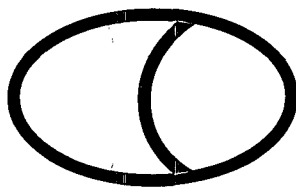
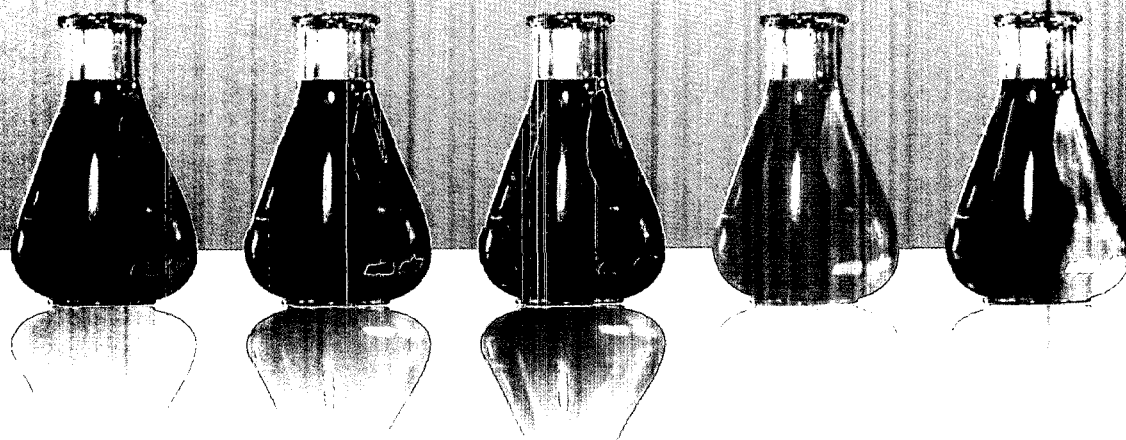


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Kiri Dyes and Chemicals Ltd.



Kiri Dyes and Chemicals Ltd.
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Corporate Information

Board Of Directors
Pravinbhai A. Kiri
Chairman

Manish P. Kiri
Managing Director

Aruna P. Kiri
Director

Bipin R. Patel
Non Executive Independent Director

Keyoor M. Bakshi
Non Executive Independent Director

Yamal A. Vyas
Non Executive Independent Director

Company Secretary
Suresh S. Gondalia

Auditors
M/s. V. D. Shulka & Co.,
Chartered Accountants,
Ahmedabad.

Registered Office
7th Floor Hasubhai Chambers,
Opp. Town Hall, Ellisbridge,
Ahmedabad - 380 006

Works-1
Plot No. 299/1/A, 299/1/B & 10/8
Near Water Tank, Phase-II, GIDC,
Vatva, Ahmedabad 382 445,
Gujarat, India

Works-2
Plot No. 396/399, 403/404-A,
Village: Dudhwada, Karakhadi,
Tal: Padra, Dist: Vadodara, Gujarat,
India

Bankers
State Bank of India
Bank of India
Oriental Bank of Commerce

www.kiridyes.com



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Enhancing Life with
the Chemistry of Colours





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Chairman's Message



KDCL has proved unprecedented highest growth in the history of dyes and dye-intermediate industry globally. KDCL has established its presence in about 20 countries worldwide with esteemed organizational recognition and reputation as the most prominent, highly efficient, and the most competitive manufacturers from India. KDCL is now also expanding its establishments into basic chemicals manufacturing with a target to achieve exponential growth in the next few years.

Prime objective of KDCL is to increase value of the organization, and wealth of its valued shareholders to provide maximum returns on the investment of its shareholders. I have full confidence and faith in our capable team to continuously serve for the best interests of its shareholders.

Just to brief you on the history, we made modest beginning with a manufacturing unit in GIDC, Vatva, Ahmedabad in the name of Kiri Dyes and Chemicals Private Limited in year 1998 that to start with manufacturing limited quantity of reactive dyes. As on date our installed capacity is 10800 MTA reactive dyes comprises of more than 120 dyes stuff. Unparallel dynamism, rich experience, in-depth knowledge and farsighted business policies have strategically positioned us as a leading exporter of dyes and dye-intermediates from India. Driven by innovation and passion to excel, we continue to grow every year not only to generate high revenues, but also to create its shareholders' wealth by increasing percentage profit margins as well as by generating more rupee term profits from exports. Due to the distinctive product range that comes with irreplaceable high quality standards, we got international repute in all business practices that we conduct. This has been proved by being not only a major supplier to the multinational companies, but also a brand provider to them.

