



KIRI DYES AND CHEMICALS LIMITED

(The Company was incorporated on May 14, 1998 as Kiri Dyes and Chemicals Private Limited at Ahmedabad, Gujarat, under the Companies Act, 1956 and was converted into a public limited company vide fresh certificate of incorporation dated May 3, 2006 issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli located at Ahmedabad. The Corporate Identity Number is U24231GJ1998PLC034094.)

Registered Office: 7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellis bridge, Ahmedabad – 380 006

(At the time of incorporation, the registered office of the company was situated at 53, Manekbaug Society, S. M. Road, Ambawadi, Ahmedabad – 380 015, w.e.f. February 1, 2007, the registered office was shifted to the present address)

Tel: +91-79-2657 4371-73; **Fax:** +91-79- 2657 4374; **Website:** www.kiridyesh.com

Corporate Office: Plot No. 299/1/A, Near Water Tank, Phase-II, GIDC, Vatva, Ahmedabad 382 445 **Tel:** +91-79-25894477, 2583 5297 **Fax:** +91-79-25834960,

Email: ipo@kiridyesh.com, **Company Secretary and Compliance Officer:** Mr. Suresh Gondalia;

PUBLIC ISSUE OF 37,50,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT AN ISSUE PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING TO RS. [●] LAKHS (HEREINAFTER REFERRED TO AS “THE ISSUE”). THE ISSUE WOULD CONSTITUTE 25 % OF FULLY DILUTED POST ISSUE PAID UP CAPITAL OF THE COMPANY.

PRICE BAND: Rs. 125 TO Rs. 150 PER EQUITY SHARE OF FACE VALUE RS. 10/- EACH.

THE FACE VALUE OF THE SHARES IS RS. 10/- AND THE FLOOR PRICE IS 12.5 TIMES OF THE FACE VALUE AT LOWER END OF THE PRICE BAND AND 15 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/ Issue Period, if applicable, shall be widely disseminated by notification to Bombay Stock Exchange Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”), by issuing a press release and by indicating the change on the website of the Company, the Book Running Lead Manager and at the terminals of the Syndicate members.

The Issue is being made through the 100% book building process wherein not more than 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Bidders (“QIBs”) (including 5% of the QIB portion that would be specially reserved for Mutual Funds). Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for Equity Shares of the Company. **The face value of share is Rs.10/- each and the Floor price is 12.5 times of the face value and the Cap price is 15 times the face value.** The Price band (as determined by the Company in consultation with the Book Running Lead Manager (“BRLM”), on the basis of Market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. **Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page viii of this Red Herring Prospectus.**

ISSUER’S ABSOLUTE RESPONSIBILITY

The Company has made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

IPO GRADING

The Company has appointed CRISIL Ltd. for IPO Grading. CRISIL Ltd. has assigned CRISIL IPO GRADE “2/5” to the Initial Public Offering of the Company indicating fundamentals are below average relative to other listed equity securities in India. For more information on IPO grading please refer to Para “ General Information” beginning on page no 8 of this RHP.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (“BSE”) (the Designated Stock Exchange) and the National Stock Exchange of India Limited (“NSE”). The Company has received in-principle approvals from these Stock Exchanges for the listing of Equity Shares pursuant to letters dated October 22, 2007 and November 16, 2007 respectively.


BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
<div style="background-color: black; color: white; text-align: center; padding: 5px; font-weight: bold; font-size: 1.2em;">CENTRUM</div> <p>CENTRUM CAPITAL LIMITED SEBI Registration No.: INM000010445 59, Krishna Chambers, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai - 400 020. Tel: +91-22-40300500; Fax: +91-22-4030 0510 Website: www.centrum.co.in Email: kiridyesh@centrum.co.in Contact Person: Mr. Alpesh Shah/Mr Tushar Zankar.</p>	<div style="text-align: center;">  CAMEO CAMEO CORPORATE SERVICES LTD. SEBI Registration No.: INR 000003753 Subramanian Building, No.1 Club House Road, Chennai - 600 002 Tel: +91-44-28460390 ; Fax: +91-44-2846 0129 Website: www.cameoindia.com Email: cameo@cameoindia.com Contact Person: Mr. R.D. Ramasamy </div>
BID/ISSUE SCHEDULE	
BID/ISSUE OPENS ON: TUESDAY, MARCH 25, 2008	BID/ISSUE CLOSSES ON: WEDNESDAY, APRIL 02, 2008

TABLE OF CONTENTS

TITLE	Page No.
SECTION I: DEFINITIONS AND ABBREVIATIONS	i
SECTION II: RISK FACTORS	viii
Certain Conventions; Use of Market Data	viii
Currency of Presentation	ix
Forward-Looking Statements	x
Risk Factors	xi
SECTION III: INTRODUCTION	1
Summary of Industry and Business of the Company	1
Summary of Financial Data	5
Issue Summary	7
General Information	8
Capital Structure	14
Objects of the Issue	20
Basis of Issue Price	32
Statement of Tax Benefits	34
SECTION IV: ABOUT KIRI DYES AND CHEMICALS LIMITED	40
Industry Overview	40
Business Overview	51
Key Industrial Regulations	80
History and Corporate Structure	81
Management of the Company	86
Promoters and their Background	97
Related Party Transactions	98
Dividend Policy	100
SECTION V: FINANCIAL INFORMATION	101
Standalone Auditors' Report	101
Consolidated Auditors' Report	121
Financial Information of Group Companies	128
Management Discussion and Analysis of Financial Conditions and Results of Operations	130
SECTION VI: LEGAL AND OTHER INFORMATION	140
Outstanding Litigations and Material Developments	140
Government Approvals	142
SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES	147
SECTION VIII: ISSUE RELATED INFORMATION	155
Terms of the Issue	155
Issue Structure	159
Issue Procedure	161
SECTION IX: MAIN PROVISION OF THE ARTICLES OF ASSOCIATION	185
Main Provisions of the Articles of Association	185
SECTION X: OTHER INFORMATION	195
Material Contracts and Documents for Inspection	195
Declaration	197



SECTION: I: DEFINITIONS AND ABBREVIATIONS

Definitions:

Term	Description
“The Company” or “our Company” or “Kiri Dyes and Chemicals Ltd.” or “KDCL” or “we” or “our” or “us”	Unless the context otherwise requires these words refer to Kiri Dyes and Chemicals Ltd., a company incorporated under the Companies Act, 1956.

Conventional / General Terms:

Term	Description
Companies Act	The Companies Act, 1956, as amended from time to time
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations framed there under
Financial Year/FY / Fiscal	Period of twelve months ended March 31
FIs	Financial Institutions
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
ICSI	Institute of Company Secretaries of India
IPO	Initial Public Offer
Indian GAAP	Generally Accepted Accounting Principles in India
I-T Act	The Income-Tax Act, 1961, as amended from time to time
Memorandum/Memorandum of Association / MoA	The Memorandum of Association of Kiri Dyes and Chemicals Ltd.
Non-Resident	A person resident outside India, as defined under FEMA
NRI / Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulations) Rules, 1957 as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time

Issue Related Terms:

Term	Description
Allotment/ Allot	Issue of Equity Shares of the Company to successful Bidders pursuant to the Public Issue
Allottee(s)	The successful Bidder to whom the Equity Shares are allotted
Articles/ Articles of Association	Articles of Association of Kiri Dyes and Chemicals Limited
Banker (s) to the Issue and Escrow Collection Bank (s).	HDFC Bank limited, ICICI Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited.
Bid	An Indication to make an offer during the Bidding/ Issue Period by a prospective investor to subscribe to or purchase the Company's Equity Shares at a price within the Price Band, including all revisions and modifications thereto

KIRI DYES AND CHEMICALS LIMITED

Term	Description
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid/ Issue Closing Date	The date after which the member of the Syndicate will not accept any Bids for the issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Gujarati News paper
Bid/ Issue Opening Date	The date on which the member of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Gujarati News paper
Bid cum Application Form	The form in terms of which the Bidder shall make an Issue to subscribe to or purchase the Equity Shares and which will be considered as the application for the issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus
Bidder (s)	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and Bid cum Application Form
Bidding / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which period prospective investors can submit their Bids, including any revision thereof.
Board / Board of Directors	The Board of Directors of the Company or a Committee constituted thereof.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM/Book Running Lead Manager	Book Running Lead Manager, in this case being Centrum Capital Limited (Centrum).
BSE	Bombay Stock Exchange Limited earlier known as The Stock Exchange, Mumbai.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, Rs. 150 per equity share, above which the Issue Price will not be finalised and above which no bids will be accepted .
Companies Act/ The Act	The Companies Act, 1956, as amended from time to time.
CRISIL	Credit Rating Information Service of India Limited
Cut-off / Cut-off Price	Any price within the Price band finalised by us in consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all levels within the Price Band.
Co -Manager	Co-Manager – which in this case is Elara Capital (India) Private Limited.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
DP/ Depository Participant	A Depository Participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer / allot the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Directors / the Directors	Director(s) of Kiri Dyes and Chemicals Limited, unless otherwise specified
Eligible NRI	NRIs from such Jurisdiction outside India where it is not unlawful to make an Issue or Invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares allotted herein.



Term	Description
Equity Share(s) / the Equity Share(s)	Equity Shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank and in whose favour the Bidder will Issue cheques in respect of the Bid and in which account the cheques/demand drafts will be deposited by the Syndicate Members
Escrow Agreement	Agreement entered into between the Syndicate Members, the Company, the Registrar, Escrow Collection Banks and BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Bank(s)	The Banks, which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account will be opened.
FII(s) / Foreign Institutional Investors	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 2000 registered with SEBI under applicable laws in India.
Financial Year/ Fiscal/ FY / Fiscal Period	The period commencing on April 1 and ending on March 31 (unless otherwise specified)
First Bidder	The bidder whose name appears first in the bid cum application form or revision form
Floor Price	The lower end of price band, Rs. 125 per equity shares, below which the Issue Price will not be finalized and below which no Bids will be accepted
Fresh Issue/ Issue/ Public Issue/ Offer	Public issue of 37,50,000 equity shares of Rs. 10 each for cash at a price of Rs. [•] per equity share aggregating Rs. [•] lacs.
Income-tax Act	The Income tax Act, 1961, as amended from time to time
Issue Price	The Final Price at which Equity Shares will be allocated in terms of the Red Herring Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts on the Designated Date
Issuer	Kiri Dyes and Chemicals Limited
Margin Amount	The amount paid by the bidder at the time of submission of his/her bid, being 10% to 100% of the bid amount
Memorandum/ Memorandum of Association	The Memorandum of Association of Kiri Dyes and Chemicals Limited
Mutual Fund	A Mutual Fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders
Non-Institutional Portion	The portion of the Issue being 5,62,500 Equity Shares of Rs.10/- each available for allocation to Non-Institutional Bidders
NSE	The National Stock Exchange of India Limited
Non Residents	A person resident outside India, as defined under FEMA
NRI / Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a person Resident Outside India) Regulations, 2000.

KIRI DYES AND CHEMICALS LIMITED

Term	Description
OCB / Overseas Corporate Body	Overseas corporate body, is a Company, partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRIs and includes overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-Date	Bid/Issue closing date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount the period commencing on the Bid / Issue Opening Date and extending until the Bid / Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid / Issue Opening Date and extending until the closure of the Pay – in Date.
Price Band	The price band of Rs. 125 to Rs. 150 including revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalizes the Issue Price
Promoter(s) / the Promoter(s)	Mr. Pravin A. Kiri, Mr. Manish P. Kiri and Mrs. Aruna P. Kiri
Prospectus	The Prospectus to be filed with the RoC containing, <i>inter-alia</i> , the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Issue Opening Date
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in section 4A of the Companies Act, 1956, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 2500 Lacs and Pension Funds with a minimum corpus of Rs. 2500 Lacs
QIB Portion	The portion of the Issue being 18,75,000 Equity Shares of Rs.10 /- each available for allocation to QIB Bidder(s)
QIB Margin	An amount representing 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid.
Red Herring Prospectus/ RHP	The Red Herring Prospectus issued in accordance with section 60B of the Companies Act, 1956, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC determination of the Issue Price
Registered Office of the Company	The Registered Office of the Company being : 7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellis bridge, Ahmedabad – 380 006, Gujarat, India
Registrar/ Registrar to the Issue	Cameo Corporate Services Limited
Refund Banker	Shall mean the Escrow Collection Bank who has been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and /or physical mode where payment through electronic mode may not be feasible, in this case being HDFC Bank Limited.
Retail Individual Bidders	Individual Bidders (including HUFs applying through karta and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs.100,000 /- in any of the bidding options in the Issue



Term	Description
Retail Portion	The portion of the Issue being 13,12,500 Equity Shares of Rs.10 /- each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any
RoC	The Registrar of Companies, Gujarat, Dadra and Nager haveli at Ahmedabad
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI DIP Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000 as amended, including instructions and clarifications issued by SEBI from time to time
Stock Exchanges	The BSE and the NSE
Syndicate	The BRLM and Syndicate Member(s)
Syndicate Agreement	The agreement between the Syndicate Members and the Company, in relation to collection of Bids in this Issue.
Syndicate Members	Collectively the BRLM and the Syndicate Members as disclosed in this Red Herring Prospectus and are persons who are registered with SEBI and are eligible to act as Underwriters
TRS or Order Confirmation Note	Transaction Registration Slip means the slip or document registering the Bids, issued by the Syndicate Member to the Bidder as proof of registration of the Bid upon submission of the Bid-cum-Application Form in terms of this Red Herring Prospectus
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The agreement between the BRLM, Syndicate Members, and the Company to be entered into on the Pricing Date

Company/ Industry related terms:

Term	Description
Auditors	The Statutory Auditors of the Company, being M/s V.D. Shukla & Co., Chartered Accountants, Ahmedabad
Board of Directors /Board	The Board of Directors of the Company or a committee constituted thereof
Compliance Officer	Compliance Officer of the Company in this case being, Mr. Suresh Gondalia, Company Secretary
DCDA	Double Conversion and Double Absorption Technology
CHEMEXCIL	Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council
DTA	Domestic Tariff Area
Director(s)	Director(s) of the Company unless otherwise specified
EOU	Export Oriented Unit
ERP	Enterprises Resources Planning
FAT	Final Absorption Tower
Gamma Acid	2-Amino 8-Nepthol 6-Sulphonic Acid
GIDC	Gujarat Industrial Development Corporation
GPCB	Gujarat Pollution Control Board
H-Acid	1-Amino 5-Hydroxynaphthalene-2, 7-Disulphone Acid
Hcl	Hydrochloric Acid
IAT	Intermediate Absorption Tower
J-Acid	4-Hydroxy 7-Methyl Amino Naphthalene 2 Sulphonic Acid
K-Acid	2-Naphthylamine 3:6:8 Trisulphonic Acid

KIRI DYES AND CHEMICALS LIMITED

Term	Description
MPDSA	Meta Phenylene Di Amine 4- Sulphonic Acid
MW	Mega Watt
NaNo2	Sodium Nitrite
PASA	P-Acetanditbenzene Sulphuric Acid sodium salt
PAT	Process Acid Test
PPD	Para Phenylene Diamine
R&D	Research and Development
SO2	Sulphur Dioxide
S. O. D./SOD	Synthetic Organic Dyes
S.P.C.P.	1(4' Sulphonyl)3-Carboxy 5-Pyrazolone
S.P.M.P.	1(4' Sulphonyl)3-Methyl 5-Pyrazolone
V. S.	Vinyl Sulphone

Abbreviations:

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
D/E Ratio	Debt Equity Ratio
DEPB	Duty Entitlement Pass Book
DP	Depository Participant
DPID	Depository Participant Identification
EBDITA	Earnings Before Depreciation, Interest, Tax and Amortization
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EOU	Export Oriented Unit
EPS	Earnings Per Equity Share i.e. profit after tax divided by outstanding number of Equity Shares at the end of the period.
ERP	Enterprise Resource Planning
EU	European Union
FCNR/FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto.
FII/FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
FY / Fiscal	Financial year ending March 31
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product



Term	Description
GIR Number	General Index Registry Number
GoI	Government of India
HOD	Head Of Department
HR	Human Resources
HUF	Hindu Undivided Family
ICAI	The Institute of Chartered Accountants of India
INR/ Rs	Indian National Rupee
ISO	International Standard Organization
MAT	Minimum Alternate Tax
MoU	Memorandum of Understanding
MT	Metric Tonne
N. A. / n.a.	Not Applicable
NAV	Net Asset Value being paid-up Equity Share Capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued Equity Shares.
NEFT	National Electronic Fund Transfer
NRE/NRE Account	Non-Resident External Account
NRI	Non-Resident Indian
NRO Account	Non Resident Ordinary Account
P. A	Per Annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profits After Taxation
PBT	Profits Before Taxation
PLR	Prime Lending Rate
QIB	Qualified Institutional Buyer
RBI	Reserve Bank of India
RoC	Registrar of Companies, Gujarat, Dadra & Nagar Haveli
RoNW	Return on Net Worth
DRHP	Draft Red Herring Prospectus
RTGS	Real Time Gross Settlement
R&D	Research and Development
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
UK	United Kingdom
U.S.A.	United States of America
USD or \$ or US \$	United States Dollar
w.e.f	with effect from
WOs	Wholly owned Subsidiary
YOY	Year on Year

SECTION II: RISK FACTORS

Certain Conventions; Use of Market Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. The Company's fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve month period ended March 31 of that year.

There are significant differences between Indian GAAP and US GAAP; accordingly, the degree to which the Indian GAAP financial statements included in the Red Herring prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with the Indian Accounting practice on the financial disclosure presented in the Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify the impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on financial data of the Company.

In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

Market and Industry data used throughout the Red Herring Prospectus have been obtained from publications in the public domain and internal company reports. Industry publication generally state that the information contained in those publications have been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although Company believes industry data used in the Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal company reports, while believed to be reliable by the Company have not been verified by any independent sources.

For additional definitions, please refer the section titled "Definitions and Abbreviations" on page i of this Red Herring Prospectus. In the section titled "Main Provision of the Articles of Association" on page no 185 of this Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.



Currency of Presentation

In this Red Herring Prospectus, all references to “Rupees” “Rs.” are to the legal currency of India, All reference to “US \$” or “U.S. Dollars” are to United States Dollars, the official currency of the United states of America. All references to “£” or “GBP” are to Pounds, the official currency of United Kingdom. All references to “€” are to Euro, the official currency of European Union.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of the financial statements prepared in accordance with Restated Financial Statements prepared as per Indian GAAP.

For the convenience of investors, as far as possible the reporting unit has been maintained as Rupees in “Lakhs” or “Lacs” (Rupees in Hundred Thousands)

Forward-Looking Statements

The Company has included statements in this Red Herring Prospectus, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “project”, “shall”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will continue”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding The Company objectives, plans or goals, expected financial condition and results of operations, business, plans and prospects are also forward-looking statements.

These forward-looking statements include statements as to business strategy, revenue and profitability, planned projects and other matters discussed in this Red Herring Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Red Herring Prospectus (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from expectations include, among others:

- general economic and business conditions in India and other countries;
- ability to successfully implement strategy, growth and expansion plans and technological initiatives;
- regulatory changes relating to the industry in India and ability of the Company to respond to them;
- ability to respond to technological changes;
- ability to retain clients and acquire new clients;
- allocations of funds in the form of subsidies/grants by the government for development of synthetic organic dyes, Textiles, Ink, Leather and chemical industry;
- changes in laws and regulations that apply to the clients, suppliers, and the synthetic organic dyes & Intermediates, Textiles, Ink and Leather chemicals industry;
- changes in political conditions in India;
- volatile equity market;
- changes in the foreign exchange control regulations in India;
- changes in the competition landscape;
- changes in the environmental laws in India and in any Country to which Kiri Dyes and Chemicals Limited supplies its products

For further discussion of factors that could cause Company’s actual results to differ, see the section titled “Risk Factors” on page xi of this Red Herring Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.



Risk Factors

An investment in Equity Shares involves high degree of risk. Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Red Herring Prospectus before making any investment decision relating to the Equity Shares. The occurrence of any of the following events could have a material adverse effect on the business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to decline and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Red Herring Prospectus, including the restated financial statements included in this Red Herring Prospectus beginning on page 101. Unless stated otherwise, the financial data in this section is as per the Company restated financial statements prepared in accordance with Indian GAAP.

Unless otherwise stated in the relevant risk factors set forth below, the Company is not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein under:

Materiality

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- Some events may not be material individually, but may be found material collectively.
- Some events may have material impact qualitatively instead of quantitatively.
- Some events may not be material at present but may be having material impact in future.

The risk factors are as envisaged by the management along with the proposals to address the risk, if any. Wherever possible, the financial impact of the risk factors has been quantified.

A. Internal Risk Factors

1. Outstanding litigations

There are outstanding litigations involving the Company and one of its directors which are as follows

A - The Company

Corporate Tax

(Rs. in Lakhs)

Sr No	Issue	Authority	Case No./Date Instituted	Amount Involved	Provision made in the Balance Sheet
1	Levy of Penalty u/s 271(1)(c) for the assessment year 2001-02	Income Tax Appellate Tribunal, Ahmedabad	CIT(A) VII/Wd.4(2)/109/2006-07 instituted on 28/04/2006	34.98	No
2	Demand following amendment in the IT Act for the Assessment Year 2001-02	CIT(Appeals), Ahmedabad	11 th January, 2008	81.46	No

Brief facts:

Case No 1

For the assessment year 2001-02, the Income Tax department disallowed deduction under section 80 IA and demanded a penalty under section 271(1) (c) for the sum of Rs. 34.98 Lakhs for concealment of income resulting from the disallowance. The Company challenged the levy before Commissioner of Income Tax (Appeal), Ahmedabad

KIRI DYES AND CHEMICALS LIMITED

who has vide his order dated October 31, 2006 allowed the appeal and cancelled the penalty. The Income Tax Department has preferred the second appeal against the said order before Income Tax Appellate Tribunal, Ahmedabad which is pending for the decision.

Case No 2

The department has passed an assessment order on December 31, 2007 for A.Y.2001-02 and has raised the demand of Rs.81.46 Lakhs following the amendment in the Income Tax Act by Taxation Laws (Amendment) Act, 2005 subjecting the DEPB Income to Income Tax with retrospective effect. Out of the total demand of Rs.81.47 Lakhs, Rs.21.34 Lakhs are attributable to interest on tax. The Company has preferred an appeal with the CIT (A). The Company has also filed an application for rectification of the said order under section 154 of the IT Act, 1961 for waiver of interest in the light of the CBDT Circular bearing No.02/2006, dated January 17, 2006. The Company has also made a similar application to the Chief Commissioner of Income Tax, Ahmedabad requesting him to waive interest in the light of the CBDT Circular. Further Company has made an application on January 18th, 2008 for rectification of mistake apparent from records under section 154 of the Income Tax Act, 1961 due to the fact that credit for prepaid taxes is not give by the Income tax department by Rs.5.51 Lakhs in the assessment order for A.Y.2001-02. The case is pending as on date.

B- The Directors

There are no litigations against the Promoter Directors, however Mr. Keyoor Bakshi an Independent Director has the following cases against him:

- In the matter of Gautam Impex Vs. Growmore Solvent Limited wherein a case has been filed with First Class Judicial Magistrate, Gandhidham, Gujarat for cheques being dishonored by Growmore Solvent Limited.
- In the matter of BSL Ethanol Limited Vs. Rajvi Petrochem Private Limited wherein a case has been filed with Metropolitan Magistrate, Tis Hazari Court, Delhi,

Mr. Keyoor Bakshi was an independent director on the board of Growmore Solvent and Rajvi Petrochem. Also, the cheques were presented after resignation of Mr. Keyoor Bakshi, who was not involved in the day to day affairs of the companies.

2. ***The Company is promoted by first generation entrepreneurs and investors will be subjected to all consequential risk associated with such ventures as company is dependent on the experience and efforts of its promoters and any inability on the part of the promoter to cope up with the major expansion plan as contemplated may affect the performance of the Company.***

Mr. Pravin A. Kiri, a promoter of the company has been in the Chemicals business for the past 40 years and the company has been operation for 9 years. The Promoters are qualified and run the business with experienced professionals in key areas of operations.

3. ***The Company faces significant competition from other manufacturers of dyestuff and Chemicals in India & abroad. The Chemicals and Dyestuff industry is highly fragmented and competitive and increased competitive pressure may adversely affect Company's results.***

The Company faces significant competition from other entities engaged in the Dyestuff and Chemicals business, many of which manufacture products similar to the Company and are based in the same regional market or sell in the same markets that the company caters. Some of the companies from which the Company faces competition in India include Atul Limited and Aarti Industries Limited and companies from which the Company faces competition from abroad include Hubei Chuyuan Import & Export Co limited and Oh Young Industrial Co Limited, most of Company's competitors are larger and better placed to take advantage of efficiencies created by size, and have better financial resources or greater access to capital at lower costs, and may be better known in regional markets in which they compete. In addition, as the industry is highly fragmented and the Company also faces competition from local manufacturers, who may be able to cater to local demands at a lower cost. Also, there are chances of new players entering this sector. Players in this industry generally compete with each other on key attributes such as technical competence, quality of products and services, pricing, delivery and track record. As a result of competition the Company may have to reduce the prices of its products and/or increase the capital expenditures in order to differentiate itself and achieve economies of



scale and widen its product portfolio which may adversely affect its sales realisation, profitability and margins. The Company's inability to compete successfully in industry would materially affect its business prospects and financial condition.

4. ***The Company is currently enjoying certain tax incentives under section 10B of the Income tax Act, 1961 which will expire in March 2010. The withdrawal of tax incentives would increase the tax liability of the Company and adversely impact the profitability of the company.***

The Company currently enjoys tax incentives under section 10B of the Indian Income-Tax Act, wherein the export profits of an approved 100% Export Oriented undertaking (EOU) are exempt from income tax for a period of 10 consecutive years commencing from the assessment year in which the EOU commenced its manufacturing of qualifying products for exports, or financial year ended March 31, 2010, whichever is earlier. Discontinuance of such benefits currently available to the Company may lead to higher tax liabilities and adversely impact the profit margins of the Company. Presently the corporate tax rates are 30% plus surcharge at 10% and additional surcharge at 3%. However, the Company is currently paying MAT (Minimum Alternate Tax) Under section 115 JB of the Income Tax Act, 1961 on account of benefits of exemption received under section 10 B of the Income Tax Act 1961. The rates of MAT for the Assessment Year 2007-08 was 10% of book profits plus surcharge at 10% and additional surcharge at 2%.

However, the exact increase in tax liability on withdrawal of tax incentives received under section 10 B of the Income Tax Act, 1961 cannot be quantified in the absolute figures as the same would depend on taxable income and composition thereof. In terms of percentage, the Company may be liable to pay taxes at the then prevailing rates of corporate tax, thereby effecting the profitability of the Company.

5. ***Adverse fluctuations in the price and availability of raw material could increase input costs which may affect the operations of the Company and thereby affect the profitability of the Company.***

The main raw materials used in the manufacture of H-Acid and Vinyl Sulphone, Synthetic Organic Dye (SODye), are acetanilide, flack, chlorosulphonic acid, naphthalene and oleum which comprise 60% of the total raw material cost. The Company imports 40% of its present raw material requirements from Europe, China amongst others. Any adverse change in the prices and availability of raw material in such countries in future may have an impact on the price competitiveness if the Company may not be in a position to pass on such price rises to its customers.

6. ***There are no supply agreements for the major raw materials required for manufacturing the product. Production may be adversely effected if there is any disruption in the raw material supply or due to non availability of raw material.***

In the event of any disruption in the raw materials supply or the non availability of raw material from alternate source, the production schedule may be adversely affected impacting the sales and profitability of the Company.

7. ***The Company has negative cash flows from operating activities during the financial year ended March 31, 2007 to the tune of Rs. 488.77 Lakhs and Rs.942.01 Lakhs for the financial year ended March 31, 2006.***

The negative cash flow from operating activities during the periods mentioned above was due to increase in trade receivables, debtors and inventories consequent to increase in turnover for the above mentioned financial years.

KIRI DYES AND CHEMICALS LIMITED

8. *The Company has negative cash flows from investing activities during the financial years ended on March 31, 2003, 2004, 2005, 2006, 2007 and for the period ended 30th September, 2007, summary and reason for the same is as mentioned below.*

Particulars	For the period ended 30 th Septmeber, 2007	For the financial year ended 31 st March, 2007	For the financial year ended 31 st March, 2006	For the financial Year ended 31 st March, 2005	For the financial Year ended 31 st March, 2004	For the financial Year ended 31 st March, 2003
Negative cash flow from Investing activity	(1033.91)	(1959.16)	(1024.88)	(138.61)	(220.84)	(117.73)

Reasons for negative cash flow from investing activity are as follows:

For the six months ended 30th September, 2007:

The main reason for negative cash flow form investing activities was because the Company had incurred additional capital expenditure of Rs.1003.95 Lakhs. The addition was on account of purchase of fixed assets for setting up manufacturing facilities for Vinyl Sulphone and H-Acid at Padra plant of the Company at Padra, district Vadodara and on going capex.

For the year ended 31st March, 2007:

The main reason for negative cash flow form investing activities was because the Company had incurred additional capital expenditure of Rs.1976.58 Lakhs towards backward integration project for manufacture of H-Acid and Vinyl Sulphone at Padra, Dist Vadodara.

For the Year Ended 31st March, 2006:

The main reason for negative cash flow from investing activities was because the Company had incurred additional capital expenditure of Rs .1036.46 Lakhs towards backward integration project for manufacture of H-Acid and Vinyl Sulphone at Padra, district Vadodara.

For the Year Ended 31st March, 2005:

The main reason for negative cash flow from investing activities was because the Company had incurred capital expenditure of Rs.131.34 Lakhs for commencing backward integration expansion project at Padra, district Vadodara, to manufacture Vinyl Sulphone and H-Acid. Further, the Company has also made an investment of Rs. 21.89 Lakhs in a wholly owned subsidiary in the financial year 2004-05.

For the Year Ended 31st March, 2004:

The main reason for negative cash flow from investing activities was because the Company had incurred capital expenditure of Rs.231.10 Lakhs for increasing the capacity by installing spray dryer for dyestuff at Vatva, Ahmedabad.

For the Year Ended 31st March, 2003:

The main reason for negative cash flow from investing activities was because the Company had incurred capital expenditure of Rs.128.50 Lakhs for increasing the capacity by installing new plant and machinery for dyestuff at Vatva.

9. ***The Statutory Auditors have qualified their Audited report dated May 15, 2007 for FY 2006-07***

a) maintenance of Cost Record i.e. cost records to be maintained under section 209 (1) (d) of the Companies Act, 1956 are under preparation. Managing Director of the Company may suffer for imprisonment or with fine under subsection 6 of section 209(1) due to non compliance of requirement of the aforesaid section.

The Company was required to maintain certain cost records under section 209 (1) (d) of the Companies Act, 1956, the Auditors report for the last financial year ending on March 31, 2007 dated May 15, 2007 states that the above records are under preparation. The Company subsequent to the Audit Report date



has complied with the said provisions and has compiled the relevant cost records as certified by Certificate of V.H. Savaliya & Associates, Cost Accountant dated July 15, 2007.

b) Before financial years 2006-2007 Inventory was valued as per the Income tax Act , and not according to Accounting Standard-2 on “Valuation of Inventories” issued by ICAI. However on and from financial year 2006-07 Company has started valuing inventory as Accounting Standard-2 on “Valuation of Inventories” issued by ICAI Due to this change there is an understatement of profit to the extent of Rs.35.14 Lakhs in financial year 2006-07.However, the same has no material impact on the profit of the Company.

10. Company has made pre-IPO placement of 12,50,000 Equity shares to pre-IPO Investor comprising 1,31,140 Equity Share at the price of Rs. 120 and 11,18,860 Equity Share at Price of Rs. 115 per Equity Share, for detail please refer Para title “Capital structure” on page no 14 of this RHP. The price at which pre-IPO placement has been made may be less than the price at which present public issue is made.

11. The company is dependent on a few number of customers and derives 48.31% of total revenues from top 10 customers for the period ended September 30, 2007, Loss of any of these large customers and inability of the Company to replace these customers will adversely affect the revenues and profitability of the Company.

The Company derived 47.43% of its total revenues from 10 major customers for the period ended September 30, 2007 and is dependent on them for its revenue. For details of top 10 customers in terms of sales for the period ended September 30,2007 please refer page no 64 of this RHP. The inherent nature of Chemicals and Dyestuff business includes selling a sizeable part of the production to a single or major customers. Also, save for market dynamics of prices, the demand from these sources is consistent. However, such consistency in demand cannot be guaranteed in the future and hence may impact the profitability of the Company.

12. The Company is prone to public liability claims as it deals in hazardous products / chemical, liabilities incurred if any, as a result of an untoward event have the potential to materially impact the financial position of the Company.

The company’s production process involves dealing with various toxic and corrosive chemicals which are hazardous to environment. Occurrence of any accident during storage, loading, unloading, transport activity may lead to damage of assets, stock, premises and life. Such incidences may lead to unforeseen costs and the Company may have to compensate for any losses or damages suffered by third parties as a result of such incidents.

13. The Company is susceptible to foreign exchange fluctuations, as a result of which it may incur foreign exchange losses. Any significant adverse fluctuation in foreign currency against INR may result in foreign exchange loss and may adversely impact the performance of the Company if the foreign exchange exposure is not properly hedged.

In FY 2007, FY 2006 and FY 2005 approximately 66%, 56% and 64% of the Total Operating Revenue was derived from exports. To the extent that sales, purchases and operating expenses are not matched in the same currency, the Company is susceptible to foreign exchange fluctuations. Any significant adverse fluctuation in foreign currency against INR may result in foreign exchange losses and may adversely impact the performance.

14. The project of the Company has not been appraised by any bank, financial institution or by any independent agency and is based on Company estimates, if the project is under estimated then the Company may not be able to implement the project or may require more funds to complete the project which inturn will effect the pay back period and return on investment and consequently the profitability of the Company.

The Company has constituted an Audit Committee comprising of its directors.The Audit Committee will monitor the deployment of funds and review the uses/application of the funds for major category (Capital Expenditure, Sales and Marketing, working Capital etc) on a quarterly and annual basis ,till such time that the entire money raised through this issue has been fully utilized for the proposed objects of the issue.

- 15. The Company is yet to place orders for Plant & Machinery required for the proposed project. Any delay in placing orders could escalate the project cost thereby affecting the viability and profitability of the project.**

The Company has received quotations for the plant & machinery required for the proposed project of value Rs. 2859.53 Lakhs, however only orders for machineries worth Rs 96.50 lakhs required for Dyes and Intermediates Unit have been placed required for Dyes and Intermediates Unit. The machinery for which quotation has been received but order has not been received constitutes 54.27% of the total project cost. If at the time of placing such orders there is any increase in the cost of machinery or any change in the terms & conditions for purchase, the estimated project cost might increase and thereby affecting the profitability of the Company. For details of quotations of the plant & machinery please refer the section “Objects of the issue” to page no 20 of this Red Herring Prospectus.

- 16. The Company operates in a highly competitive business environment and any advancement in technology may render the current technologies obsolete, requiring the Company to incur additional cost for adopting latest technology. This may increase the cost of the project based on current estimates and present technologies and thereby affect the profitability of the Company.**

The business of the Company largely depends upon the technology adopted by the Company. The manufacturing process in the dyestuff and chemical industry is prone to technological and process changes and may render company’s current processes obsolete. The Company may be required to invest substantial sums to adopt latest technologies and processes which may increase the cost of the project based on current estimates and present technologies and thereby affect the profitability of the Company.

- 17. The Company has not started the recruitment for its proposed project. Any delay in the recruitment would have an adverse impact on the implementation of the project and thereby affect the profitability of the Company.**

The Company requires 176 employees for its proposed project. As on date of this Red Herring Prospectus, the Company has not commenced the recruitment process. The availability and appointment of manpower for the proposed project is critical to the timely and successful implementation of the project. Any delay in recruitment of personnel would affect the proposed project.

