

NOTICE

Notice is hereby given that EIGHTH Annual General Meeting of the members of KIRI DYES & CHEMICALS LTD. will be held on the 30th June, 2006 at 11.00 a.m. at the Registered Office of the company to transact the following business. —

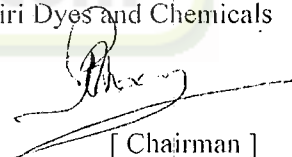
As Ordinary Business :-

- [1] To adopt the Directors' Report, the audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the Year ended on 31st March 2006 and Auditors' Report thereon.
- [2] To appoint Mr.Pravinbhai A. Kiri , as a Director , who retires by rotation and being eligible, offers himself for reappointment.
- [3] To appoint auditors until the conclusion of the next Annual General Meeting and to fix their remuneration.

Place : Ahmedabad
Ltd.

By Order of the Board of Directors of
Kiri Dyes and Chemicals

Date :- 29/5/2006


[Chairman]

Notes :- [1] A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead himself and a proxy need not be member. The proxy form duly completed and signed should be deposited at the Registered office of the company not later than 48 hours before the commencement of the meeting.

DIRECTORS' REPORT

To
The Members,
Kiri Dyes and Chemicals Ltd.,

Your Directors have pleasure in presenting to you their EIGHTH ANNUAL REPORT together with Audited Accounts of the company for the year ended on 31st March, 2006.

1. FINANCIAL RESULTS :	2005 – 06	2004 – 05
	Rs.	Rs
Sales and Other income	967880724	763821273
Expenditure	918344996	729676677
Profit before Taxation and Depreciation	55156090	38557101
Depreciation	5620362	4412504
Profit before Taxation	49810444	34144596
Tax Provision	3825000	2550000
Profit after Tax	45985444	31594596
Interim Dividend	5750000	-
Interim Dividend Tax	733125	-
Net Profit carried to Balance Sheet	39502319	31594596

2. REVIEW OF OPERATIONS :

Your Directors are happy to note that, the progress of the company continues as ever. This can be manifested by the figures of turnover and profitability during the year under review. This is despite the increased cost of input, increasing competition that the company is currently facing. As a part of backward integration project, the company set up a new plant at Padra to manufacture V.S. and H Acid. The project was commissioned in March 2006 and therefore trial run production was carried out. Therefore, the total turnover does not include a turnover of V.S and H Acid during the year under review.

3. DIVIDEND :

As you are aware, your directors had declared and distributed an interim dividend of Rs.57.50 Lacs. Keeping this in mind and the capital expenditure likely to be incurred on expansion projects, your directors do not recommend any final dividend.

4. FUTURE PROSPECTS:

Your Directors are highly optimist about future. Our products are widely accepted internationally which is evident from the fact that we have become preferred suppliers of the reputed multinational companies like Dystar, Clariant etc. Further, with the backward integration project to manufacture our basic and main raw materials that is V.S. and H Acid, the company is likely to achieve substantial reduction in raw material cost. This will help in increasing profitability of the company.

5. NEW PROJECT :

Further, your directors are also planning to manufacture Sulphuric Acid, Oleum and Chloro Sulphonic Acid at Padra which is likely to go on stream by the end of the financial year 2006-2007. Sulphuric Acid, Oleum and Chloro Sulphonic Acid are basic chemicals and are used in variety of chemical and fertilizer industries. This will further add to the turnover and profitability of the company. The Directors are in the advanced stage of negotiations with suppliers of Machinery, raw materials etc. and also with land owners.

6. DIRECTORS:

Mr. Pravinbhai A. Kiri , Director retires by rotation and being eligible for reappointment offers himself for reappointment.

7. AUDITORS:

M/s V. D. SHUKLA & CO., Chartered Accountants, who are the auditors of the company, retire on the ensuing Annual General Meeting, being eligible to offer themselves for reappointment.

8. SHARE CAPITAL:

During the year under review, Bonus shares were issued at 9 Equity Shares for every 2 Equity share held.

Also, additional capital was raised by Rs.320 Lacs by issuing 32,00,000 Equity Shares of Rs.10/- each fully paid-up.

9. PUBLIC DEPOSITS:

The Company has not accepted or invited any deposits from the public within the meaning of Sec 58 A of the Companies Act, 1956 and the rules framed there under read together with Directives issued by The Reserve Bank of India.

10. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies Act, 2000, the Board of Directors confirm that

- 1). In the Preparation of Annual Accounts for the Financial Year ended on 31st March, 2006, the applicable accounting standards have been followed except the following.

Accounting Standard AS 15 in respect of provision for retirement benefits to employees has not been followed in view of the difficulty in quantification of such benefits .

The Company has followed the method of valuation of inventories as per Section 145 A of the Income Tax Act, 1961, which is not in keeping with the guidelines issued by the Institute of Chartered Accountants of India. In the opinion of the management, this does not have any significant or material impact.

- 2). Appropriate accounting policies have been selected and applied consistently and estimate that are reasonable and prudent and so as to give a true view of the state of affairs of the Company as at 31st March, 2006 and of the Profit of the company for the year ended on 31st March, 2006.
- 3). Proper and sufficient care has been taken for the maintenance of adequate records in accordance with provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
- 4). The Company has its own team of educated and experienced staff handling internal control system. There are laid down systems and procedures for various types of transactions. The present control system is adequate considering the size of the Company and nature of its operations. The Company does not have internal Audit system.

11. PARTICULARS OF EMPLOYEES :

Information pursuant to Section 217 (2 A) of the Companies Act, 1956 read together with the Companies (Particulars of Employees) Rules, 1975 has not been given since there is no employee drawing remuneration in excess of the limits set up under that section.

12. ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE :

Additional information on conservation of energy, technology absorption, foreign exchange earning & outgo as required to be disclosed in term of Section 217(1) (e) of the Companies Act, 1956, read together with the Companies (Disclosures of Particulars in the Reports of Board of Directors) Rules, 1988, is given to the extent applicable :-

	2005-06	2004-05
	Rs.	Rs.
Foreign Exchange outgo on account of .		
--Import of Raw materials	53288759	87432314
--Import of Machinery and spares	277185	-
-- Foreign travel exp.	837176	2820574
-- Export sales commission exp.	368088	3579554
Foreign Exchange earnings on account of		
-- Exports	512042771	462830029

The Company has adopted indigenous technology for manufacturing. Though the Company does not maintain the records to show consumption of fuel per Unit produced, but it has adopted effective steps for conservation of energy by constantly monitoring and ensuring planned maintenance of equipments. Further, the company has installed necessary infrastructure and obtained gas connection as a part of measures for reducing the cost of Power and Fuel and use gas to reduce pollution.

13. SUBSIDIARY COMPANY:

Particulars relating to the Subsidiary Company as required u/s.212 of the Companies Act, 1956, is annexed to the accounts of the Company.

14. APPRECIATION :

Your Directors wish to place on record their sincere appreciation the services rendered by employees, Bankers and suppliers.

Place : AHMEDABAD

For, Kiri Dyes and Chemicals Ltd.

Date : 29-05-2006


(Pravinbhai A. Kiri)
Chairman

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Vimal D. Shukla
B.com, LL.B, F.C.A.
CHARTERED ACCOUNTANT

V.D.SHUKLA & CO.
CHARTERED ACCOUNTANTS

22, Akriti Society, Satellite Road,
AHMEDABAD-380 015. Phone : 26445335

AUDITORS' REPORT

To
The Members,
Kiri Dyes and Chemicals Ltd.,

We have audited the attached Balance Sheet of KIRI DYES AND CHEMICALS LTD., as at 31 st March, 2006, the annexed Profit & Loss Account for the year ended on that date, and also the Cash flow Statement for the year ended on that date. 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.

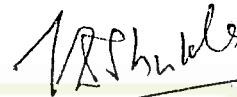
1. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An Audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management as well as evaluating the over all presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of Section 227 (4 A) of the Companies Act, 1956, we annex hereto a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books of the Company.
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts of the Company.
 - (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3 C) of Section 211 of the Companies Act, 1956.



- (v) Based on the representations made by the Directors as on 31st March, 2006 and taken on record by the Board of Directors of the Company and the information and explanations given to us, none of the Directors is, as at 31st March, 2006 prima facie disqualified from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the other notes thereon give the information required by the Companies Act, 1956 in the manner so required and present 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 and
- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Ahmedabad
Date : 29-05-2006

For V.D. Shukla & Co.,
Chartered Accountants



(V. D. Shukla)
Proprietor

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Vimal D. Shukla
B.com; LL.B; F.C.A.
CHARTERED ACCOUNTANT

V.D.SHUKLA & CO.
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22, Akriti Society, Satellite Road,
AHMEDABAD-380 015.