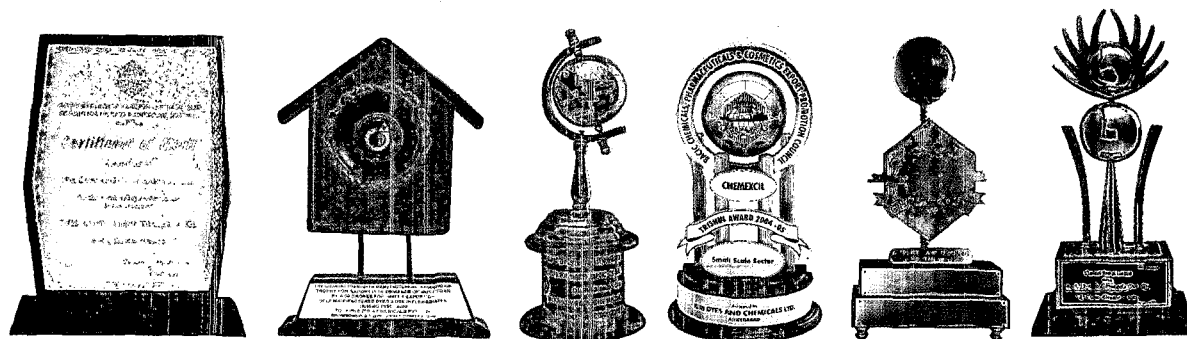
In the year 2006, we started the first phase of backward integration expansion project to manufacture Vinyl Sulphone at plant situated at village Dudhwada, Tal: Padara, Dist: Vadodara. In the year 2007, we have achieved another milestone starting second phase of backward integration expansion project to manufacture H-Acid at the same Dudhwada manufacturing facility and have become independent as regard to major raw materials for manufacturing of reactive dyes. Vinyl Sulphone and H Acid are major raw materials to manufacture reactive dyes, which are consumed in the highest quantity at KDCL.



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During the short time period, we have bagged following awards and milestones:

Year	Awards/Milestones
2000	<ul style="list-style-type: none"> Awarded by CHEMEXIL for outstanding export performance in the year 1998-1999.
2001	<ul style="list-style-type: none"> Awarded by CHEMEXIL for outstanding export performance for the year 1999-2000. Trophy awarded by Gujarat Dyestuffs Manufactures Association for export performance of more than Rs. 600 Lakhs for direct export of self manufactured dyes & dye intermediates during 1990-2000.
2002	<ul style="list-style-type: none"> Received First Award for the highest exports of chemicals from small scale industry by CHEMEXIL for the year 2000-2001. Obtained permission confirming eligibility of Kiri Dyes to become 100% Export Oriented Unit from Kandla Special Economic Zone. Awarded by Gujarat Dyestuff Manufacturers Association as Second award for direct export of self manufactured dyes in the year 2000-2001.
2003	<ul style="list-style-type: none"> Received prestigious Platinum Award from CHEMEXCIL for outstanding performance during the year 2002 – 2003. Company became Government Recognized Trading House.
2004	<ul style="list-style-type: none"> Recognized as a Two Star Export House. Obtained Environmental Clearance Certificate from the Ministry of Environment and Forest for further expansion. Conversion of manufacturing unit into 100% Export Oriented Unit.
2005	<ul style="list-style-type: none"> Silver Jubilee awarded by Export Credit Guarantee Corporation of India, Govt. of India
2006	<ul style="list-style-type: none"> Awarded by Clariant (India) Ltd as "A" class vender for outstanding performance as a Business Partner – Sourcing and its contribution in the growth of Clariant (India) Limited Conversion of company from Private Limited to Public Limited Company.
2007	<ul style="list-style-type: none"> Awarded ISO 9001:2000, a certificate for quality management system by ISOQAR for manufacture and supply of reactive dyes for its Unit located at Vatva, Ahmedabad. Awarded ISO 9001:2000, a certificate for quality management system by ISOQAR for manufacture and supply of dyes intermediates for its Unit located at Village Dudhwada, Padra, Vadodara.