- 18. The Company has not obtained certain government approvals / consents / permissions required for the proposed project and for the existing business from the appropriate authorities as mentioned below. Any delay or failure to obtain the approvals would have an adverse impact on the implementation and may lead to project cost escalation**

Details of government approvals/consents/permissions for which the Company has applied but not received the permission and the government approvals/consents/permissions for the proposed project to be applied for are depicted hereunder:

Approvals for which Application have been made Permission / Registration certificate not yet received:

Sr. No.	Approval/ consents	Authority	Status
1	Renewal of Licence under Factory Act, 1948 (Unit IV)	Assistant Director, Industrial safety an Health Department, Vadoadara	Application made and licence awaited
2.	Amendment in licence upon change of name of the Company under the Factories Act, 1948 (Licence No.011807 for Unit II)	Director, Industrial Safety and Health Department, Ahmedabad	Application made and amended licence awaited
3	License under section 12 (2) of The Contract Labour (Regulation and Abolition) Act 1970	Assistant Labour Commissioner, Licensing authority, Ahmedabad	Application made and license awaited



Sr. No.	Approval/ consents	Authority	Status
4	Certificate of Registration for Service Tax under the provisions of section 69 of the Finance Act, 1994	Assistant Commissioner (Service Tax), Vadodara (Unit V)	Application made and certificate of registration awaited
5.	Approval of plan under Factories Act, 1948	Joint Director, Safety & Health, Vadodara (Unit V)	Application made and approval awaited
6	Addition of place of business under Central Sales (Registration and Turnover) Rules, 1957	Commercial Tax Officer, Ahmedabad (Unit V)	Application made and approval awaited
7	Addition of place of business under Gujarat Value Added Tax Act, 2003 and Gujarat Value Added Tax Rules, 2006	Commercial Tax Officer, Ahmedabad (Unit V)	Application made and approval awaited
8	Change of name of under Central Sales (Registration and Turnover) Rules, 1957	Commercial Tax Officer, Ahmedabad (Unit II & III)	Application made and approval awaited
9	Change of name of under Gujarat Value Added Tax Act, 2003 and Gujarat Value Added Tax Rules, 2006	Commercial Tax Officer, Ahmedabad (Unit II & III)	Application made and approval awaited
10	SIA Registration for Dyes and Intermediates unit.	Ministry of Commerce & Industry.	Application made and approval awaited

Approvals for which Application is yet to be made – Proposed Project:

Sr. No.	Approval/Consent	Concerned Authority
1.	License Under the Factory Act, 1948	Deputy Chief inspector of Factory, Gujarat State
2.	Consolidated Consent and Authorization (CC & A) under the provision of Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 framed under the Environmental (Protection) Act, 1986	Sr. Environmental Engineer, Gujarat Pollution Control Board, Gandhinagar
3	License to store F.O./ LDO	Deputy Chief Controller of Explosives, Department of Explosives, Ministry of Commerce & Industry
4	Power Connection load for 1162.50 KVA	Madhya Gujarat VIJ Company Limited
5	Certificate from Boiler Inspector	Boiler Inspector
6	Renewal of License issued under section 12 (2) of The Contract Labour (Regulation and Abolition) Act 1970	Assistant Labour Commissioner, Licensing authority, Ahmedabad.
7.	Certificate for electrical installation of DG Set and permission under Rule 47A of the Indian Electricity Rules, 1956 (Unit V)	Electrical Inspector, Vadodara
8	Registration under Employees Provident Funds and Miscellaneous Provisions Act, 1952 (Unit V)	Regional Provident Fund Commissioner, Vadodara

KIRI DYES AND CHEMICALS LIMITED

- 19 ***The Promoter group company Rudolf Kiri Chemicals Private Limited operates in the same business. The Issuer Company has also entered into a memorandum of understanding with M/s. Zhejiang Lonsen Group Stock Co. Limited on November 1, 2007 to establish a joint venture by setting a manufacturing facility in India for the production of reactive dyes. The Company has not entered into any non-compete agreement with any of the above Companies. Thus, there is a potential conflict of interest between the Company and Rudolf Kiri Chemicals Private Limited as well as the Company and the proposed joint venture company.***

The Promoters do not have common pursuits in the business of the Company, however Rudolf Kiri Chemicals Private Limited (Rudolf Kiri), a Promoter Group company is engaged in the business of trading of textiles auxiliary chemicals and dyes intermediates while Kiri Dyes and Chemicals Ltd. deals in manufacturing of Dyes and Dyes Intermediates. Rudolf Kiri is in any way not in direct competition in the business segment in which Issuer operates. However, there exist an indirect competition with the Rudolf Kiri to the extent of selling/marketing of Dyes and Dyestuff intermediates. Further the Company may face direct competition with the proposed joint venture if the Joint venture manufactures same reactive dyes as of Kiri Dyes and Chemicals Ltd. In case of conflict of interest, if any, the Company cannot ensure that the promoters will not favour Group Company or the proposed joint venture company thereby affecting the operations of the Company.

20. ***The promoter group company Rudolf Kiri Chemicals Private Limited had reported a loss in the Year 2004-05, it may incur loss in future, and if in future the Issuer Company provides any financial guarantee, or enters into any transaction with Rudolf Kiri Chemicals Private Limited having financial exposure, the Company may be subject to financial risk***

Rudolf Kiri Chemicals Private Limited was incorporated on February 25, 2005 and had reported a loss of Rs. 0.25 lakhs for the year ended March 31, 2005. Also, the loss / profit of the promoter group company has no bearing on the functioning and profitability of the Issuer.

21. ***The Company's inability to respond to changing customer preferences and trends in international market for dyestuff and chemicals industry could adversely affect the results of operations.***

The Company's derived about 63% of its Total Income is from exports in FY 2006-07 of its products which are subject to international competition and changing preferences. Any change in the future scenario in international market due to stiff competition and change in the customers' preferences may bring significant decline in the prices of the Company's products, sales and profitability of the Company.

- 22 ***The Company has the following contingent liabilities that have not been provided for as on September 30, 2007:***

(Rs. in Lakhs)

Particulars	September 30,2007
Guarantee Given by Banks on behalf of the Company for various purposes	34.50
Outstanding L/C	633.68
Disputed Income Tax matters	34.98
Estimated amount of contracts remaining to be executed	139.56
Export Obligation	6872.75
Total	7715.47

- 23 ***The Company deals in hazardous chemicals and if the Company fails to comply with Environmental Laws and Regulations, the results of operation will be adversely affected.***

The Company is involved in production of chemicals and dyes which are subject to laws and regulations related to environmental, health laws and prevailing regulations in India and abroad. Under these laws and regulations the Company is required to control its use of raw materials under specified standards and discharge of effluents which are hazardous to environment and biological lives. If the Company fails to comply with these laws and operational regulations then it may be imposed with penalties, fines or imprisonment. As a



result of the same, operations of the Company can be suspended; the manufacturing licenses/ permission granted to the Company can be withdrawn or terminated which may adversely affect the profitability of the Company.

Further in case, any new regulation is imposed in this regard, the Company may have to incur additional expenditure or be required to acquire additional equipment with such specification as may be prescribed by the concerned authorities, in order to comply with such new laws or regulation.

24. *The lenders to the Company (State Bank of India, Bank of India and Oriental Bank of Commerce have, in their respective loan agreements, imposed certain restrictive covenants.*

There are restrictive covenants in the agreements for short term and long term borrowings from Banks, among other things, which require the Company to obtain prior approvals of these Banks or provide restrictions, namely change in capital structure, declaring dividends, further expansion of business, taking up new business activity or setting up / investing in subsidiary whether in these line or unrelated business during the course of time. The Company cannot assure the shareholders that its lenders will provide it with these approvals in the future. However, for the proposed public issue the Company has taken No Objection certificate from State Bank of India, Bank of India and Oriental Bank of Commerce.

25. *The Company has to fulfill certain export obligations, failure to fulfill the same will affect its profitability*

As on December 31, 2007, the outstanding export obligation of the Company is Rs. 3619.25 lakhs which needs to be fulfilled over a specified period. Failure to fulfill the same will lead the Company to retrospective levy of import duty and the Company might also have to pay the penalties and / or interest which will affect the profitability of the Company.

26. *The Registered office premises of the Company is not owned by the Company and is on leave and licence agreement, In the event of Company's inability to renew the agreement , it will be required to shift the registered office to another location which may affect the business and operations of the Company.*

The Company has entered into Leave and License agreement for the Registered Office for a period of five years by way of Agreement dated March 14, 2007 with Pravin Kiri (HUF). Subsequently by way of a supplementary agreement dated March 25, 2007 the rent has been waived for the period ending on March 31, 2007. The rent payable is at Rs. 5,000 per month. The Lease being renewable with mutual consent. In the event of Company's inability to renew the agreement, the Company will have to shift the Registered Office to another location which may affect the business and operations.

27. *As on March 31, 2007, the Company has unsecured loans to the tune of Rs. 40.25 lakhs from Mr. Manish Kiri, recallable on demand. The Company may have to repay the outstanding loan at any time or seek additional source of capital for repayment of loan, which could affect the financial condition and cash flow.*

28. *The Company divested its entire stake from its subsidiary Company named Kiri International USA Inc on and from the opening business hours of 1st April 2006 by selling the preferred stock to US Citizen at par on the basis of valuation made by the Company internally.*

The management of the Issuer Company did not foresee further viability of WOSs operations in USA and hence vide board resolution dated March 16, 2006 decided to divest its stake in the venture. Accordingly, on and from the opening business hours of April 1, 2006, Kiri Dyes and Chemicals Limited has divested its stake in Kiri International USA Inc. at par on the basis of valuation made by the Company internally.

External Risk Factors

1. *The Company may be subject to economic, regulatory, political and military uncertainties in India and other countries*

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Government of India has pursued policies of economic liberalization, and has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy. The Company cannot assure you that the liberalization policies will continue.

Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and the Company's business in particular. The Company financial performance and the market price of the Equity Shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

2. A significant change in the Government of India's economic liberalization and deregulation policies could disrupt the business and cause the price of the Equity Shares to decline.

The assets are located in India and customers in India and abroad. The government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. The present government, is a coalition of several political parties. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect the business, the financial performance and the price of the Equity Shares.

3. Natural calamities could have a negative impact on the Indian economy and cause the business to suffer.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 has also adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting the business and the results of operations.

4. Growth of the Company's business is largely dependent upon the political, economic and social conditions across the globe.

The Company sells its products to customers across various countries including Korea, Turkey, Indonesia, Taiwan, U.S.A, Canada, and other European countries apart from domestic sales. The Company's substantial portion of the sales consists of export of its manufactured goods. As a result, the business and future growth is dependent on the political, economic, regulatory and social conditions prevalent in these countries. Any change in the Government policies of any of these countries can result in interest rate fluctuations, capital restrictions and changes in duties and tax that are detrimental to the Company and it could also adversely affect the Company's operations, financial performance and future growth.

5. The price of the Company's Equity Shares may be volatile.

The Company's Equity Shares are currently not listed. The price of Equity Shares may fluctuate after listing in the Indian Stock Exchanges as a result of several factors including:-

- Volatility in Indian and global capital market;
- Financial performance of the Company;
- Performance of other competitors in Chemical and Dyestuff Industry;
- Adverse media reports and review;
- Views of financial analysts on companies performance;
- India's economic liberalization and de-regulation policies;
- Significant development in India's fiscal and environmental regulations;

There can also be no assurance that the price at which the equity shares are initially offered will correspond to the prices at which Equity Shares of the Company will trade in the market subsequent to this Issue.



6. Fluctuation in Foreign Exchange rates will affect the profitability of the Company

The Company has a 100% Export Oriented Unit and about 63% of the Total Income of the Company is denominated in foreign currencies. Any material decline in the value of key currencies like US Dollar, Pound sterling and Euro Currency will affect the value of the Company's cash resources. Further approximately 40% of the raw materials used for production process are imported by the Company and the same is being billed in US dollar; any increase in US Dollar or decrease in value of Rupee will increase the overall cost of production to the company. The Company considers hedging arrangements on a case by case basis depending on the state of financial markets and relative net exposure to the currency. Any significant shift in the currency exchange rates which is un-hedged could result in a material adverse impact on the results of the operations of the company.

7. Changes in domestic tax laws could have a drastic impact on the profitability of the Company's business

Any changes in the tax laws in India particularly that of income tax might lead to increased tax liability for the Company thereby putting pressure on profitability. The Company currently takes advantage of certain tax benefits for its 100% EOU unit which will expire in March 2010.

8. Change in the regulatory environment in relation to manufacturing and marketing of chemical product within and outside the country will significantly impact the business of the Company.

The Company deals in raw materials and products that are hazardous by nature. The Company is subject to a broad range of safety, health and environmental laws and regulations which impose control on the disposal and storage of raw materials, noise emissions, air and water discharges, storage, handling, transportation and disposal of chemicals and employee exposure to hazardous chemicals. While the Company believes that they are in compliance with all the applicable safety, health and environmental laws and regulations, the industry is susceptible to accidents and leakages that may cause harm to biological and physical environment that may lead to more control and regulation that would have an economic and social cost on the business of the Company.

9. The Company faces risk arising out of new product patent regime

The regulatory regime in India governing patents has evolved, and the product patent regime has come in to place from January 1, 2005 onwards. While on one hand, this would enable the issuer to secure its intellectual property rights on its products and thus take advantage of the new regime, it would also be a challenge to operate in the new regime, particularly in the competitive atmosphere where the Company is carrying on its business.

Notes to Risk Factors:

Public Issue of 37,50,000 Equity Shares of face value Rs. 10/- each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] lakhs (hereinafter referred to as "the issue"). The Company has made pre-IPO Placement of 12,50,000 Equity shares with Pre IPO Investors details of which are as follows.

Sr. No.	Pre-IPO Investor	Number of Equity Shares	Price per Equity Share (Rs.)	Date of allotment of Equity Shares
1.	Mr. Tsai Ming Hung	13,418	120	January 21, 2008
2.	Mr. Lu Shao Jung	20,127	120	January 21, 2008
3.	Ms. Yu Pei Lan	20,127	120	January 21, 2008
4.	Ms. Yang Li Chun	7,038	120	January 21, 2008
5.	Ms. Wu Li Chu	30,166	120	January 21, 2008
6.	Ms. Huang Su Chen	5,018	120	January 21, 2008
7.	Mr. Chung Sheng Kuang	28,510	120	January 21, 2008
8.	Ms. Hsueh Su Wei	6,736	120	January 21, 2008
9.	Well Prospering Limited	11,18,860	115	January 21, 2008
	Total	12,50,000		

KIRI DYES AND CHEMICALS LIMITED

- The average cost of acquisition of Equity Shares by the Promoters

Name of the Promoter	Average Cost of Acquisition (Rs.)
Mr. Manish P. Kiri	7.99
Mr. Pravin A. Kiri	4.76
Ms. Aruna P. Kiri	2.82

- As on March 31, 2007, the Net worth of the Company is Rs. 3386.51 Lakhs and as on September 30, 2007, the Net worth of the Company is Rs. 4400.23 Lakhs, and the Book Value per share is Rs. 33.86 as on March 31, 2007 and Rs. 42.43 as on September 30, 2007 as per Indian GAAP.(As on September 30, 2007 the number of equity shares was 1,00,00,000)
- Investors may please note that in the event of over subscription, allotment shall be made on proportionate basis in consultation with the Bombay Stock Exchange Limited, the Designated Stock Exchange. Please refer to the paragraph on “Basis of Allotment” on page 177 of this RHP.
- Investors are advised to refer to the paragraph on “Basis for Issue Price” on page 32 of this Red Herring Prospectus before making an investment in this issue.
- Investors are free to contact the BRLM or the Compliance Officer of the Company for any clarifications or information relating to the Issue.
- Trading in Equity Shares of the Company for all the Investors shall be in dematerialized form only.
- The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”) (including 5% thereof to be allocated to Mutual Funds). Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to the Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- For Related Party Transactions refer to the Para Related Party Transactions on page no. 98 of this Red Herring Prospectus.
- The Book Running Lead Manager and the Company shall make all information available to the Public and investor at large and no selective or additional information would be available for a section of the investor in any manner whatsoever including at road shows, presentation, in research or sales report etc.
- Except as disclosed in the Para titled “Capital Structure” Promoters and their Background “Management of the Company”, “Financial statements of the Company” on page no 14, 97, 86 of the Red Herring Prospectus, none of the Promoters, Directors and key Managerial employees have any interest in the company except to the extent of the remuneration and reimbursement of expense and to the extent of the equity shares held by them or their relative and associate held by the Companies, firms and trust in which they are interested as directors, member, partner or trustee and to the extent of the benefit arising out of such transactions.
- Please refer page no 112 of this RHP for details of loans and advance made to person(s) /companies in which directors are interested.



SECTION III: INTRODUCTION

Summary of Industry and Business of the Company

This is only a summary and does not contain all information that you should consider before investing in Equity Shares of this company. You should read the entire Red Herring Prospectus, including the information on "Risk Factors" and financial statements and related notes on page xi and page 101 of this Red Herring Prospectus before deciding to invest in Equity Shares.

Industry Overview

Chemical Industry occupies an important place in the country's economy, as the Chemical industry has grown at a pace outperforming the overall growth of the economy. The Chemical Industry produces a wide spectrum of products, which include Pharmaceuticals, Dyes, Man-made Fibers, Plastics, Pesticides, Fertilizers, Cosmetics and Toiletries, Paint, Auxiliary Chemicals and wide range of Organic and Inorganic compounds for applications ranging from automobiles, textile industry, engineering industry, construction chemicals and food additives to veterinary and health care products.

(Source: <http://www.tradeget.com/industrynews.htm> viewed on August 17, 2007)

Indian Chemical Industry Scenario

Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

(Source: Planning Commission, Working Group report on Indian Chemical Industry - 11th Five year plan)

Dyes and Dye Intermediaries

Global Outlook

The world market for dyes, pigments and dye intermediates is estimated at about US \$ 23 billion consisting of dyes and pigment market valued at US \$ 16 billion and dye intermediates market of US\$ 7 billion. Though the overall growth of dyestuffs industry during the last 5 years has slowed down, the industry is still expected to maintain a growth of about 2% per annum in the next decade.

(Source: Planning Commission, Working Group report on Indian Chemical Industry - 11th Five year plan)

There has been a market change over the last decade in production trends globally. The erstwhile strongholds of USA, Europe and Japan used to contribute almost 70% of the global dyestuff production in the early 90s. However, various factors have been conducive to the proliferation of the dyestuffs manufacturing industry in South East Asia.

(Source: Chemexcil Report – 43rd Annual Report; 2005 – 06)

The biggest market for dyestuffs has been the textile industry. The dominance of polyester and cotton in the global markets has decisively shaped the demand for certain types of dyestuffs. Differences in the regional growth rates of textile products too affect demand. The Asian region saw the biggest growth in textile production, followed by North America, Latin America and Western Europe. This suggests the shift in the global textile industry towards Asia. As a result, Asia leads in dyestuff production both in terms of volumes and value, with a 42 % share of the global production; the US is next with 24 % and Europe has around 22 %. Due to a greater use of polyester and cotton-based fabrics, there has been a shift towards reactive dyes, used in cotton-based fabrics, and disperse dyes, used in polyester. These two dyes have been dominant in all the three regional global market, especially Asia.

(Source: <http://myiris.com/shares/sectors/sectorReport.php?secode+DYESTUFF&peercode=All&fname=./data/dyestuff/dyestuff.htm> viewed on August 17,2007)

Indian Outlook

The dyestuff sector is one of the important segments of the chemicals industry in the country, having forward and backward linkages with a variety of sectors like textiles, leather, paper, plastics, printing inks and foodstuffs. Dyes are colouring pigment that finds application in a variety of industries. Over six hundred types of dyes and organic pigments are now being manufactured in the country (both by the organised and the unorganised sector). But the per-capita consumption of dyestuffs is lower than the world average. Dyes are soluble and essentially used in textile products. Pigments, on the other hand, are insoluble and are important inputs to products such as paints.

The origin of the Indian dyestuff industry can be traced to the fifties when most dyes and intermediaries were totally imported in the country. Thereafter, gradually manufacturing of dyestuffs picked up in the country to cater to the needs of the domestic textile industry and in the early eighties the industry started export in good quantity. Indian Dyes industry has doubled its growth over the last decade.

KIRI DYES AND CHEMICALS LIMITED

Indian dyestuff industry is today totally self-sufficient with majority of inputs manufactured locally. India is currently producing all varieties of synthetic dyestuffs and intermediates and has a small presence in natural dyestuff. India has emerged as a global supplier of dyestuffs and dye intermediates, particularly for reactive, acid, vat and direct dyes. The Indian Dyestuff industry meets more than 95% requirement of the domestic market, and has gradually also made a dent in the global market. Today, India exports dyes and dye intermediate to the very same countries, on which it was dependant for imports till a decade ago. India account for approximately 6.80% of the world production of the sector of the industry. Textile industry is the major consumer of dyestuffs and about 80% of the total production is consumed by this sector. Remaining 20% is utilized by the paints, printing inks, rubber and leather industries.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.htm viewed on August 17,2007)

In India, the per capita consumption of dyes is 50 gms., which is very low as compared to a world consumption of 425 gms., which indicates that there is a tremendous potential for growth of this sector in India.

(Source: Planning Commission, Working Group report on Indian Chemical Industry-11th Five year plan)

Demand of Dyestuffs

Textile sector is a major consumer of Dyestuffs. Reactive Dyes, Vat Dyes & Azo Dyes are mainly required for dyeing and printing of cotton fibers. Disperse Dyes are mainly consumed for dyeing synthetic fibers. Acid Dyes are consumed in leather and woolen products. Many Special Dyes & pigments are used in printing inks. Some also have multiple uses in different applications. The production of synthetic fiber achieved during the year 2004-2005 to the extent of 18.86 lakhs MT. The estimated demand of synthetic fiber by terminal year of 11th five year plan may increase to 37.75 lakh tonnes. The demand of cotton textile may also be to the order of 48.19 lakh MT by the end of 11th plan. The Government's policy to promote export of cotton goods and promote blend of polyester fibers with cotton/viscose locally is likely to result in continued high demand for disperse dyes.

Disperse dyes will constitute the largest market with about 21% share followed by direct dyes and reactive dyes with 16% and 11% respectively. Among disperse dyes; maximum demand is likely to come from blue colour, followed by black and red colour. For reactive dyes, it is projected that maximum demand will be for yellow, followed by blue and red. By and large the dyes sector is likely to grow by 5% annually.

(Source: Planning Commission, Working Group report on Indian Chemical Industry-11th Five year plan)

Opportunities for Indian Dye & Dyestuff Industry

- Policy of American and European companies to outsource from Non-Traditional Supplier (NTS) countries like us has increased demand for dyestuffs.
- Stringent environmental laws in the western countries have led to discontinuance of production of certain dyes for textiles and leather. Climatic conditions in India are favorable for the manufacture of such products and export of the same in an eco-compatible manner.
- The use of Dyestuffs for electronic applications is a very promising area, with applications in LCD's (Liquid Crystal Displays), LED's (Light Emitting Diodes), solar cells and laser dyes.

(Source: Planning Commission, Working Group report on Indian Chemical Industry-11th Five year plan)

Conclusion

The dyestuff sector of the country in general and the Gujarat state in particular has a competitive edge of requisite infrastructure and testing facilities, motivated entrepreneurs with lower over head costs, availability of major raw materials, pool of technical manpower and flexibility to change the production set up. In view of these inputs the dyestuff industry in Gujarat will rise to all opportunities for development and growth in investment. The dyestuff industry in Gujarat provides large opportunities of collaboration in the areas including process development, joint research & development, waste water and solid management, cleaner technology and technical expertise, buy back arrangement and market access.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.ht- 11th Five year plan)



Business Overview

The Company is in the business of manufacturing Reactive Dyes since past 9 years. The promoters of the Company have 40 years of experience in the chemicals business. The company's products are acceptable by customers including Multinational companies.

The Company manufactures Reactive Dyes also known as Synthetic Organic Dyes (S.O.Dyes) and Dye Intermediates and has an integrated process. The product range of company caters to textiles, leather, paint and printing-ink industries with total production capacity of 10800 MTPA. 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.

Product Portfolio

The company is engaged in the business of manufacturing and marketing of:

1. Reactive Dyes – Synthetic Organic Dyes (S. O. Dyes)
2. Dyes Intermediate: Vinyl Sulphone
3. Dyes Intermediate: H-Acid

Reactive Dyes: It has application on varied range of textile products viz., cotton fabrics, garments, dress materials, bed-sheets, carpets etc. The dyes are of basic colours like black, blue, red, orange, yellow and numerous variants of these basic colours is identified by color index number internationally.

Dye Intermediates: The company produces H – Acid and Vinyl Sulphone which are the major raw materials for Synthetic Organic Dyes. The installed capacity of H–Acid and Vinyl Sulphone is 3600 MTPA each.

The Company through the proposed backward integration project intends to produce Sulphonic Acid, Oleum and Chlorosulphonic acid that would be partly captively consumed as raw materials for Dye Intermediates.

Proposed Products

- Sulphuric Acids
- Oleum
- Chlorosulphonic Acid

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 steam generated by the Sulphuric Acid plant. The electricity generated will be sufficient not only to run Sulphuric Acid plant but also to run intermediate plants of V.S. 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 plant and uses Sulphur as the basic raw material.

The backward integration project is proposed to be located at village Dudhwada, Taluka Padra, District Vadodara about 55 Kms. from Vadodara. The plant is in close proximity from Vadodara, Ankleshwar and Ahmedabad which are the main markets for Sulphuric Acid in Gujarat. The proposed location is very well connected by road and offers power, communication and transport facility.

Snap Shot	
Industry Segment:	Dyes, Dye Intermediates and Chemicals
Business:	Produce and Market Reactive Dyes & Dye Intermediates and Chemicals
Manufacturing Units:	<p>Unit 1 → Nature of activity - Synthetic Organics Dyes Located at : Plot No.299/1/A G.I.D.C., Vatva, Ahmedabad – 382 445.</p> <p>Unit 2 → Nature of Activity — Synthetic Organics Dyes Located at Plot No.299/1/B G.I.D.C. Vatva, Ahmedabad – 382 445</p> <p>Unit 3 → Nature of activity — Synthetic Organics Dyes Located at Plot No.10/8 G.I.D.C. Vatva, Ahmedabad – 382 445.</p> <p>Unit 4 → Nature of Activity — Dye Intermediates Located at — Block Nos. 396,399,400A, 400B, 401, 402, 403 and 404A Village Dudhwada, Taluka Padra, District Vadodara</p>

KIRI DYES AND CHEMICALS LIMITED

Competitive Strengths

The Company Endeavour's for better quality products that would enable the business to grow into one of the leading dye manufacturers in the region and an established player in the market. The Company's products are acceptable by customers including Multinational companies.

The Company has a

- well equipped research and development facility
- qualified management and technical team
- an integrated production process

Weakness

- Dependence on few big customers
- Limited range of products
- Technology plays a vital role in the Chemical Industry. Failure or inability of the Company to incorporate and change in technology might place competitors at an advantage in terms of costs, efficiency and timely delivery of final product..

Threats.

- Fluctuation in prices of raw material .
- Stiff competition from domestic and international players.
- The growth of textile industry will guide the pricing of the product of the Company.
- Any changes in Government policies and regulation can affect the business operations.

Business and Growth Strategy

Over the years the Company has been striving to provide clients with the right quality, right solutions and right technology at the right price. The Company intends to bring out more variations by using basic colours. The Company's strategy is to provide utmost customer satisfaction by being close to clients, research and development and quality control.

1. Reduction of operation cost through backward integration
2. Increase the degree of backward integration of company's production processes
3. Expand the customer base in India and globally
4. Quality Processes & Control



Summary of Financial Data

The following tables set forth summary of financials information derived from Company's Restated financials statements for the period ended September 30, 2007 and for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 prepared in accordance with Indian GAAP and SEBI guidelines and as described in the Statutory Auditor's report dated January 12, 2008 included in the section titled "Financial Information" beginning on page no. 101 of the RHP and should be read in conjunction with those financial statement and the notes thereto.

STANDALONE SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Amount Rs. in Lakhs)

SR. NO.	PARTICULARS	30th Sept. 2007	AS AT 31 st MARCH				
			2007	2006	2005	2004	2003
A	FIXED ASSETS:						
	Gross Block	5086.21	4,082.26	2,105.68	1,076.78	945.44	714.34
	Less : Depreciation	(490.99)	(386.67)	(260.04)	(206.62)	(162.44)	(119.40)
	Net Block	4595.22	3,695.59	1,845.64	870.16	783.00	594.94
B	INVESTMENTS	10.00	-	21.89	21.89	-	-
C	CURRENT ASSETS, LOANS & ADVANCES						
	Inventories	4026.15	2,916.79	1,920.50	1,821.53	1,507.57	1,142.65
	Sundry Debtors	2707.85	3,242.09	2,745.12	1,913.45	1,795.39	897.73
	Cash & Bank Balances	349.52	167.78	194.61	276.91	155.59	172.61
	Loans & Advances	1007.96	839.90	432.27	452.71	533.30	706.37
	Total (C)	8,091.48	7,166.56	5,292.50	4,464.60	3,991.85	2,919.36
D	LIABILITIES & PROVISIONS :						
	Secured Loans	5,802.06	5,926.81	3,593.45	1,927.22	1,932.97	924.46
	Unsecured Loans	46.50	40.25	-	36.83	36.83	36.18
	Current Liabilities & Provisions	2,323.41	1,422.58	1,011.87	1,548.88	1,282.96	1,270.59
	Deferred Tax Liability	124.50	86.00	68.00	58.00	48.00	40.00
	Total (D)	8,296.47	7,475.64	4,673.32	3,570.93	3,300.76	2,271.23
E	NET WORTH (A+B+C-D)	4,400.23	3,386.51	2,486.71	1,785.72	1,474.09	1,243.07
F	REPRESENTED BY :						
	Equity Share Capital	1,000.00	1,000.00	952.50	115.00	115.00	115.00
	Share Application Money	157.37	-	-	-	-	-
	Reserves & Surplus	3,290.25	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50
	Total (E)	4,447.62	3,399.97	2,489.24	1,786.03	1,474.46	1,243.50
G	MISC. EXPENDITURE						
	<i>(to the extent not written off)</i>	(47.39)	(13.46)	(2.53)	(0.31)	(0.37)	(0.43)
H	NET WORTH (F-G)	4,400.23	3,386.51	2,486.71	1,785.72	1,474.09	1,243.07

Note : (a) The Gross Block of Fixed Assets increased to Rs.4082.26 Lakhs for the financial year ended on March 31, 2007 as against Rs.2105.68 lakhs in the financial year ended on March 31, 2006. The sharp increase in the fixed assets is on account of setting up of manufacturing facilities for Vinyl Sulphone and H-Acid at Padra Plant of the Company at Village Dudhavada, Taluka Padra, District Vadodara.

(b) The Gross Block of Fixed Assets increased to Rs. 2105.68 lakhs for the financial year ended March 31, 2006 as against Rs. 1076.78 lakhs in financial year ended March 31, 2005. The addition of fixed assets was necessary on account of setting up manufacturing facilities for Vinyl Sulphone and H-Acid at Padra plant of the Company at Padra, district Vadodara.

KIRI DYES AND CHEMICALS LIMITED

STANDALONE SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

Amt (Rs. in lakhs)

SR. NO.	PARTICULARS	30th Sept. 2007	FOR THE YEAR ENDED 31ST MARCH				
			2007	2006	2005	2004	2003
A	INCOME :						
	<i>Sales (Net) :</i>						
	Export Sales	4,856.70	8,855.12	5,120.43	4,628.30	6,304.63	7,902.09
	Domestic Sales	4,745.89	4,487.32	3,997.04	2,220.23	529.09	73.84
	Export Incentives	99.15	33.57	30.15	378.84	999.53	1,114.49
	<i>Total Sales</i>	<i>9,701.74</i>	<i>13,376.01</i>	<i>9,147.62</i>	<i>7,227.37</i>	<i>7,833.25</i>	<i>9,090.42</i>
	Other Income	34.70	26.13	111.39	91.90	71.45	49.57
	Increase/Decrease in Inventories	720.82	598.69	419.79	318.94	(46.12)	160.68
	TOTAL (A)	10,457.26	14,000.83	9,678.80	7,638.21	7,858.58	9,300.67
B	EXPENDITURE :						
	Manufacturing Expenses	8,452.19	11,745.08	8,368.57	6,544.82	6,655.64	7,681.65
	Employee's Emoluments	94.84	120.29	77.83	57.80	54.62	53.17
	Administrative Expenses	83.10	113.21	162.44	145.35	106.96	102.23
	Selling & Distribution Expenses	257.82	460.79	292.73	276.35	492.81	734.73
	Depreciation	108.55	126.63	56.20	44.13	43.10	41.14
	Financial Charges	464.93	514.78	234.49	232.63	244.43	241.80
	Misc. Exp. Written off	2.05	0.32	0.25	0.06	0.06	0.06
	TOTAL (B)	9,463.48	13,081.10	9,192.51	7,301.14	7,597.62	8,854.78
C	PROFIT BEFORE TAX (A-B)	993.78	919.73	486.29	337.07	260.96	445.89
	Provision for Taxation						
	- Current Tax	65.00	38.50	28.25	15.50	22.00	30.00
	- Deferred Tax	38.50	18.00	10.00	10.00	8.00	10.00
D	NET PROFIT AFTER TAX	890.28	863.23	448.04	311.57	230.96	405.89
E	BROUGHT FORWARD PROFIT FROM PREVIOUS YEAR	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50	752.61
	Less : Deferred Tax Liability of Past Year	-	-	-	-	-	(30.00)
F	PROFIT AVAILABLE FOR APPROPRIATION (D+E)	3,290.25	2,399.97	2,119.07	1,671.03	1,359.46	1,128.50
	<i>LESS : APPROPRIATIONS :</i>						
	Interim Dividend	-	-	57.50	-	-	-
	Tax on Interim Dividend	-	-	7.33	-	-	-
	Capitalised for Bonus Issue	-	-	517.50	-	-	-
G	Balance Carried to Balance Sheet	3,290.25	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50



Issue Summary

Equity Shares offered*	
Issued in terms of Red Herring Prospectus	37,50,000 Equity Shares of face value of Rs. 10/- each
Of which:	
Net Offer to the Public	37,50,000 Equity Shares of face value of Rs. 10/- each
Comprising:	
Qualified Institutional Buyers portion*	Upto 18,75,000 Equity Shares of face value of Rs. 10/- each constituting not more than 50% of the Offer to the Public (Allocation on a proportionate basis, of which 5% shall be available for allocation to Mutual Funds only and the balance shall be available for allocation to all QIBs, including Mutual Funds)
Non-Institutional Portion*	Not less than 5,62,500 Equity Shares of face value of Rs. 10/- each constituting 15% of the Offer to the Public (Allocation on proportionate basis)
Retail Portion*	Not less than 13,12,500 Equity Shares of face value of Rs. 10/- each constituting 35% of the Offer to the Public (Allocation on proportionate basis)
Equity Shares outstanding prior to the Issue#	1,12,50,000 Equity Shares of face value of Rs. 10/- each
Equity Shares outstanding after the Issue	1,50,00,000 Equity Shares face value of Rs. 10/- each
Use of proceeds by the Company	Please refer to the Para titled "Objects of the Issue" on page 20 of this Red Herring Prospectus for additional information.

Notes:

*Under-subscription, if any, in any of the above categories would be allowed to be met with spill-over inter-se from any other categories, at the sole discretion of the Company and BRLM.

Company has allotted Equity Shares to the Pre-IPO Investors on a preferential basis after filing the Red Herring Prospectus with the SEBI aggregating to Rs. 1444.06 Lakhs, which the Company proposes to utilise towards the objects of the Issue. For details of these Pre-IPO placement, see the section titled "Capital Structure" on pages 14 of this Red Herring Prospectus.

KIRI DYES AND CHEMICALS LIMITED

General Information

The Company was incorporated on May 14, 1998 as Kiri Dyes and Chemicals Private Limited at Ahmedabad, Gujarat, under the Companies Act, 1956 and was converted into a public limited company vide fresh certificate of incorporation dated May 3, 2006 issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli located at Ahmedabad. The Company Identification Number is U24231GJ1998PLC034094.

Registered Office of the Company

Kiri Dyes and Chemicals Limited

7th Floor, Hasubhai Chambers
Opp. Town Hall, Ellis bridge
Ahmedabad – 380 006. Gujarat, India.
Tel: +91-79-2657 4371/72/73
Fax: +91-79-2657 4374
Email: ipo@kiridyesh.com

At the time of incorporation, the registered office of the Company was situated at 53, Manekbaug Society, S. M. Road, Ambawadi, Ahmedabad – 380 015, w.e.f. February 1, 2007, the registered office was shifted to the present address.

Corporate Office

Kiri Dyes and Chemicals Limited

Plot No. 299/1/A, Near Water Tank
Phase-II, GIDC, Vatva, Ahmedabad – 382 445
Tel: +91-79-25894477; 25835297;
Fax: +91-79-25834960;
Email: ipo@kiridyesh.com

Corporate Identity No. (CIN): U24231GJ1998PLC034094

The Company is registered with Registrar of Companies, Gujarat, Dadra & Nagar Haveli at Ahmedabad

Address of RoC:

CGO Complex
RoC Bhavan, Opp. Rupal Park Society
Nr Ankur Bus Stop Naranpura, Ahmedabad – 380 013

Board of Directors

The Company is currently managed by the Board of Directors comprising of 6 directors out of which three are the independent directors. The Board of Directors comprises of the following persons:

Name	Designation	Status
Mr. Pravin A. Kiri	Chairman	Executive
Mr. Manish P. Kiri	Managing Director	Executive
Mrs. Aruna P. Kiri	Director	Non Executive, Non Independent
Mr. Bipin R. Patel	Director	Non Executive, Independent
Mr. Keyoor M. Bakshi	Director	Non Executive, Independent
Mr. Yamal A. Vyas	Director	Non Executive, Independent

For details of directors please refer page no. 86-87 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. Suresh Gondalia

Kiri Dyes and Chemicals Limited

7th Floor, Hasubhai Chambers
Opp. Town Hall, Ellis bridge
Ahmedabad – 380 006. Gujarat, India.
Tel: +91-79 – 2657 4371/72/73
Fax: +91-79 - 2657 4374
Email: ipo@kiridyesh.com

Note: Investors can contact the Compliance officer in case of any Pre-Issue or Post Issue related problems such as non-receipt of letters of allotment / Credit of allotment of shares in the respective beneficiary account, refund orders etc.