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31st MARCH, 2006 OF KIRI DYES AND CHEMICALS LTD.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that : -

- i. (a) The Company has generally maintained proper records showing particulars , including quantitative details and situation of fixed assets ;
- (b) As explained to us, fixed assets , according to the practice of the Company , are physically verified by the management at reasonable intervals , in a phased verification programme, which in our opinion , is reasonable looking to the size of the Company and the nature of its business . According to the information and explanations given to us , no major discrepancies were noticed on physical verification.
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
- ii. (a) As explained to us , inventories have been physically verified during the year by the management.
- (b) The procedures explained to us, which are followed by the management for physical verification of inventories , are , in our opinion , reasonable and adequate in relation to the size of the Company and the nature of its business ;
- (c) On the basis of our examination of the inventory records of the Company , we are of the opinion that , the Company is maintaining proper records of its inventory . The discrepancies which were noticed on physical verification of inventory as compared to book records , have been properly dealt with in the books of accounts.
- [iii] The company has not either granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act , 1956



- [iv] In our opinion and according to the information and explanations given to us , there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. No major weaknesses in internal control had come to our notice .
- [v] (a) On the basis of the audit procedures performed by us, and to the information , explanations and representations given to us , we are of the opinion that , the transactions in which directors were interested , and which were required to be entered in the register maintained under Section 301 of the Companies Act,1956, have been so entered;
- (b) In our opinion and according to the information and explanations given to us , the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section of the Companies Act,1956 exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time.
- [vi] In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public, and therefore its compliance with the provisions of Section 58 A and 58 AA of the Companies Act,1956 and the rules framed thereunder and the directives issued by the Reserve Bank of India does not arise . No order has been passed by Company Law Board .
- [vii] According to the information and explanations given to us and on the basis of such checks as we considered appropriate ,the company has an internal control system commensurate with its size and nature of its business. The company does not have internal audit system.
- [viii] We are informed that maintenance of cost records as prescribed by the Central Government under clause (d) of sub section (1) of section 209 of the Act, are Under preparation.
- [ix] (a) According to its records , the company is regular in depositing undisputed statutory dues including provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.
- (b) On the basis of our examination of the documents and records , dues of income-tax for A.Y. 2001-2002 involving Rs. 21 lacs have been paid by the company and still preferred an appeal with ITAT and the appeal is pending. Further, the company has preferred appeals with CIT (A) in respect of penalty of Rs. 34.98 /- Lacs for A.Y.2001-02 and demand of Rs. 193.16/-Lacs for A.Y.2003-04. Both the appeals are pending disposals.
- [x] The Company has neither the accumulated losses at the end of the financial year nor it has incurred cash losses in such financial year under report and in the financial year immediately preceding such financial year also.
- [xi] On the basis of the records examined by us and the information and the explanations given to us , the Company has not defaulted in repayment of dues to bank .

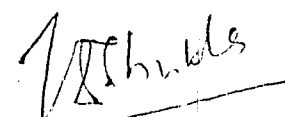


- [xii] The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- [xiii] As informed to us , the provisions of any special statute applicable to chit fund are not applicable to the Company.
- [xiv] The Company is not dealing or trading in shares, securities, debentures and other investments, therefore , the question of maintaining records in respect of transactions and contracts does not arise.
- [xv] According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- [xvi] On the basis of the records examined by us and relying on the information compiled by the Company for correlating the funds raised to the end use of term loans , we report that the Company has applied the term loans for the purposes for which they were obtained .
- [xvii] According to the information and explanations given to us and on an over all examination of the Financial Statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds , we are of the opinion that , prima-facie, as at the close of year, short term funds with negligible exceptions have not been utilised for long term purposes ,and vice – versa.
- [xiii] The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 391 of the Companies Act, 1956.
- [xix] The Company has not issued any secured debentures during the year.
- [xx] According to the information and explanations given to us , and the best of our knowledge and belief , no fraud on or by the Company , has been noticed or reported by the Company during the year .

Considering the nature of matters referred to in various clauses of the Companies (Auditors' Report) Order , 2003 clause (xx) of paragraph 4 of the aforesaid order is, in our opinion , not applicable to the Company .

Place : Ahmedabad
Date : 29-05-2006

For V.D. Shukla & Co.,
Chartered Accountants


(V. D. Shukla)
Proprietor