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Due to Starting of the first phase of backward integration project, the total income of the company increased to Rs. 133.42 crores for the financial year 2006-07 as against Rs. 92.59 Crores for financial year 2005-06, registering an increase of 44.09%. The growth in sales have been achieved on account of two factors viz. (i) Growth in production and sales of Dyes and (ii) commencement of commercial production and sales of Vinyl Sulphone & H- Acid. Out of Total Income for the year ended of Rs. 133.42 Crores sales of Vinyl Sulphone & H. Acid contributed Rs. 21.44 Crores and sales of Dyes contributed Rs.111.98 Crores.

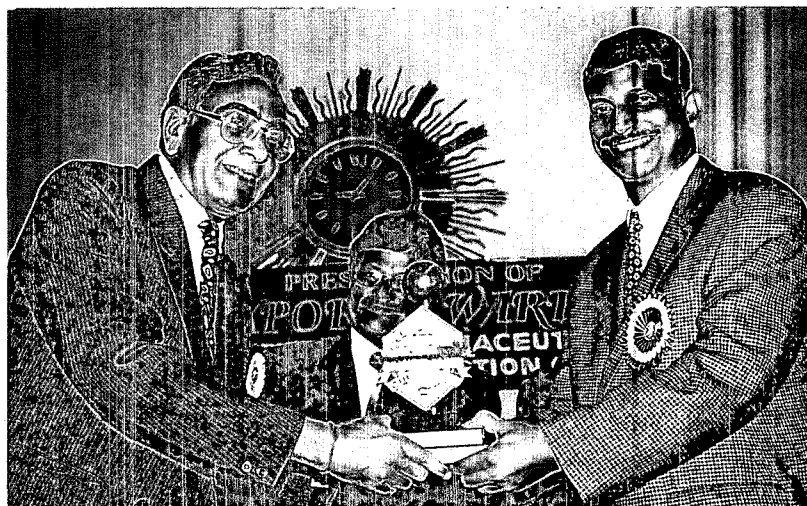
Analyzing the increasing demand of Sulphuric Acid, and ever increasing supply-demand gap in India, and also with an intention for related diversification in to basic chemicals business activities, we are planning to set up another backward integration plant. It intends to produce Sulphuric Acid, Oleum and Chlorosulphonic acid that would be partly captively consumed as raw materials for Dye Intermediates.

The new project of backward integration will have combined production capacity of 500 M.T./day or 180,000 MTPA at its Padra facility. The company is setting up the plant with latest double absorption technology and a power plant of the capacity of 2.9 MW, which can run from the byproduct as steam generated by the Sulphuric Acid plant. The Power generated will be sufficient not only to run Sulphuric Acid plant but also to operate intermediate plants of Vinyl Sulphone and H-Acid.

Sulphuric Acid, Oleum and Chlorosulphonic Acid are basic chemicals and are used in varieties of industries including chemicals, pharmaceuticals, fertilizers etc. All these three products are made in one integrated continuous plant and uses Sulphur as the basic raw material. To fund the proposed expansion project, the Company proposes to come out with an Initial Public Offer through 100% book building process.

Lastly, I would like to thank all the shareholders of KDCL for putting their trust and confidence into me and the team of KDCL. We are committed to value and enrich your wealth.

Yours Sincerely,
Pravinbhai Kiri
Chairman





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Management's Discussion and Analysis Report

OVERVIEW :

The healthy and balanced monsoon, increased in foreign exchange reserve, resilient and organic growth by the manufacturing sector, implementation of Value Added Tax (VAT) supplemented by positive response by State Governments, boom in primary and secondary market, have all augured well for the Indian Economy which has shown tremendous growth in year 2007. The Indian GDP grew at 9.% plus in year 2006-2007 and 11% plus overall industrial growth.