Bankers to the Company

State Bank of India

Vatva Industrial Branch
Opp. Choksi Tube, GIDC Phase – I,
Vatva, Ahmedabad – 382 445
Tel No: +91-79- 2583 377, 2583 1603
Fax No.: +91-79- 2583 3998
E-mail: sbi175@icenet.net
Contact Person: Mr. Vinay Phanse

Oriental Bank of Commerce

Chanakaya 4th Floor, Near Dinesh Hall,
Off Ashram Road,
Ahmedabad – 380 009
Tel No: +91-79- 2658 0180, 26587539
Fax No. +91-79- 2658 9456
E-mail: rh_ahm@obc.co.in
Contact Person: Mr. Niraj Virmani

Book Running Lead Manager

Centrum Capital Limited

SEBI Registration No.: INM 000010445
59, Krishna Chambers
Sir Vithaldas Thackersey Marg
New Marine Lines, Mumbai – 400 020
Tel: +91-22 – 4030 0500
Fax: +91-22 – 4030 0510
Website: www.centrum.co.in
Email: kiridyesh@centrum.co.in
Contact Person: Mr. Alpesh Shah/Mr. Tushar Zankar.

Co- Manager

Elara Capital (India) Private Limited

SEBI Registration No. : INM000011104.
304, Vaibhav Chambers,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051.
Tel: +91-22 – 30626167
Fax: +91-22 – 30626170
Email: kiridyesh@elara.com
Website: www.elaracapital.com
Contact Person: Ms. Rashmi Deshpande

Registrar to the Issue

Cameo Corporate Services Limited

SEBI Regn No.: INR 000003753
Subramanian Building, No.1
Club House Road
Chennai – 600 002
Tel: +91-44-28460390
Fax: +91-44-28460129
Email: cameo@cameoindia.com
Website: www.cameoindia.com
Contact Person: Mr. R.D. Ramasamy

Legal Advisor to the Issue

Ms. Swati Soparkar

204, Akanksha, Opp. Vadilal House
Nr. Mount Carmel Railway Crossing
Navrangpura, Ahmedabad – 380 009
Tel No: +91-79-26430707/26404245
Fax No: +91-79-26563214
E-mail: soparkarad1@sancharnet.in

Bank of India

Corporate Banking Branch
2nd Floor, BOI Building Bhadra,
Ahmedabad-380001
Tel No: +91-79- 2539 6523, 2539 0991
Fax No.: +91-79- 2539 4965
E-mail: ahmedabadcbb@bankofindia.co.in
Contact Person: Mr. R. S. Iyer

KIRI DYES AND CHEMICALS LIMITED

Banker(s) to the Issue and Escrow Collection Bank(s)

ICICI Bank

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg, Mumbai – 400 001
Tel: +91-22-22627600
Fax: +91-22-22611138
Email: sidhartha.routray@icicibank.com
Website Address : www.icicibank.com
Contact Person: Mr Sidhartha Routray

HDFC BANK LTD

26 A, Narayan Properties,
Off. Saki Vihar Road, Chandivali, Saki Naka,
Andheri (East), Mumbai- 400 072
Tel: 022-28569009/ 28474900 ext: 1639
Fax: 022- 28569256
Email: uday.dixit@hdfcbank.com
Website Address www.hdfcbank.com
Contact Person: Mr. Uday Dixit/Mr. Deepak Rane.

The Hongkong and Shanghai Banking Corporation Limited

HSBC , 52/60, M G Road,
Fort, Mumbai – 400001
Tel No : +91 22 2268 5352
Fax No : +91 22 6653 6002
Email : suyogmhatre@hsbc.co.in
Website Address :www.hsbc.co.in
Contact Person : Mr. Suyog Mhatre.

IPO Grading Agency

CRISIL

A Standard & Poor's Company
261, Solitaire Corporate Park
Andheri – Ghatkopar Link Road
Andheri (East), Mumbai – 400 093, India.
Tel No: +91-22- 55707931 to 34; 66913526 (D)
Fax No. +91-22-67026954
E-mail: snair@crisil.com
Contact Person: Mr. Sudhir K. Nair

Auditors to the Company

M/s V.D. Shukla & Co

22, Aakruti Society,
Jodhpur Satellite Road, Ahmedabad – 380 015
Tel No: +91-79- 2644 5335
Tele Fax: +91-79- 2644 5335
E-mail: vdshuklaco1984@yahoo.com
Contact Person: Mr. Vimal D. Shukla

Syndicate Members

CENTRUM CAPITAL LIMITED

SEBI Registration No.: INM000010445
59, Krishna Chambers,
Sir Vithaldas Thackersey Marg,
New Marine Lines, Mumbai – 400 020.
Tel: +91-22-40300500; Fax:+91-22-4030 0510
Email: kiridyesh@centrum.co.in
Website: www.centrum.co.in
Contact Person: Mr. Alpesh Shah/Mr. Tushar Zankar



Brokers to the Issue

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

Credit Rating

As the Issue is of Equity shares, credit rating is not required.

IPO Grading

The Company has appointed Credit Rating Information Services of India Limited (CRISIL) for grading of proposed Initial Public Offering of the Company. The IPO Grading Agency has assigned "2/5" (pronounced "two on five") Grade to the Initial Public Offering of the Company indicating the fundamentals of the issue are below average relative to other listed equity securities in India vide its letter dated September 25, 2007 and letter dated January 11, 2008 revalidating its earlier letter. The following are the rationale/description furnished by IPO Grading Agency for the IPO grades assigned to proposed Initial Public Offering of the Company.

This grading reflects the Company management's successful track record in setting up a large export-oriented dyes business over the last 10 years, its relationships with global dye companies, and the technical expertise of its founder and Chairman Mr. Pravin Kiri. However, the grading is constrained due to the limited upside in the profit potential of the Company's dyes business, the moderately lower than existing returns from the planned deployment of the IPO proceeds, and the low pricing power traditionally witnessed by Sulphuric acid manufacturer – the facility that the Company plans to set up through the IPO proceeds. The Company plans to mitigate the price risk by focusing on value-added products.

Disclaimer: a CRISIL IPO grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users/transmitters/distributors of CRISIL IPO grading.

(A copy of the report provided by Crisil, furnishing the rationale for its grading is available for inspection at the registered office of the Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring prospectus until the Bid/issue closing date)

IPO Grading concept is relatively new and the investors should carefully consider all of the information provided in this Red Herring Prospectus including IPO Grading information and should make their own judgment prior to making any investment in this Issue. This IPO Grading does not take cognizance of the issue price of the Equity Shares and it is not a recommendation to buy, sell or hold the Equity Shares.

Appraisal of the Project

The Fund requirement and deployment are based on internal management estimates and have not been appraised by any Bank or Financial Institution.

Trustees

As the Issue is of Equity Shares, the appointment of Trustees is not required.

Monitoring Agency

The Company has not appointed any independent Monitoring Agency to oversee the deployment of the proceeds of the issue. The Company has constituted an Audit Committee comprising of its directors. The Audit Committee will monitor the deployment of funds and review the uses/application of the funds for major category (Capital Expenditure, Sales and Marketing, working Capital etc) on a quarterly and annual basis, till such time that the entire money raised through this issue has been fully utilized for the proposed object of the Issue.

The Company will disclose the utilization of the issue under a separate head in the Balance sheet clearly specifying the purpose for which such proceeds have been utilized, The company shall also, in its Balance sheet, provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

Inter-se Allocation of Responsibilities

Centrum Capital Limited is the Sole Book Running Lead Manager to the Issue.

KIRI DYES AND CHEMICALS LIMITED

BOOK BUILDING PROCESS

Book building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company
2. Book Running Lead Manager (BRLM), in this case being Centrum Capital Limited (Centrum).
3. Syndicate Members, who are the intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLM.
4. The Registrar to the Issue.
5. Escrow Collection Bank(s).

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein (i) not more than 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs). From and out of the QIB portion 5% would be available for allocation to mutual funds registered with SEBI (ii) not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and (iii) not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders whose maximum Bid amount is not more than Rs. 100,000/-, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid closing date.

Further, out of the QIB Portion, 5% would be available for allocation to Mutual Funds. In case of inadequate demand from Mutual Funds, the Equity Shares would be made available to QIBs other than mutual funds. Valid bids from Mutual Funds would be eligible for allotment from 5% of the QIB Portion as well as from the balance QIB Portion. The subscription for proportionate allotment to QIBs shall be identified after reducing 5% of the total allocation to QIBs or any lesser amount allotted to Mutual Funds.

In accordance with SEBI Guidelines, QIB are not allowed to withdraw their Bid(s) after the Bid/Issue closing date. For further details see section titled "Issue structure "on page 159 of the Red Herring Prospectus.

The Company shall comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this issue. In this regard, the Company has appointed Centrum Capital Limited as the Book Running Lead Manager to manage the issue and to procure the subscription to the issue.

Bidders are required to submit their Bids through the members of the Syndicate. The Company in consultation with the BRLM reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason therefore from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful allottees only in the dematerialized form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 Equity Shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1,500	50.00%
1500	22	3,000	100.00%
2000	21	5,000	166.67%
2500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.



Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding (refer to the section “Issue Procedure – Who can Bid” on page 161 of this Red Herring Prospectus).
- Ensure that the bidder has a demat account.
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.
- Ensure that the Bid cum Application Form is accompanied by the PAN, as may be applicable together with necessary documents providing proof of address. See para titled terms of the issue on page beginning from 155 of this Red Herring Prospectus for details.

Underwriting Agreement

After the determination of the Issue Price and allocation of Equity Shares but prior to filing of the Prospectus with the RoC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Sr. No	Name and Address of the Underwriters	Date of Agreement	Indicated number of Equity shares to be underwritten	Amount underwritten (Rs. in Lakhs)
1				
2	[●]	[●]	[●]	[●]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [●].

In the opinion of the Board of Directors (based on a certificate given by the Underwriters) and BRLM, the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s). The above underwriting Agreement has been accepted by the Board of the Company at their meeting held on [●] on behalf of the Company, and the Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIB Bidders is proportionate as per the terms of this Red Herring Prospectus.

Bid/Issue Programme

Bid Issue opens on : Tuesday, March 25, 2008

Bid Issue closes on : Wednesday, April 02, 2008

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Company's Equity Shares. BSE will be the Designated Stock Exchange with which the basis of allocation will be finalized for non-institutional portion and retail portion.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight (8) days after the Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under section 73 of the Companies Act, 1956.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven (7) working days of finalization of the basis of allocation for the Issue.

KIRI DYES AND CHEMICALS LIMITED

Capital Structure

The share capital as on date of filing of the Red Herring Prospectus with SEBI is set forth below:

(Rs. in Lakhs)

	Particulars	Nominal Value	Aggregate Value at Issue Price
A)	Authorised Capital 2,00,00,000 Equity Shares of Rs. 10/- each	2000.00	
B)	Issued, Subscribed and Paid Up Capital 1,12,50,000 Equity Shares of Rs. 10/- each fully paid up.	1125.00	
C)	Present Issue in terms of this Red Herring Prospectus 37,50,000 Equity Shares of Rs. 10/- each	375.00	[●]
D)	Equity Shares after the Issue 1,50,00,000 Equity Shares of Rs. 10/- each fully paid up	1500.00	[●]
E)	Share Premium Account Before the issue After the Issue in terms of this Red Herring Prospectus *		1319.05 [●]

* The Share Premium Account will be determined after the Book Building Process

Details of Increase in Authorised Capital

The details of increase and change in authorized share capital of the Company after the date of incorporation till filling of the Red Herring Prospectus with SEBI is as follows:

(Rs. in Lakhs)

Date of Change / General Meeting	Nature of change	Number of Additional Equity Shares	Face Value	Cumulative Authorised Share Capital
May 14, 1998	On Incorporation	10,000	10	1.00
May 30, 1998	Increase	7,40,000	10	75.00
February 15, 2000	Increase	2,50,000	10	100.00
March 18, 2001	Increase	2,50,000	10	125.00
November 18, 2005	Increase	3,75,000	10	500.00
January 15, 2006	Increase	5,00,000	10	1000.00
September 30, 2006	Increase	10,00,000	10	2000.00



Notes to the Capital Structure:

1. Share Capital History of the Company

The existing equity share capital of the Company has been subscribed and allotted as under:

(Rs. in Lakhs)

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Total Paid up Capital	Cumulative Paid up Capital	Cumulative Share Premium A/c	Reasons for Allotment
May 14, 1998	200	10	10	Cash	0.02	0.02	Nil	Allotment to subscribers to the Memorandum
July 5, 1998	5,50,000	10	10	Cash	55.00	55.02	Nil	Further issue of Capital
February 15, 2000	1,00,000	10	10	Cash	10.00	65.02	Nil	Further issue of Capital
March 29, 2000	3,49,800	10	10	Cash	34.98	100.00	Nil	Further issue of Capital
March 18, 2001	1,50,000	10	10	Cash	15.00	115.00	Nil	Further issue of Capital
November 25, 2005	20,12,500	10	–	Bonus	201.25	316.25	Nil	*Bonus 7:4
January 15, 2006	31,62,500	10	–	Bonus	316.25	632.50	Nil	**Bonus 1:1
January 23, 2006	15,00,000	10	10	Cash	150.00	782.50	Nil	Further issue of Capital
March 31, 2006	17,00,000	10	10	Cash	170.00	952.50	Nil	Further issue of Capital
July 8, 2006	4,75,000	10	10	Cash	47.50	1000.00	Nil	Further issue of Capital
January 21, 2008	1,31,140	10	120	Cash	13.11	1013.11	144.25	Pre-IPO Placement
January 21, 2008	11,18,860	10	115	Cash	111.89	1125.00	1319.05	Pre-IPO Placement

*On November 25, 2005, out of Accumulated free Reserves of Rs. 1684.24 lakhs as at March 31, 2005, the Company has capitalised its Reserves to the extent of Rs. 201.25 lakhs towards the issue of Bonus Shares to the existing shareholders in the ratio of 7:4.

**On January 15, 2006, Out of Accumulated free Reserves of Rs. 1684.24 lakhs as at March 31, 2005, the Company has capitalised its Reserves to the extent of Rs.316.25 lakhs towards the issue of Bonus Shares to the existing shareholders in the ratio of 1:1, on the capital post bonus issue made on November 25, 2005.

2. Details of Allotment to Promoters

Sr. No.	Name of the Promoter	Date of allotment/ Transfer	Nature of Payment/ Consideration	No. of shares	Face Value (Rs)	Issue / Transfer Price (Rs)	
A	Mr. Pravin A. Kiri	May 14, 1998	Cash	100	10	10	
		July 5, 1998	Cash	4,50,000	10	10	
		March 29, 2000	Cash	3,49,800	10	10	
		March 18, 2001	Cash	50,000	10	10	
		November 25, 2005	Bonus	14,87,325	10	Nil	
		January 15, 2006	Bonus	23,37,225	10	Nil	
		January 23, 2006	Cash	9,64,000	10	10	
		March 31, 2006	Cash	16,56,795	10	10	
		Total			72,95,245		
		B	Mr. Manish P. Kiri	February 15, 2000	Cash	50,000	10
November 25, 2005	Bonus			87,500	10	Nil	
January 15, 2006	Bonus			1,37,500	10	Nil	
January 23, 2006	Cash			3,71,000	10	10	
March 5, 2006	Transfer			(300)	10	10	
July 8, 2006	Cash			4,75,000	10	10	
Total					11,20,700		
C	Mrs. Aruna P. Kiri	May 14, 1998	Cash	100	10	10	
		July 5, 1998	Cash	1,00,000	10	10	
		February 15, 2000	Cash	50,000	10	10	
		November 25, 2005	Bonus	2,62,675	10	Nil	
		January 15, 2006	Bonus	4,12,775	10	Nil	
		January 23, 2006	Cash	1,15,000	10	10	
		Total			9,40,550		
Total			93,56,495				

KIRI DYES AND CHEMICALS LIMITED

3. Details of allotment to the Promoters Group

Sr. No.	Name of the Promoter	Date of allotment / Transfer	Nature of Payment	No. of shares	Face Value (Rs.)	Issue Price (Rs.)
A	Pravin Kiri (HUF)	March 18, 2001	Cash	1,00,000	10	10
		November 25, 2005	Bonus	1,75,000	10	Nil
		January 15, 2006	Bonus	2,75,000	10	Nil
		January 23, 2006	Cash	50,000	10	10
		Total (A)			6,00,000	
B	Ms. Amisha Kiri	March 5, 2006	Cash	100	10	10
		March 31, 2006	Cash	14,400	10	10
		Total (B)			14,500	
C	Mrs. Anupama M. Kiri	March 5, 2006	Cash	100	10	10
		March 31, 2006	Cash	14,405	10	10
		Total (C)			14,505	
D	Master Hemil Kiri	N.A.	N.A.	Nil	N.A.	N.A.
E	Rudolf Kiri Chemicals Pvt. Ltd.	N.A.	N.A.	Nil	N.A.	N.A.
Total (A+B+C+D+E)				6,29,005		

4. Lock in of minimum Promoters Contribution

Sr. No.	Name of the Promoters	Date of Allotment	No. of shares	Face Value (Rs.)	Issue Price (Rs.)	% of post issue paid up capital	Lock – in period
A.	Mr. Manish P. Kiri	July 8, 2006	4,75,000	10	Nil	3.17%	
		Total (A)	4,75,000			3.17%	3 Years
B.	Mr. Pravin A. Kiri	March 31, 2006	16,56,795	10	10	11.04%	
		January 23, 2006	7,53,205	10	10	5.02%	
		Total (B)	24,10,000			16.06%	3 Years
C.	Mrs. Aruna P. Kiri	January 23, 2006	1,15,000	10	Nil	0.77%	
		Total (C)	1,15,000			0.77%	3 Years
Total (A+B+C)			30,00,000			20.00%	

- Other than the above equity shares which are locked in for three years from the date of allotment in this Issue, the entire pre-issue share capital of Kiri Dyes and Chemicals Ltd. i.e. 82,50,000 equity shares shall be locked in for a period of one year from the date of allotment in the issue as per clause 4.14.1 of SEBI (DIP) Guidelines. All Equity Shares, which are being included for computation of promoters' contribution and three-year lock-in are locked-in and are not ineligible for such purposes under Clause 4.6 of the SEBI Guidelines.
- In terms of clause 4.16.1(a) of the SEBI (DIP) Guidelines, the equity Shares held by a person other than the Promoters, prior to the Issue, which are locked in, may be transferred to any other person holding Equity Shares which are locked in as per clause 4.14 of the SEBI (DIP) Guidelines, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of the shares and Takeovers) Regulations, 1997, as applicable.
- In terms of clause 4.16.1(b) of the SEBI (DIP) Guidelines, the Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares may be transferred among Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (substantial Acquisition of shares and Takeover) Regulations, 1997 as applicable.
- The Promoters have given their consent for lock in as stated above. Equity Shares issued last shall be locked in first. The entire pre-issue capital, other than the minimum Promoters contributions, which is locked in for three years shall be locked in for a period of one year as per clause 4.14.1 of SEBI (DIP) Guidelines. The lock-in shall start from the date of allotment in the issue and the last of the lock-in shall be reckoned as three years from the date of allotment in the Issue.
- As per clause 4.15 of SEBI (DIP) Guidelines, Locked in Equity Shares held by Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided pledge of shares is one of the terms of the sanction of loan However shares locked in that constitutes part of minimum, promoters contribution can be pledged with the banks or financial institutions only if loan has been granted by Banks or financial institutions for the purpose of financing one or more of the object of the issue.
- Locked in Equity Shares held by the shareholders have not been issued out of revaluation reserves.



5. Details of the Capitalisation of the Reserves by the Company

Date of allotment of Bonus Shares	Date of approval to the Bonus Issue	Bonus Ratio	Number of Equity Shares of Rs. 10/- each issued as bonus	Amount of reserves Capitalised (Rs. in Lakhs)
November 25, 2005	November 25, 2005	7:4	20,12,500	201.25
January 15, 2006	January 15, 2006	1:1	31,62,500	316.25
Total			51,75,000	517.50

6. Pre and Post Issue Shareholding Pattern of the Company

Sr. No.	Category	Pre-Issue			Post-Issue	
		No of shareholders	No. of Shares	% of holding	No. of Shares	% of holding
	Shareholding of Promoter					
1	Indian Promoters & Promoter Group:					
a.	Individuals, Hindu Undivided Family	6	99,85,500	88.76	99,85,500	66.57
b.	Bodies Corporate	0	0	0	0	0
	Sub total (A) (a) +(b)		99,85,500		99,85,500	66.57
2	Foreign Promoters:	0	0	0	0	0
a.	Individuals, Hindu Undivided Family	0	0	0	0	0
b.	Bodies Corporate	0	0	0	0	0
	Sub total (B) = (a) +(b)	0	0	0	0	0
	Total shareholding of Promoter and Promoter Group (C) = (A) +(B)	6	99,85,500	88.76	99,85,500	66.57
	Public Shareholding:					
	Institutions:					
a.	Mutual Funds / UTI	0	0	0	0	0
b.	Financial Institutions and Banks	0	0	0	0	0
c.	FII's	0	0	0	0	0
	Sub total (D) = (a) +(b)+(c)	0	0	0	0	0
	Non-Institutions:					
a.	Foreign Bodies Corporate (a)	1	11,18,860	9.95	11,18,860	7.46
b.	Individuals / Hindu Undivided Family (b)	1	14,500	0.12	14,500	0.10
	Sub total (E) = (a) +(b)		11,33,360	10.07	11,33,360	7.56
	Any Others:					
a.	NRIs/ OCBs	–	0	0	0	0
b.	Trusts	–	0	0	0	0
c.	Foreign Nationals	8	1,31,140	1.17	131,140	0.88
d.	Others		–	–	37,50,000	25.00
	Sub Total (F) = (a) +(b)+(c)+(d)		1,31,140	1.17	38,81,140	25.88
	Total Public shareholding G =(D) +(E)+(F)	10	1264500.00	11.24	50,14,500	33.43
	Grand Total (H= (C) + G)	16	1,12,50,000	100.00	1,50,00,000	100.00

KIRI DYES AND CHEMICALS LIMITED

7. Top Ten Equity Shareholders of the Company:

a) Particulars of top ten shareholders as on date of filing the Red Herring Prospectus with SEBI.

Sr. No.	Name of Shareholders	No. of Shares	%age
1	Mr. Pravin A. Kiri	72,95,245	64.85
2	Mr. Manish P. Kiri	11,20,700	9.96
3	Well Prospering Limited	11,18,860	9.95
4	Mrs. Aruna P. Kiri	9,40,550	8.36
5	Pravin A. Kiri H.U.F.	6,00,000	5.34
6	Ms. Wu Li Chu	30,166	0.27
7	Mr. Chung Sheng kuang	28510	0.25
8	Ms. Yu Pei Lan	20127	0.18
9	Mr. Lu Shao Jung	20127	0.18
10	Mrs. Anupama M. Kiri	14,505	0.13
	Total	1,11,88,790	99.29

b) Particulars of top ten shareholders 10 days prior to the date of filing the Red Herring Prospectus with SEBI

Sr. No.	Name of Shareholders	No. of Shares	%age
1	Mr. Pravin A. Kiri	72,95,245	64.85
2	Mr. Manish P. Kiri	11,20,700	9.96
3	Well Prospering Limited	11,18,860	9.95
4	Mrs. Aruna P. Kiri	9,40,550	8.36
5	Pravin A. Kiri H.U.F.	6,00,000	5.34
6	Ms. Wu Li Chu	30,166	0.27
7	Mr. Chung Sheng kuang	28510	0.25
8	Ms. Yu Pei Lan	20127	0.18
9	Mr. Lu Shao Jung	20127	0.18
10	Mrs. Anupama M. Kiri	14,505	0.13
	Total	1,11,88,790	99.29

c) Particulars of top ten Shareholders 2 Years Prior to the date of filing the Red Herring Prospectus with SEBI

Sr. No.	Name of Shareholders	No. of Shares	%age
1	Mr. Pravin A. Kiri	5638450	72.05
2	Mrs. Aruna P. Kiri	940550	12.02
3	Pravin A. Kiri H.U.F.	600000	7.67
4	Mr. Manish P. Kiri	646000	8.26
	TOTAL	78,25,000	100.00

8. None of the Promoters, members of the Promoter Group or Directors of Promoter Companies have purchased, sold or financed any Equity Shares of the Company, during a period of six months preceding the date on which the Red Herring Prospectus has been filed with SEBI.
9. The Promoters/Directors/BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company with any person.
10. An over-subscription to the extent of 10% of the Issue to public can be retained for the purpose of rounding off to the nearest integer during finalization the allotment, subject to minimum allotment being equal to Equity Shares, which is the minimum application size in this issue.
11. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares.
12. A bidder cannot make a Bid for more than the number of Equity Shares offered under the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.



13. In the case of over-subscription in all categories, upto 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB Portion would be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, would be met with spill over from other categories at the sole discretion of the Company in consultation with the BRLM.
14. During last 1 year the Company has issued following equity shares to Pre-IPO Investors.

Sr No.	Pre-IPO Investors	Number of equity shares	Price per equity shares	Date of Allotment of equity shares
1	Mr. Tsai Ming Hung	13418	120	January 21,2008
2	Mr. Lu Shao Jung	20127	120	January 21,2008
3	Mr. Yu Pei Lan	20127	120	January 21,2008
4	Ms.Yang Li Chun	7038	120	January 21,2008
5	Ms. Wu Li Chu	30166	120	January 21,2008
6	Ms. Huang Su Chen	5018	120	January 21,2008
7	Mr.Chung Sheng Kuang	28510	120	January 21,2008
8	Ms. Hsueh Su Wei	6736	120	January 21,2008
9	Well Prospering Limited	1118860	115	January 21,2008
	Total	1250000		

The Equity Shares allotted to the Pre-IPO Investor shall be subject to a minimum lock-in for a period of one year from the date of Allotment in accordance with the SEBI Guidelines. For more details as to Shareholder Agreement entered between Company, Well Prospering Limited and the Promoters please refer to the section titled "History and Corporate Structure" on page 81 of this Red Herring Prospectus.

- 15 There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the Equity Shares issued have been listed.
- 16 Presently, the Company does not intend or propose to alter its capital structure for a period of six months from the date of opening of the Issue whether by way of split or consolidation of the denomination of the Shares or by way of a further issue of capital (including issue of securities convertible into or exchangeable, directly or indirectly for Shares) whether preferential or otherwise, except that the Company may issue options to its employees pursuant to an employee stock options scheme or, if the Company enters into any joint venture, merger or acquisition, the Company may consider raising additional capital to fund such activity or use Shares as currency for acquisition or participation in such joint ventures or issue shares on such merger, if any.
- 17 The Company has not raised any bridge loans against the proceeds of the Issue.
- 18 The Company has not granted any options or issued any shares under any employees' stock option or employees stock purchase scheme as on the date of filing this Red Herring Prospectus.
- 19 The Company has not issued Equity Shares for consideration other than cash except to the extent of Bonus Shares issued to the existing shareholders by capitalization of free reserves as mentioned in the Notes to Capital Structure on page 15 of the Red Herring Prospectus.
- 20 The Company has not issued any shares out of revaluation reserves.
- 21 There will be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
- 22 The Company has a total of 16 (sixteen) Equity Shareholders as on the date of filing of the Red Herring Prospectus.
- 23 The Company has availed Working Capital facilities from banks. The provisions of these agreements include restrictive covenants, undertaking not to declare dividend when Company's accounts are in arrears with the banks, covenants that require the prior permission of the said banks/financial institutions for example, restrictions pertaining to the declaration of dividends, alteration of the capital structure, entering into any merger/amalgamation, expenditure in new projects, drastic change in the management, create any charge, lien or encumbrance over their undertaking or any part thereof, change in Company's constitutional documents.
- 24 For details of natural persons who are in control (holding 10% or more voting rights) or who are on the Board of the Board of directors of any body corporate forming part of the promoter group, please refer page no 128 of this Red Herring prospectus.

KIRI DYES AND CHEMICALS LIMITED

Objects of the Issue

The Objects of this issue are as under:

- (1) To fund the capital expenditure for setting up of a plant to manufacture Sulphuric Acid, Oleum and Chloro Sulphonic Acid with a combined capacity of 500 M.T. per day adjacent to its existing unit at Village Dudhwada, Taluka Padra, District Vadodara thus enabling backward integration and economies of scale
- (2) To fund the capital expenditure for Dyes and Intermediates Unit located at GIDC, Vatva, Ahmedabad
- (3) To fund the additional working capital margin
- (4) To meet Issue expenses
- (5) To list the Equity Shares of the Company to be issued through this Red Herring Prospectus in the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited

The proceeds from the Issue after deducting the Issue related expenses are referred to as "Net Proceeds from the Issue".

The main objects and objects incidental or ancillary to the main objects set out in the Memorandum enable us to undertake the existing activities and the activities for which funds are being raised by us through the Issue.

The fund requirement and deployment is based on internal management estimates, quotations received from various suppliers and has not been appraised by any bank or financial institution. The fund requirement below is based on company's current business plan. In view of the dynamic nature of the industry in which company operates, business plan may have to revise from time to time and consequently the fund requirement and utilisation of proceeds from the Issue may also change. In case of any shortfall in the means of finance or cost escalation in the Project, the same shall be met by internal accruals. In case of surplus funds the same shall be used towards the general corporate purposes. The Public Issue Proceeds will be determined based on the Issue Price discovered through the 100% Book-Building process. No part of the issue proceeds will be paid as consideration to Promoters, Directors, Key Managerial Personnel, Associates and Group Companies.

Fund Requirements

(Rs. in Lakhs)

Sr. No.	Particulars	Amount	Amount	Amount
I	Capital Expenditure for setting up Sulphuric Acid & its sub-products Unit			4,207.00
	- Land and Land Development		50.00	
	- Building		357.33	
	- Sulphuric Acid Plant		1807.83	
	- Indigenous	1650.81		
	- Imported	157.02		
	- Oleum Plant		347.69	
	- Chlorosulphonic Acid		64.69	
	- Excise Duty @ 16.32% & VAT @ 4%		465.64	
	- Others		1,113.82	
II	Capital Expenditure for Dyes and Intermediates Unit			173.98
III	Additional Working capital margin			669.02
IV	Issue Expenses			[●]
	Total			[●]

[●] - The relevant figures will be updated on finalisation of Issue Price.



Means of Finance

The funding plans proposed by us are as under:

(Rs. in Lakhs)

Sr. No.	Particulars	Amount
I	Public Issue of Equity Shares	[●]
II	Internal Accruals	[●]
III	Pre-IPO Placement	1444.06
	Total	[●]

[●] – The relevant figure will be updated on finalisation of Issue Price.

The Company has allotted Equity Shares to the Pre-IPO Investors on a preferential basis after filing the Red Herring Prospectus with the SEBI aggregating to Rs. 1444.06 Lakhs, which the Company proposes to utilise towards the objects of the Issue. For details of these Pre-IPO placement, see the section titled “Capital Structure” on page no. 14, of this Red Herring Prospectus.

The Company confirms that firm arrangement of finance through verifiable means towards 75% of the stated means of the finance excluding the amount to be raised through the proposed public issue has been made.

Project Details

I. Capital Expenditure for setting up Sulphuric Acid and its sub-products Unit

The Company proposed to set up a “Sulphuric Acid” as well as for its sub products “Oleum” and “Chloro Sulphonic Acid” unit as a measure of backward integration. The detailed cost break up for capital investments is given below:

Land and Land Development (Rs. 50 Lakhs)

(Rs. in Lakhs)

Description	Land Details	Area (Sq. Mts.)	Rate Rs. / Sq. Mt.	Total
Land (incl. Stamp Duty- Rs. 0.48 Lakhs & Registration - Rs. 0.13 lakhs)	Located at Village Dudhwada, Taluka Padra, District Vadodara This land is adjacent to the land where V. S and H –Acid plant of the Company is located.	31942	–	8.66
Site Development				41.34
Total Cost				50.00

The Company has acquired the above land. The Company on receipt of the no objection certificate from the Pollution Control Board has already started land Development & civil construction work at the project site. As on January 11, 2008 the Company has incurred Rs. 12.70 lakhs on the above.

Building (Rs. 357.33 Lakhs).

For civil construction of the proposed building the Company has received the quotation from **M/s Nitin B. Shah, Consulting Engineer**, Government Approved Valuer based at Ahmedabad vide their quotation dated January 18, 2008.

(Rs. in Lakhs)

Description	Height	Area (Sq. Mts.)	Rate Rs. / Sq. Mt.	Total
Sulphur storage shed	6 Mts.	5000	3,300.00	165.00
Block- A	4 Mts.	72	4,200.00	3.02
Block- B	4 Mts.	90	4,200.00	3.78
Block- C	4 Mts.	48	4,200.00	2.02
Block- D	4 Mts.	25	4,200.00	1.05
Equipment Foundation	–	–	Lump Sum	37.00
Oleum Plant	9 Mts. (3 storeyed)	468	4,500.00	21.06

KIRI DYES AND CHEMICALS LIMITED

Description	Height	Area (Sq. Mts.)	Rate Rs. / Sq. Mt.	Total
Chlorosulphuric Acid Plant	24 Mts. (4 storeyed)	750	4,500.00	33.75
Machinery foundation for Plants	–	–	Lump Sum	35.00
Contingency @ 15%				45.25
Consulting Engineer Fees				10.40
Total				357.33

Construction of the Building has been commenced and the Company has incurred a sum of Rs. 52.53 lakhs upto to January 11, 2008.

Plant & Machinery (Rs. 2685.55 Lakhs)

All the equipments are to be fabricated and custom made as per Company's own design and specifications except for Laboratory equipments, utilities and specialised equipments. The Company has received quotations from various suppliers for Plant & Machineries, Power generating sets, Laboratory equipments, Electrification etc but has not placed any orders as on date of filling this Red Herring Prospectus.

