

19th
ANNUAL REPORT
2005 - 2006



Vivid Chemicals Ltd.

VIVID CHEMICALS LIMITED

BOARD OF DIRECTORS

SHRI SUDHIR M.MODY	CHAIRMAN
SHRI SUMISH S.MODY	WHOLETEIME DIRECTOR
SHRI RAGHUNATH T.SHEDGE	DIRECTOR
SHRI MANOJ KUMAR CHAUHAN	DIRECTOR (appointed w.e.f. 23.01.06)
SMT. ASHA MODY	DIRECTOR (appointed w.e.f. 27.03.06)
SHRI MITEN S.MODY	DIRECTOR (resigned w.e.f. 4.01.2006)
DR.UMESH S.KULKARNI	DIRECTOR (resigned w.e.f. 27.03.06)

BANKERS :

BANK OF BARODA,
BACKBAY RECLAMATION BRANCH,
MUMBAI-400 020.

AUDITORS :

M/S. M.S. PARIKH & CO.
A-5, TAMRIND HOUSE,
36, MUDDANNA P.SHETTY MARG,
FORT, MUMBAI-400 023.

REGISTERED OFFICE:

D-21/1, M.I.D.C. TARAPUR 401 506
VIA BOISAR, DIST.THANE.

ADMINISTRATIVE OFFICE :

C/O.SUMICHEM CORPORATION
1-D, DHANNUR BUILDING,
SIR P.M.ROAD, FORT,
MUMBAI 400 001.

REGISTRARS & SHARE TRANSFER AGENTS :

REGD.OFFICE:

SHAREPRO SERVICES
SATAM ESTATE, 3RD FLOOR,
ABOVE BANK OF BARODA,
CARDINAL GRACIOUS ROAD, CHAKALA,
ANDHERI (E), MUMBAI-400 099.

INVESTOR RELATION CENTRE:

912, RAHEJA CENTRE,
FREE PRESS JOURNAL ROAD,
NARIMAN POINT, MUMBAI-400 021.

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Vivid Chemicals Limited, will be held at Plot No. D-21/1, M.I.D.C., Tarapur, Via Boisar, Dist. Thane on Friday 29th September 2006 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 31st March, 2006 and the Profit & Loss Account for the year ended on that date together with the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Sudhir Mody, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint the Auditors and fix remuneration.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary resolution:

RESOLVED THAT Mr. Manoj Kumar Chauhan, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the Company, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary resolution:

RESOLVED THAT Mrs. Asha S.Mody, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the Company, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.

For and on behalf of the Board of Director

SUDHIR M. MODY
CHAIRMAN

REGISTERED OFFICE :

D-21/1 M.I.D.C.,
Tarapur, Via Boisar,
Dist. Thane
Dated : 31st August, 2006.
Place : Mumbai

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement as required under Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the share transfer books will remain closed from 26th September, to 29th September, 2006 both days inclusive.
4. Members desiring to seek further information or clarifications on the Annual Accounts or Operations of the Company at the meeting are requested to send their queries so as to reach the Registered Office at least 10 days in advance of the date of meeting to enable the management to keep the information ready.
5. Members are requested to bring their copies of Annual Report and Account to the Meeting.
6. Members are requested to notify immediately any change in their address to the Companies Registrar and Share Transfer Agents M/s Sharepro Services at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East) Mumbai 400 099 or at 912 Raheja Centre, Free Press Journal Marg, Nariman Point Mumbai 400 021.

Explanatory Statement under Section 173 of the Companies Act, 1956**Item No. 4 & 5**

Mr. Manoj Kumar Chauhan was appointed Additional Director of the Company with effect from 23rd January, 2006 and Mrs. Asha Mody joined the Board On 27th March, 2006.

In term of Section 260 of the Companies Act, 1956 Mr. Chauhan and Mrs. Asha Mody will hold office only up to the ensuing Annual General Meeting. Notices have been received from some shareholders, proposing the candidature of Mr. Chauhan and Mrs. Asha Mody for the office Director in accordance with the provisions of section 257 of the Companies Act, 1956.

The Board considers it desirable that the Company continues to avail of the services of Mr. Chauhan and Mrs. Mody and commends resolutions 4 and 5 for acceptance by the Members.

None of the Directors except Mr. Manoj Kumar Chauhan, is concerned or interested in the Resolution at Item No.4 and none of the Directors except Mr. Sudhir Mody, Mr. Sumish Mody and Mrs. Asha Mody are concerned or interested in the Resolution at Item No.5.

For and on behalf of the Board of Director

SUDHIR M. MODY
CHAIRMAN

REGISTERED OFFICE :

D-21/1 M.I.D.C., Tarapur, Via Boisar,
Dist. Thane

Dated : 31st August, 2006.