INDUSTRY STRUCTURE AND DEVELOPMENT :

The Company is a manufacturer and exporter of reactive dyes and dyes intermediates, which are synthetic organic dyes used exclusively for cotton fabrics like garments, dress materials, bed-sheets, carpets etc. The dyes are of basically colours like black, blue, red, orange, yellow and numerous variants of these basic colours identified by color index number internationally.

The product range of the company comprises of more than 120 dyestuffs used by textiles, leather, Paper industries with total production capacity of 10800 MT per annum. The Company supplies reactive, acid, and direct dyes as well as dye-intermediates in various forms like standardized spray dried/tray dried – powder / granular, crude and reverse osmosis. The Company operations cater to the Industrial customer's needs at every stage of business.

The Company has started manufacturing of dyes intermediates, like Vinyl Sulphone from April 2006 and H-Acid from March 2007. It has also started manufacturing other dyes intermediates like Acetanlide, Sulpho Tobias Acid, Meta Uredo Aniline, MPDSA, Acetyl MPDSA, Acetyl, J-Acid.

COMPANY PERFORMANCE :

The booming Indian economy has had a favourable impact on the business of the Company for the year 2006-07. The growth in economy as well as manufacturing sector has thrown up substantial opportunities in the Company's core sectors of operation such as Manufacturing Dyes and Intermediates, which has helped the company perform well during the financial year 2006-2007.

(1) Opportunities :

The Company is one of the leading/fast growing players in the Manufacturing and exports of Dyes and Intermediate Business in India, in terms of revenue and profits. The Company is engaged in the business of Manufacturing and exports of synthetic reactive dyes and Intermediates. The Company also got expertise in domestic and international trading of its products. The Company exports its quality products acceptable in international market to these customers directly. It provides all the technical services of its products as well as all application information to improve customization of its products. The Company is selling its products with its brand name in the Middle East and other Asian countries like Turkey, Egypt, Bangladesh, and Pakistan.

An export in India enjoys priority sector status accorded to it by Government since long to achieve a favorable balance of trade essential for a sound economy. The government has freed the import and export of most controls like removal of all import curbs or quantitative Restrictions (QRs), save a few sensitive items reserved for exports / imports through state trading enterprises, falling in import duties – all these have triggered a spurt in the export / import demand as well as the local consumption.

(2) Threats :

- Frequent and unexpected changes in the EXIM policies.
- Entry of new competitors in the same line of activities.
- Global shortage of Raw materials/products dealt in by the company.
- Exchange rate fluctuation.
- Our Exports business is subject to economic, political and other risks associated with the countries in which our clientele are based.
- Any disruption in the logistics chain may affect our business performance.





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- Counter party risks that include contractual and credit risk.
- Changes in tax regimes in India and Globally.

RISK AND CONCERNS :

See "Threats above"

INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY :

The company has in place adequate systems of internal control commensurate with its size and nature of its operation. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization. The Company has Internal Audit system.

The Company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews periodically financial statement of the Company and comments of Internal Auditors. Suggestions for improvement are considered and the Audit Committee follows up on the implementation of corrective actions. The Committee also meets the Statutory Auditors of the Company to ascertain, their views on the adequacy of internal control systems in the Company.

DEVELOPMENT IN HUMAN RESOURCES :

The Company recognize the importance of its human capital. Being a growth oriented and progressive organization, it recognizes the importance of professionalism. The Company has embarked on several HR initiatives to enhance the performance of the organization and each individual. As on March 31, 2007, the company had 130 employees.

FINANCIAL ANALYSIS :

The company's major focus is to strengthen the competitive positioning of its business with the renewed thrust on the local as well as international market. Your Company has strong relationship with most of international customers.

➤ Sales :

Sales and operating Income for the year under review were Rs. 1334.24 lacs as compared to Rs. 9117.47 lacs of previous year. The improved global as well as domestic economic conditions coupled with company's planned Marketing Strategy to continuously diversify its product mix, have been contributing significantly to its turnover.

➤ Interest and Financial Expenses :

Interest and Financial charges were 514.78 Lacs as compared to Rs. 234.49 Lacs. Financial charges increased due to increased term loan and working capital facilities for expansion project at Padra Plant for manufacturing Vinyl Sulphone.