1. Sulphuric Acid Plant

Indigenous

(Rs. in Lakhs)

Sr. No.	Description	Name of Supplier	Qty.	Rate/ Unit	Amount	Quotation No.	Date of Quotation
A. Pumps with base frame, coupling and coupling guard (excluding electric motors)							
1	Sulphur Burner Pumps	Chemlin Pumps & Valves Pvt. Ltd.	2	0.71	1.42	CPV/S-10/06-07/1720	3-Mar-07 revalid upto 31-Mar-08
2	Dearator Feed-Water Pumps	Fludyne Systems	2	0.45	0.9	Q 6419/ RA	20-Apr-07 revalid upto 29-Feb-08
3	Process Acid-Pumps for DT, IAT & FAT (Centrifugal Pump)	Chemlin Pumps & Valves Pvt. Ltd.	2	18.20	36.4	CPV/S-10/06-07/1720	3-Mar-07 revalid upto 31-Mar-08
4	Cooling Water Pumps for Acid plants	Fludyne Systems	3	1.38	4.14	Q 6419/ RA	20-Apr-07revalid upto 29-Feb-08
5	Sulphuric Acid-Despatch Pumps	Kishor Pumps Pvt. Ltd.	3	0.83	2.49	KPIP/QNP/F0796	1-Mar-07 revalid upto 29-Feb-08
6	Cooling Water Pumps for TG set	Fludyne Systems	3	0.62	1.86	Q 6419/ RA	20-Apr-07 revalid upto 29-Feb-08
7	Effluent Drain Pump	Engineers Combine	2	0.60	1.20	EC/676/02/ 06-07	15-Feb-07 revalid upto 31-Mar-08
B. Blowers							
1	Air Blower	Flumech Engg. Pvt. Ltd.	1	18.15	18.15	Q6023/GRK	26-Feb-07 revalid upto 31-Mar-08
2	Start-up Air Blower	Flumech Engg. Pvt. Ltd.	1	5.91	5.91	Q6023/GRK	3-Aug-06 revalid upto 31-Mar-08
C.	Sulfur Gun	Gautam Engg Co. & Cons. Services	2	0.60	1.20		6-May-07Valid upto 10-April-08
D.	Castings for Towers & Convento	Metacast Engg. Works Pvt. Ltd.	1	36.79	36.79	01/0708	11-Jan-08
E. Mist eliminators							
1	Demister PAD for DT	Varun Engg.	1	3.75	3.75	VE/WQ/061	20 th Dec-07
2	Fiber bed mist eliminator-Candle filter for IPAT	Varun Engg.	5	1.42	7.10	VE/WQ/061	20 th Dec-07
3	Fiber bed mist eliminator-Candle filter for FAT	Varun Engg.	3	1.20	3.60	VE/WQ/061	20 th Dec-07
F. Packing for Towers							
1	Packing for Drying, IAT, FAT	Madhya Bharat Ceramics	1 Lot	36.47	36.47		31 st –Dec-2008



Sr. No.	Description	Name of Supplier	Qty.	Rate/ Unit	Amount	Quotation No.	Date of Quotation
G. Acid coolers							
1	Acid Cooler for FAT, DT & IAT	Alfa Laval (I) Ltd.	1	98.00	98.00	BR/81-12/2007	13-Feb-07 valid upto 20 th April-08
2	Product Acid Cooler	Alfa Laval (I) Ltd.	1	5.40	5.40	BR/81-12/2007	13-Feb-07 valid upto 20 th April-08
H. Start-up Scrubbing unit							
1	Scrubbing System	Varun Engg	1	7.00	7.00	VE/WQ/73	20 th Dec-07
I. Heat Recovery System							
		Thermal Systems (Hyd) Pvt. Ltd	One Set	545.00	545.00	P06-12363	9-Apr-07 revalid upto 29-Feb-08
J Fabricated Equipment							
1	Sulphur Furnace	Laxmi En-Fab	1	16.10	16.10	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
2	Drying Tower	Laxmi En-Fab	2	16.10	32.20	As above	As above
3	Hot Gas Filter	Laxmi En-Fab	1	17.50	17.50	As above	As above
4	Converter	Laxmi En-Fab	1	39.20	39.20	As above	As above
5	Intermediate Absorption Tower	Laxmi En-Fab	1	23.10	23.10	As above	As above
6	Acid Circulation Tank	Laxmi En-Fab	1	8.40	8.40	As above	As above
7	Ducts & fittings	Laxmi En-Fab	1	66.50	66.50	As above	As above
8	Sulphuric Heating Coils	Laxmi En-Fab	1 Lot	1.48	1.48	As above	As above
9	Chimney	Laxmi En-Fab	1	28.00	28.00	As above	As above
10	Storage Tank (300 KL)	Laxmi En-Fab	3	21.00	63.00	As above	As above
K Utilities							
1.	Cooling Towers	Paharpur Cooling Towers Ltd.	1 Set	24.60	24.60	V070048-08/A/KS/NS	20-Apr-07 Valid up 29-Feb-08
2.	Air Compressor, Air Drying unit & Instrument air receiver	Tech Aid	1 Set	3.52	3.52	TA/AIM/669/06-07	18-Apr-07 Valid up 29-Feb-08
3.	DM water Plant, Tank & Pumps	Tech Aid	1 Set	51.59	51.59	TA/TH/0080/07-08	18-Apr-07 Valid up 29-Feb-08
4.	Pressure Reducing station	Mazda Ltd.	1Set	8.25	8.25	Q-679/01/ MUL/RG-(Rev.)	valid upto 29-Feb-08
L Miscellaneous							
1.	Bricks for - DT, IAT, FAT, PAT	R. K Refractories & Minerals	1 Lot	22.75	22.75	RKRM /QUO/035	1-Mar-07 valid upto 31-Mar-08
2	Bricks for- Sulphur Burnor, Converter, Melter Pit etc.	Maithan Ceramic Ltd.	1 Lot	20.39	20.39	MCL/14	11-Jan-08
3.	Brick lining & Pointing Material	Kerachem Ind. (Bombay) Pvt. Ltd.	1 Lot	10.95	10.95	KCI/ORD/ 3600	14-Feb-07 valid upto 31-Mar-08
	Job work for Brick lining & public linkage	New Alkaba Enterprise	Lump Sum	-	25.00		27-Jan-07 valid upto 31-Mar-08
4.	Agitator for Sulfur pit	Gautam Engg Co. & Cons. Services	1	1.74	1.74		14-Feb-07 valid upto 10-April-08
5.	Expansion bellows with material	Varun Engg.	40	0.085	3.40	VE/WQ/ 075	20 th Dec-07
6.	Flapper valves 1000 mm	Gautam Engg Co. & Cons. Services	5	0.43	2.15		14-Feb-07 valid upto 10-April-08
	Flapper valves 1300 mm		25	0.44	11.00		
	Flapper valves 1000 mm SS		2	1.28	2.56		
7.	Insulation Work						
	- Aluminum Sheet	Jayhind St. Synd.	20 MT	2.33	46.6	127	11 th Jan-08
	- Chicken Wiremesh	India Trading Co.	300 rolls	0.0019	0.57		14-Feb-07 valid upto 31-Mar-08

KIRI DYES AND CHEMICALS LIMITED

Sr. No.	Description	Name of Supplier	Qty.	Rate/ Unit	Amount	Quotation No.	Date of Quotation
	- Glasswool	India Trading Co.	50 MT	0.096	4.80		14-Feb-07 valid upto 31-Mar-08
8.	Cold Heat Exchangers	Laxmi En-Fab	1	89.89	89.89	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
9.	Hot Heat Exchanger	Laxmi En-Fab	1	45.22	45.22	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
10.	Painting on equip. with Fed oxide	Patel Narayanbhai Lakhabhai	1 Lot	15.00	15.00		11-Jan-08
M	Instrumentation System	Adcon Instruments Pvt. Ltd.	1 Lot	150.76	150.76	AIPL/Q/06-07/071	22-Feb-07 valid upto 29-Feb-08
	TOTAL				1653.00		

***Original Cost estimate for Plant and Machinery was Rs 1650.81 Lakhs. However based on revise estimate on the basis updated quotation cost for the same comes to Rs 1653.00 Lakhs.**

Imported

(Rs. in Lakhs)

Sr. No	Machinery	Supplier Name	Qty. (Ltrs)	Amt. (US\$)	Amt.	Quotation No.	Date of Quotation
1	Catalyst- VK 38 12MM D	Haldor Topsoe	56,000	1,96,000	91.58		21 st Dec-07
2	Catalyst- VK 48 12MM D	International	40,000	148,000	69.15		
	Total (incl. Custom Duty @5% & Freight)				160.73		

Note: The Company estimated Conversion rate of 1 US Dollar = Rs 44.50

***Original Cost estimate for Plant and Machinery was Rs 157.02 Lakhs. However based on revise estimate on the basis updated quotation cost for the same comes to Rs 160.73 Lakhs.**

2. Oleum Plant

(Rs. in Lakhs)

Sr. No.	Description	Name of Supplier	Qty.	Rate per Unit	Amount	Quotation No.	Date of Quotation
A. Pumps with base frame coupling & coupling guard excluding motor							
1	Oleum Process Pump	Kishor Pumps Pvt. Ltd.	2	3.76	7.52	KPIP/QNP/F0796	1-Mar-07 revalid upto 29-Feb-08
2	Water Pump	Fludyne Systems	2	1.39	2.78	Q 6419/RA	20-Apr-07
3	23% Process Pump	Prehence Engg. Pvt. Ltd.	2	-	33.36	PEPL/CMP/QM /QTN/ 2669	18-Apr-07 revalid upto 29-Feb-08
4	65% Process Pump		1				
5	Despatch Pumps		3				
B. Packings							
	For Towers, Oleum boilers, Scrubber	Madhya Bharat Ceramics	60 cu mtr	0.092	5.52		21 st December, 07
C. M.S. for fabrication of following vessels with a capacity of 80 MT (Cost of steel)							
1	Oleum Tower	Laxmi En-Fab	1	16.10	16.10	LEF /03/3133	23-Aug-07 valid upto 31-Mar-08
2	Process Tanks		2	7.70	15.40		
3	Storage Tank (300 KL)		2	21.00	42.00		
4	Scrubbers		2	0.70	1.40		
D. Cooler (Pipes for)							
	- Oleum cooler	Alfa Laval (India) Ltd.	1	173.57	173.57	BR/81-12/2007	20-Apr-07 valid upto 20 th April-08
	- Product cooler		1				
E.	Oleum Boiler	Laxmi En-Fab	4	4.90	19.60	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
F.	Condenser with piping	Laxmi En-Fab	4	6.03	24.14	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
G.	Oleum Heaters	Laxmi En-Fab	2	3.15	6.30	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
	Total				347.69		



3. Chlorosulphonic Acid

(Rs. in Lakhs)

Sr. No.	Description	Name of Supplier	Qty.	Rate per Unit	Amount	Quotation No.	Date of Quotation
1	Hydrochloric Acid Tank	Laxmi En-Fab	3	7.70	23.10	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
2	HCl generator	Laxmi En-Fab	1	5.40	5.40	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
3	Dechlorinator	Laxmi En-Fab	1	2.10	2.10	LEF /03/3133	3-Mar-07 valid upto 31-Mar-08
		Vishal Ind. Lining	Lump sum	0.48	0.48	VIL/JOB/07-08/0179	30 th Nov-08
4	Acid Cooler						
	Support	Incl. in Sulphuric / Oleum Plant	1				
	Graphite block type	Graphite India Ltd.	1	5.18	5.18	2006: A: 10000412: GIL	13-Feb-07 revalid upto 21-April-08
5	Moving Equipments With base frame, coupling guards						
	Blower	Flumech Engg. Pvt. Ltd.	1	5.37	5.37	Q6023/GRK	3-Aug-06 revalid upto 31-Mar-08
	Chloro Pumps	Kishor Pumps Pvt. Ltd.	2	3.76	7.52	KPIP /QNP /F0796	1-Mar-07 revalid upto 29-Feb-08
	Dilute Sulphuric Acid	Engineers Combine	1	0.60	0.60	EC/676/02/06-07	15-Feb-07 revalid upto 31-Mar-08
6	Condensers	Cost Included in oleum	2				
7	Oleum Boilers- Jacketed	Cost Included in oleum	2				
8	Packings - Ceramic Rescuing Rings, PPPal rings, Intelox saddles	Madhya Bharat Ceramics	45 cu. mt.		4.14		Dec-21-07
9	Chloro Cooler	Alfa Laval (India) Ltd.	2	5.40	10.80	BR/81-12/2007	valid upto 20 th April-08
	Total				64.69		

Others (Rs 1,113.82 Lakhs)

(Rs. in Lakhs)

Sr. No.	Description	Name of Supplier	Qty.	Rate per Unit	Amt.	Quotation No.	Date of Quotation
1	Power Generation Set & Accessories	Belliss India Limited	2960 KW with full bleed of 6.25 TPH		593.85	Q/06/280	07-May-07 valid upto 29.Feb.08
2	Laboratory Equipment						
a	Hot Plate rectangular, round, Air Oven S.S. Plate, Water Steel S.S. 10 Lts capacity, Heating Mantles, Muffle Furnace, pH meter, TDS meter, 5lts Oilbath, Sieres Shaker Floor, Fumming Hood, Vaccum Pump, Ultrasonic Cleaners, Flame Photometer, Microprocessors, Digital Conductivity, Magnetic Stirrer	Shreeji Traders			23.93		24-Feb-07 revalid upto 31-Mar-08
b	Microprocessor Chromatograph	Chemito Tech. Pvt. Ltd.	2	4.490	8.98	GCQ/NG/KD & CPL/2KO7/621	02-Feb-07 valid upto 31-Mar-08
	Sub total				32.91		

KIRI DYES AND CHEMICALS LIMITED

Sr. No.	Description	Name of Supplier	Qty.	Rate per Unit	Amt.	Quotation No.	Date of Quotation
3	Electrification	Ramesh & Company, Ahmedabad					11-Jan-08
a	HT to LT		1		17.00		
b	DG Set 1000 KVA, 440V, 3 Phase		1		15.00		
c	Capacitor Bank as per requirement 10 KVR to 40 KVR		1		5.00		
d	Electrical Sulphuric Acid Plant		1		116.00		
e	Electricals Oleum Plant		1		28.00		
f	Electrical Chloro Sulphonic Acid		1		36.50		
g	Electricals for Office & Workshop & Street Lights		1		5.00		
h	Labour Charges				10.50		
	Sub total				233.00		
4	Misc. Fixed Assets						
a	Computers & Peripherals	Digitek System			6.36	820	29 th -Nov-07
b	Air Conditioners	Cool Command Services			4.90		11-Jan-08
c	Vehicles (incl. road transportation registration fees)	Ashok Leyland			24.60	AOA/MJ/QUOT/0713, 0712	15-Mar-08
d	Digital Business Communication System - TransTel VoIP ISDN EPABX System	Hotline Systems	1 Set	2.35	2.35	Hot/kdcl/1	11-Jan-08
e	Other Fixed Assets	Company estimation			14.74		
	Sub total				52.95		
5	Preoperative expenses				100.00		
6	Contingencies #				140.00		
	Total				1152.71		

Note: Prices are inclusive of taxes and freight along with the applicable duties.

Original Cost estimate for the aforesaid utilities was Rs 1113.82 However based on revise estimate on the basis updated quotation cost for the same comes to Rs 1152.71.

Company has spent Rs 0.26 lakhs towards electrification and Rs 4.41 lakhs towards purchase of other fixed Assets.

The Machineries and other equipment can be purchased from suppliers other than those suppliers whose name have been mentioned in the table above.

Contingencies have been provided as 3.30 % of the capital expenditure of the proposed project which include Building, Plant and Machinery, Power generating sets & accessories, laboratories equipment, electrification, miscellaneous fixed assets and pre-operative expenses.

The Company has upto January 11, 2008 incurred a sum of Rs 20.67 lakhs towards pre-operative Expense.

II. Capital Expenditure for Dyes and Intermediates Unit (Rs. 173.98 lakhs)

(Rs. in Lakhs)

Sr. No.	Description	Name of Supplier	Qty.	Rate per Unit	Amount	Advance Paid	Quotation No./ Purchase order No.	Date of Quotation
1	Spray Dryer*	Mojj Engg. System Ltd.	1 Set	96.59	96.59	50.00	Purchase order Fix/asset-24	9 th Sep-07
2	Civil Work for Spray Dryer	M/s. Nitin B. Shah						18 th Jan-08
a	Spray dryer 4 storey		576 Sq. Mt.	0.04	23.04			
b	Storage Area Ground Floor & First Floor		180 Sq. Mt.	0.04	7.20			
c	Under Ground Tank		1 Lakh . Lts	Lump Sum	3.00			



Sr. No.	Description	Name of Supplier	Qty.	Rate per Unit	Amount	Advance Paid	Quotation No./ Purchase order No.	Date of Quotation
d	Over Head Tank		1 Lakh Lts.	Lump Sum	6.00			
e	Equipment and tank foundation			Lump Sum	3.00			
f	R.C.C. approach roads			Lump Sum	3.00			
g	Loading & Unloading platform			Lump Sum	1.50			
h	Contingency				6.24			
i	Consulting Engineer fees				2.10			
3	Laboratory Instruments	M/s. V. K. Scientific			22.31	—	Quotation No -QUOT/256/07-08	11-Jan-08
	Total				173.98	50.00		

Note: Prices are inclusive of taxes and freight along with the applicable duties.

* Expected date of supply is March 2008.

III. Additional Working Capital Margin

Working Capital Bases

Working Capital	Period	Base
Raw Material	30 days	Cost of Raw Materials
Packing Material	30 days	Cost of Packing Material
Work in Progress	15 days	Cost of Raw Material & Packaging
Finished Goods	15 days	Cost of Raw Material & Packaging
Consumables	30 days	Cost of consumable
Debtors	90 days	Gross Sales
Overheads:		
Direct Labour	30 days	Cost of Direct Labour
General Salaries	30 days	Cost of General Salaries
Sales Salaries	30 days	Cost of Sales Salaries
Other Mktg. & Distribution Expenses	30 days	Cost of Mktg. & Distribution Exp.
Transport	30 days	Cost of Transport Expenses
Creditors for :		Cost of Raw materials, Packing Material & Consumable
Raw Material	15 days	
Packing Material	15 days	
Consumable	15 days	

Working Capital Estimation based on financial year 2008-2009.

Particulars	Total (Rs. in Lakhs)
Raw Materials, Stores, Packing Materials etc.	1,275.30
Work in Progress	763.12
Finished Goods	2,007.50
Debtors	5,313.75
Other Current Assets	321.20
Sub total	9,680.87
Less: Creditors and other current liabilities	584.04

KIRI DYES AND CHEMICALS LIMITED

Particulars	Total (Rs. in Lakhs)
Net Working Capital	9096.83
Less: Bank Credits	7,000.00
Working Capital Margin	2,096.83
Existing Margin for Working Capital	1,427.81
Net margin for proposed working capital	669.02

Existing Working Capital Requirement as on March 31, 2008

Particulars	Total (Rs. in Lakhs)
Raw Materials, Stores, Packing Materials etc.	1413.56
Work in Progress	1478.05
Finished Goods	1134.54
Debtors	2707.85
Other Current Assets	1357.47
Sub Total	8091.47
Less: Creditors and other current liabilities	2323.41
Net Working Capital	5768.06
Less: Bank Credits	4340.25
Existing Margin for Working Capital	1427.81

IV. Issue Expenses

The total expenses for this issue are estimated at Rs. [●] Lakhs, which is [●] % of the issue size, details of which are as under:

Particulars Expenses	Expenses (Rs. in Lakhs)	As a % of the issue size
Lead Manager's fees, underwriting commission and brokerage	[●]	[●]
Co-Manager Fees	[●]	[●]
Marketing and advertisement expenses	[●]	[●]
Stationery, printing and registrar expenses	[●]	[●]
Legal fees, listing fees, book building charges, auditors fees	[●]	[●]
Miscellaneous	[●]	[●]
Total	[●]	[●]

[●] – The relevant figure will be updated on finalisation of Issue Price.

The Company has upto January 11, 2008 incurred a sum of Rs 50.97 lakhs towards Issue Expense.

Undertaking by the Issuer Company

Pursuant to clause 2.8 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, the Company has firm arrangement for the stated means of finance as follows.

(Rs. in lakhs)

I	Total Means of Finance required	[●]	
II	Amount to be raised through public issue	[●]	
III	Amount excluding Public issue	[●]	
	Total @ 75% of III	[●]	[●]
	Pre IPO placement	1444.06	
	Internal Accruals (c)	[●]	
	Total firm arrangement (a)+(b)+(c)	[●]	



Appraisal

The requirement of funds and its deployment are based on internal management estimates and have not been appraised by any bank / financial institution or any independent organization.

Schedule of Implementation for setting up Sulphuric Acid & its sub-products Unit

The Board of directors of the Company has planned and scheduled to implement and complete the project as per schedule given below:

Sr. No	Activity	Commencement	Completion
1)	Purchase of Land	–	Completed
2)	Civil Construction	November, 2007	September, 2008
3)	Placement of Order of Machineries	December , 2007	May , 2008
4)	Erection & Commissioning of Machinery	August , 2008	October, 2008
5)	Trial Run Production	October 2008	November, 2008
6)	Commercial Production	December , 2008	–

Schedule of implementation for Dyes and Intermediates Unit

The Board of directors of the Company has planned and scheduled of implement and complete the purchase of as per below schedule given below:

Sr. No	Activity	Commencement	Completion
1)	Placement of Order of Machineries	October, 2007	March 2008
2)	Erection & Commissioning of Machinery	April, 2008	May, 2008

Fund Deployment Schedule

(Rs. in Lakhs)

Description	Already incurred	Fiscal Year 2007-08	Fiscal Year 2008-09			Total
			upto 11 th January, 08	12 th Jan 08 - Mar 08	Apr-June	
Capital Expenditure towards project						
Land including development	12.70	37.30	Nil	Nil	Nil	50.00
Building	52.53	80.00	150.00	74.80	Nil	357.33
Plant & Machinery	Nil	29.23	100.00	1250.00	1306.62	2685.85
Power generation set & accessories	Nil	Nil	100.00	Nil	455.00	555.00
Laboratory equipment	Nil	Nil	Nil	15.00	17.91	32.91
Electrification	0.26	10.00	50.00	75.00	97.74	233.00
Misc. Fixed Assets (other Assets)	4.41	5.77	10.00	32.73	Nil	52.91
Preoperative Expenses	20.67	25.00	35.00	19.33	Nil	100.00
Public issue expenses	50.97	[●]	[●]	[●]	[●]	[●]
Contingency	Nil	Nil	Nil	Nil	Nil	140.00
Capital expenditure for dyes and intermediates unit	50.00	50.00	76.86	Nil	Nil	176.86
Additional working capital	Nil	Nil	Nil	200.00	469.02	669.02
Total	191.54	[●]	[●]	[●]	[●]	[●]

[●] – The relevant figure will be updated on finalisation of Issue Price.

KIRI DYES AND CHEMICALS LIMITED

*Original Cost estimate for Plant and Machinery was Rs. 2685.85 However based on revise estimate on the basis updated quotation cost for the same comes to Rs. 2730.64.

Funds already deployed till January 11, 2008

(Rs. in Lakhs)

Sr. No.	Particulars	Amount (Rs. in Lakhs)	Amount (Rs. in Lakhs)
(A)	Fixed Assets :		
	Land & land Development	12.70	
	Building	52.53	
	Electrification	0.26	
	Misc Fixed Assets (Other Assets)	4.41	
	Capital expenditure for dyes and intermediates unit	50.00	119.90
(B)	Public Issue Expenses :		
	Merchant Bankers' Fees	27.25	
	SEBI Fees	11.00	
	Grading Expenses	5.50	
	PR Expenses	5.60	
	NSDL/CSDL	0.62	
	BSE / NSE Processing fees	1.00	50.97
(C)	Pre-operative Expenses :		
	Advertisement Expenses	6.14	
	Consulting Fees	7.11	
	Printing & Stationery Expenses	2.99	
	Traveling Expenses	2.14	
	GPCB NOC Fees	0.50	
	Other Administrative Expenses	1.79	20.67
	TOTAL		191.54

M/s. V. D. Shukla & Co., Chartered Accountants, Ahmedabad vide certificate dated January 11, 2008 Certified that M/s. Kiri Dyes And Chemicals Limited has incurred total expenditure to the tune of Rs.191.54 Lakhs for their expansion Project for manufacturing of dyes and intermediates at existing location & for manufacture of Sulphuric Acid, Oleum and Chlorosulphonic Acid at Taluka Padra, District Vadodara and the above expenditure has been incurred out of Internal Accruals of the Company.

Interim use of funds

Pending utilization of the issue proceeds for the 'Objects of the Issue', the Company intends to temporarily invest the Issue proceeds in high quality interest bearing liquid instruments including money market mutual fund, deposits with banks, for necessary duration or may temporarily utilise the proceeds for reducing the working capital / term capital / term borrowing from banks and financial institutions. Such investments and other utilisations would be in accordance with investment policies approved by the Board or any committee thereof duly empowered, from time to time.

Monitoring Utilisation of funds

As the net proceeds of the Issue will be less than Rs. 50000 Lakhs, under the SEBI Guidelines it is not required that a monitoring agency be appointed by the Company. However, the Company has constituted Audit Committee of its directors who will monitor the deployment of funds. The Audit Committee will review the uses/application of the funds by major category (Capital Expenditure, Sales and Marketing , working Capital etc) on a quarterly and annual basis ,till such time full money raised through this issue has been fully spent

The Company will disclose the utilization of the issue proceeds under a separate head in the Balance sheet clearly specifying the purpose for which such proceeds have been utilized. The Company shall also, in its Balance sheet, provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

No part of the Issue proceeds will be paid by the Company as consideration to the Company Promoters, Directors, Key management personnel or Companies promoted by the Company, except in the course of normal business.



BASIC TERMS OF ISSUE PRICE

The Equity shares being offered are subject to the provision of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Red Herring Prospectus and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, RBI, RoC and /or other authorities as in force on the date of issue and to the extent applicable.

KIRI DYES AND CHEMICALS LIMITED

Basis of Issue Price

Investors should read the following summary along with the sections titled "Risk Factors" and "Financial Statements" beginning on page no viii & 101 of this RHP respectively and other details about the Company included in this Red Herring Prospectus. Further the information in this section in relation to the peer group Companies has been obtained from Capital Market, Volume XXII/22- December 31,2007 – January 13, 2008 Industry: Dyes & Pigments and Chemicals), Neither the Company, nor any other person connected with the issue has verified this information. Further the Company has not verified if the financial data in respect of these peer group companies as depicted in this section has been verified from their standalone or consolidated financial statement.

The Issue Price will be determined by the Company in consultation with BRLM on the basis of assessment of market, demand for the Equity Shares, by way of Book Building Process.

Quantitative Factors:

1. Adjusted Earnings Per Equity Share on Standalone basis:

Financial Year Ended on	EPS (Rs.)	Weights
March 31, 2005	4.93	1
March 31, 2006	6.79	2
March 31, 2007	8.75	3
Weighted Average EPS	7.46	

Note:

EPS is calculated on the basis of the restated Profits for the respective Financial Year's. EPS has been calculated as per following formulae: (Net profit (loss) after tax)/weighted Average no of Equity shares outstanding during the year.

As on September 30,2007, Based on Earnings in the six month period ended September 30, 2007 the EPS of the Company, was Rs 8.90.

After September 30,2007 Company has issued 12,50,000 Equity shares to pre-IPO investors , for Details please refer page no 19 of this Red Herring prospectus .

2. Price /Earning* Ratio (P/E ratio) in relation to Issue price is [●]

- Based on Earnings for the past Financial Year Ended March 31, 2007 of Rs. 8.75 per share is [●]
- Based on weighted Average EPS for the last 3 Financial Years of Rs. 7.46 per share is [●]

*would be calculated after discovery of the Issue Price through Book-building

Industry P/E

Particulars	Dyes and Pigments	Chemicals
i) Highest	30.30	96.70
ii) Lowest	4.2	5.2
iii) Industry Composite*	11.30	18.20

(Source: Capital Market, Volume XXII/22- December 31,2007 – January 13,2008 Industry: Dyes & Pigments and Chemicals)

(Industry P/E given in the table is not strictly comparable . The same has been derived from the dyes and chemical segment of the Industry as a whole. The whole segment being broader in nature may include Companies which manufacture products which may vary from those manufactured by the company.

3. Weighted Average Return on Net worth (RoNW)

Period	RONW %	Weights
Financial Year Ended March 2005	17.41%	1
Financial Year Ended March 2006	17.99%	2
Financial Year Ended March 2007	25.46%	3
Weighted Average Return on Net worth	21.63%	

The average return on net worth has been computed on the basis of the Restated profits and losses of the respective financial years.



RoNW after the issue [●]

RoNW has been calculated as per following formula :
$$\frac{\text{Net profit /loss (after tax)}}{\text{(Equity shareholders funds outstanding at the end of the period)}}$$

After September 30,2007 Company has issued 12,50,000 Equity shares to pre-IPO investors , for details please refer page no 19 of this Red Herring Prospectus .

4. Minimum Return on Increased Net Worth required to maintain pre issue EPS of Rs. [●]

5. Net Asset Value per Equity Share

- a) As at September 30, 2007: Rs 42.43
- b) As at March 31, 2007: Rs 33.86.
- c) Issue Price : Rs. [●]
- d) NAV after the issue: Rs. [●]

[●] would be calculated after discovery of the Issue Price through Book-building.

NAV has been calculated as per following formulae: (Shareholders Equity less Miscellaneous Expense)/ Total number of equity shares outstanding at the end of the period)

After September 30,2007 Company has issued 12,50,000 Equity shares to pre-IPO investors , for details please refer page no 19 of this Red Herring Prospectus .

6. Comparison with Industry Peers

Company	Industry	Face Value (Rs per share)	EPS (Rs.)	RoNW (%)	Net Asset Value (Rs)	P/E Ratio
Kiri Dyes and Chemicals Ltd.	Chemicals and Dyes & Pigments	10	8.75	25.46	33.86	[●]
Peers						
Aarti Inds. Ltd.	Chemicals	5	3.4	10.6	35.3	12.8
Navin Fluorine Ltd.	Chemicals	10	13.2	7.8	183.8	71.50
Oriental Carbon Ltd.	Chemicals	10	3.3	5.2	61.2	18.80
Tanfac Inds.	Chemicals	10	6.5	17.2	41.5	7.3
Atul Ltd.	Dyes & Pigments	10	9.3	10.4	98.5	11.00
Bodal Chemicals Ltd.	Dyes & Pigments	10	9.9	44.10	30.5	6.5
Metrochem Inds. Ltd.	Dyes & Pigments	10	4.1	5.9	76.4	20.90

(Source: Capital Market, XXII/22-December 31, 2007 – January 13,2008 Industry: Dyes & Pigments and Chemicals; Financial ratios given in the table above is as per date provided as per the source document and does not reflect the position as on the date of this Red Herring Prospectus

Kiri Dyes and Chemicals Limited subsequent to the commissioning of the proposed project would manufacture products covered under the “Capital Market” Industry segment Chemicals in addition to Dyes and Pigments currently being manufactured. The peer group above has been expanded to include other industry comparable players though being covered under industries mentioned under ‘Industry’ column in the table and extracted from the source but necessarily forming part of the peer group of Kiri Dyes and Chemicals Limited.”

7. The face value of Equity Shares of the Company is Rs. 10 and the Issue price is [●] time of the face value.

The Issue price of Rs. [●] is determined by the Company in consultation with the BRLM On the basis of assessment of market demand for the offered securities by way of Book Building.

KIRI DYES AND CHEMICALS LIMITED

Statement of Tax Benefits

The Statutory Auditors of the Company M/s V. D. Shukla & Co., Chartered Accountants vide their Certificate dated August 4, 2007 and a letter of modification dated January 11, 2008 for the aforesaid certificate, have stated the possible tax benefits available to Kiri Dyes and Chemicals Limited ("the Company") and its shareholders under the current tax laws presently in force in India.

August 4, 2007

To

The Board of Directors
Kiri Dyes and Chemicals Limited
7th Floor Hasubhai Chambers
Opp. Town Hall, Ellisbridge
Ahmedabad – 380 006

As per the existing provisions of Income Tax Act, 1961 and other laws as applicable for the time being in force, the following tax benefits are available to Kiri Dyes and Chemicals Limited and its shareholders subject to fulfillment of conditions prescribed under the relevant sections:

STATEMENT OF TAX BENEFITS

We state the possible tax benefits available to Kiri Dyes and Chemicals Limited ("the Company") and its shareholders under the current tax laws presently in force in India. We state that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their subscription in the issue. The Auditors do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefit have been / would be met with;
- The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of the understanding of the business activities and operations of the Company and the interpretation of current tax laws.

TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

As per the existing provisions of the Income Tax Act, 1961(The Act) and other laws for the time being in force, the following Special and General tax benefits and deductions are and will interalia be available to M/s Kiri Dyes and Chemicals Limited and its Shareholders.

I - SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

- a) In accordance with, and subject to compliance of certain conditions laid down in section 10B of the Income-Tax Act, the 100% E.O.U. the dyes manufacturing unit of the Company situated at Plot no. 299/1/A, Phase II, GIDC, Vatva, Ahmedabad-382 445 will be entitled to the 100% deductions in respect of profits derived from the business of the said unit from the total income chargeable to Income-Tax up to Financial Year ended on 31st March 2010 (i.e., Assessment Year 2010-11).

II - GENERAL TAX BENEFITS

The following tax benefits are available to all Companies or to the shareholders of any Company after fulfilling certain conditions as required by the Income tax Act ,1961.

1. TO THE COMPANY

- a. In accordance with, and subject to the provisions of section 32 of the income-Tax act, the Company will be entitled to claim depreciation on tangible and specified intangible assets;
- b. In terms of Clause (iia) of Sub-section (1) of section 32 of the Act, the Company is entitled to further deduction of 20% as additional depreciation on new plant & machinery acquired and installed after 31st March, 2005, subject to the conditions specified therein.



- c. Dividend income (whether interim or final), in the hands of the company as distributed or paid by any other Indian Company on or after April 1, 2003 is completely exempt from Tax in the hands of the Company, under section 10(34) of the IT Act.
- d. Long-term capital gains would be subject to Tax at the rate of 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the IT Act. However, as per the proviso to section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units, [not covered by section 10(36) and 10(38)], would be subject to Tax at the rate of 20% with Indexation benefits or 10% without Indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
- e. Long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st day of October 2004 and such sale is subject to Securities Transaction Tax, as per the provisions of section 10(38) of the IT Act.
- f. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to Tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act. However, such income earned by the Company shall not be exempt for the purpose of computing Tax on Book Profit as per the provisions of section 115JB of the Act.
- g. In accordance with and subject to the conditions and to the extent specified in section 54EC of the IT Act, the Company would be entitled to exemption from Tax on gains arising from transfer of the long term capital asset [not covered by section 10(36) and section 10 (38)] if such capital gain is invested in any of the long-term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to Tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
- h. In terms of section 115JAA (1A) of the Act tax credit shall be allowed for any assessment year commencing on or after April, 01, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. The credit is available for set off only when tax becomes payable under the normal provisions and that tax credit can be utilized to set off any tax payable under the provisions in excess of MAT payable for that relevant year. Such MAT credit shall not be available for set off beyond 5 years succeeding the year in which the MAT credit initially arose.
- i. In terms of Clause (iia) of Sub-section (1) of section 32 of the Act, the Company is entitled to further deduction of 20% as additional depreciation on new plant & machinery acquired and installed after 31st March, 2005, subject to the conditions specified therein.
- j. The Company can carry forward and set off the unabsorbed depreciation allowance, if any, against its income of the future years. As per the provisions of section 72(1) of the I.T. Act, the Company is also entitled to carry forward and set off its unabsorbed business losses for a period up to eight subsequent years for set off against its business income.
- k. Under section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure of the nature specified in the said section, including expenditure incurred on present issue, such as Brokerage and other charges, by way of amortization over a period of 5 successive years, beginning with the previous year in which the new unit commences production, subject to the stipulated limits.

2. TO THE MEMBERS OF THE COMPANY

A. TO RESIDENT SHAREHOLDERS

- i. Dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from Tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the IT Act.
- ii. Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from Tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act.
- iii. As per the provisions of section 112(1)(b) of the IT Act, long-term capital gains would be subject to Tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38), would be subject to Tax at the rate of @ 20% with Indexation benefits or 10% without Indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
- iv. Long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and the sale is subject to Securities Transaction Tax, as per the provisions of section 10(38) of the IT Act.

KIRI DYES AND CHEMICALS LIMITED

- v. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to Tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act.
- vi. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of Taxable securities, a rebate shall be allowed from the amount of income Tax equal to the Securities Transaction Tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of income Tax on such business income.
- vii. In accordance with and subject to the conditions and to the extent specified in section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to Tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
- viii. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by sections 10 (36) and 10 (38)), upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to Tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to Tax as long-term capital gains in the year in which such residential house is transferred.

ix. Under Wealth Tax Act, 1957

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957 do not include shares in companies and hence, shares are not liable to wealth tax.

B. TO NON-RESIDENT INDIAN SHAREHOLDERS

- 1. Dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from Tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the IT Act.
- 2. Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act will be exempt from Tax to the extent of Rs.1,500 per minor child per year in accordance with the provisions of section 10(32) of the IT Act.
- 3. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in section 115D read with section 115E of the IT Act, long term capital gains arising from the transfer of an Indian company's shares [not covered by sections 10(36) and 10(38)], will be subject to Tax at the rate of 10% as increased by a surcharge and education cess at an appropriate rate on the Tax so computed, without any Indexation benefit but with protection against foreign exchange fluctuation.
- 4. In case of a shareholder being a non-resident India, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in section 115F of the IT Act, the nonresident Indian shareholder would be entitled to exemption from long term capital gains [not covered by sections 10(36) and 0(38)] on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of section 115F.
- 5. In accordance with the provisions of section 115G of the IT Act, Non Resident Indians are not obliged to file a return of income under section 139(1) of the IT Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided Tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.
- 6. In accordance with the provisions of section 115H of the IT Act, when a Non Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under section 139 of the IT Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- 7. As per the provisions of section 115 I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his



total income for that assessment year will be computed in accordance with the other provisions of the IT Act. In accordance with and subject to the conditions and to the extent specified in section 112(1) (b) of the IT Act, Tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without Indexation benefits) or 20% of capital gains (computed with Indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the Tax so computed in either case.

8. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction Tax.
9. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity oriented mutual fund shall be subject to Tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
10. As per the provisions of section 88E, where the business income of assessee includes profits and gains from sale of Taxable securities, a rebate shall be allowed from the amount of income Tax equal to the Securities Transaction Tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income Tax on such business income.
11. In accordance with and subject to the conditions and to the extent specified in section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on long term capital gains [not covered by sections 10(36) and 10(38)] arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to Tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
12. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to Tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains Tax exempted earlier would become chargeable to Tax as long term capital gains in the year in which such residential house is transferred.
13. As per the provisions of section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Tax treaty to the extent they are more beneficial to the Non-Resident.
14. Under the first proviso of section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency, which was utilized in the purchase of the shares. However, the benefit will be available only when the shares are transferred in a manner other than as specified in section 10(38) of Act.

15. Under Wealth Tax Act, 1957

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957 do not include shares in companies and hence, shares are not liable to wealth tax.

C. TO OTHER NON-RESIDENTS

1. Dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from Tax in the hands of the shareholders of the Company, under section 10(34) of the IT Act.

KIRI DYES AND CHEMICALS LIMITED

2. Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act will be exempt from Tax to the extent of Rs.1500 per minor child per year, in accordance with the provisions of section 10(32) of the IT Act.
3. In accordance with and subject to the conditions and to the extent specified in section 112(1) (b) of the IT Act, Tax on long term capital gains arising on sale on listed securities or units before 1st October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without Indexation benefits) or 20% of capital gains (computed with Indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the Tax so computed in either case.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction Tax.
5. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to Tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of Taxable securities, a rebate shall be allowed from the amount of income Tax equal to the Securities Transaction Tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income Tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to Tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
8. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to Tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains Tax exempted earlier would become chargeable to Tax as long term capital gains in the year in which such residential house is transferred.
9. As per the provisions of section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Tax treaty to the extent they are more beneficial to the Non Resident.