Place : Mumbai

DIRECTORS' REPORT

To,

The Members

Your Directors have pleasure in presenting the Nineteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS :

	31 st March, 2006	31 st March, 2005
Net Sales/Income from Operations excluding Excise & Sales Tax	445.67	549.90
Gross Profit/(Loss) before Depreciation & Interest	45.38	35.14
Less :Depreciation	14.64	26.59
Less: Interest	4.44	6.94
	-----	-----
Net Profit/(Loss) before Tax	28.36	1.61
Provision for taxation	2.06	--
Less: Prior years adjustments	--	0.06
Extra Ordinary items	--	--
	-----	-----
Profit/ (Loss) for the year	26.30	1.55
Balance of Profit/ (Loss) brought forward	(166.78)	(168.33)
	-----	-----
Balance Carried to Balance Sheet	(235.99)	(166.78)
	=====	=====

OPERATIONS :

During the year under review the Company has recorded a total Income of Rs. 445.67 Lacs as compared to Rs. 549.90 Lacs for the previous year. The competition from the Chinese Markets has also put both turnover and margins under pressure. Your Directors are taking step up the sale and improve the profitability of the Company.

DIVIDEND :

In view of the adverse financial position of the Company your Directors do not recommend any dividend.

DIRECTORATE :

Mr. Raghunath Shedge retires by rotation and being eligible offers himself for re-appointment.

Mr. Manoj Kumar Chauhan and Mrs. Asha Mody were appointed as Additional Directors of the Company on 23rd January, 2006 and 27th March, 2006 respectively. By virtue of the provisions of Section 260 of the Companies Act, 1956 they shall hold office only upto the conclusion of this Annual General Meeting. The Company has received Notices in writing from members of the Company proposing their appointments as Directors in accordance with Section 257 of the Companies Act, 1956.

FIXED DEPOSIT :

The Company has not accepted any Deposit which attract the provisions of Section 58A of the Companies Act, 1956.

AUDITORS :

M/s M. S. Parikh & Co., Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

PARTICULARS OF EMPLOYEES :

None of the employees of the Company draws remuneration more than the limits prescribed under Section 217 (2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) The Directors 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 & Loss of the Company for that period.
- iii) The Directors 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 detecting fraud and other irregularities to the best of their knowledge and ability.
- iv) The Directors have prepared the annual accounts on a "going concern basis".

CORPORATE GOVERNANCE :

Pursuant to Clause 49 to the listing Agreement the mandatory requirements relating to Corporate Governance are applicable to the Company from the current financial year. Accordingly your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of the aforesaid clause 49 are complied with. The report on Corporate Governance alongwith a Certificate of compliance from the Auditors and the Management Discussion and Analysis Report forms part of this Report.

INDUSTRIAL RELATIONS :

The relations with the employees have remained cordial.

ACKNOWLEDGEMENTS :

Your Board of directors would like to place on record its sincere appreciation for the whole hearted support and contributions made by Auditors, Banks, Financial Institutions, Suppliers and other Business Associates towards the conduct of the operations of the Company.

For and on behalf of the Board of Director

SUDHIR M. MODY
CHAIRMAN

INFORMATION AS PER SECTION 217 (1)(E) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENED 31ST MARCH, 2006

A) CONSERVATION OF ENERGY :

- a. With the closure of the Company's manufacturing operation there does not involve substantial energy consumption. However, the Company has taken steps to improve energy utilization wherever possible.
- b. **ADDITIONAL INVESTMENTS AND PROPOSALS FOR REDUCTION OF COUSUMPTION OF ENERGY.**

No additional investments made during the year.

- c. **IMPACT OF THE ABOVE MEASURES : NIL**
- d. **TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION.**

"Form – A" not applicable.

B). TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- a. Currently there is nothing to report on the subject as Company has closed its manufacturing activities.

- b. Imported Technology :

No technology was imported by the company during the year under review .

c). FOREIGN EXCHANGE EARNINGS AND OUTGO :-

- (a) activities relating to export, initiative taken to increase exports, development of new export markets for products and service and export plant:

During the current year the Company has exported its products to Far East Countries. Efforts are being made to develop new markets and the Company expects substantial increase in export during the current year.

- (b) **Total Foreign Exchange Earned.**
Used Rs. 1,59,09,003
Earned Rs. 2,06,70,487

For and on behalf of the Board of Director

SUDHIR M. MODY
CHAIRMAN

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MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure and Development :

The Company is engaged in the business of producing intermediate dyes and trading in dyes based on a basic raw material Tobias Acid, which is imported from China. With the import of the basic raw material, the Company carries out processing activities on job work basis and produces the various dyes and dye intermediates.

B) Opportunities and Threats

The Company is finding a good market for its range of products in the developing Asian Countries. This growth in market share has been achieved despite difficult local and global economic circumstances. One of the main threats faced by the Company are the availability of cheaper products from China.

C) Segment-wise Performance

The Company has only one business segment viz dye intermediates and dyes and hence product-wise performance is not provided.