➤ Profitability :

The Profit before interest, depreciation and tax continue to shows upward trend registering remarkable growth of 97.92% from Rs. 788.80 Lacs in year 2006 to Rs. 1561.20 Lacs in the year 2007. The Net Profit also registered a growth of 118.54% from Rs. 395.02 Lacs in year 2006 to Rs. 863.29 Lacs in year 2007.

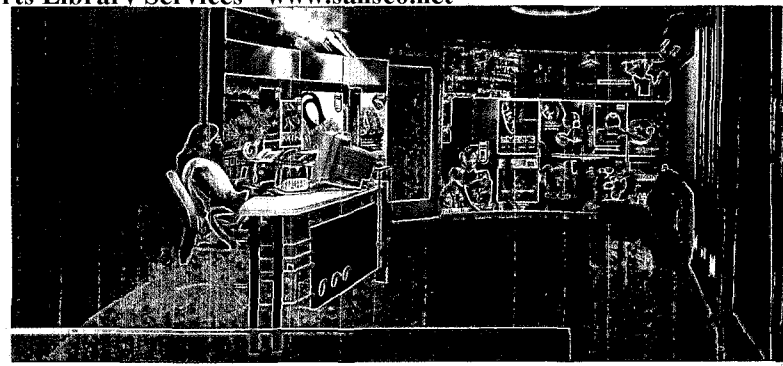
The growth in sales have been achieved on account of two factors viz. (i) Growth in production and sales of Dyes and (ii) commencement of commercial production and sales of Vinyl Sulphone. The increase in sales of Dyes has been achieved due to addition of new customers and inclusion of varieties of Dyes to the product fold

CAUTIONARY STATEMENT :

Certain statements made in this Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, estimates, expectations, predictions etc. may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections etc. whether express or implied. Several factors that could make a difference to Company's operations these include climatic conditions and economic conditions affecting demand and supply, changes in Government regulation tax regimes, natural calamities, etc. over which the Company does not have any direct control.

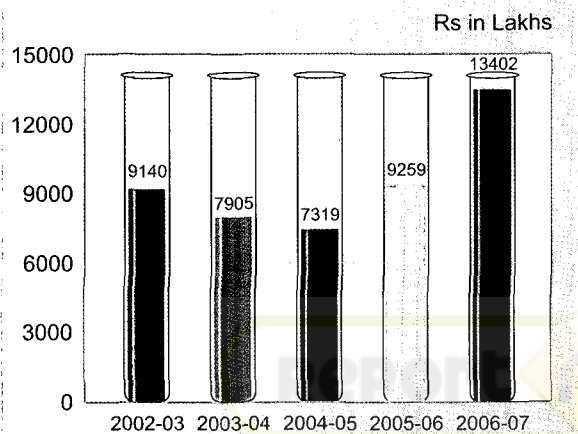


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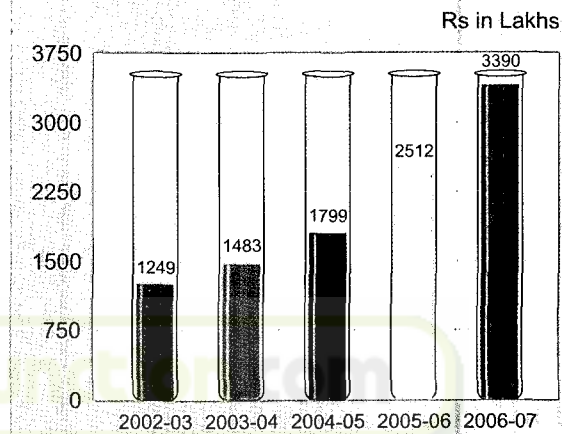