10. Under Wealth Tax Act, 1957

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957 do not include shares in companies and hence, shares are not liable to wealth tax.

D. TO FOREIGN INSTITUTIONAL INVESTORS (FIIs)

1. In accordance with and subject to the conditions and to the extent specified in section 115AD of the IT Act, Tax on long term capital gain [not covered by sections 10(36) and 10(38)] will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the Tax so computed in either case. However, short term capital gains on sale of Equity Shares of a company through a recognized stock exchange or a unit of an equity oriented mutual fund effected on or after 1st October 2004 and subject to Securities Transaction Tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by section 48 of the IT Act are not available to FIIS.
2. As per the provision of section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Tax treaty to the extent they are more beneficial to the Non Resident.
3. Long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st day of October 2004 and such sale is subject to Securities Transaction Tax, as per the provisions of section 10(38) of the IT Act.
4. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of Taxable securities, a rebate shall be allowed from the amount of income Tax equal to the Securities Transaction Tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income Tax on such business income.



5. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on long term capital gains [not covered by sections 10 (36) and 10(38)] arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to Tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
6. In accordance with and subject to the conditions and to the extent specified in section 54ED of the IT Act, the shareholders would be entitled to exemption from long term capital gain Tax not covered by sections 10(36) and 10(38)] on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
7. Under section 10(34) of the Act, Income earned by way of dividend from domestic company referred to in section 115-O of the Act is exempt from Income-tax in the hands of the Share Holders.

E. TO MUTUAL FUNDS

In case of a shareholder being a Mutual fund, as per the provisions of section 10 (23D) of the IT Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

F. TO VENTURE CAPITAL COMPANIES/ FUNDS

- i. In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of section 10(23FB) of the IT Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.
- ii. Venture Capital Fund, operating under the Registered Trust Deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for Investment in a Venture Capital Undertaking is exempt from income-Tax.

Benefits under the Wealth Tax Act, 1957

As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

Benefits under the Gift Tax Act

As provisions of Gift tax Act has ceased to apply in respect of gifts made on or after October 1, 1998, any gift of shares will not attract gift tax.

Notes:

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2007 and will be available only to the sole / first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
3. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

SECTION IV: ABOUT KIRI DYES AND CHEMICALS LIMITED

Industry Overview

The information presented in this section has been obtained from publicly available documents from various sources, industry websites/publications and company estimates. Industry websites/publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes industry, market and other data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed to be reliable, have not been verified by any independent agencies, by the Company or the BRLM or any of the company's or its respective affiliates. Data used in this section has been sourced from the following:

- <http://www.tradeget.com/industrynews.html>
- European Chemical Industry Council, www.cefic.com
- Planning Commission, Working Group report on Indian Chemical Industry - 11th five year plan
- www.nandinichechemical.com/indian_chem_industry_overview.pdf, KPMG Report
- The Indian Chemical Industry Report, Chemtech Foundation & KPMG
- <http://chemicals.nic.in/>
- Achema world wide news
- <http://en.wikipedia.org/wiki/Dye>
- <http://chemicals.nic.in/chem1.htm>
- http://www.gujexim.com/tradeleads_chem_dyes.htm
- Chemexcil Report – 43rd & 44th Annual Report; 2005–06 & 2006-2007)

Background

Chemical Industry occupies an important place in the country's economy, as the Chemical industry has grown at a pace outperforming the overall growth of the economy. The Chemical Industry produces a wide spectrum of products, which include Pharmaceuticals, Dyes, Man-made Fibers, Plastics, Pesticides, Fertilizers, Cosmetics and Toiletries, Paint, Auxiliary Chemicals and wide range of Organic and Inorganic compounds for applications ranging from automobiles, textile industry, engineering industry, construction chemicals and food additives to veterinary and health care products.

(Source: <http://www.tradeget.com/industrynews.htm> viewed on August 17,2007)

The Chemical Industry can be classified into three segments: Basic Chemicals, Specialty Chemicals and Knowledge Chemicals. The common characteristics and constituent industry for each of these segments is:

Segments	Characteristics	Constituent industries
Basic	<ul style="list-style-type: none"> ■ High volume, low value-added ■ Limited product differentiation across manufacturers ■ High entry barriers on account of high capital spend and stringent regulations 	<ul style="list-style-type: none"> ■ Petrochemicals ■ Fertilisers ■ Inorganic chemicals ■ Other industrial chemicals
Speciality	<ul style="list-style-type: none"> ■ High product differentiation and value-addition ■ Typically smaller production units with more flexibility ■ Low capital investment levels 	<ul style="list-style-type: none"> ■ Adhesive sealants ■ Catalysts ■ Industrial gases ■ Plastic additives
Knowledge	<ul style="list-style-type: none"> ■ Differentiated chemical and biological substances used to induce specific outcomes in humans, animals, plants and other life forms ■ High investments in R&D and marketing 	<ul style="list-style-type: none"> ■ Agrochemicals ■ Pharmaceuticals ■ Biotechnology

Note: The categorisation is illustrative and representative and does not include the entire universe of chemical industries

(Source Courtesy: The Indian Chemical Industry Report , Chemtech Foundation & KPMG Year 2003)



Basic Chemicals includes organic and inorganic chemicals, chloralkalis, aromatic, thermoplastics, thermo sets, petrochemical intermediaries and derivatives and fertilizers. Raw Material and energy costs form the largest cost components. Basic Chemicals are used by other industries as raw material and converted to end products. Logistics play a key role in this industry since raw materials and finished products are voluminous and require special transport and material handling equipment.

Specialty Chemicals includes paints and coatings, adhesives and sealants, lubricants and additives, catalysts, water treatment chemicals and plastics additives.

Knowledge chemicals segments consists of highly differentiated chemical and biological substances used to induce specific outcomes. The segment is characterized by high degree of research, intellectual capital and skilled manpower.

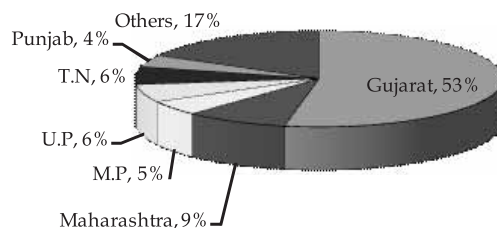
Indian Chemical Industry size is estimated at around US\$ 35 billion approx., which is equivalent to about 3% of India's GDP. The total investment in Indian Chemical Sector is approx. US\$ 60 billion and total employment generated is about 1 million.

The Indian Chemical Market Segment wise is as under: -

Segment	Market Value (billion US \$)
Basic Chemicals	20
Specialty Chemicals	9
Knowledge Chemicals	6
Total	35

(Source: Planning Commission, Working Group report on Indian Chemical Industry 11th five year plan)

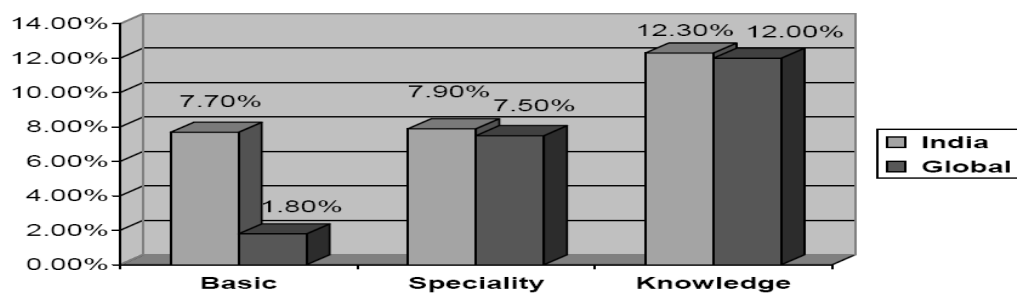
Share of states in Production of Major Chemicals (2005 - 2006)



Source: Planning Commission, Working Group report on Indian Chemical Industry 11th five year plan)

PROJECTED GROWTH (2001-2010)

Industry growth rate



(Source: www.nandinicheical.com/indian_chem_industry_overview.pdf, KPMG Report-2003)

KIRI DYES AND CHEMICALS LIMITED

The industry includes manufacturers of inorganic and organic industrial chemicals, ceramic products, petrochemicals, agrochemicals, polymers and rubber (elastomers), oleo chemicals (oils, fats, and waxes), explosives, fragrances and flavors. Examples of these products are shown in the Table below.

Product Type	Examples
Inorganic industrial	ammonia, nitrogen, sodium hydroxide, sulphuric acid
Organic industrial	acrylonitrile, phenol, ethylene oxide, urea
Ceramic products	silica brick, frit
Petrochemicals	benzene, ethylene, styrene
Agrochemicals	fertilizers, insecticides, herbicides
Polymers	polyethylene, Bakelite, polyester
Elastomers	polyisoprene, neoprene, polyurethane
Oleochemicals	lard, soybean oil, stearic acid
Explosives	nitroglycerin, ammonium nitrate, nitrocellulose
Fragrances and flavors	benzyl benzoate, coumarin, vanillin

(Source: http://en.wikipedia.org/wiki/Chemical_industry- viewed on August,17,2007)

Global Scenario

The global chemical industry, estimated at US\$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, the chemicals industry has grown at a rate higher than the overall-manufacturing segment.

WTO regime has brought structural changes in external trade. There has been reduction in tariff. However non tariff barrier like environmental issue, child labour, pesticides residuals in agriculture produce etc. are still used to influence imports into the developed countries.

The developed countries are levying new regulatory requirements on imports of Chemicals such as Registration, Evaluation and Authorization of Chemicals (REACH) of European Union, Global Harmonized System (GHS) of Australia and Japan, SAICM of U.N. and TSCA of USA. These regulations are bound to have adverse impact on the trade of developing countries.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumptions where as the Europe is the largest consumers of commodity chemicals where as Asia Pacific is the largest consumer of agrochemical and fertilizers.

(Chemexcil Report 44th Annual Report; 2006-07)

Indian Chemical Industry Scenario

Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US\$ 35 billion approx., which is equivalent to about 3% of India's GDP. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of specialty chemicals, fine chemicals and pharmaceuticals.

The chemical sectors which includes as per National Industrial Classification basic chemicals and its products; petrochemicals, fertilizers, paints & varnishes, gases, soap, perfumes and toiletries etc plays an important role in overall economic development of the economy. It is one of the most knowledge based industry requiring huge capital and power for production. The total chemical sector accounts for about 17.6% in output of manufacturing sector, 13-14% in total exports and 8-9% in total imports of the country. It contributes of 3% of GDP.



Currently, the Indian chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in the emphasis on product innovation and brand building and environmental friendliness this industry is increasingly moving toward greater customers orientations. Even though India enjoys an abundant supply of basic raw materials, it will have to build up technical services, R&D and marketing capabilities to face global competition and increase its share of exports. In terms of consumption, the chemical industry is its own largest customer and accounts for approximately, 33% of the consumption. In most cases, basic chemicals undergo several processing stages to be converted into downstream chemical. These in turn are used for industrial applications, agriculture, or directly for consumer markets. Industrial and agricultural uses of chemicals includes auxiliary materials such as adhesives, unprocessed plastics, dyes and fertilizers while uses within the consumer sectors includes pharmaceutical, cosmetics, household products, paints etc.

(Source: Planning Commission, Working Group report on Indian Chemical Industry, Chemexcil Report 44th Annual Report, 2006-07)

Evolution of Indian Chemical Industry

	Basic needs phase 1950-72	Establishment phase 1972-80	Consolidation phase 1980-92	Liberalisation phase 1992-95	Expansion phase 1995 onwards
Key events	<ul style="list-style-type: none"> Chemical products that protect crops and improve health – agrochemicals, fertilisers and pharmaceuticals – contribute to economic growth 	<ul style="list-style-type: none"> Public sector company established to develop a downstream petrochemical industry Basic feedstock imported and converted to petrochemical products 	<ul style="list-style-type: none"> Industry is largely fragmented with small capacities and high cost structures Artificial tariff and non-tariff barriers provide protection from international players Large profit margins due to protection 	<ul style="list-style-type: none"> Major investment plans by both Indian players and MNCs Lowering of tariff barriers exposes domestic industry to competition from imports Diminishing role of public sector companies 	<ul style="list-style-type: none"> Major investments especially in the petrochemical segment, driven by the growth of end-use segments Attempts to retain market share in spite of eroding prices and competition from low cost manufacturing countries like China Branding as a means of differentiation Alliances and partnerships to achieve scale Investments in plants and equipment to achieve economies of scale
Chemical sub-segment in growth phase	<ul style="list-style-type: none"> Agrochemicals Dyes Pharmaceuticals 	<ul style="list-style-type: none"> Plastics and fibres 	<ul style="list-style-type: none"> Paints, dyes, pharmaceuticals and detergents 	<ul style="list-style-type: none"> Petrochemicals, engineering plastics, speciality fibres 	<ul style="list-style-type: none"> Petrochemicals, Speciality chemicals Fertilisers Pharmaceuticals

(Source courtesy The Indian Chemical Industry Report, Chemtech Foundation & KPMG 2003)

The Indian chemical industry comprises of following major chemicals and their subgroups as-

1. Alkali: Soda Ash, Caustic soda, Liquid Chlorine.
2. Inorganic: Aluminum Fluoride, Calcium Carbide, Carbon Black, Potassium Chlorate, Sodium Chlorate, Titanium Dioxide, Red Phosphorous.
3. Organic: Acetic Acid, Acetic Anhydride, Acetone, Phenol, Methanol, Formaldehyde, Nitrobenzene, Citric Acid, Maleic Anhydride, Penta-Erithritol, Aniline, Chloro Methanes, ONCB, PNCB, MEK, Acetaldehyde, Ethanolamines, Ethyl Acetate, Orthonitro toluene.
4. Pesticide: Pesticides/Insecticides registered under section 9(3) of the Insecticide Act 1968.
5. Dyes and dyestuff: Azo Dyes, Acid Direct Dyes, Basic Dyes, Fast Colour Bases, Ingrain Dyes, Oil Soluble (Solvent Dyes), Optical Whitening Agents, Organic Pigment Colours, Pigment Emulsion, Reactive Dyes, Sulphur Dyes, Vat Dyes, Food Colours, Napthols, Other Dyes.

(Source: <http://chemicals.nic.in> viewed on August 17,2007)

KIRI DYES AND CHEMICALS LIMITED

Groupwise capacity and production of major chemicals

(Figures in MT)

Main Groups	Installed capacity As On		Production					
	Mar-06	Mar-07	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	3	4	5	6	7	8	9
ALKALI	6602680	7072334	4342305	4792345	5070374	5271675	5474614	5268987
INORGANIC	742015	748615	374132	403827	440608	508157	543965	602309
ORGANIC	1811858	1889448	1166575	1352653	1473855	1505895	1545262	1545442
PESTICIDES	148551	145391	81803	69565	85118	93966	82240	84701
DYES & DYESTUFF	52043	52591	24789	26196	25940	28498	29541	32552
TOTAL MAJOR CHEMICALS	9357147	9908379	5989604	6644586	7095895	7408191	7675622	7533991

Group wise Export and import of Chemicals

(Rs. in Crore)

Groups	ITC-HS Commodity Level Code	Trade	2001-02	2002-03	2003-04	2004-05	2005-06
INORGANIC CHEMICALS*	2 DIGIT - 28	Export	1259	1946	1949	2871	3431
		Import	5730	5579	5916	8130	10446
ORGANIC CHEMICALS	2 DIGIT - 29	Export	7624	10190	12975	16269	21504
		Import	8795	10695	14363	18785	22776
DYEING, TANNING AND COLOURING MATTER	2 DIGIT - 22	Export	2436	2943	3112	3111	3750
		Import	1138	1344	1617	1878	2245
PESTICIDES 3808	2 DIGIT -	Export	1356	1487	1746	2096	2791
		Import	362	287	501	712	754

* including compound of precious metals, or rare earth metals of radioactive elements or of isotopes as classified by DGCIS KOLKATTA

(SOURCE : <http://chemicals.nic.in/chem1.htm> viewed on January 17, 2008

Opportunities for Indian Chemical Industry

A decade of economic reforms has tested the resilience of the Indian chemical industry. Individual enterprises have realized their weaknesses and are gearing up to face the new challenges. Success stories in Dyes and Agro-chemicals have boosted the confidence to take on global competition squarely.

- The quality of Chemicals produced in India is of world standards. Therefore, India is able to make substantial exports of these products to US, Europe and other developed countries. India produces significant quantities of Basic Chemicals used in paint, dyes, drugs, detergents, toiletries, cosmetics, etc and a number of specialty and fine chemicals used as food additives, pigments, anti-oxidants, etc. Many of the chemicals produced are used as intermediates in production of many finished products.
- The markets in the developed countries are opening up and India can take advantage of this. The signing of the IPR protocol gives an opportunity to create intellectual capital by investment in as well as R&D collaboration with national laboratories. A large number of products are going off patent.



- India has the capacity for major value addition, being close to Middle East. This is a cheap and abundant source for petrochemicals feedstock.
- Availability in abundance of raw materials for Titanium Dioxide (TiO₂) and agro-based products like Castor Oil offer an opportunity to generate significant value addition. This however would require substituting their exports in raw form by manufacturing higher value derivatives.

(Source: Planning Commission, Working Group report on Indian Chemical Industry-11th Five Year Plan)

Dyes and Dye Intermediaries

Global Outlook

The world market for dyes, pigments and dye intermediates is estimated at about US \$ 23 billion consisting of dyes and pigment market valued at US \$ 16 billion and dye intermediates market of US\$ 7 billion. Though the overall growth of dyestuffs industry during the last 5 years has slowed down, the industry is still expected to maintain a growth of about 2% per annum in the next decade.

(Source: Planning Commission, Working Group report on Indian Chemical Industry-11th Five year plan)

The dyestuff sector is one of the important segments of the chemicals industry in India, having forward and backward linkages with a variety of sectors like textiles, leather, papers, plastics, printing inks and food stuffs. Dyestuff industry comprises 3 constituents namely, dyestuff, pigments and intermediates. The value chain has intermediates as downstream product manufactured from petrochemicals; intermediates are further processed to obtain dyestuff and pigments.

Global Dyestuff Industry has undergone a major shift during the 1990s. The Manufacturers in Europe which dominate the production landscape for more than 100 years have closed down a significant part of their facilities and shifted them to Asia. China has emerged as the producers of Dye-intermediates and dyestuffs and has become a major global supplier.

The world market of dyes, pigment and intermediates to around US \$ 23 billion, with the dyes and pigment market of 1.3 mt. valued at US \$ 16 billion and the dyes intermediates at US \$ 7 billion. Indian dyestuffs accounted for almost 8% of the global share. The current export of dyes and pigments is of the order of Rs. 3,500 crores. [(Source: Chemexcil Report – 44th Annual Report; 2006 – 07)]

China, Korea, India, Japan and Taiwan are the major players in this industry. However in terms of market share, European countries have remained the largest producers because they have concentrated on specialty products.

Globally, reactive dyes account for around 25% while disperse dyes account for 20% of total dyes production. These two dyes have a dominant share in all the regions of the world. On the other hand, market for direct vat dyes and others has remained more or less stagnant. In the Asian Region, China, Korea and Taiwan are strong players in disperse dyes while India leads in production of reactive dyes on account of easy availability of intermediates like vinyl sulphone in the country.

(Source: Planning Commission, Working Group report on Indian Chemical Industry -11th Five Year Plan)

The biggest market for dyestuffs has been the textile industry. The dominance of polyester and cotton in the global markets has decisively shaped the demand for certain types of dyestuffs. Differences in the regional growth rates of textile products too affect demand. The Asian region saw the biggest growth in textile production, followed by North America, Latin America and Western Europe. This suggests the shift in the global textile industry towards Asia. As a result, Asia leads in dyestuff production both in terms of volumes and value, with a 42 % share of the global production; the US is next with 24 % and Europe has around 22 %. Due to a greater use of polyester and cotton-based fabrics, there has been a shift towards reactive dyes, used in cotton-based fabrics, and disperse dyes, used in polyester. These two dyes have been dominant in all the three regional global market, especially Asia.

(Source: <http://myiris.com/shares/sectors/sectorReport.php?secode+DYESTUFF&peercode=All&fname=./data/dyestuff/dyestuff.htm> viewed on August 17,2007)

Indian Outlook

The dyestuff sector is one of the important segments of the chemicals industry in the country, having forward and backward linkages with a variety of sectors like textiles, leather, paper, plastics, printing inks and foodstuffs. Dyes are colouring pigment that finds application in a variety of industries. Over six hundred types of dyes and organic pigments are now being manufactured in the country (both by the organised and the unorganised sector). But the per-capita consumption of dyestuffs is lower than the world average. Dyes are soluble and essentially used in textile products. Pigments, on the other hand, are insoluble and are important inputs to products such as paints.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.htm & www.myiris.com viewed on August 17,2007)

KIRI DYES AND CHEMICALS LIMITED

The origin of the Indian dyestuff industry can be traced to the fifties when most dyes and intermediaries were totally imported in the country. Thereafter, gradually manufacturing of dyestuffs picked up in the country to cater to the needs of the domestic textile industry and in the early eighties the industry started export in good quantity. Indian Dyes industry has doubled its growth over the last decade.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.htm)

Indian dyestuff industry is today totally self-sufficient with majority of inputs manufactured locally. India is currently producing all varieties of synthetic dyestuffs and intermediates and has a small presence in natural dyestuff. India has emerged as a global supplier of dyestuffs and dye intermediates, particularly for reactive, acid, vat and direct dyes. The Indian Dyestuff industry meets more than 95% requirement of the domestic market, and has gradually also made a dent in the global market. Today, India exports dyes and dye intermediate to the very same countries, on which it was dependant for imports till a decade ago. India account for approximately 6.80% of the world production of the sector of the industry.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.htm viewed on August 17, 2007)

The dyestuff industry in Gujarat comprises of more than 750 small scale industrial and factory sector units. There are about 158 large scale projects involving an investment of Rs. 1406 crores which have been commissioned/ concluded. The dyestuff industry of state substantially contributes in production as well as domestic consumption and export basket of the country's target. The proven capability of chemical process development, large installed production capacity, technical manpower, infrastructure, testing facility, export – import contribution and other competitive edge factors have been demonstrated and are the major strength of the dyestuff and allied sectors in the state.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.htm & www.myiris.com viewed on August 17, 2007)

Product Classification

The Dyestuff industry constitutes three sub-segments, namely dyes, pigment and intermediates. Dyes are colouring pigment that finds application in a variety of industries. The dye intermediates are petroleum downstream products which are further processed into finished dyes and pigments. Dyes are classified according to how they are used in the dyeing process.

1. **Acid dyes** are water-soluble anionic dyes that are applied to fibers such as silk, wool, nylon and modified acrylic fibers using neutral to acid dyebaths. Attachment to the fiber is attributed, at least partly, to salt formation between anionic groups in the dyes and cationic groups in the fiber. Acid dyes are not substantive to cellulosic fibers.
2. **Basic dyes** are water-soluble cationic dyes that are mainly applied to acrylic fibers, but find some use for wool and silk. Usually acetic acid is added to the dyebath to help the uptake of the dye onto the fiber. Basic dyes are also used in the coloration of paper.
3. **Direct or substantive dyeing** is normally carried out in a neutral or slightly alkaline dyebath, at or near boiling point, with the addition of either sodium chloride (NaCl) or sodium sulfate (Na_2SO_4). Direct dyes are used on cotton, paper, leather, wool, silk and nylon. They are also used as pH indicators and as biological stains.
4. **Mordant dyes** require a mordant, which improves the fastness of the dye against water, light and perspiration. The choice of mordant is very important as different mordants can change the final color significantly. The most important mordant dyes are the synthetic mordant dyes, or chrome dyes, used for wool; these comprise some 30% of dyes used for wool, and are especially useful for black and navy shades. The mordant, potassium dichromate, is applied as an after-treatment. It is important to note that many mordants, particularly those in the hard metal category, can be hazardous to health and extreme care must be taken in using them.
5. **Vat dyes** are essentially insoluble in water and incapable of dyeing fibers directly. However, reduction in alkaline liquor produces the water soluble alkali metal salt of the dye, which, in this leuco form, has an affinity for the textile fibre. Subsequent oxidation reforms the original insoluble dye.
6. **Reactive dyes** utilize a chromophore containing a substituent that is capable of directly reacting with the fiber substrate. The covalent bonds that attach reactive dye to natural fibers make it among the most permanent of dyes. "Cold" reactive dyes, such as Procion MX, Cibacron F, and Drimarene K, are very easy to use because the dye can be applied at room temperature. Reactive dyes are by far the best choice for dyeing cotton and other cellulose fibers at home or in the art studio.
7. **Disperse dyes** were originally developed for the dyeing of cellulose acetate, and are substantially water insoluble. The dyes are finely ground in the presence of a dispersing agent and then sold as a paste, or spray-dried and sold as a powder. They can also be used to dye nylon, cellulose triacetate, polyester and acrylic fibers. In some cases, a dyeing temperature of 130 °C is required, and a pressurized dyebath is used. The very fine particle size gives a large surface area that aids dissolution to allow uptake by the fiber. The dyeing rate can be significantly influenced by the choice of dispersing agent used during the grinding.



8. **Azo dyeing** is a technique in which an insoluble azoic dye is produced directly onto or within the fiber. This is achieved by treating a fiber with both diazoic and coupling components. With suitable adjustment of dyebath conditions the two components react to produce the required insoluble azo dye. This technique of dyeing is unique, in that the final color is controlled by the choice of the diazoic and coupling components.
9. **Sulfur dyes** are two parts "developed" dyes used to dye cotton with dark colors. The initial bath imparts a yellow or pale chartreuse color. This is oxidized in place to produce the dark black which is familiar with in socks and the indigo blue of the common blue jeans.

(Source: <http://en.wikipedia.org/wiki/Dye> viewed on August 17, 2007)

Consumption Pattern

Dyestuff is a broad term which includes dyes and pigments. A dye is a coloured substance or an organic compound, which when applied in a solution to a fabric, imparts a colour resistant to washing. They are largely used by the textiles, paper and leather industry, with textiles accounting for over 80% in India. This links the dyestuff industry's fortunes to that of the textile industry. Dyes are classified according to various systems. The most commonly used one is the one used by the US International Trade Commission. According to this system, there are 12 types of dyes, as detailed in the following table:

Group	Application
Acid	Wool, silk, paper, synthetic fibers, leather
Azoic	Printing Inks and Pigments
Basic	Silk, wool, cotton
Direct	Cotton, cellulosic and blended fibers
Disperse dyes	Synthetic fibers
Reactive	Cellulosic fiber and fabric
Organic pigments	Cotton, cellulosic, blended fabric, paper
Sulphur	Cotton, cellulosic fiber
Vat dyes	Cotton, cellulosic and blended fiber

Reactive and Disperse dyes constitute the largest product segments in the country constituting nearly 45% of the dyestuff consumption. In future both these segments will dominate the dyestuff market with Disperse dyes likely to have the largest share followed by Reactive dyes. These two segments have the largest share on account of dominance of textile and synthetic fibers in dyestuff consumption.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.htm viewed in August 17,2007)

In India, the per capita consumption of dyes is 50 gms., which is very low as compared to a world consumption of 425 gms., which indicates that there is a tremendous potential for growth of this sector in India.

(Source: Planning Commission, Working Group report on Indian Chemical Industry -11th Five Year Plan)

Technology

The technology for dyestuff manufacturing varies widely from relatively simple (direct azo) to sophisticated (disperse and vat) dyes. Though technology is locally available, most of it is outdated. The problem is further compounded by the fact that the nature of the process changes from batch to batch and, therefore, controlling the process parameters becomes difficult. The Indian industry has made significant progress in terms of technology and production.

The dyestuff industry is one of the heavily polluting industries and this has resulted in the closure of units internationally and shifting of units to the emerging economies. Most of the international manufacturers have transferred the technology to developing nations like China, India, Indonesia, Korea, Taiwan and Thailand. This shift of manufacturing capacities is because the industry is perceived as a high-cost and low return one. Thus, the competitiveness of developing economies increases.

(Source: <http://myiris.com/shares/sectors/sectorReport.php?secode+DYESTUFF&peercode=All&fname=./data/dyestuff/dyestuff.htm> viewed on August 17,2007)

Research and Development

Due to Internal and external competition, the margin of profits in the Dyes industries is rapidly being squeezed. The consequence is that there is low expenditure incurred for R&D. Expenditure incurred by Industry on R & D is only to the extent of 1-2% of their

KIRI DYES AND CHEMICALS LIMITED

total sales, as compared to 5% being spent by other developed countries. Virtually no research work is being carried out to recover or invent new types of dyes. Research is only being carried out to modify existing unit processes and to improve yields and quality of the finished products.

(Source: Planning Commission, Working Group report on Indian Chemical Industry 11th Five Year Plan)

Demand of Dyestuffs

Textile sector is a major consumer of Dyestuffs. Reactive Dyes, Vat Dyes & Azo Dyes are mainly required for dyeing and printing of cotton fibers. Disperse Dyes are mainly consumed for dyeing synthetic fibers. Acid Dyes are consumed in leather and woollen products. Many Special Dyes & pigments are used in printing inks. Some also have multiple uses in different applications. The production of synthetic fiber achieved during the year 2004-2005 to the extent of 18.86 lakhs MT. The estimated demand of synthetic fiber by terminal year of 11th five year plan may increase to 37.75 lakh tonnes. The demand of cotton textile may also be to the order of 48.19 lakh MT by the end of 11th plan. The Government's policy to promote export of cotton goods and promote blend of polyester fibers with cotton/viscose locally is likely to result in continued high demand for disperse dyes.

Disperse dyes will constitute the largest market with about 21% share followed by direct dyes and reactive dyes with 16% and 11% respectively. Among disperse dyes; maximum demand is likely to come from blue colour, followed by black and red colour. For reactive dyes, it is projected that maximum demand will be for yellow, followed by blue and red. By and large the dyes sector is likely to grow by 5% annually.

(Source: Planning Commission, Working Group report on Indian Chemical Industry -11th Five Year Plan)

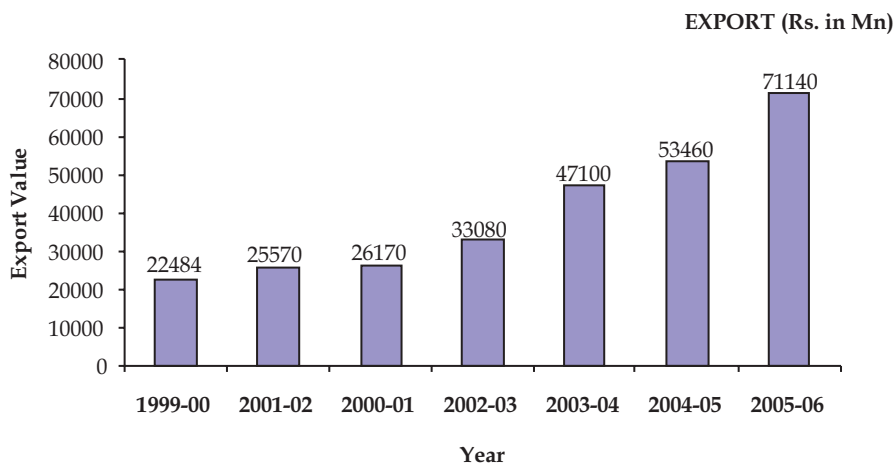
Export and Import

The Indian dyestuff industry has been facing difficult times. Low profitability and demand growth combined with increasing importance for environmental protection have resulted in the exit of many small producers. However these factors have seen the consolidation of major players in the industry. Currently there is an over capacity situation in the domestic market that has forced the industry to look at exports for growth. With the closure of many manufacturing bases in the US and Europe, MNCs are shifting to Asian countries like India and China. The share of the MNCs in the domestic production of these two countries has been going up steadily over the last few years.

(Source: www.myiris.com viewed on August17,2007)

Exports of dyes is progressively showing an upward trend since the last two years. Major exports of dyes are to developed countries like Germany, U.K., U.S.A., Switzerland, Spain, Turkey, Singapore and Japan. Exports of Dyes to Latin American and African Countries have also started picking up. The immense potential for Latin American market has been identified as a key growth area by the industry, as has been the African and South East Asian markets. These are new emerging markets for the Indian exporters. The industry has prepared a future strategic action plan for dyes and dye intermediate and expects to achieve a target of export of dyes and dye intermediate from present Rs. 7000 crores to Rs. 12000 crores by the end of this decade. Reactive account for the lion's share of India's total exports, contributing almost 60%. Vats and acid account for 15% and 13% respectively.

(Source: Planning Commission, Working Group report on Indian Chemical Industry -11th Five Year Plan)



(Source: Chemexcil Report – 44th Annual Report; 2006 – 07)



Top 15 Countries of Exports of Dyes & Dyes Intermediates from India during 2006-07 with comparative figures for previous years.

(Rs in Mn)

Country	2006-07	2005-06	2004-05	2003-04	2002-03
Indonesia	14248	12843	10286	6497	2580
China P. Rep	10048	3762	967	3034	940
Pakistan	9535	7764	6721	3177	904
USA	7863	4329	4153	3811	4195
Singapore	5266	5386	4207	1001	837
Germany	4578	3551	2874	3133	2897
Korea Rep.	4499	2886	1280	1293	1480
Saudi Arabia	4340	1596	413	202	70
Malayasia	3598	4060	2412	1277	434
UK	3356	2163	1525	1566	1591
Belgium	2909	1383	744	693	470
Spain	2855	1235	1191	772	1002
Italy	2832	2116	1519	1558	1670
Turkey	2263	1565	1072	1218	1153
Netherland	1982	1768	1240	1004	927
Total Exports to Top 15 Countries	80172	56407	40604	30236	21150

(Source: Chemexcil Report – 44th Annual Report; 2006 – 07)

FUTURE PROSPECTS

Opportunities for Indian Dye & Dyestuff Industry

- Policy of American and European companies to outsource from Non-Traditional Supplier (NTS) countries like us has increased demand for dyestuffs.
- Stringent environmental laws in the western countries have led to discontinuance of production of certain dyes for textiles and leather. Climatic conditions in India are favorable for the manufacture of such products and export of the same in an eco-compatible manner.

(Source: Planning Commission, Working Group report on Indian Chemical Industry 11th Five Year Plan)

- The use of Dyestuffs for electronic applications is a very promising area, with applications in LCD's (Liquid Crystal Displays), LED's (Light Emitting Diodes), solar cells and laser dyes.
- They are also finding increased usage in high-tech printing applications (ink-jet/ thermal/ laser, etc.) and optical storage.
- The field of bio-medical applications and diagnostics is also providing to be an area with a lot of potential for growth.
- Just to put in perspective the potential and the profitability these product possess, a few grams of laser dyes are today priced at a few lakhs rupees.

(Source: Chemexcil Report – 43rd Annual Report; 2005 – 06)

Conclusion

Primarily, the inherent strengths of India and China with their low cost of labour and energy and also the reducing margins in dyestuff manufacturing, have promoted the emergence of South East Asian dyestuff manufacturing countries to become a sourcing hub for dyestuffs. As a result, the South East Asian belt's sharing global dyestuff manufacturing has exceeded 50% as of today. The erstwhile strongholds, in the meantime are content to source their requirements from South East Asia, while migrating to higher value and specialty products. India's share in the global dyestuffs market currently stands at about Rs. 7000

KIRI DYES AND CHEMICALS LIMITED

crores mark, an exaggerated increase when compared to the Rs. 50 odd crores of exports achieved 20 years ago. The growth in the dyestuffs industry has been noteworthy. Dyes and dye intermediates offer immense possibility of exports from India in view of their international quality and competitive prices.

(Source: Chemexcil Report – 43rd Annual Report; 2005 – 06)

The dyestuff sector of the country in general and the Gujarat state in particular has a competitive edge of requisite infrastructure and testing facilities, motivated entrepreneurs with lower over head costs, availability of major raw materials, pool of technical manpower and flexibility to change the production set up. In view of these inputs the dyestuff industry in Gujarat will rise to all opportunities for development and growth in investment. The dyestuff industry in Gujarat provides large opportunities of collaboration in the areas including process development, joint research & development, waste water and solid management, cleaner technology and technical expertise, buy back arrangement and market access.

(Source: http://www.gujexim.com/tradeleads_chem_dyes.htm viewed on August 17,2007)



Business Overview

Snapshot

Industry Segment:	Dyes, Dye Intermediates and Chemicals		
Business:	Produce and Market Reactive Dyes & Dye Intermediates and Chemicals		
Manufacturing Units:	Unit 1 → Synthetic Organics Dyes	} ⇒	VATVA (Ahmedabad)
	Unit 2 → Synthetic Organics Dyes		
	Unit 3 → Synthetic Organics Dyes		
	Unit 4 → Dye Intermediates	} ⇒	PADRA (Vadodara)
Certifications	ISO 9001:2000		
Project Type	Backward Integration	Output:	Sulphuric Acid; Oleum & Chlorosulphonic Acid

The Company is a manufacturer of Reactive Dyes and Dye Intermediates. The company's production hub is centrally located in the state of Gujarat viz., Ahmedabad and Vadodara and products are sold across Indian and Global markets. The promoters of the company have 40 years of experience in the chemicals business. The company's products are acceptable by customers including Multinational companies viz Clariant and Dyestar.