D) Outlook

The outlook for the Company's business depends on the Cotton textile industry since majority of the Company's products are used in cotton fabrics. Recent times have seen a reversal of trends from synthetic to cotton fabrics and with the increase in demand for cotton the Company has a tremendous potential for growth.

E) Risk and Concerns

Globalised competitive scenario in Dyes and raw materials and dumping of low price products from the Chinese markets are the major areas of risk and concern for your Company. Any unfavourable trends in the import tariffs on key raw materials may have adverse impact on the cost and selling prices thereby putting pressure on the margins.

F) Internal Control Systems and their Adequacy

The Company has satisfactory internal control system, the adequacy of which has been mentioned in the Auditors' Report.

G) Human Resources

There has been no material development on the Human Resource / Industrial relations front during the year.

Report on Corporate Governance
(pursuant to clause 49 of Listing Agreement)

1. Company's Philosophy on code of Governance:

The Company is committed to benchmarking itself with the best in all areas including Corporate Governance. The Company's philosophy of Corporate Governance is aimed at strengthening the confidence among shareholders, customers employees and ensuring a long term relationship of trust by maintaining transparency and disclosures. The Company is aiming at efficient conduct of the business in meeting its obligations to the shareholders.

The Company has adopted a Code of Conduct as required under clause 49 of the listing Agreement with the stock Exchanges. The Directors have confirmed compliance with the code of conduct for the year ended 31st March, 2006.

The relevant standards of Corporate Governance have been fully complied with by the Company.

2. Board of Directors :

Composition and size of the Board

The present strength of the Board is 5. The Board comprises of a Whole- time Director. The rest are Non – Executive Directors.

Mr. Manoj Kumar Chauhan was appointed as an Additional Director wef 23rd January, 2006 and Mrs. Asha Mody joined the Board wef 27th March, 2006. during the year Mr. Miten Mody and Dr. Umesh Kulkarni resigned as Directors.

The size and composition of the Board conforms with the requirements of Corporate Governance under the Listing Agreement with the Stock Exchange and applicable laws. The Independent Non Executive Directors of the Company do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect independence of judgement of the Directors. Non-Executive Directors are not paid any remuneration.

No. of Board Meetings held during the year along with the dates of meeting

In the financial year 2005 – 2006, the Board met Six times. The Board meetings were held on

(1) 30th April, 2005, (2) 30th June, 2005, (3) 28th July, 2005, (4) 17th October, 2005,
(5) 23rd January, 2006 (6) 27th March, 2006

Attendance of Directors at Board Meeting and last Annual Meeting.

The composition of Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorship, committee memberships and chairmanships held by them, are given below:

Directors	Category	Shares held	Attendance Particulars		No. of other Directorship and Committee Membership/ Chairmanship held		
			Board Meeting	Last AGM	Director-Ships	Committee Memberships	Committee Chairmanships
Mr. Sudhir Mody	C	700	6	Yes	Nil	Nil	Nil
Mr. Sumish Mody	WTD	335630	6	No	2	Nil	Nil
Mr. Miten Mody (resigned w.e.f. 23.01.06)	NED	208660	1	Yes	4	1	Nil
Mr. Manoj Kumar Chauhan (appointed w.e.f. 23.01.06)	NED	Nil	1	N.A.	Nil	1	1
Mrs. Asha Mody (appointed w.e.f. 27.03.06)	NED	365640		N.A.		1	Nil
Dr. Umesh Kulkarni (resigned w.e.f. 27.03.06)	NED	Nil	Nil	Yes	Nil	1	1
Mr. Raghunath Shedge	NED	Nil	6	Yes	3	1	1

C: Chairman; MD: Managing Director; WTD: Wholetime Director; NED: Non Executive Director
Directors who are Chairpersons of Committee have been included in the list of members as well.

The Board periodically reviews compliance Reports of all laws applicable to the company as well as steps taken by the Company to rectify instances of non-compliances, if any.

The Brief Profile of Director being appointed/re-appointed (pursuant to Clause 49 of the Listing Agreement) :

1. Name of the Director	Mr. Raghunath Shedge	Mrs. Asha S. Mody	Mr. Manoj Kumar Chauhan
2. Date of Birth	02.06.1954	13.03.1946	02.05.1968
3. Date of Appointment	31.07.02	27.03.2006	23.01.2006
4. Experience in specific areas	He has been associated with the Company for more than 20 years in various organizational capacities.	She has been looking after administration of the company for more than 20 year.	He has been looking after plant maintenance.
5. Qualifications	SSC.	B. Com, Graduate	S.S.C
6. Directorships in other Companies	Vivid Exports Pvt. Ltd.	Mitjay Intermediates Pvt. Ltd. Vivil Investments Pvt. Ltd. Vivid Finance & Holdings Pvt. Ltd	
7. Membership of committees			