMICALS LIMITED, as at March 31, 2006 and also the profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis evidence supporting the amounts and disclosure in the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our opinion in the Annexure referred to above, we reported that :
 - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - II. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - III. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - IV. As required by Sec 209 of the Companies Act, 1956, the company is required to maintain books on accrual principles of accounting. Contrary to this principle, the company has not accounted for interest accrued on C.N. S. Bank and Bank of India for the year under audit. Since the Bank has also not provided interest in the loan accounts, the actual amount of un-provided interest is not available. We are not in position to express our opinion since C.N.S. Bank Ltd. Is under liquidation and account with Bank of India is under one time settlement Subject to this, in our opinion the Profit & Loss account and Balance Sheet of the Company comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable except:(I) Accounting Standard 15 for provision of retirement benefits: The amount being uncertain and not determined, we are unable to give any opinion on the same. For more details refer to note No. (j) in notes on accounts in Schedule no. 19.
 - V. On the basis of written representation received from the Directors, as on 31st March, 2006 and taken on record by the Board of Directors, we reported that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;

VI. Subject to note no. 4 (iv) above, In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006.
- b) In the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For K.G. Patel & Co.
Chartered Accountants

S/D Kamlesh Parikh
Partner
Membership No.34529

Place :- Borsad
Date : 28/06/2006



Annexure to the auditors' report:

Re: Ishan Dyes & Chemicals Limited

Referred to in paragraph 3 of our Report of even date,

- I. (a) The company has maintained records showing plant wise particulars including quantitative details and situation of fixed assets.
(b) All the major assets have been physically verified by the management during the year.
(c) No substantial part of fixed assets has been disposed off during the year.
- II. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) The procedures of Physical verification of Inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The company is maintaining proper records of inventory. The discrepancy noticed on verification between the physical records and the book records were not material.
- III. (a) The Company has taken unsecured loans from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956.
(b) As expressed by management, no interest is payable on such loans and there are no stipulations for repayments for the loans that have been taken from parties listed in the register maintained u/s 301 of the Companies Act, 1956
(c) There are no stipulations for payment of interest or repayment of principal. There being no stipulation for repayment of loan taken, the question of amount overdue of loan taken from parties listed in the register maintained u/s 301 of the Companies Act, 1956 does not arise.
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- V. (a) According to the information and explanations given to us, we are of the opinion that transactions needed to be entered into the register maintained under Section 301 of the Act., are entered.

(b) There are transactions of purchase of goods or services with parties listed in the register maintained under section 301 of the Companies Act. However, the terms and rate of purchase are not prejudicial to the Company.

- VI. In our opinion and according to the information and explanations given to us, the Company has not complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. Company has not issued any advertisement inviting deposits from public. Company has also not accepted any term deposits from public. However, to meet the short term requirement of funds, company has taken unsecured loans from friends and relatives of directors. No order has been passed by the Company Law Board.
- VII. The Company has no internal audit system. However, the internal control system of the company, in our opinion, is commensurate with the size of the Company and the nature of its business.
- VIII. As per the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, the products of the company are not covered under the rules and hence the company is not required to maintain the books and other items of cost. However, company has maintained records for consumption of raw materials, production of finished goods. We have not however made a detailed examination of these records
- IX. (a) The company is generally not regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax and other material statutory dues applicable to it.

Such amount outstanding on the date of Balance Sheet is

Municipal Tax	Rs 7,71,149	G.S.T	Rs 2,12,519
Professional Tax	Rs 84,320	C.S.T	Rs 10,81,565
Provident Fund	Rs 15,02,877	Purchase Tax	Rs 1,53,148
ESIC	Rs 1,73,796	T.D.S	Rs 1,06,485
Maharashtra S.Tax	Rs. 12,08,911		

- X. In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. However, the company has made profits during the financial year covered by our audit and in the immediately preceding the financial year, company has incurred losses. Since the company has not provided the amount of due interest and the actual amount of interest due is not available, we are not able to quantify the amount and give any further comments.

- XI. in our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to financial institutions, or Banks.

In case of term loan from C.N.S. Bank Ltd., the bank has recalled the entire term loan for repayment and has filed civil suit for recovery of Rs. 541.32 lacks. However, as per the explanation given to us there are disputes between Company and lender with reference to the amount due and we are unable to express any opinion on this matter.

In case of Loans from Bank of India, the bank has accepted one time settlement scheme. The Bank has accepted the OTS scheme and after the Balance Sheet date, the entire outstanding amount is fully settled.

- XII. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- XIII. The company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of Clause 4 (xii) of paragraph 4 of the order are not applicable.

- XIV. The company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of paragraph 4 of the order are not applicable.

- XV. The company has not given any guarantee for loans taken by others from banks or financial institutions.

- XVI. In our opinion, the company has not obtained term loans during the year.

- XVII. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised during the year have been used during the year for long-term investment/repayment. There are no term for funds raised during the year. Since specific records of application of funds raised are not available, we are unable to quantify the actual short term funds applied for long term investment.

- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

- XIX. According to the information and explanations given to us, the Company had not issued any Secured Debentures during the year.