The company manufactures Reactive Dyes also known as Synthetic Organic Dyes (S.O.Dyes) and Dye Intermediates and has an integrated process. The product range caters to textiles, leather, paint and printing-ink industries with total production capacity of 10800 MTPA. 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 also manufacture and market acid dyes and direct dyes. S.O. Dyes are manufactured and processed at Vatva plant in Ahmedabad. Acid dyes and direct dyes are also produced at this plant. However, S.O.Dyes takes up the maximum capacity i.e., 96%. Dye intermediates (H-Acid and Vinyl Sulphone) are being produced at Padra plant in Vadodara. The company through the proposed backward integration project intends to produce Sulphuric Acid, Oleum and Chlorosulphonic Acid that would be partly captively consumed as raw materials for Dye Intermediates.

The Company has entered into the Memorandum of Understanding (herein after referred to as 'MOU') with M/s. Zhejiang Lonsen Group Stock Co. Ltd. (herein after referred to as 'Lonsen') on November 1, 2007. The one of the objectives of the MOU is to establish a joint venture manufacturing facility in India for the production of reactive dyes. For Further details of MOU please refer heading title " Financial /Strategic partners on page no 85 of this Red Herring Prospectus.

Present Product Portfolio

The Company is engaged in the business of manufacturing and marketing of:

1. Reactive Dyes – Synthetic Organic Dyes (S. O. Dyes)
2. Dyes Intermediate: Vinyl Sulphone
3. Dyes Intermediate: H-Acid

Reactive Dyes: It is also known as Synthetic Organic Dyes. It has application on varied range of textile products viz., cotton fabrics, garments, dress materials, bed-sheets, carpets etc. The dyes are of basic colours like black, blue, red, orange, yellow and numerous variants of these basic colours is identified by color index number internationally. The installed capacity of Synthetic Organic Dyes is 10800 MTPA.

Dye Intermediates: The Company produces H-Acid and Vinyl Sulphone which are the major raw materials for Synthetic Organic Dyes. The installed capacity of H-Acid and Vinyl Sulphone is 3600 MTPA each.

Proposed Products

- Sulphuric Acids
- Oleum
- Chlorosulphonic Acid

KIRI DYES AND CHEMICALS LIMITED

The new project of further backward integration will have combined production capacity of 500 M.T. per day or 180,000 MTPA at its Padra facility. The Company is putting the plant with DCDA technology and a co-generation power plant of the capacity of 2.9 MW, which can run from the steam generated by the Sulphuric Acid plant. The electricity generated will be sufficient not only to run Sulphuric Acid plant but also to run intermediate plants of V.S. 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 plant and uses Sulphur as the basic raw material.

Uses of Products

- **Synthetic Organic Dyes (Reactive Dyes):** used in textile industry for dyeing of cotton fabrics
- **Dye-Intermediates – Vinyl Sulphone & H-Acid:** Both V.S. and H-Acid intermediates are major and vital raw material used in manufacture of Dyes, mainly reactive Dyes for dyeing cotton fabrics
- **Sulphuric Acid:** mainly used in chemical reaction either as a catalyst or as a raw material, major uses are as under:
 - Dehydrating agent in many organic chemical manufacturing and processes.
 - Manufacturer of Detergents, Titanium Dioxide, Plastics, food acids, edible oil.
 - Fertilizer industry specially Phosphatic fertilizers
 - Metal processing such as pickling and descaling of steel and non ferrous metal purification
 - Water and effluent treatment
 - Adhesives, Explosives and Synthetic rubber
 - Car Batteries
 - Dyes-Intermediates
- **Oleum & Chlorosulphonic Acid:** are basically used in variety of chemical and fertilizer industries

Marketing and Selling Arrangement

The Company started its operations in 1998 and with constant efforts and technology are producing quality products that finds acceptance. Over the years with strong relationships and product basket the Company has established sales network and are being made to around 30 countries. The Company works on two way marketing strategy – one being direct approach to clients and the second being through dealers or indirect way of marketing and selling products.

The Company is entitled to the trade mark in the name “kiri” which is legally held by him.

The company has been awarded the following felicitations:

- “Platinum Award” from CHEMEXIL, Govt. of India, in 2004 for highest export of dyestuffs three years in a row
- Best performing supplier of Clariant India Limited with rating “A” for the year 2005
- Highest business partner for the year 2006 by Export Credit Guarantee Corporation (ECGC) in Ahmedabad.

The company enjoys business relationships with agents in all the countries where its products are being exported. The company has been using technological tools for all communications and correspondence related to business activities such as marketing, logistics, technical data supporting and product development. The company’s ERP system is fully integrated to support all the necessary reports and data in the formats required for electronic correspondence. The company has also been participating in trade fairs and trade exchange programmes at national and international levels for having an interface with new clients as well as local agents in foreign country.

Marketing setup for products from the new project

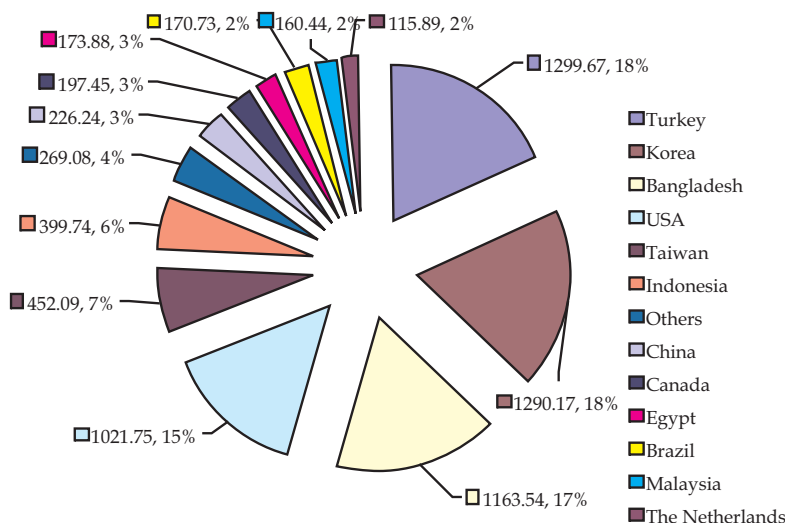
With the implementation of backward integration project for manufacturing of intermediates with the use of technology and processes the company aims to enhance market share. It will be manufacturing Sulphuric Acid, Oleum and Chlorosulphonic Acid which are major constituents for any chemical industry end user. The company aims to capitalize an opportunity for high growth in chemicals and dyes industry with reduction in operating cost, research & development, quality controls, testing & packaging, long term relationships with distributors, agents & dealers and competitive price to domestic and international players.

Around 25% of the capacity of Sulphuric Acid, Oleum and Chlorosulphonic Acid will be captive consumption for utilization in the production of Dye-Intermediates namely H-Acid and V.S. The remaining produce will be marketed directly to bulk end users in detergent and chemical industry and other large users.



The distribution of revenues for the global market as on March 31, 2007 is as follows:

(Amount: Rs. in lakhs)



Plants

The company has two manufacturing facilities for the manufacture of Synthetic Organic Dyes, Acid, Direct Dyes and Dye Intermediates. One facility is located in Vatva, Ahmedabad where it manufactures Synthetic Organic Dyes (S. O. Dyes).

Vatva facility has a combined capacity to produce 10,800 MTA of Synthetic Organic Dyes and Padra facility has a capacity to produce 3600 MTA of H-Acid and 3600 MTA of Vinyl Sulphone. The proposed project will be set up at Padra. Brief on the facilities is as follows:

a. Vatva, Ahmedabad

Plot No. 299/1/A, 299/1/B, 10/8, G.I.D.C, Vatva Ahmedabad – 382445.

The company commenced operations in the year 1998. The plant admeasures 8356 sq. mts. and S.O. Dyes are being manufactured at this facility. The facility is located at the GIDC Industrial Estate, Vatva, which is approximately 14 kms. from Ahmedabad city. The facility has a capacity of 10,800 MTPA of S O Dyes.

The facility consists of 3 units, which carry out different functions:

- Unit I – EOU Unit – Manufacturing of Synthetic Organic Dyes
- Unit II – DTA Unit – Manufacturing of Synthetic Organic Dyes
- Unit III – DTA Unit – Spray Drying for Synthetic Organic Dyes manufactured at Unit I & II

b. Padra, Vadodara

Block Nos. 396, 399, 400A, 400B, 401, 402, 403, 404A at Village Dudhwada Taluka Padra, District Vadodara.

The facility is about 55 kms away from Vadodara right on the effluent channel which goes from Vadodara to Gulf of Cambay. Moreover plant is in close proximity from Vadodara, Ankleshwar and Ahmedabad which are the main markets for Sulphuric Acid in Gujarat. The location is very well connected by road and offers power, communication and transport facility.

The company commenced operations at this facility in 2007. The facility currently consists of a unit manufacturing Vinyl Sulphone and H-Acid:

- Unit IV – Intermediates – The company manufactures Intermediates - Vinyl Sulphone and H-Acid at this unit, which are raw materials for manufacture of Dyes.

KIRI DYES AND CHEMICALS LIMITED

The facility has a capacity to produce 3600 MTPA of H-Acid and 3600 MTPA of Vinyl Sulphone.

The proposed backward integration is to produce Sulphuric Acid and its allied products viz., Oleum and Chlorosulphonic Acid will have a combined capacity of 500 MT per day or 180,000 MTPA and will be located at Block Nos. 569,571, 552/A, 567, 570 and 566.

Collaborations, any Performance Guarantee assistance in marketing by the Collaborator.

At present the Company does not have any technical as well as financial collaboration.

Plant, Machinery, Technology and Process:

Plant and Machinery

The details of the plant and machinery proposed to be installed for the new project have been mentioned under the section "Objects of the Issue" on page 20 of this Red Herring Prospectus.

Name and Nature of Product

1. Present :

a) Synthetics Organic Dyes (S. O. Dyes)

b) Dye Intermediates –

Vinyl Sulphone

H- Acid

Nature of the above product – Industrial

Proposed : Sulphuric Acid

Nature of the above product – Industrial

Technology

A) Existing Product

Technology Used for Production of Dyes and Dye-Intermediates Industry

- The Manufacturing technology used for the production of Dyes and Dye-Intermediates comprises of multi-stage synthesis of organic and inorganic chemical compounds.
- The Company has installed automated modern spray drying systems with high level of automation.
- This technology is not licensed, and is generally used by all the Companies pertaining to dyes and Chemical Industry

B) Proposed Products

Technology used for Production of Sulphuric Acid, Oleum and Chlorosulphonic Acid - Double Conversion Double Absorption (DCDA) Technology

In conventional process of Sulphuric Acid plants, conversion of SO₂ gas into SO₃ gas was done in converter's through all four passes in one process and such converted SO₃ gas was absorbed in Absorption tower. Due to low percentage of SO₂ gas in 4th pass of converter, the conversion of SO₂ gas into SO₃ gas was very less and overall conversion of SO₂ gas into SO₃ gas was low due to which SO₂ gas percentage in stack gases was high.

To get more conversion and less SO₂ percentage in stack D.C.D.A. technology was introduced which means Double Conversion Double Absorption. In this technology all the gases after third pass of converter are taken into one more added absorption tower called Inter pass Absorption tower where all SO₃ gas is absorbed in circulating Sulphuric acid and remaining gases are sent back in 4th pass of converter where again conversion takes place. Due to higher percentage of SO₂ in these gases conversion is better. After 4th pass of converter, gases are again absorbed in 2nd Absorption tower called final Absorption tower.

Thus by double conversion & double absorption, efficiency of plant is increased very much and SO₂ gas concentrations in stack gases remain very low. Following equipments are proposed to be added to the earlier conventional plants to achieve Double Conversion and Double Absorption technology:

1. Heat exchanger
2. Intermediate Absorption Tower



3. PA Tank and Circulation Pump
4. Acid Cooler
5. Mist Eliminators etc.

Adoption of the latest double absorption technology for manufacturing of Sulphuric Acid provides highest yields for Sulphur Trioxide, Sulphuric Acid and Oleum.

Double absorption process proposed to be implemented is expected to generate very large quantity of steam which will be used to produce 2.9 M. W. electricity in house, which will not only be sufficient for Sulphuric Acid plant but also will meet the entire requirement of its dye-intermediate plant as a whole.

Manufacturing Process of Existing Products

1. Synthetics Organic Dyes (S. O. Dyes)

Manufacturing of S. O. Dyes involves the following stages:

i. Diazotization of Vinyl Sulphone

Vinyl Sulphone is charged in M.S.R.L. reaction vessel along with water and ice to maintain the temperature between 0 to 5° C. Diazotization process of Vinyl Sulphone starts with addition of Hydrochloric acid followed by 20% Sodium Nitrite solution till diazotization is completed which can be confirmed by starch iodide paper. Any excess nitrite will be removed by adding an adequate quantity of Sulphamic acid (1 to 2 kgs.) just before coupling.

ii. Dissolving of H-Acid / J-Acid / K-Acid

H-Acid/ J-Acid/ K-Acid are charged in ice and water in M.S.R.L. reactor and are dissolved by adding caustic lye & caustic flakes and then it is constantly stirred at temperature between 15° C to 20° C. The pH is maintained between 6.5 and 7.0.

iii. Coupling

Diazotized coupler prepared in stage 1 & solution obtained at stage 2 will be coupled with H-Acid in the diazo reaction vessel. The acidic pH will be raised to 6.8 to 7 by adding Soda Ash solution. Then the same is stirred.

iv. Heating & Clearifying

Heating is done upto 60° C and the solution of dye is clearified.

v. Dye liquid is spray dried to make finished powder form of the dye.

vi. Standardization, blending and packing are done on the dried dyestuff.

vii. All the required quality control functions/ tests/ procedures are conducted at every stage of manufacturing.

For Bifunctional and multifunctional dyes the following steps are also used depending on the structure of the dyes:

i. Cynuration

Dry powder/ wet-cake of Vinyl Sulphone/ H-Acid is dissolved in water, ice and cynuric chloride reactions are added maintaining 0 to 5° C temperature stirring overnight Neutralise the reaction mass with pH-7 adding soda ash.

ii. Condensation

During the production process, as and when required, depending on the organic structure of the dye, the liquid reaction mass is taken by adding coupling compound (S. T. Acid, J-Acid, H-Acid etc.). Increase temperature to 55° C under stirring. Neutralise the reaction mass using Soda Ash/ Sodium Bicarbonate to maintain pH between mass under stirring till condensation process is completed.

2. Dye Intermediates - Vinyl Sulphone

Manufacturing of Vinyl Sulphone ester involves four stages which have been described in brief as under:

i. Preparation of Intermediate – 1 i.e. N-ASC

Manufacturing of intermediate 1, P-Aetamido benzene Sulphonyl chloride or N-Acetylsulphaniyl chloride, commonly known as N-ASC or ASC (molecular weight 233.50) is two step reaction i.e. sulphonation and dumping.

(a) Sulphonation

In M.S. reaction vessel, fitted with stirrer and chilling system, Chlorosulphonic acid is mixed with acetanilide. The temperature of reaction mixture is maintained for completion of sulphonation reaction.

During addition of Chlorosulphonic acid and Acetanilide and at the time of maintaining particular temperature; some fumes of hydrogen chloride liberates which are dissolved in cold water to recover hydrochloric acid of 30 to 32% concentrations. Thus recovered acid is sufficiently pure for industrial purpose.

(b) Dumping

In a reaction vessel equipped with agitation system, ice-chilled water is added slowly to the reaction mass obtained from Sulphonation process, to get white crystalline intermediate – ASC, which is then separated out at lower temperature by vacuum filtration in nutch filters. Thus obtained intermediate is sufficiently pure to proceed for next step of reduction.

During sulphonation of acetanilide, some quantity of acetanilide gets decomposed due to strong acidic condition and small quantity of sulphanilic acid is formed. Sulphanilic acid is sparingly soluble in dilute acids; hence it can be recovered easily by holding spent acid in any vessel for 2/3 days. On filtration, sulphanilic acid is collected in each batch, which is sufficiently pure for marketing purpose.

ii. Preparation of Intermediate – 2 i.e. PASA:

Preparation of intermediate-2 i.e. p-Acetamido benzene sulphonic acid sodium salt (PASA) can be obtained by the controlled reeducation of intermediate – 1 with the help of alkaline solution of sodium bisulphate.

One M.S. Jacketed, stirrer fitted reaction vessel, ice-cooled diluted caustic dye and intermediate ASC is dumped into it gradually at a constant rate and temperature. Aqueous solution of sodium bisulphate is added to reduce the intermediate ASC. Temperature is to be maintained till the completion of reaction.

Thus reduced mass is transferred into another vessel for consideration with ethylene oxide in presence of Sulphuric acid.

At this point of process, neither any fumes are evolved nor is any type of effluent generated because intermediates are not separated and is being as such for next step of ethoxylation.

iii. Preparation of Intermediates – 2, i.e. V.S.:

M.S. jacketed vessel, ethylene oxide is added gradually at lower temperature in presence of sulphuric acid for completion of condensation. On chilling, the white crystals of Vinyl Sulphone which are to be vacuum filtered and centrifuged are added to get product. This intermediate will be dried in the electric dryer to get dry intermediate – 3 i.e. VINYL SULPHONE for next and last step processing.

As described above, during the filtration of intermediate VS, sufficient quantity of effluent will be generated which will be acidic in nature. Expected characteristics of thus generated effluents will be as under.

This effluent contains some quantity of sodium sulphate in dissolved form and low concentration. Again this acidic effluent will be neutralized by alkaline effluent of subsequent stage. Thus obtained neutralized effluent will be sent first to solar evaporation ponds for concentration and for recovery of this bye product, entire effluent will be incinerated to maintain zero discharge.

iv. Preparation of Final Product, i.e. V.S.E

In the reaction mixture of step 3), Sulphuric acid is added at elevated temperature to get white crystals of product Vinyl Sulphone ester, which is to be centrifuged, dried and pulverized to pack in desired size.

At elevated temperature during esterification of Vinyl Sulphone, pure fumes of acetic acid will be evolved which will be condensed by passing through shell and tube type heat exchanger, material of construction will be S.S. 316. Thus the condensate product will be glacial acetic acid of purity 98%. Acetic acid has very good demand in food industry, bakery, chemical processing, fermentation, textile industry, tending, as solvent etc. and has ready market.

3. Dye Intermediates - H- Acid

Manufacturing Process of H-Acid

The operation stages in "H" acid manufacturing are as detailed below with the machinery requirement and control measures for process operation.

● Sulphonations

In this operation Napthlene is sulfenated with the help of sulphuric acid and oleum. But before charging this Napthlene is sulphonated. Napthlene is melted in Napthlene melter.

Napthlene is melted at the temperature of 65° C. This melted Napthlene is mixed homogeneously by proper stirring with the help of wooden stick in this vessel of Napthlene melter.



The capacity of proposed Napthalene melter is 3000 Ltr, which is kept higher, then melted Napthalene of 1200 Ltr., per batch safe volume for naphthalene vapours to give sufficient area is provided.

This Napthalene is melted with the help of steam. The melted Napthalene is transferred to Sulphonations vessels with the help of jacketed line which are steam traced. These steam traced lines are also pre-heated by steam. The Napthalene is sulphonated with sulphuric acid and oleum 65% at the temperature of 85° C, 145° C and 165° C. These three different temperatures are attained by heating in vessels with help of super heated steam. As per the requirement at different stages the total volume of sulphonated mass is approx. 6100 Ltr. For one batch Sulphonations vessels of 6200 Ltr. Capacity is quite reasonable. The time cycle for this operation of Sulphonations is 36 hrs. Maximum number of batch sulphonated is 60 per month. As three vessels has been proposed.

- **Nitration**

The sulphonated mass is then Nitrated with reaction of nitric acid at 35° C. The Nitration is carried out in S.S. Nitrator made of S.S. 316 plate and having stirrer. This vessel is also jacked and has cooling coil. The capacity of this vessel is 10 K.L which is quite enough and alright.

The volumetric area required for this process is 7000 ltr, volumetic area of Nitrator is 10 KL. Time cycle for one batch is 12 hrs with a monthly capacity of 60 batches.

- **Neutralization**

Nitromass is neutralized in M.S. rubber lined, brick lined vessel. Reaction is carried by addition of lime slurry to bring PH 5 to 5.5, volume of this reaction mass is 2300 ltr. The Company has proposed a vessel of capacity 30,000 ltr. Time cycle required for one batch operation is 12 hrs batches in a month can be taken 60.

(c). Filtration

The mass received from neutralization is send for filtration MS/RL/TL nutschs, here the gypsum contains Nitro Solution. The Nitro solution is washed with the help of hot water. The hot water is supplied by the boiler as indicated in "C" acid. The unit is processing to install three Nutschs, which are enough for desired level of out put.

- **Reduction & Filtration**

The mass received after filtration is further received in reduction vessel, with the help of iron power and hydro chloric acid. The temperature is this operation is also to be maintained at 98° C. This is to be maintained by steam circulation in reeducation vessels. The soda ash, water and steam is added in reduction mass the reduction mass is sodiated with help of soda ash. The amino-solution is received after this operation, which is sent for filtration.

In filtration the mother liquid is sent to filter press, where iron compound is separated out. The Amino solution received after filtration having volume of approx. 19000 ltr. Per batch.

- **Evaporator**

The mother liquid received after reduction and filtration is sent to evaporator to concentrate the mass amino solution. The capacity of proposed evaporator is 2000 ltr/hrs. Time for evaporation of one batch is 10 to 12 hrs.

- **Fusion**

The concentrated amino-solution is taken in fusion vessels, here caustic flakes are mixed and direct heated to 150c and the said temperature is maintained for 1.5 hrs, to complete first phase of reaction. This vessel is also M.S. jacketed of capacity 10,000 lts with stirrer.

This mass is further heated to 180° C to 182° C, this temperature is maintained for 4 to 4.5 hrs as per the process completion. After maintaining temperature, mass is cooled to 125° C to 130° C and then transferred to fused mass holding vessel. Process volume and capacity of auto clave matched with each other as per details given. Hence no defect of production is expected due to size of the reactor. Time for one batch is 12 hrs i.e. 60 batched in a month. Process volume is 10475 ltr, auto clave capacity is 10,000 ltr cylindrical + 1500 ltr of dish total 11500 ltr.

- **Isolation**

Isolation reactor is made of M.S. Rubber lined and brick lined. Acid proof brick lining is provided to prevent reactor from corrosion as the PH of mass after isolation reaction is 1.5. Isolation process is started by first taking water in the reactor and the sulphuric acid (98%) is charged in reactor to prepare dilute sulphuric acid of strength 40% mass is kept under stirring, mass from fused mass holding vessel is transferred to isolation vessel with controlled rate. This transferring is carried out by the help of putting air pressure in fused mass holding vessel. Product starts isolation in the form of slurry.

During isolation process SO₂ evolved from reaction is scrubbed in scrubber connected to isolation vessel. After complete transferring of mass temperature of slurry is maintained at 98° C so as to further expel out SO₂ which is left in slurry. Mass is cooled to 60° C to 65° C by providing chilled water circulation in lead coils provided in isolation reactor. After getting temperature low up to 60° C to 65° C mass is filtered in nutsches. Volume of slurry before filtration is 21120 ltr, isolation vessel proposed is 30 kl so there seems to be no difficulty in taking required batched in this vessel in a month.

- **Filtration**

Mass is filtered in MS/Rubber lined/brick lined Nutsches. Three nutsches are provided for filtration of one batch size of one nutsches 12' X 8' X 4' i.e. 192 cuft, say 5500 ltr capacity. Three nutsches in first phase shall be able to filter 16500 ltrs. In second phase another 16500 ltrs can be filtered so two lots of filtration for one batch is required, there seems no problem regarding capacity and time taken for filtration. After first lot of filtration in the entire three nutsches vacuum applied in nutsched to suck mother liquor from the mass. Mother liquor goes to blow cases, after suction second phase of filtration is carried out in same way. Mass is sucked dried and given hot water washes to further reduced acidity of the cake.

- **Centrifuging**

Cane is charged in basket type centrifuge dressed with polypropylene cloths. Poly propylene cloths are proff in nature, operational RPM of basket is kept 900. At this speed basket is rotated so that mother liquor is extracted one, which goes to effluent treatment plant. Cake is unloaded from centrifuges to further send is clear from time taken for centrifuging.

- **Spray Drying**

Spray dryer is made of SS 316; rate of evaporation of water is 300 ltr/ hr for this unit. Total time required for one batch drying is 10 hrs so no problem seems to be arriving in drying the product. Material of construction is taken SS 316 which is quite necessary for this product as material contains moisture is acidic in nature. This will have no adverse effect on the life of spray dryer. Spray drying technology is latest technology in dye & intermediates industry. Spray drying product is packed in HDPE bags.

Manufacturing Process of Proposed Products - Sulphuric Acid

The Company intends to follow latest double absorption process for manufacturing of Sulphuric Acid, Oleum and Chlorosulphonic Acid.

The main steps in the manufacture of Sulphuric Acid by the Contact Process from elemental sulphur consists of burning of elemental sulphur to sulphur dioxide and then converting it to sulphur trioxide in presence of vanadium pentoxide catalyst and finally dissolving the sulphur trioxide so formed in sulphuric acid. Higher concentration thus formed is brought to 98-98.4% by adding water. Sulphur is melted in the Sulphur Melting Pit (MP-101) by passing steam at 6-8 kg/cm²/g pressure. The temperature of molten sulphur is maintained at about 125°C -140°C and molten sulphur is kept agitated by an agitator in the melting pit so that solid impurities do not settle down in the melting pit. Molten Sulphur overflows to settling pits and finally to the pumping zone area. Clean sulphur is pumped to the sulphur Burner by sulphur pumps (P-101 A/B) where it is burnt in excess of dry air to give sulphur dioxide. Flow of sulphur is regulated by a steam jacketed valve and molten sulphur is sprayed under pressure inside the sulphur burner. Dry air is fed to the sulphur burner after scrubbing it with Sulphuric Acid. The combustion gases from the sulphur burner containing 10% SO₂ at a temperature around 970°C are cooled down to 410°C in waste heat boiler (WB-101).

Cooled gases are now passed through Hot Gas Filter (HGF-101) where any dirt, dust etc. is removed which may choke the catalyst beds. Clean SO₂ bearing gases from HGF-101 are fed to the first stage of a four stage converter (CR-101), where partial conversion of sulphur dioxide to sulphur trioxide takes place in the presence of vanadium pentoxide (V₂O₅) catalyst. The conversion achieved in the four stage converter is as high as 99.9%.

The heat liberated due to exothermic reaction is recovered after each Stage of Conversion. The gases from the first stage are passed through Super-heater cum Boiler-II to raise steam at 63 kg/cm² (g) and 390°C. The heat from the second stage is utilized to raise the temperature of gases from Intermediate Absorption Tower (IAT-101) to the reaction temperature of gases in the Hot Heat Exchanger (HHE-101).

The gases from third stage of the converter are first cooled down to 180°C -200°C in Cold Heat Exchanger (CHE-101) & EC-102 and get divided into two streams. The flow is controlled by flapper valves. One stream enters directly into IAT-101 after mixing with cooled gases from OT and 2nd steam is cooled by natural exposure in serpentine coolers. Cooled gases are then passed to Oleum Tower (OT-101) where 20% oleum circulates in the tower. SO₃ gets absorbed in Oleum Tower and solubility depends upon temperature and concentration of circulating oleum. Remaining SO₃ bearing gases are mixed with stream No. 1 and passed through IAT-101 as explained above. Oleum concentration rises to 30%, circulation of oleum in oleum tower is carried out with proper cooling of oleum in Trombone Cooler.



30% oleum from the oleum process tank is passed through a 'Shell & Tube' type heat exchanger before feeding to oleum boilers. In oleum boilers, 30% oleum is heated with steam (7-8 kg/cm²) and pure SO₃ gas is stripped off. 30% oleum gets reduced to 20% oleum. SO₃ gas is liquefied in condensers. Hot 20% oleum is returned to oleum tower via 'Shell & Tube' type heat exchanger called Pre-heater. Water is used to liquefy the gas in condenser as shown in the flow sheet.

To produce 23% oleum, sulphuric acid and 30% oleum are mixed in 23% oleum process tank in requisite proportions. After thorough mixing 23% oleum is cooled in a trombone M.S. pipe cooler and then transferred to 23% storage tanks. With the help of dispatch pumps, 23% oleum may be filled in tankers directly.

To produce 65% oleum, liquid SO₃ and 30% oleum are mixed in requisite proportions and transferred to 65% storage tanks. From the storage tanks, 65% oleum is sent to 10 MT measuring tanks and then transferred to lorry tankers.

SO₃ gases in the intermediate absorption Tower are absorbed in 98% circulating sulphuric acid. The temperature of the gases from the intermediate Absorption Tower is raised to the reaction temperature of 420°C after passing them through Cold Heat Exchangers (CHE-101) and Hot Heat Exchanger (HHE-101).

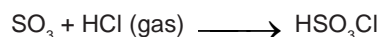
Final absorption is carried out after the fourth stage of conversion. The gases from fourth stage are cooled to 150°C -180°C in the Economiser (EC-101) and absorbed in sulphuric acid in the Final Absorption Tower (FAT-101).

The absorption efficiency at both stages of absorption is 99-99%. The Sulphuric Acid from the Intermediate Absorption Tower (IAT-101) and Drying Tower flows by gravity to the Process Acid Tank (PAT-101) where it is diluted to about 98-98.5% concentration. The acid from the Final Absorption Tower flow to Process Acid Tank (PAT-102). Sulphuric Acid from both the Process Acid Tanks (PAT-101 & PAT-102) is cooled to 60°C -70°C in PHEs by cooling water and fed continuously to the Final Absorption Tower, Intermediate Absorption Tower and Drying Tower by Process Acid Pumps P-110 A/B/C. Concentration of acid in Process Acid Tank (PAT-101 and PAT 102) is maintained at 98- 98.4% by the addition of water through the dip pipe 98-98.5% acid is continuously withdrawn and cooled in product Cooler before sending it to the acid storage tanks.

Scrubbing Unit (SC-101) has been provided to keep SO₂ level within permissible limits during start-up only. Neutralization Pit (NPT-101) to neutralize acidic effluent resulting out of spillage/ leakage etc. Neutralizing Pit Drain Pump P-107 A/B has been provided to re-circulate the effluent in the pit when caustic soda is added to neutralize acidic water. When neutral pH is attained the effluent is pumped out from the neutralization pits to the drain/ plantation.

The Company intends to put up an integrated plant for all the three items and the composition of the product mix of these items will be decided based on the demand for the products and contribution of each of these products.

Double absorption process proposed to be employed is expected to generate very large quantity of steam which will be used to produce electricity by putting up Turbines for the same. It is estimated that the steam generated out of this plant will be sufficient to produce 2.90 M.W. of electricity which will not only be sufficient for Sulphuric Acid plant but also will meet the entire requirement of its intermediate unit. Chlorosulphonic Acid is a highly corrosive liquid. There are many ways to produce the product, but it will be following combination of liquid SO₃ with HCl gas phase reaction.



Chlorosulphonic Acid

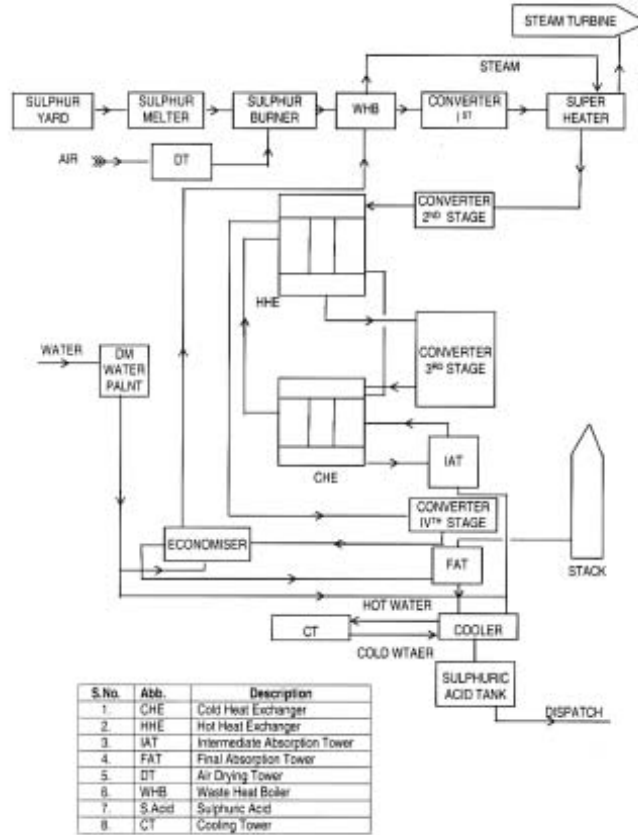
SO₃ gas is obtained from Sulphuric acid (23% oleum) plant by heating the oleum in an oleum boiler. The gas is then cooled in condenser (C-301) and liquid SO₃ thus formed is stored in liquid SO₃ tank (LST-301). Through a magnetic rotameter the liquid is fed into ceramic packed Chloro Tower-III (CHT-303) where Chlorosulphonic acid is circulated to absorb liquid SO₃. Chlorosulphonic acid flowing in the Tower-III is controlled by a magnetic rotameter / control valve.

HCl (Aq) is stored in HCl tanks (HT 301, 302, 303) and then pumped to overhead tank from where it is fed to HCl generator.

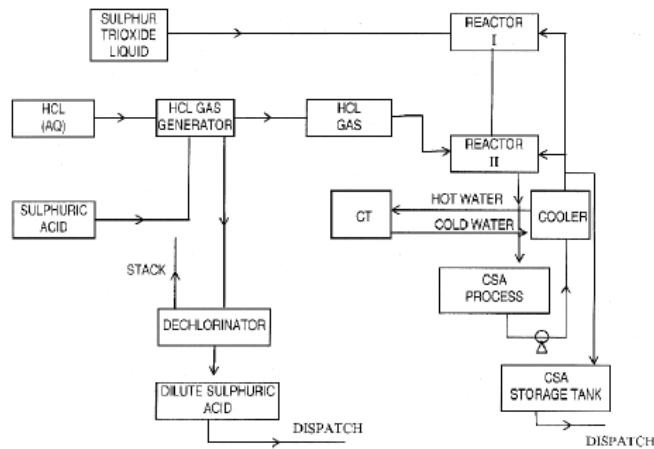
Sulphuric acid is also fed from top of the generator where it generates HCl gas and dries the gas to make it moisture free (dew point – 35°C). During HCl gas generation sulphuric acid gets diluted and some HCL is absorbed in it which is stripped off by passing hot air through Acid (H₂SO₄ + HCl). HCl gas thus stripped is passed through two stage HCl scrubber, where the strength of HCl (aq) is allowed to go upto 10% and then reused. Dilute sulphuric acid is cooled in a Graphite Cooler and stored / used back in Sulphuric acid plant. The dilute sulphuric acid may contain HCl upto 5 PPM. Dry HCl gas is fed into ceramic packed Chloro Tower-I and then to ceramic packed Chloro Tower-II where cooled Chlorosulphonic Acid with excess of SO₃ is circulated. HCl gas reacts with excess of SO₃ and further Chlorosulphonic is produced and pumped to storage tanks after cooling the same. Non-reacted HCl gas from chloro towers is further absorbed in two stage chloro scrubber. Chlorosulphonic acid from the storage tanks may be dispatched in tankers.

Process flow Diagrams:

PROCESS FLOW DIAGRAM FOR SULPHURIC ACID



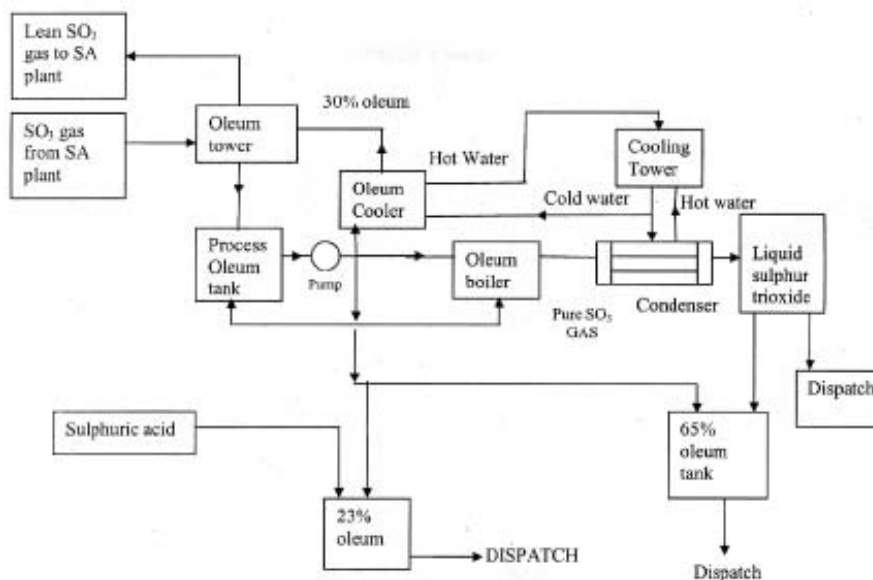
PROCESS FLOW DIAGRAM FOR CHLOROSULPHONIC ACID



No.	Brief	Description
1.	HCl	Hydrochloric Acid
2.	AQ	Aqueous
3.	CSA	Chloro Sulphonic Acid
4.	CT	Cooling Tower



PROCESS FLOW DIAGRAM FOR LIQUID SULPHUR TRIOXIDE AND OLEUM PLANTS



S.No.	Abb.	Description
1.	SO ₂	Sulphur Trioxide
2.	SA	Sulphuric Acid

Research & Development

R & D laboratories are equipped with sophisticated and technologically advanced equipment, where highly skilled team of research chemists, engineers and technicians serve diverse range of products.