Financial Highlights

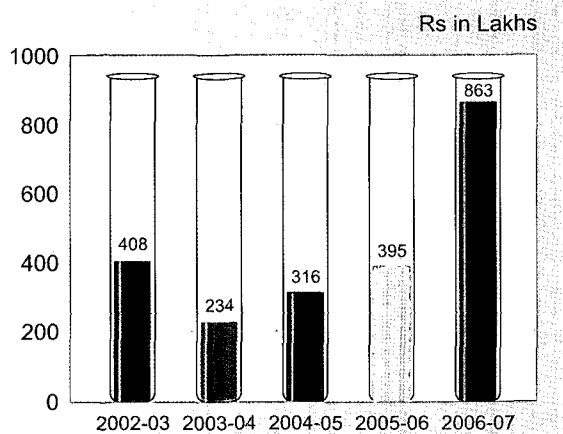
TOTAL REVENUE



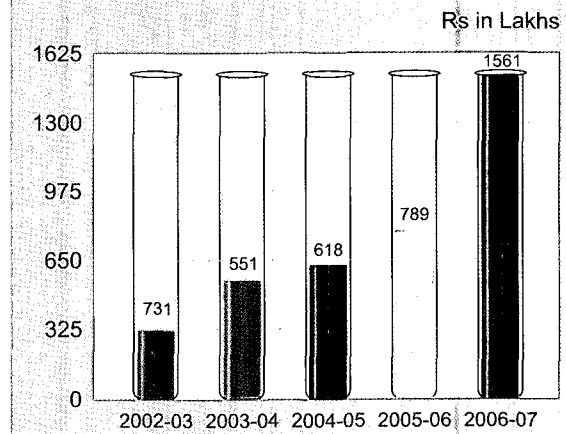
NETWORTH

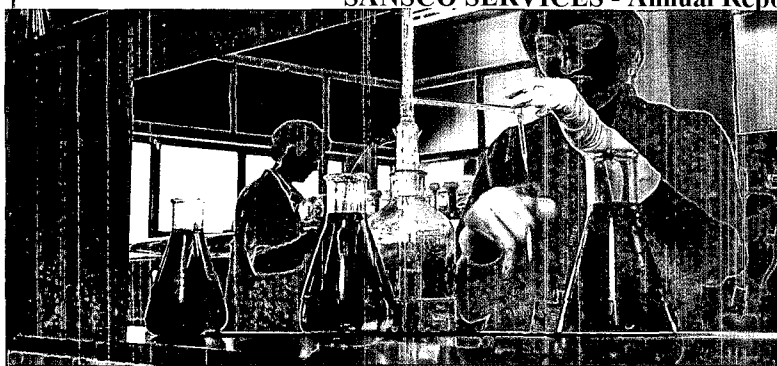


PROFIT AFTER TAX



EBDIT





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Directors' Report

To
The Members,
Kiri Dyes and Chemicals Ltd.,
Ahmedabad.

Your Directors have pleasure in presenting NINETH ANNUAL REPORT together with Audited Accounts of the company for the year ended on 31st March, 2007.

FINANCIAL RESULTS :

		(Rs. In Lacs)
Particulars	2006-07	2005-06
Sales and Other income	13402.14	9259.01
Profit Before Interest ,Depreciation and Tax	1561.20	788.80
Less : Interest	514.78	234.49
Depreciation	126.63	56.20
Profit Before Taxation	919.79	498.10
Less : Provision for Taxation	38.50	28.25
Deferred Tax	18.00	10.00
Less : Prior Period Expenses	21.09	0.00
Net Profit	842.20	395.02
Add : Surplus Brought Forward	1561.76	2079.26
Less : Amount Capitalised	0.00	517.50
Profit Available for Appropriation	2403.96	1561.76
Dividend :		
Interim Dividend Including Dividend Tax	0.00	64.83

1. DIVIDEND :

With a view to conserve resources and to plough back the profit for expansion project, your directors do not recommend dividend during the year under review.

2. REVIEW OF BUSINESS OPERATIONS :

Due to the Strenuous and sustained efforts of the Directors and the employees, the Company continues to grow at a rapid pace. The Company has recorded an all round encouraging performance during the year under review, with an impressive rise of 45% in its turnover as compared to the previous year from Rs. 9259.01 Lacs to 13402.14 Lacs. The company is emerging as a global player with the ability to handle large customers. The Company has been able to establish long lasting business relationships with its key customers – both Domestic and International. Due to excellent track record that the company has, in the international market, the export sales registered a significant rise of 73% as compared to that in the previous year from Rs. 5120.43 Lacs to Rs. 8855.12 Lacs.