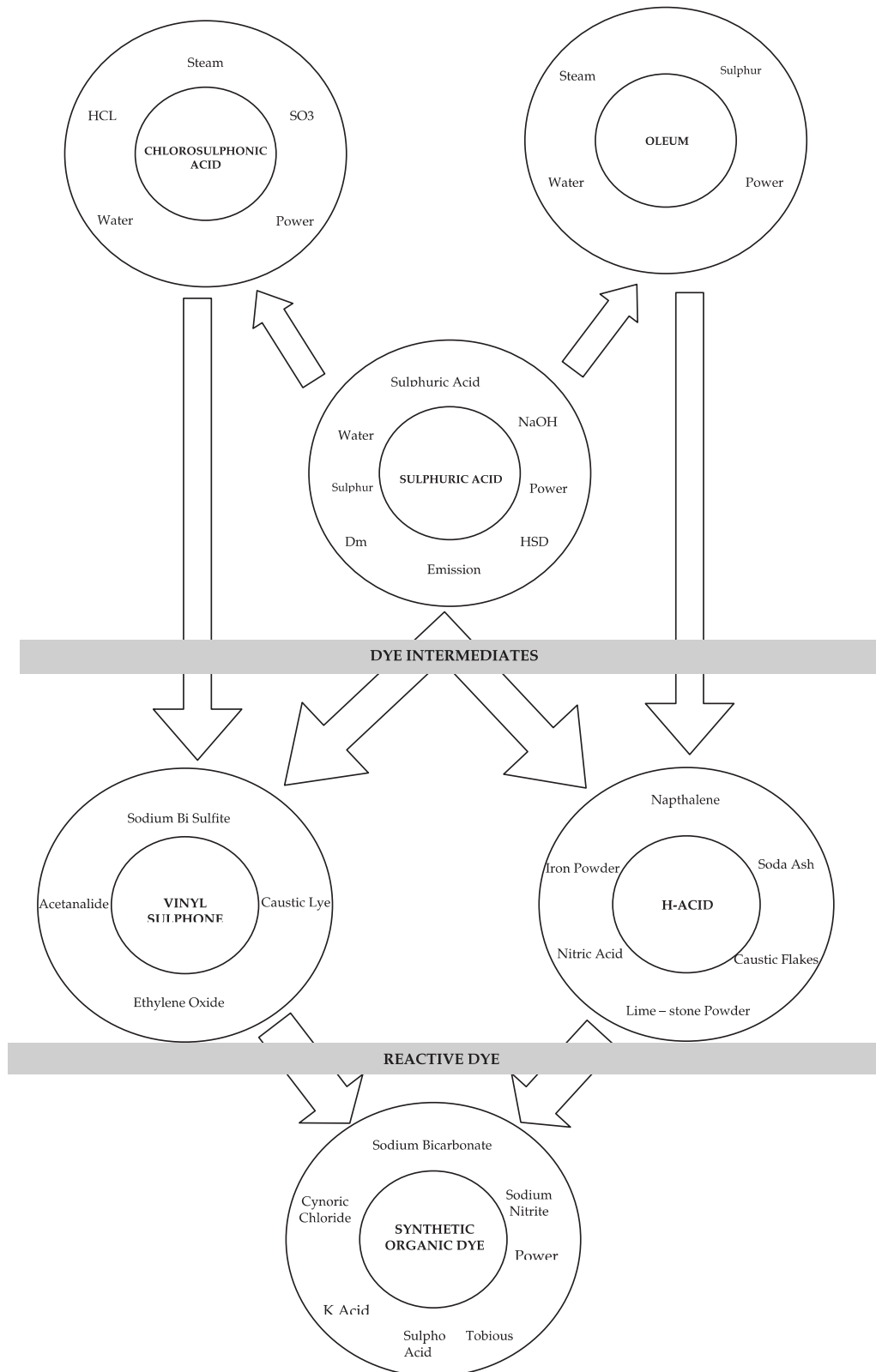
R & D programs are designed to achieve four objectives:

1. Continual improvement in quality by improving manufacturing technology and processes
2. Low manufacturing costs through process improvement
3. Conduct exploratory research to develop new product lines and markets
4. Develop new products and process that are environmentally responsible.

KIRI DYES AND CHEMICALS LIMITED

Raw Material

All the raw materials are procured indigenously as well as are imported irrespective of whether they are listed in the input-output norms of advance license scheme. Following is the diagram showing product wise requirement of raw materials:





Capacity & Capacity Utilisation for the last Three Years

Capacity and Capacity Utilisation

The following table gives the consolidated capacity for the financial years ended on March 31, 2007, 2006 and 2005:

(In MTPA)

Products	2006-07	2005-06	2004-05
Dyestuff :			
Installed Capacity	10800	9600	9600
Utilized Capacity	8356	4792	4302
% of installed capacity	77.37%	49.91%	44.81%
Dyes-intermediates:			
<i>Vinyl Sulphone :</i>			
Installed Capacity	3600	Nil	Nil
Utilised Capacity	1546	Nil	Nil
% of installed capacity	42.94%	Nil	Nil
(Production started from May, 2006)			
<i>H-Acid :</i>			
Installed Capacity	3600	Nil	Nil
Utilised Capacity	150	Nil	Nil
% of installed capacity	4.17%	Nil	Nil
(Production started from March, 2007)			

Proposed Capacities and capacity utilization

(In MTPA)

Products	2007-08	2008-09	2009-10
Dyestuff :			
Installed Capacity	12000	15000	15000
Utilised Capacity	10200	12000	13500
% of installed capacity	85.00%	80.00%	90.00%
Dyes-intermediates :			
<i>Vinyl Sulphone :</i>			
Installed Capacity	3600	4200	4800
Utilised Capacity	2700	3200	3600
% of installed capacity	75.00%	76.19%	75.00%
<i>H-Acid :</i>			
Installed Capacity	3600	3600	4200
Utilised Capacity	2400	3200	3600
% of installed capacity	66.67%	88.89%	85.70%
Chemicals :			
Sulphuric Acid :			
Installed Capacity	—	100000 #	100000
Utilised Capacity (For Seven Months in 2008-2009)	—	35000	70000
% of installed capacity	—	35%	70%
<i>Oleum 23%</i>			
Installed Capacity	—	18000 #	18000
Utilised Capacity (For Seven Months in 2008-2009)	—	6300	12600
% of installed capacity	—	35%	70%

KIRI DYES AND CHEMICALS LIMITED

<i>Oleum 65% :</i>			
Installed Capacity	—	25200 #	25200
Utilised Capacity (For Seven Months in 2008-2009)	—	8820	17640
% of installed capacity	—	35%	70%
<i>Chlorosulphonic Acid :</i>			
Installed Capacity	—	36000 #	36000
Utilised Capacity (For Seven Months in 2008-2009)	—	12600	25200
% of installed capacity	—	35%	70%

The proposed plant is an integrated plant to manufacture Sulphuric Acid, Oleum and Chlorosulphonic Acid. The capacity of the integrated plant is 500 M. T. /day (180000 M.T./P.A.). The above capacity of all the four products has been stated based on the projected product mix. However, there is a flexibility to change the product mix with 30% flexibility. This can change the capacity of each product by maximum 30%.

Reason for Utilisation of Capacity by more than 25% for the year 2007-2008 of Average Utilized Capacity of Previous 3 years

The Company proposes to utilize the installed capacity of Dyes Unit @ 85% for the year 2007-2008 which is more than 25% of the average utilized capacity of previous 3 years which was 57.81%. The main reason to increase in capacity utilization is ongoing as well as proposed backward integration project with the help of the same company will be able to get basic raw material for self consumption in significant quantity at reasonably lower cost, thereby enable us to expand the market of the Company with competitive prices.

Further the Company recently marked the increase in capacity utilisation in the FY 2006-07 to 77.37% from 49.91% in the FY 2005-06, which was more than 25% of the utilised capacity.

Customers

The Company's customer base in Indian and Internationally as follows.

Top Ten Customers and Country of origin as on September 30, 2007

Sr. No.	Customers	Country of Origin	% of total turnover
1	Dystar (India) pvt ltd	India	17.46
2	Kyungin Synthetic Corporation	Korea	9.67
3	Setas Kimya (India) Limited	Turkey	6.36
4	Clariant Chemicals India Limited	India	4.49
5	Biddle Sawyer Corporation	U.S A	2.42
6	Befuwell Enterprise Co Ltd	Taiwan	2.29
7	Sen Er Boya Kimya	Turkey	2.01
8	S.M.S Technology Co. Ltd	Taiwan	1.59
9	Hunsman – Charlotte	U.S.A	1.14
10	Shangyu Yide Chemical Co. Ltd	China	0.88
	Total		48.31

EXPORT POSSIBILITIES AND EXPORT OBLIGATION

The details of the exports made by the Company for the last six months ended on September 30, 2007 are as under:

COUNTRY	AMOUNT (Rs. in Lakhs)	% of total exports
Turkey	935.05	19.25
Korea	928.26	19.11
U.S.A.	868.41	17.88
Bangladesh	408.11	8.40
Honduras	301.00	6.20
Mexico	262.24	5.40
Taiwan	227.02	4.67



COUNTRY	AMOUNT (Rs. in Lakhs)	% of total exports
Indonesia	198.65	4.09
Thailand	127.66	2.63
The Netherlands	104.81	2.16
China	100.46	2.07
Brazil	89.81	1.85
Egypt	78.06	1.61
Germany	64.69	1.33
Argentina	38.60	0.79
Italy	28.62	0.59
Canada	27.36	0.56
Bangkok	25.77	0.53
Pakistan	22.21	0.46
Uruguay	17.34	0.36
New Zealand	2.57	0.05
Total	4856.70	100.00

EXPORTS OBLIGATIONS

The Company's export obligation as on 31st December, 2007 is Rs. 3619.25 Lakhs to be accomplished up to the obligation period mentioned in the following table:

Sr. No.	Licence No.	Licence Date	Export Obligation (Rs. in Lakhs) (FOB)	Obligation Period	Export Obligation fulfilled (Rs. in Lakhs) (FOB)	Balance Export Obligation (Rs. in Lakhs) (FOB)
1	0810040051	05/07/2004	103.96	05/02/2009	92.51	11.45
2	0810058428	26/07/2006	48.30	25/07/2008	0.00	48.30
3	0810064716	08/05/2007	240.00	07/05/2009	180.00	60.00
4	0810065319	11/06/2007	360.00	10/06/2009	0.00	360.00
5	0810065320	11/06/2007	723.00	10/06/2009	361.50	361.50
6	0810066165	25/07/2007	360.00	24/07/2009	0.00	360.00
7	0810066910	30/08/2007	375.00	29/08/2009	0.00	375.00
8	0810068456	08/11/2007	510.00	08/11/2009	0.00	510.00
9	0810067205	17/09/2007	690.00	16/09/2009	0.00	690.00
10	0810068457	08/11/2007	843.00	07/11/2009	0.00	843.00
	Total		4253.26		634.01	3619.25

Competition

The Synthetic Dyes and Dye Intermediate industry is a competitive as well as an unorganized industry with many players big and small into the export and manufacture of dye and dyestuff. With the backward integration the Company will be able to control the processes and cost of final product would be able insulate itself from the discrepancies in the domestic and global market.

Utilities:

a. Power

Existing Project

The present power requirement of approximately 2397 KW per month is sufficed by Torrent Power AEC Ltd. as well as Madhya Gujarat Vij Company Ltd. For the proposed project, there is an additional requirement of 2500 KW per month which is proposed to be met from Madhya Gujarat Vij Company Ltd. However, no agreement is entered into as on date.

KIRI DYES AND CHEMICALS LIMITED

Following is the table showing sources of supply, standby arrangement, contracted load and maximum demand of power for existing production facilities:

Particulars	Unit - I	Unit - II	Unit - III	Unit - IV	Total
Sources of Power & Supply Voltage Purchased	Torrent Power Ltd. (High Tension)	Torrent Power Ltd.	Torrent Power Ltd. (High Tension)	Madhya Gujarat Vij Company Ltd.	
Own Generation	Nil	Nil	Nil	Nil	Nil
Stand By Arrangements					
● D. G. Set	160 KVA	125 KVA	–	380 KVA	685 KVA
● Gas Generator		65 KVA	–	–	65 KVA
Maximum Demand	375 KW	82 KW	200 KW	1740 KW	2397 KW
Peak Hour Requirements	0.6 KW	0.12 KW	0.25 KW	3.0 KW	3.97 KW
Contracted Load	350 KW	96 KW	200 KW	1800 KW	2446 KW
Power Charges for Running Load	@ Rs 140/-per KW	@ Rs 225/-per KW	@ Rs 140/-Per KW	@ Rs 98/-per KW	–

Note: 1KVA = 0.95 Kw, and 1HP = 0.75 Kw

Proposed Project

Following is the table showing sources of supply, standby arrangement, contracted load and maximum demand of power for the proposed project:

Particulars	Proposed for Sulphuric Acid
Sources of Power & Supply Voltage Purchased	Madhya Gujarat Vij Company Ltd.
Own Generation	2500 KW
Stand By Arrangements	
● D. G. Set	1000 KW
Maximum Demand	2500 KW
Peak Hour Requirements	4.0 KW
Contracted Load	1200 KW
Power Charges for Running Load	@ Rs. 98 per unit

b. Water

Existing Project

The existing requirement of water of about 310 KL per day is met from the tube-well as well as from the local GIDC connection. Following is the table showing unit wise requirement of water and its sources:

Particulars	Unit - I	Unit - II	Unit - III	Unit - IV	Total
Requirement of Water					
For Production	49 KL/pd	36 KL/pd	25 KL/pd	200 KL/pd	310KL/pd
Sources of Water Arrangements (Capacity)					
GIDC connection	As per requirement	As per requirement	As per requirement	No	–
Own Bore well	As per requirement	As per requirement	As per requirement	As per requirement	–
Water Charges Payable	Rs. 3500 per month	Rs. 5500/- per month	Rs. 2000/- per month	–	–
Capacities of Tanks	1,70,000 Lts.	90,000 Lts.	1,00,000 Lts.	5,00,000 Lts.	8,60,000 Lts

Note: As bore well is a standby arrangement.



Proposed Project

The table mentioned below explains the additional requirement of water which is estimated to be 1200 KL per day for the proposed project, which is to be sourced from the new bore well.

Particulars	Proposed Project
Requirement of Water	
For Production	1200 KL/pd
Sources of Water Arrangements (Capacity)	
GIDC connection	Nil
Own Bore well	As per the requirement
Water Charges Payable	–
Capacities of Tanks	12,00,000 Lts.

c. Manpower Requirement

At present the overall human strength is 86 employees at various levels (excluding contract workers), following table specifies unit wise no. of persons employed at various levels:

Particulars	Total Manpower
Managerial	6
Supervisor	7
Administrative	28
Skilled	37
Unskilled	8
Total No. of Employees	86

Manpower for Proposed Project

The proposed backward integration project to manufacture sulphuric acid and its sub-products viz., Oleum and Chlorosulphonic Acid requires human resources to the tune of 176 people. The break up is as follows:

Particulars	No. of Employees
Managers and Executives	16
Supervisor and Administrative Staff	33
Skilled Workers	54
Unskilled Workers	73
Total	176

No steps have been taken for recruitment of proposed manpower requirement .The proposed manpower will be recruited depending upon the requirement on the basis of the operation of the new project

Human Resources policy

The Company has established a framework within which the efforts of the employees can be directed in a manner that will advance both the objectives of the organization and the interests of the employees. The objective of the Human Resource policy is to help every employee understand their situation in the organization better and also to bring transparency and the consistency in management across the organization.

Following is brief description of the Human Resource policy adopted by the Company.

- With respect to the Employee Classification It is the policy of the Company to classify the employees by the contract duration, and the nature of work, the number of hours in which it is performed, and Position Grades with respect to working hours It is the policy of company to fix working hours depending on workload / work-process, and the customer needs.
- With respect to the attendance and the absence It is the policy of company to record employee attendance/absence from work in the attendance register. The onus of registering attendance/absence shall lie with the employee.
- With respect to the Employment practices it is the policy of the Company to practice appropriate employment methods for recruiting new employees. The Company ensures that all practices followed are as per the laws and the legislations of the country.

KIRI DYES AND CHEMICALS LIMITED

- With respect to the Compensation and benefits it is the policy of the Company to base the salaries on the nature and content of the job performed and the salaries paid by the industry for the similar work.
- With respect to the Provident fund it is the policy of the Company to provide a long-term savings plan with matching contributions from the Company and the employee administered under the Employees Provident Fund & Miscellaneous Provisions Act, 1952.
- With respect to the Gratuity it is the policy of the Company has taken a Insurance policy and thereby making provisions for payment of gratuity for long service to the organization in accordance with the provision of the gratuity Act,1972 on the termination of the employment of the employee.
- With respect to the Leave Travel Assistance(LTA) it is the policy of the Company to support Leave Travel Assistance as provided by Income-Tax Act 1961.
- It is the policy of the Company to encourage the employees in their academic, research and training pursuits and upgrade their skills in their respective fields.
- It is the policy of the Company to facilitate the induction of the new employees into the system.
- It is the policy of the Company to conduct Performance Review and appraisal of all its employees at a prescribed frequency. Performance appraisal is a continual process of evaluation of accomplishments and potential for development of employees. The organization recognizes the need for every employee to receive feedback on their performance in respect of expectations and assigned tasks as a basis for future improvement.
- It is the policy of the Company to ensure a smooth exit of its employees who have been terminated or have resigned from the services of the Company.
- It is the policy of the Company to ensure regular, effective communication in work place through proper channels.
- It is the policy of the Company to provide the security for the employees while they are in the office premises, to the Company property as well in the factory premises.
- It is the policy of the Company to provide its employees environment that is conducive to efficient and productive work. .

As on date of the Red Herring Prospectus, the Company has not commenced recruitment for the proposed project.

Environmental Matters

The production process emanates trade effluents which are treated and discharged by existing Effluent treatment plant. The proposed project is expected to have both primary and secondary treatment plant to meet the international norms for effluent treatment and discharge. The detailed process for treatment of effluent and the details of effluent treatment plant which the Company intends to create and install is mentioned below. It will also meet all international norms for Air pollution and it will design and install its Chimney and scrubbers to meet GPCB norms.

Pollution of any kind is not tolerable by anyone in the society. The Company has also taken many measures to control pollution of gases, noise, liquid and solids etc. and tried to keep the pollution to the barest minimum possible level by adopting following system:-

Double Conversion and Double Absorption (DCDA)

Conventionally sulphuric acid was produced by contact process in the presence of V_2O_5 catalyst for conversion of SO_2 to SO_3 gases. It was achieved in single conversion system and then gases were dissolved in Sulphuric acid in final absorption Tower. Due to increase in the concentration of SO_3 gases in the forward reaction of SO_2 to SO_3 , maximum conversion was not possible and only 98% conversion was achieved. In Double conversion, double absorption system, SO_3 gases are removed intermediate by dissolving the gases in Sulphuric acid. Partial pressure of SO_2 got increased and SO_2 converted to SO_3 in the presence of oxygen and Catalyst. By increasing the rate of forward reaction it became possible to achieve the conversion efficiency to 99.91% and thus Emissions were brought to minimum. Following equipments were added to the earlier conventional plants to achieve Double Conversion and Double absorption, at huge cost.

1. Hot heat exchanger
2. Intermediate Absorption Tower
3. PA Tank and Circulation Pump
4. Acid Cooler
5. Mist Eliminators etc.



Mist Eliminators

High efficiency, high energy mist eliminators have been envisaged to arrest sulphuric acid mist in the stack. Mist eliminators are designed to allow only 20-25 mg/m³ of acid mist to escape in the stack which would be very much below the norms set by Central Pollution Control Board.

Start-up Scrubber

When the plant is started after long or short stoppages, it takes sometime to achieve maximum conversion. During this period, there is every likelihood that SO₂ emissions may increase. In order to control excessive SO₂ going into atmosphere, start-up scrubber has been provided before stack, start up scrubber is a two stage scrubber in which 5% caustic soda solution circulates which rapidly absorbs and reacts with SO₂ to form sodium hyposulphite which can be sold to tanning industry. This scrubber reduces SO₂ pollution to barest minimum.

SO₂ Monitoring System

SO₂ monitoring device has been provided in the stack to monitor and record SO₂ emissions. In case of any change or increase in the concentration of SO₂, there is an alarm which draws the attention of operating staff to take necessary actions immediately to control the parameters. A portable device to check SO₂ in the field/ designated points will be used to monitor SO₂ in the air.

Neutralization Pit

Two stage neutralization pit has been provided. All washings and sulphuric acid spillages (if any) would be brought to Neutralization pit where they will be treated with caustic soda and pH will be brought to 7 before draining or using them for plantation purpose.

Tripping of Circulation Pumps / Blower

SO₃ is absorbed in sulphuric acid in Absorption tower. In case of any problem with pump SO₂ concentration gets upset in the stack which is reflected by SO₂ monitoring system. An electric system will be provided to trip / stop the blower and hence plant, whenever the SO₂ emission limit exceed the set point.

Competitive Strengths

The Company endeavours for better quality products that would enable the business to grow into one of the leading dye manufacturers in the region and an established player in the market. The Company's products are acceptable by customers including Multinational companies.

The Company has a

- **well equipped research and development facility**

The Company's R&D activity is based on a four pronged strategy viz., continual improvement in quality by improving manufacturing technology and processes; lower manufacturing costs through process improvement; conduct exploratory research to develop new products and lastly develop new products and processes that are environmentally responsible. The R&D activity of the Company is aligned to that of the clients R&D activity.

- **qualified management and technical team**

The Company is led by an experienced and qualified management team. Mr. Pravin Kiri, the chairman of the Company, is science graduate, has over 40 years of experience in the field of chemical and dyestuff industry. Mr. Manish Kiri, Managing Director, has been fostering the international relationships with growing number of corporates. Further, the Company has able technical personnel with the requisite skills, technical know-how and understanding of the industry and complete control over quality of the products being manufactured at its facilities.

- **an integrated production process**

Backward integration would bring in synergy amongst the entire production cycle. With the proposed project the Company will have an integrated production process whereby it will have complete control over final products, quality, cost and output time. The company would be able to price its products aggressively thereby having an edge over competitors.

Business and Growth Strategy

Over the years the Company has been striving to provide clients with the right quality, right solutions and right technology at the right price. It intend to bring out more variations by using basic colours. The Company's strategy is to provide utmost customer satisfaction by being close to clients, extensive research and development, continuous empowerment of human resources and quality control.

- **Reduction of operation cost through backward integration:** The company's proposed backward integration project would enable manufacturing Sulphuric Acid, Oleum and Chlorosulphonic Acid. The operational costs would reduce as a result of integration as also the ability to sell the products in domestic and international market at competitive price.

KIRI DYES AND CHEMICALS LIMITED

- **Increase the degree of vertical integration of Company's production processes:** The company intends to increase the research and development efforts to develop manufacturing process for a wider range of dyes products, by vertically integrating the production processes, to meet customers' specific requirements and needs. This will serve as an effective expansion measure. The Company has developed a four pronged strategy:
 1. Continual improvement in quality by improving manufacturing technology and processes
 2. Lower manufacturing costs through process improvement
 3. Conduct exploratory research to develop new product lines
 4. Develop new products and processes that are environmentally responsible.
- **Expand the customer base in India and globally:** The Company's products were initially marketed in United States and Canada. The strategy is to expand the customer base in India and globally by building a strong sales and marketing network. The Company has increased its exposure to a number of international locations viz., Europe, UK, USA, Canada, Germany, etc.
- **Quality Processes & Control:** The Company operates in a segment which has characteristics similar to commodity product business. The company maintains cost control discipline.

Property

There has been no transaction(s) relating to the property completed within the two preceding years, in which any person who is, or was at the time of the transaction, a Promoter, or a director or proposed director of the Company had any interest direct or indirect.

Except otherwise stated under "Objects of the issue" on page no. 20 of this Red Herring Prospectus, there is no property which the Company had purchased or acquired or proposed to purchase or acquired, which is to be for wholly or partly out of the proceeds of the Issue or the purchase or the acquisition of which has not been completed on the date of these Red Herring Prospectus, other than property in respect of which:

- The Contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of this issue, nor contemplated in consequence of the contracts; or
- The amount of the purchased money is not material.

The details of immovable properties are as under:

Consideration, Amount (Rs. in Lakhs)

Sr. No.	Address of Property	Details of Vendor / Owners	Consideration	Particulars	Type of facility	Area
1	Plot No.299/1/A G.I.D.C., Vatva, Ahmedabad – 382 445.	Gujarat Industrial Development Corporation	11.68	Leasehold land	Manufacturing Plant of Dyes as EOU Unit	3767 Sq. Mts.
2	Plot No.299/1/B G.I.D.C. Vatva, Ahmedabad – 382 445.	Gujarat Industrial Development Corporation	6.36	Leasehold land	Manufacturing Plant of Dyes as Non EOU Unit	2050 Sq. Mts.
3	Plot No.10/8 G.I.D.C. Vatva, Ahmedabad – 382 445.	Gujarat Industrial Development Corporation	14.22	Leasehold land	Spray Drying Unit	2539 Sq. Mts.
4	Block Nos. 396,399,400A, 400B, 401, 402, 403 and 404A Village Dudhwada, Taluka Padra, District Vadodara.	Pratiksha Chemicals Ltd.	16.00	Freehold land	Manufacturing Plant for Dyes Intermediates viz. Vinyl Sulphone H-Acid (Production started)	45773 Sq. Mts.

Note: Property mentioned in point no. 1 to 3 are leasehold property and the duration of lease are 99 years from the date of allotment. Further property mentioned in serial no. 1 to 4 are mortgaged with Banks as security against various credit facilities availed from Banks.

The Company has further acquired the following Land towards the objects of the Issue, the details of the same are as under:



Sr. No.	Address of Property	Details of Vendor / Owners	Consideration (Rs. in Lakhs)	Particulars	Type of facility	Area
1.	Block No.569, 571 Village Dudhwada, Taluka Padra, District Vadodara.	Mr. Manojbhai Jasbhai Patel	0.80	Freehold land	Proposed Site for manufacturing Sulphuric Acid	4634 Sq. Mts.
2.	Block No.552/A (old Survey Nos. 491/1, 494/1, 494/2) Village Dudhwada, Taluka Padra, District Vadodara.	Mr. Manojbhai Jasbhai Patel	1.50	Freehold land	Proposed Site for manufacturing Sulphuric Acid	7921 Sq. Mts.
3.	Block No.567, 570 (old Survey Nos. 511/1, 511/3) Village Dudhwada, Taluka Padra, District Vadodara.	Mr. Manojbhai Jasbhai Patel	0.75	Freehold land	Proposed Site for manufacturing Sulphuric Acid	3928 Sq. Mts.
4.	Block No.566 (old Survey Nos. 506) Village Dudhwada, Taluka Padra, District Vadodara.	Patel Suryakant and Patel Ghanshyam	5.00	Freehold land	Proposed Site for manufacturing Sulphuric Acid	15459 Sq. Mts.

The property mentioned above is free from all encumbrances.

KIRI DYES AND CHEMICALS LIMITED

FINANCIAL INDEBTEDNESS

Description of certain indebtedness

The Company has availed certain credit facilities from the banks in the form of term loans, working capital facilities, and non-fund based limits like letters of credit towards the execution of projects/contracts by them.

The details of indebtedness of the company in this regards, as on 31st December, 2007 have been presented below :

1. BANK OF INDIA

Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Outstanding (Rs. In Lakhs)	Repayment	Interest	Security	Personal Guarantee
Working capital : Cash Credit	100.00	174.87	-	1.5% above BPLR presently 13 % p.a.	First pari passu charge by way of Hypothecation of all chargeable current assets of the Company	of Directors : 1) Mr. Pravin A. Kiri 2) Mr. Manish P. Kiri and 3) Mrs. Aruna P. Kiri
Export Packing Credit / Packing Credit in Foreign Currency	200.00	254.01	-	As applicable to exporter's Gold Card. At present 9% p.a.		
Foreign Bills Discounting	200.00	39.13	-	As applicable to exporter's Gold Card. At present 9% p.a.		
(Maximum Working Capital)	450.00					
Term Loan	700.00	568.19	Repayable at 60 monthly installment w.e.f. November 2006	2% above BPLR presently 13.50 % p.a.	First Pari passu charge over Fixed assets of the Company	
Letter of credit	200.00			-	Bank's TDR	

There is two way interchangeability of Rs.100.00 Lakhs between Export Packing Credit and Foreign Bills Discounting. Also the Company was provided an adhoc limit of Rs.100.00 in Cash Credit.

2. ORIENTAL BANK OF COMMERCE

Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Outstanding (Rs. In Lakhs)	Repayment	Interest	Security	Personal Guarantee
Cash Credit	100.00	-	-	1.50% plus PLR at present comes out to 13.25% p.a.	Hypothecation of stock and receivable on pari passu basis with member banks	of Directors : 1) Mr. Pravin A. Kiri 2) Mr. Manish P. Kiri and 3) Mrs. Aruna P. Kiri



Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Outstanding (Rs. In Lakhs)	Repayment	Interest	Security	Personal Guarantee
Foreign Documentary Bill Purchase	300.00	266.81	-	As per RBI / HO directives. At present 8.75 % p.a.		
Packing credit	200.00	291.71	-	As per RBI / HO directives. At present 8.75 % p.a.		
Letter of credit	150.00			-	- Document of title of goods in case of L/C on D. P Basis - Hypothecation of goods in case of LC on DA basis	
Term Loan	400.00	308.85	Repayable at 60 monthly installment w.e.f. November 2006	1.50% over PLR i.e. 13.25 % p.a.	First charge over Fixed assets of the Company ranking Pari passu with other participating banks	

The company is provided adhoc limit of Rs.100.00 Lakhs in Packing Credit

3. STATE BANK OF INDIA

Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Outstanding (Rs. In Lakhs)	Repayment	Interest	Security	Personal Guarantee
Cash Credit	450.00	566.16	-	As per Credit rating SB-2 presently 14.25% p.a.	Hypothecation of all chargeable current assets of the company	of Directors : 1) Mr. Pravin A. Kiri 2) Mr. Manish P. Kiri and 3) Mrs. Aruna P. Kiri
Export Packing Credit	1500.00	1918.34	-	As per Credit rating SB-2 presently 14.25% p.a.		
Foreign Bills discounting	2950.00	2227.12	-	As per Credit rating SB-2 presently 14.25% p.a.		

KIRI DYES AND CHEMICALS LIMITED

Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Outstanding (Rs. In Lakhs)	Repayment	Interest	Security	Personal Guarantee
Term Loan	500.00	396.29	2.5% over SBAR, presently 15.25% p.a.	First charge over fixed assets of the company ranking pari passu with Bank of India and Oriental Bank of Commerce		
Letter of credit	1150.00	-	-			
Bank Guarantee	50.00	-	-			

There is two way interchangeability of Rs.400.00 Lakhs between Export Packing Credit and Foreign Bills Discounting.

Insurance:

The Company has the insurance coverage, which it considers adequate to cover all normal risks associated with the operation of the business. The insurance covers entire plant and machinery, building, vehicles, furniture, earthquake, fire & special perils etc. The Company believes that the current level of insurance coverage is in line with industry norms in India. The Company also maintains the workmen compensation policies, Group Gratuity as well as hospitalization and group personnel accident policies for its employees.

Following are the details of various policies taken by the Company as on December 31, 2007

Standard Fire Policy:

Details of the Standard Fire Policies as on December 31, 2007 is as follows:

Sr. No.	Nature of Policy	Name Of Insurance Company	Sum Assured Policy (Amount in Rs)	Amount of Premium (Amount in Rs)	Policy No.	Date of Policy	Date of Expiration
1	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	Reliance General Insurance Co.Ltd.	16,00,00,000/-	1,83,372/-	16023721111 00923	10/10/2007	09/10/2008
2	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	Reliance General Insurance Co.Ltd.	19,83,00,000/-	2,11,206/-	16203721111 00001	22/08/2007	21/08/2008
3	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	United India Insurance Co.Ltd.	13,00,00,000/-	1,36,549/-	060600/11/07/ 11/00000235	08/05/2007	07/05/2008



Sr. No.	Nature of Policy	Name Of Insurance Company	Sum Assured Policy (Amount in Rs)	Amount of Premium (Amount in Rs)	Policy No.	Date of Policy	Date of Expiration
4	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	United India Insurance Co. Ltd.	4,00,00,000/-	53,702/-	060600/11/06/11/00001971	29/03/2007	28/03/2008
5	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	United India Insurance Co. Ltd.	2,50,00,000/-	28,603/-	060600/11/06/00001970	29/03/2007	28/03/2008
6	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	United India Insurance Co. Ltd.	18,00,00,000/-	1,58,441/-	060600/11/07/00000800	29/08/2007	28/08/2008
7	Standard Fire and special perils policy Property Cover -Building, Plant & Machinery, Furniture, Other assets and stock	National Insurance Co. Ltd.	27,98,86,000/-	2,80,099/-	300900/11/06/3300000866	20/01/2007	19/01/2008
8	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	National Insurance Co. Ltd.	1,50,00,000/-	22,224/-	300900/11/06/3100000892	02/02/2007	01/02/2008
9	Standard Fire and special perils policy Property Cover-Building, Plant & Machinery, Furniture, Other assets and stock	ICICI Lombard General Insurance CO. Ltd.	1,06,00,000/-	29,149/-	1001/0027498/02	14/02/2007	13/02/2008
	TOTAL		1,038,78,6000/-				

KIRI DYES AND CHEMICALS LIMITED

Vehicle Insurance Policy:

Details of the Vehicle Insurance Policies as on December 31, 2007 are as follows

Sr. No.	Nature of Policy	Name Of Insurance Company	Sum Assured Policy (Amount in Rs)	Amount of Premium (Amount in Rs)	Policy No.	Date of Policy	Date of Expiration
1	Private car Package Policy Vehicles Accident, Theft, Fire and Third party	Reliance General Insurance Co.Ltd.	2,57,243/-	8,8,21/-	16023723111 06450	06/07/2007	05/07/2008
2	Two Wheeler Package Vehicles Accident, Theft, Fire and Third party	Reliance General Insurance Co.Ltd.	27,300/-	734/-	16023723121 12063	29/05/2007	28/05/2008
3	Two Wheeler Package Policy Vehicles Accident, Theft, Fire and Third Party	Reliance General Insurance Co.Ltd.	27,300/-	734/-	16023723121 12060	27/05/2007	26/05/2008
4	Contractor Plant Machinery Insurance Policy Vehicles Theft, Fire and Third Party	ICICI Lombard General Insurance Co. Ltd.	7,91,500/-	4,780/-	Cover not no. 1014763	13/07/2007	12/07/2008
5	Private Car Package Vehicles Accident, Theft, Fire and Third Party	ICICI Lombard General Insurance Co. Ltd.	2,21,900/-	6,237/-	3001/51205802/ 00/000	13/02/2007	12/02/2008
6	Private Car Package Vehicles Accident, Theft, Fire and Third party	Reliance General Insurance Co. Ltd.	2,47,600/-	11,326/-	15201723114 25392	19/12/2007	18/12/2008
7	Two Wheeler – Comprehensive Vehicles Accident, Theft, Fire and Third Party	Bajaj Allianz General Insurance Co. Ltd.	5250/-	405/-	OG-08-2202-1802-000003151	25/04/2007	24/04/2008
8	Two Wheeler – Comprehensive Vehicles Accident, Theft, Fire and Third Party	Bajaj Allianz General Insurance Co. Ltd.	7000/-	408/-	OG-08-2202-1802-00003152	25/04/2007	24/04/2008
9	Two Wheeler – Comprehensive Vehicles Accident, Theft, Fire and Third party	Bajaj Allianz General Insurance Co. Ltd.	7000/-	408/-	OG-08-2202-1802-00003153	25/04/2007	24/04/2008
10	Two Wheeler – Comprehensive Vehicles Accident, Theft, Fire and Third party	Bajaj Allianz General Insurance Co. Ltd.	7000/-	408/-	OG-08-2202-1802-00003155	25/04/2007	24/04/2008



Sr. No.	Nature of Policy	Name Of Insurance Company	Sum Assured Policy (Amount in Rs)	Amount of Premium (Amount in Rs)	Policy No.	Date of Policy	Date of Expiration
11	Two Wheeler – Comprehensive Vehicles Accident, Theft, Fire and Third party	Bajaj Allianz General Insurance Co.Ltd.	7000/-	408/-	OG-08-2202-1802-00003156	25/04/2007	24/04/2008
12	Commercial Vehicle-Misc & Special Type Vehicles Accident, Theft, Fire and Third party	Cholama-ndalam MS General Insurance Co.Ltd.	16,36,603/-	18,613/-	MSM-00001367-000-00	25/05/2007	24/05/2008
13	Private Car Policy Package Vehicles Accident, Theft, Fire and Third party	Reliance General Insurance Co.Ltd.	8,25,000/-	23,063/-	1620172311 392530	11/12/2007	10/12/2008
	TOTAL		40,67,696/-				

Staff Insurance:

Details of the Staff Insurance Policies as on December 31, 2007 are as follows.

Sr. No.	Nature of Policy Holder	Nature of Policy	Name Of Insurance Company	Sum Assured Policy	Amount of Premium	Policy No.	Date of Policy	Date of Expiration
1	Ms. Neelima Rajput	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00000614	24/04/2007	23/04/2008
2	Mr. Bipin C Patel	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00000613	24/04/2007	23/04/2008
3	Mr .Munimprasad Tripathi	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00000615	24/04/2007	23/04/2008
4	Mr.Suresh Gondalia	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00000612	24/04/2007	23/04/2008
5	Mr. Bupatary K Mehta	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00000616	24/04/2007	23/04/2008
6	Mr. Janardhan S Bhatt	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00000623	24/04/2007	23/04/2008
7	Mr.Sunil Chauhan	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006801	11/12/2007	10/12/2008
8	Mr. Yogesh Gor	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006797	11/12/2007	10/12/2008
9	Mr. Ronak Shah	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006810	08/12/2007	07/12/2008
10	Mr. Chauhan	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006799	11/12/2007	10/12/2008
11	Mr. Ashvin Makwana	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006794	11/12/2007	10/12/2008
12	Mr. Kamlesh Kadakiya	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006808	11/12/2007	10/12/2008

KIRI DYES AND CHEMICALS LIMITED

Sr. No.	Nature of Policy Holder	Nature of Policy	Name Of Insurance Company	Sum Assured Policy	Amount of Premium	Policy No.	Date of Policy	Date of Expiration
13	Mr. Sunil Shah	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006802	11/12/2007	10/12/2008
14	Mr. Yogesh Koshti	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006805	11/12/2007	10/12/2008
15	Mr. Dinesh Rabari	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006806	11/12/2007	10/12/2008
16	Mr. Dilip Ladva	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006807	11/12/2007	10/12/2008
17	Mr. Ashvin Patel	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006813	08/12/2007	07/12/2008
18	Mr. Manoj Jingar	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006789	11/12/2007	10/12/2008
19	Mr. Rajendra Khatri	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006803	11/12/2007	10/12/2008
20	Mr. Girish kumar Patel	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006827	08/12/2007	07/12/2008
21	Mr Dhyam Vyas	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006815	08/12/2007	07/12/2008
22	Mr Dhan sukh Gujjar	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006814	08/12/2007	07/12/2008
23	Mr. Kamlesh Dalwad	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006812	08/12/2007	07/12/2008
24	Mr. Yogesh Pithava	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006811	08/12/2007	07/12/2008
25	Mr. Hiren Gandhi	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006809	08/12/2007	07/12/2008
26	Mr. Rajender Solanki	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006795	11/12/2007	10/12/2008
27	Mr. Rajendra Zala	Personal Accident	Bajaj Allianz	1,00,000/-	365/-	OG-08-2202-9901-00006796	11/12/2007	10/12/2008
	TOTAL			27,00,000/-				

Eligible Employees Insurance Policy:

Details of the Eligible Employees Insurance Policies as on December 31, 2007 are as follows.

Sr. No.	Nature of Policy	Name of Insurance Company	Sum Assured Policy	Amount of Premium	Policy No.	Date of Policy	Date of Expiration
1	Public Liability Industrial Risk	United India Insurance Co.Ltd.	1,50,00,000	27,774/-	060600/46/06/38/00000490	29/03/2007	28/03/2007
2	Group Gratuity cash Accountation Scheme	Life Insurance Corporation of India	66,61,871/-	9,80,229/-	customer code : 0832832	01/03/2007	Life time
	TOTAL		2,16,61,871/-				

**Workmen Compensation Policy:**

Details of the Workmen Compensation Policies as on December 31, 2007 are as follows :

Sr. No.	Nature of Policy	Name of Insurance Company	Sum Assured Policy	Amount of Premium	Policy No.	Date of Policy	Date of Expiration
1	Work men Compensation Insurance Policy	ICICI Lombard General Insurance CO.Ltd.	2,16,000/-	4,485/-	4010/0003661/01	14/02/2007	13/02/2008
	TOTAL		2,16,000/-				

Key Industrial Regulations

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on specified excisable goods, which are produced or manufactured in India. However, the Government has the power to exempt certain specified goods from excise duty, by notification. The rate, at which the said duty is sought to be imposed, is contained in the Central Excise Tariff Act.

Environmental Regulations:

The Environmental Protection Act, 1986, the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 provide for the prevention, control and abatement of pollution. Pollution control boards have been set up in states in India to exercise the powers under these statutes for the purpose of preventing and controlling pollution. Companies must obtain the prior clearance of the relevant state pollution control board for emissions and discharge of effluents into the environment. In case the project value exceeds Rs. 1 billion for a new project or Rs. 500 million for the expansion of existing oil and gas exploration and production project, the project also requires the approval of the Ministry of Environment and Forest.

The Hazardous Waste (Management and Handling) Rules, 1989 define waste oil and oil emulsions as hazardous wastes and impose an obligation on each occupier and operator of any facility generating hazardous waste to dispose of such hazardous wastes properly and also imposes obligations in respect of the collection, treatment and storage of hazardous wastes. Each occupier and operator of any facility generating hazardous waste is required to obtain an approval from the relevant state Pollution Control Board for collecting, storing and treating the hazardous waste.

In addition, the Merchant Shipping Act, 1958 provides for liability in respect of loss or damage caused outside the ship by contamination resulting from the escape or discharge of oil from the ship, wherever such escape or discharge occurs.

Labour Laws and Regulations:

The labour laws and regulations that may be applicable to the Company include the following:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Industries (Development and Regulation) Act, 1951;
- Factories Act, 1948;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Payment of Bonus Act, 1965;
- Payment of Wages Act, 1936;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Trade Union Act, 1926;
- Workmen's Compensation Act, 1922.

Customs Regulations:

All imports to the country and exports from the country are subject to duties under the Customs Act, 1962 at the rate specified under the Custom Tariff Act 1975. Major imported raw material is exempt from basic duty of customs.

The Factories Act, 1948:

The Factories Act is a social legislation which has been enacted for occupational safety, health and welfare of workers at work places. This legislation is being enforced by technical officers i.e. Inspectors of Factories, Dy. Chief Inspectors of Factories who work under the control of the Chief Inspector of Factories and overall control of the Labour Commissioner.

It applies to factories covered under the Factories Act, 1948. The industries in which ten (10) or more than ten workers are employed on any day of the preceding twelve months and are engaged in manufacturing process being carried out with the aid of power or twenty or more than twenty workers are employed in manufacturing process being carried out without the aid of power, are covered under the provisions of this Act.



History and Corporate Structure

The Company was incorporated on May 14, 1998 as Kiri Dyes and Chemicals Private Limited at Ahmedabad, Gujarat, under the Companies Act, 1956 and was converted into a Public Limited company vide fresh certificate of incorporation dated May 3, 2006 issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli located at Ahmedabad. The Corporate Identity Number of the Company is U24231GJ1998PLC034094.

The Company is engaged in the business of manufacturing of reactive dyes which are called synthetic organic dyes used 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 is identified by color index number internationally. The Company also manufactures dye intermediates that are used in the manufacture of dyes. The existing products manufactured by the company are as follows:

- Synthetic Organic Dyes (S. O. Dyes)
- Dyes Intermediates: Vinyl Sulphone
- Dyes Intermediates: H-Acid

The product range of the Company comprises of more than 120 dyestuffs used by textiles, leather, paint and printing-ink 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 manufacturing facilities of the company are located at Ahmedabad and Padra Taluka near Vadodara. The Company is intends to expand by backward Integration and in this regard has already commenced manufacturing of Vinyl Sulphone in April, 2006 and H-Acid from March 2007 that gives it a presence in Dye Intermediates business. The Company through the proposed project on Sulphuric Acid intends to further integrate backwards and emerge as a dominant player in Chemicals.

Major Events

Year	Major Events
1998	Incorporation of Kiri Dyes and Chemicals Private Limited
1999	Started export to USA and Taiwan
2000	Awarded by CHEMEXCIL for outstanding export performance in the year 1998-1999.
2001	<ul style="list-style-type: none">• Awarded by CHEMEXCIL 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 CHEMEXCIL for the year 2000-2001.• Obtained permission confirming eligibility of Kiri Dyes and Chemicals Ltd. 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.• The 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">• Started strategic backward integration project at Padra, Dist. Vadodara.• 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• Commercial production of backward integration project with respect to Vinyl Sulphone started at Padra, Dist. Vadodara.

KIRI DYES AND CHEMICALS LIMITED

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. • Awarded ISO 14001:2004, a certificate for Environmental Management System by ISOQAR for manufacture and supply of dye intermediates for its Unit located at Village Dudhwada, Padra, Vadodara. • Commencement of Commercial Production of H-Acid • Awarded Trishul Award for the outstanding export performance in small scale sector during the year 2004-05 on October 08, 2007.
------	--

Main Objects of the Company as per Memorandum of Association of the Company

1. To carry on in India or elsewhere the business to manufacture, produce, process, refine, extract, manipulate, convert, add, pack, repack, import, export, trade, purchase, sell, distribute, market, and otherwise deal in chemicals, chemical compounds, inorganic chemicals, organics chemicals, pure chemicals, fine chemicals, photographic chemicals, marine chemicals, petro-chemicals petroleum products, chemical products of any nature dyes, dyes intermediates, Textile auxiliaries, pigments, Binders, alcohols, acetates, alcohols, acetic anhydrides, drugs, drug intermediates, coal-tar dyes, acids, plasticize, solvent, lubricants, varnishes, resins, laminators, adhesive and surface coating agents, used in industrial, domestic and commercial purposes.
2. To carry on the business as chemical engineers, analytical chemists, manufacturers, producers, processors, makers, converters, refiners, importers, exporters, traders, buyers, sellers, retailers, wholesalers, suppliers, indenters, packers, movers, preservers, stockiest, agents, sub-agents, merchants, distributors, consignors, jobbers, brokers concessionaries or otherwise deal in heavy chemicals of all kinds (solid, liquid, gaseous) of all types, dyes stuffs, intermediates, textile auxiliaries, cellophanes, colors, dyes, paints, varnishes, vat and other organic dye stuff, chemical auxiliaries, disinfectants, insecticides, fungicides, deodorants, biochemicals and pharmaceutical, medicinal, sizing, bleaching, photographic, preparations and articles.

Changes in Memorandum of the Company

Date of alteration	Nature of alteration
May 30, 1998	Increase of Authorised Capital of the Company from Rs. 1,00,000/- to Rs. 75,00,000/-
February 15, 2000	Increase of Authorised Capital of the Company from Rs. 75,00,000/- to Rs. 1,00,00,000/-
March 18, 2001	Increase of Authorised Capital of the Company from Rs. 1,00,00,000/- to Rs. 1,25,00,000/-
November 18, 2005	Increase of Authorised Capital of the Company from Rs. 1,25,00,000/- to Rs. 5,00,00,000/-
January 15, 2006	Increase of Authorised Capital of the Company from Rs. 5,00,00,000/- to Rs. 10,00,00,000/-
May 3, 2006	Conversion from Private Limited company to Public Limited Company
September 30, 2006	Increase of Authorised Capital of the Company from Rs. 10,00,00,000/- to Rs. 20,00,00,000/-

Changes in Registered Office of the Company

The table below shows the changes in the Registered Office of the Company since incorporation-

Previous Address	New Address	Reason of change	Date of Change
53, Manekbaug Society, S. M. Road, Ambawadi, Ahmedabad-380015	7 th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad – 380 006	For operational convenience	February 1, 2007

Subsidiaries of the Company

The Company currently does not have any subsidiary as on date. However, during the Financial Year ended March 31, 2006 and March 31, 2005 the Company had a subsidiary namely Kiri International USA Inc., New Jersey, U.S.A.

Kiri International USA Inc was incorporated with a subscribed capital of 100 preferred stock each at US\$500 fully paid up on July 2, 2004. The Registration No. of the company was 0100928822 and office was located at 11, Marist Dr. Suite 8, Poughkeepsie NY 12601. The Company was engaged in chemicals business.



Audited Financial Performance:

The Financial highlights for the financial year ended 31st March 2005 & 31st March 2006 are as follows.

(Amount in US \$)

Particulars	2005-06	2004-05
Sales	108,708	241,622
Profit After Tax	(21,065)	(41,524)
Preferred Stock	50,000	50,000
Reserves (Excluding Revaluation reserves)	(62,589)	(41,524)
Earning Per Share (EPS)	(0.42)	(0.83)
Face Value of Preferred Stock	500.00	500.00
Net Asset Value Per Share (NAV)	(125.89)	84.76

The management did not foresee further viability of WOS operations in USA and hence vide board resolution dated March 16, 2006 decided to divest its entire stake in the venture on and from the opening business hours of April 1, 2006 by selling to a US Citizen at par on the basis of valuation made by the Company internally.

Shareholders Agreements

The Company has entered into the tripartite Shareholders Agreement dated October 06, 2007 between the Company, M/s. Well Prospering Limited, (hereinafter referred to as 'WPL') the promoters of the company namely Mr. Pravin A. Kiri, Mr. Manish P. Kiri & Mrs. Aruna P. Kiri.

Pursuant to the said the Shareholders Agreement, 'WPL' has subscribed to 11,18,860 Equity Shares each, at a purchase price of Rs. 115/- per Equity Share, aggregating to an amount of Rs. 1286.69 Lakhs. The allotment of 11,18,860 Equity Shares was made to M/s. Well Prospering Limited on January 21, 2008.

The key terms of the Shareholders Agreement are as follows (Capitalized terms used below are defined in the Shareholders Agreement).

General Meeting of Shareholders

Quorum of the Meeting

The presence of at least one duly authorised representative of 'WPL' at the commencement of General Meeting and throughout its proceedings is required to constitute valid quorum at a General Meeting.

Dividend Policy

The Board of Directors of the Company have to adopt a policy of distributing to the shareholders, in proportion to their respective shareholding in the Company, at least 25% or as may be decided by the board of the distributable profits of the Company generated by the operations of the Business, consistent with prudent financial management and having regard to applicable bye law, the business plan, the taxation, working capital, banking covenants and operational requirements of the Company and the terms of any financing agreements under which the Company has borrowed.

Pre-emptive rights for new issues of securities

In case of issuance of new securities in favour of any shareholder of the Company or any other person, the company is required to offer such number of securities to the Investor such that the proportion of equity shareholding of the Investor in the Company is not affected. Article 'Transfer of shares' of the Shareholders Agreement provides that the Company can not record any transfer or agreement or arrangement to transfer on its books and shall not recognize or register any equitable or other claim to, or any interest in, such Equity Shares which have been transferred in any manner other than as permitted under the Shareholders Agreement and all such transfers shall be deemed to be a breach of the Shareholders Agreement.

Transfer of Shares by the Promoters

If the Promoters desire to transfer any of the promoters' shares to any person (other than (i) to the Investor and /or an affiliates of the Investor , (ii) an inter se Promoter transfer, or (iii) To any affiliates of any of the Promoters whose entire shareholding is held by such Promoter), then they shall intimate the Investor of their intention to sell any or all of the promoters shares within 30 days of the receipt of such intimation, the Investor will notify the Promoters the offer price for the Sale Share acceptable to the Promoters, then the Promoters may, within a period of twelve (12) weeks from the date thereof seek from third parties an offer price for such Sale Share.

KIRI DYES AND CHEMICALS LIMITED

If the third party offer price is greater than an amount which is 110% of the Investor offer price, then promoters have a right (but not an obligation) to sell the Sale Shares to such third party at such third party offer price.

If the third party's offer price is greater than 100% of the investor offer price but is less than equal to 110% of the Investor offer price, then the Promoters will give the Investor an opportunity to match the offer price which was offered by such third party within a period of seven(7) days from the date of such intimation by the Promoters. If the Investors matches the third party offer price and the promoters decide, at the sole discretion, to sell such Sale Share, they shall sell such Sale Shares to the Investor at such third party offer price. If the investor does not match the third party offer price the Promoters have a right (but not an obligation) to sell the Sale Share to the third party at such third party offer price.

If the third party offer price is greater than an amount which is 110% of the investor offer price, the Promoters have a right (but not an obligation) to sell the Sale Shares to such third party at such third party offer price.

Tag along rights of the investors

If the Promoters of the Company and/or their affiliates propose to transfer any of their Equity Shares, either directly or indirectly, to any person, then 'WPL' and/or its affiliates will have a right, but not obligation, to sell all or less than all of its Equity Shares held in the Company to the proposed transferee prior to or along with the transfer by the promoters of the Company, on terms no less favorable than the terms offered to the promoters of the Company, in all such proposed transfers.

Option

Further, 'WPL' shall have right but not the obligation to acquire 2.541% Equity Shares of the Company held by the promoters of the Company after a period of one year from the completion date, as defined under the Share Subscription Agreement.

Termination

The agreement will terminate upon the earlier of:

- a) The shareholding of the Investor dilutes below 7.459% of the share capital on fully diluted basis,
- b) Upon the exercise and completion of the put or call options that may result from an event of default by a party, as specified in Clause 14,
- c) By mutual agreement of the Promoters and the Investor
- d) If the Company is wound up by resolution of shareholders or an order of a court.

Termination of the agreement under this Clause shall be without prejudice to any accrued rights of the parties. Further, the termination of the agreement shall not relieve any party.

Alteration of Memorandum and Articles of Association of the Company.

If the Memorandum and Articles at any time conflict with any provisions of the Agreement, this Agreement shall prevail and the parties to this Agreement shall whenever necessary exercise all voting and other rights and powers available to them to procure the amendment, waiver or suspension of the relevant provisions of the Memorandum and Articles, to the extent necessary to permit the affairs of the Company to be administered as provided in this Agreement.

Other Agreements The Company has entered into the Memorandum of Understanding (herein after referred to as 'MOU') with M/s. Zhejiang Lonsen Group Stock Co. Ltd. (herein after referred to as 'Lonsen') on November 1, 2007. The one of the objectives of the MOU is to establish a joint venture manufacturing facility in India for the production of reactive dyes.

Following are the important clauses of said MOU:

1. Lonsen and the Company will establish a joint venture manufacturing facility in India for the production of reactive dyes.
2. Lonsen and the Company have agreed that 60% equity shares of the said joint venture will be held by Lonsen or its affiliates and 40% equity shares held by the Company and its affiliates.
3. Both parties to the MOU agreed to start with production capacity of 20,000 MT/Annum Reactive Dyes and to increase further to 50,000 when the opportunity arises after successfully implementation and operations of the initial production capacity.
4. A joint venture company will apply for the environment clearance license for higher capacities of reactive dyes, as well as for all the other products that the joint venture company plans to produce in the next five years. Products and their quantities are to be decided by Lonsen and the Company mutually in due course at the proper timings during the execution of the project.



5. The initial capital investment would be of US \$ 10 million, from which Lonsen is to invest US \$ 6 million and the Company to invest US \$ 4 million for establishing a new manufacturing plant in India.
6. A new plant is planned to be set-up by the year 2008 end.
7. Lonsen and the Company will jointly decide operations of all business functions for the joint venture company.
8. Lonsen and the Company will decide composition of the board of directors of the joint venture company, including but not limited to the appointment of the chairman and the managing director.
9. Both the parties would work together to combine strengths of both the companies to work out areas where both the companies utilise their combined strengths to explore new opportunities.
10. Both the parties will work jointly to invest in the new projects/plants/organisations together for the future growth and prospects to increase return on investments for both the companies globally.
11. Lonsen and the Company will explore possibilities to develop a close cooperation to enhance stakes in each other's companies for expansion of dyes manufacturing capacities, and to provide feedstock at competitive prices especially for dye-intermediates to develop capabilities for timely scheduling and manufacturing of finished products.
12. Both the parties to MOU agreed to provide necessary guarantees to the banks in case Joint Venture Company raises working capital from banks.
13. Lonsen and the Company together will design synergies to put all positive strengths of both the companies to expand horizon beyond dyes and dye-intermediate industry and to emerge as a global chemical company with combined strength of India and China.
14. Lonsen and/or its affiliates will subscribe or purchase not more than 1,50,000 Equity Shares of the Company, accounting for not more than 10% of the Company's total number of shares after the proposed initial public offering of the Company.

Financial / Strategic Partners

The Company currently does not have any financial or strategic partner.

KIRI DYES AND CHEMICALS LIMITED

Management of the Company

The Company is managed by the Board of Directors that constitutes of 6 directors. The day-to-day operations of the Company are looked after by the Mr. Manish P. Kiri, Managing Director.

Name, Age, Designation, Address, Occupation and Nationality	Term	Qualification	Other Directorship
Mr. Pravin A. Kiri <i>Chairman, Executive</i> S/o. Mr. Amrutlal Kiri Age: 62 years Address: 53, Manek Baug Society, S. M. Road, Ambavadi, Ahmedabad - 380 015 Occupation: Business Nationality: Indian DIN: 00198275	3 years, From April 1, 2007 to March 31, 2010	B. Sc. (<i>Chemistry</i>)	Nil
Mr. Manish P. Kiri <i>Managing Director</i> S/o. Mr. Pravin A. Kiri Age: 34 years Address: 53, Manek Baug Society, S. M. Road, Ambavadi, Ahmedabad - 380 015 Occupation: Business Nationality: Indian DIN: 00198284	3 years, From April 1, 2007 to March 31, 2010	B.E. (<i>Electronics & Communication</i>) M.B.A., Michigan University, U.S.A.	Nil
Name, Age, Designation, Address, Occupation and Nationality	Term	Qualification	Other Directorship
Mrs. Aruna P. Kiri <i>Non Executive and Non Independent Director</i> W/o. Mr. Pravin Kiri Age: 60 years Address: 53, Manek Baug Society, S. M. Road, Ambavadi, Ahmedabad - 380 015 Occupation: Housewife Nationality: Indian DIN: 00198260	Retirement by rotation	B. Sc. (<i>Chemistry</i>)	Nil
Mr. Bipin R. Patel <i>Non Executive, Independent Director</i> S/o Mr. Raghunath Patel Age: 62 years Address: 44, Mithila Society Ambawadi, Ahmedabad – 380015 Occupation: Business Nationality: Indian DIN: 01186974	Retirement by rotation	B.A., LL.B.	1. Ami Pigments Private Limited 2. Bodal Chemicals Limited.
Mr. Keyoor M. Bakshi <i>Non Executive, Independent Director</i> S/o. Mr. Madhusudan Bakshi Age: 50 Years Address: 205, Nisha Apartment Opp. Priyadarshni Tower, Near Judges Bunglow Road, Ahmedabad – 380 015 Occupation: Practicing Company Secretary Nationality: Indian DIN: 00133588	Retirement by rotation	B.Com., LL.B., F.C.S.	1. Kanha Associates Limited 2. Tudor India Limited 3. ASE Capital Markets Limited



Name, Age, Designation, Address, Occupation and Nationality	Term	Qualification	Other Directorship
Mr. Yamal A. Vyas <i>Non Executive, Independent Director</i> S/o Mr. Ashwin Kumar Vyas Age: 49 Years Address: 1, Sunview, Opp-Purnanand Ashram, Nr. Ishwar Bhuvan, P.O. Navjivan, Ahmedabad – 380 014 Occupation: Practicing Chartered Accountant Nationality: Indian DIN: 01308440	Retirement by rotation	B.Com., A.C.S., F.C.A.	Nil

Brief Profile of Promoter Directors:

Mr. Pravin A. Kiri, aged 62 years, is the chairman and Promoter of the Company has an experience of 40 years in the field of dyestuff and chemical industry. He is a science graduate and started his career in the year of 1966 by associating with Jai Chemical Industry (Kharawala Group) as a partner to take care all the technical matters of the unit. In 1998, he setup his own venture named “Kiri Dyes and Chemicals Private Limited”. He has wide interest and knowledge in the area of synthesise organic structures of dyes and reactive dyes. He looks after the manufacturing activities of the Company and is in charge of operational strategy, quality control and research & development activities of the Company.

Mr. Manish P. Kiri, aged 34 years, is the Managing Director and Promoter of the Company. He holds a Bachelors of Engineering (Electronics & Communication) from Gujarat University and has a Masters Degree in Business Management from University of Michigan, U.S.A. He started his career with a U.S based company named “Parke-Davis Pharmaceuticals” as a Statistical Analyst. In 1998 he returned to India and joined Kiri Dyes and Chemicals Limited as director. Presently, he is involved in designing marketing strategies and its implementation, looks after overall sales and exports, customer relationship management, establishing sales network, new projects as well as expansion plans of the company. He is also serving as an Honorary Secretary of the Gujarat Dyestuff Manufacturers Association.

Mrs. Aruna P. Kiri, aged 60, holds a Bachelors degree in Science (Chemistry). She is a Non Executive, Promoter Director of the Company.

Profile of other Directors of the Company:

Mr. Bipin R. Patel, aged 62 years, is a Bachelor of Arts and LL.B. He has 28 years of experience in the field of dyes. Currently, he is the Chairman of CHEMEXCIL (Gujarat region). He is an active member of the Gujarat Chamber of Commerce & Industries, and committee member of Loan Advisory Committee of Mercantile Co-operative Bank Ltd & Kalupur Commercial Co-Operative Bank Ltd. He is also the Chairman and Director in Ami Pigments Private Limited. He is also a director of Bodal Chemicals Limited.

Mr. Keyoor M. Bakshi, aged 50 years, is a Practicing Company Secretary and Senior Partner at Kanha Associates, a firm of Company Secretaries based in Ahmedabad. He holds degrees in Commerce and Law. He is Fellow Member of the Institute of Company Secretaries of India. He has an experience of over 28 years in Corporate Laws, Finance and Management and has actively been involved in various assignments relating to Amalgamations, Mergers/ Demerger, Acquisitions & Takeovers, Corporate restructuring and planning. He is the President of the Institute of Company Secretaries of India (ICSI) for the year 2008. He is also a director of ASE Capital Market Limited.

Mr. Yamal A. Vyas, aged 49 years, graduated in Commerce, is also a Chartered Accountant and Company Secretary. He has 23 years of professional experience in the field of finance. At present, Mr. Vyas has been associated with Gujarat Chamber of Commerce & Industries as a member of capital market sub-committee, and an active member of managing committee of Ahmedabad branch of Institute of Chartered Accountants of India. He has also been associated with various news papers for writing articles on the stock market and investments.

Relationship between Directors of the issuer company

The Directors of the Company are not related to each other except Mr. Manish P. Kiri is the son of Mr Pravin A. Kiri and Mrs. Aruna P. Kiri. .

Details of Borrowing Powers

Pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, consent of the members of the Company was accorded to the Board of Directors of the Company vide a resolution passed at the Extraordinary General Meeting of the

KIRI DYES AND CHEMICALS LIMITED

Company held on March 5, 2007, for borrowing from time to time any sum or sums of money which together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), not to exceed in the aggregate at any one time to Rs. 300 Crore (Rupees Three Hundred Crores only).

Compensation of Whole Time Directors

Mr. Pravin A. Kiri, Chairman, Executive

Mr. Pravin A. Kiri was reappointed as Chairman of the Company with effect from April 1, 2007 for a period of 3 years vide resolution passed by the Board of directors in their meeting held on March 6, 2007, which was further approved by the members at their Extra Ordinary General Meeting held on March 30, 2007.

Terms of Appointment & Compensation of Chairman:

Name: Mr. Pravin A. Kiri

Designation: *Chairman, Executive*

Tenure of Contract: 3 years commencing April 1, 2007 to March 31, 2010.

Remuneration:

As per the said resolution Mr. Pravin A. Kiri is eligible for the following remuneration:

I. **Salary:** Rs.3,00,000/- per month.

II. **Perquisites:**

i. **Housing I**

The Expenditure by Company on hiring furnished accommodation for the Chairman will be subject to the following ceiling: -
Sixty percent of the salary, over and above ten percent payable by himself.

Housing II

In case the accommodation is owned by the Company, ten percent of his salary shall be deducted by the Company.

Housing III

In case no accommodation is provided by the Company, he shall be entitled to house rent allowance subject to ceiling laid down in Housing I.

Explanation – The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of his salary.

ii. **Medical Reimbursement :**

Expenses incurred for the appointee and his family subject to a ceiling of one month's salary in a financial year.

iii. **Leave Travel Concession :**

For the appointee and his family, once in a year in accordance with the any rules specified by the Company subject to a ceiling of one month's salary.

iv. **Club Fees :**

Fees of clubs subject to a maximum of two clubs not including admission and life-membership fees.

v. **Personal Accident Insurance :**

Premium not exceed to Rs.5,000 per annum.

vi. Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income-tax Act. Gratuity payable should not exceed half a month's salary for each completed year of service.

vii. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

viii. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Chairman.



- ix. **Commission** – Not exceeding 1% of the profit after tax of the relevant financial year for the appointee subject to the overall limit stipulated under section 198 and section 309 of the Companies Act, 1956. The specific amount payable will be based on the performance and other parameters as the remuneration committee of the board may decide and will be payable annually after the annual accounts of each year have been approved by the board.

In the event of absence or inadequacy of profits in any financial year, the aforesaid remuneration except the commission for the period from April 1, 2007 to March 31, 2010, will be paid by the Company as minimum remuneration to the appointee in accordance with the conditions specified in Schedule XIII to the Companies Act, 1956 for the time being and as altered from time to time.

For the Financial Year 2006-07, Mr. Pravin A. Kiri was paid a remuneration of Rs. 12 lakhs.

Mr. Manish P. Kiri, Managing Director

Mr. Manish P. Kiri was reappointed as Managing Director of the Company with effect from April 1, 2007 for a period of 3 years vide resolution passed by the Board of directors in their meeting held on March 6, 2007, which was further approved by the members at their Extra Ordinary General Meeting held on March 30, 2007.

Terms of Appointment & Compensation of Chairman:

Name: Mr. Manish P. Kiri

Designation: *Managing Director*

Tenure of Contract: 3 years commencing April 1, 2007 to March 31, 2010.

Remuneration:

As per the said resolution Mr. Manish P. Kiri is eligible for the following remuneration:

I. **Salary:** Rs.3,00,000/- per month.

II. **Perquisites:**

i. **Housing I**

The Expenditure by Company on hiring furnished accommodation for the Managing Director will be subject to the following ceiling: -

Sixty percent of the salary, over and above ten percent payable by himself.

Housing II

In case the accommodation is owned by the Company, ten percent of his salary shall be deducted by the Company.

Housing III

In case no accommodation is provided by the Company, he shall be entitled to house rent allowance subject to ceiling laid down in Housing I.

Explanation – The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of his salary.

ii. **Medical Reimbursement :**

Expenses incurred for the appointee and his family subject to a ceiling of one month's salary in a financial year.

iii. **Leave Travel Concession :**

For the appointee and his family, once in a year in accordance with the any rules specified by the Company subject to a ceiling of one month's salary.

iv. **Club Fees :**

Fees of clubs subject to a maximum of two clubs not including admission and life-membership fees.

v. **Personal Accident Insurance :**

Premium not exceed to Rs.5,000 per annum.

vi. Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income-tax Act. Gratuity payable should not exceed half a month's salary for each completed year of service.

KIRI DYES AND CHEMICALS LIMITED

- vii. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
- viii. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
- ix. **Commission** – Not exceeding 1% of the profit after tax of the relevant financial year for the appointee subject to the overall limit stipulated under section 198 and section 309 of the Companies Act, 1956. The specific amount payable will be based on the performance and other parameters as the remuneration committee of the board may decide and will be payable annually after the annual accounts of each year have been approved by the board.

In the event of absence or inadequacy of profits in any financial year, the aforesaid remuneration except the commission for the period from April 1, 2007 to March 31, 2010, will be paid by the Company as minimum remuneration to the appointee in accordance with the conditions specified in Schedule XIII to the Companies Act, 1956 for the time being and as altered from time to time.

For the Financial Year 2006-07, Mr. Manish P. Kiri was paid a remuneration of Rs. 12 lakhs.

Non-Whole time Directors

The Non Executive Directors are not paid any remuneration except sitting fees of Rs. 4,000/- per meeting of the Board and Rs. 2,000 per meeting of committees attended by the Directors of the Company.

Compliance with Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of the Equity Shares on the Stock Exchanges. The Company has complied with corporate governance requirements in accordance with Clause 49 (as applicable), especially in relation to appointment of Independent Directors to the Board and constitution of the investor grievance committee. The Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to listing.

Composition of Board of Directors:

The Board of Directors of the Company comprises of Executive Directors and Non Executive Independent Directors as under.

Name	Designation	Status
Mr. Pravin A. Kiri	Chairman	Executive
Mr. Manish P. Kiri	Managing Director	Executive
Mrs. Aruna P. Kiri	Director	Non Executive
Mr. Bipin R. Patel	Director	Non Executive, Independent
Mr. Keyoor M. Bakshi	Director	Non Executive, Independent
Mr. Yamal A. Vyas	Director	Non Executive, Independent

Committees of the Board

i. Audit Committee

The terms of Audit Committee comply with the requirements of the Clause 49 of the Listing agreements to be entered into with the stock exchange. The Audit Committee consists of executive and non-executive directors, with the majority being independent directors.

The Members of the Audit committee are:

Sr. No	Name	Designation	Status
1.	Mr. Yamal A Vyas	Chairman	Non- Executive, Independent Director
2.	Mr. Keyoor M. Bakshi	Member	Non- Executive, Independent Director
3.	Mr. Manish P. Kiri	Member	Executive Director

The Company secretary of the Company shall act as secretary to the committee.

The scope and function of the Audit Committee are as per section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Its main function is to provide the Board of Directors of the Company with additional assurance as to



reliability of financial information and statutory financial statements and as to the adequacy of internal accounting and controls systems. It acts as a link between the Management, and the statutory auditors. The scope of Audit Committee shall include, but shall not be restricted to the following:

Powers of Audit Committee

The powers of the audit committee are as under:

- a. To investigate any activity within its terms of reference.
- b. To seek information from any employee.
- c. To obtain outside legal or other professional advice.
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of the Audit committee is as under:

1. 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.
2. 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.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

ii. Shareholders / Investor Grievance Committee

The Shareholders / Investor Grievance Committee of the Company comprises of the following Directors as members:

Sr. No	Name	Designation	Status
1.	Mr. Keyoor M. Bakshi	Chairman	Non- Executive, Independent Director
2.	Mr. Bipin R. Patel	Member	Non- Executive, Independent Director
3.	Mr. Manish P. Kiri	Member	Executive Director

The Shareholders/Investor Grievances Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ consolidated share certificates, rematerialisation of shares in physical mode from electronic /demat mode, allotment

KIRI DYES AND CHEMICALS LIMITED

and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities. The Committee also looks into redressing of Shareholders/Investors Compliance like transfer of shares, Non receipt of Balance sheet, Non receipt of Dividend warrants & also handles the queries/ complaints relating to dematerialization of shares etc. The committee oversee the performance of the Registrar & Transfer Agent & recommends measures for the overall improvement of the quality of Investors services.

The scope and functions of the Investor Grievances and Share Transfer Committee are as per Clause 49 of the Listing Agreement.

iii. Remuneration Committee

The Remuneration Committee consists of Non-Executive Directors, with the Chairman of the Remuneration Committee being an Independent Director. The Remuneration Committee of the Company currently consists with the following Directors as members-

Sr. No	Name	Designation	Status
1.	Mr. Bipin R. Patel	Chairman	Non- Executive, Independent Director
2.	Mr. Yamal A. Vyas	Member	Non- Executive, Independent Director
3.	Mr. Keyoor M. Bakshi	Member	Non- Executive, Independent Director

Function and Power of the Committee

The Committee determines and reviews the overall compensation structure including managerial remuneration and related policies aimed at attracting, motivating and retaining personnel. The Committee has the authority to determine the compensation packages of executive Directors and senior management and determine the parameters and supervise the operation of the bonus schemes of the Company. The Committee will review recommendations made to it by the Company and others and is authorized to investigate any activity within its terms of reference, seek any information from any employee of the Company and obtain independent professional advice.

Shareholding of the Directors

The Articles of Association do not require the Directors to hold any Equity Shares as qualification shares in the Company. The following table details the shareholding of the Directors, as on the date of filing of the Red Herring Prospectus with SEBI:

Sr. No.	Name of the Shareholder	Number of equity shares held	% of Shareholding
1.	Mr. Manish P Kiri	11,20,700	9.96%
2.	Mr. Pravin A. Kiri	72,95,245	64.85%
3.	Mrs. Aruna P. Kiri	9,40,550	8.36%
4.	Mr. Bipin R. Patel	Nil	-
5.	Mr. Keyoor M. Bakshi	Nil	-
6.	Mr. Yamal A Vyas	Nil	-
	Total	93,56,495	83.17%

Interests of Directors

All the directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The directors may also be deemed to be interested to the extent of:

- The shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively. The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any company in which they are directors/members of, to firms in which they are partners.
- Remuneration of Managing Director/ Executive Directors / Whole time Directors
- Related Party Transactions mentioned on page 98 of this Red Herring Prospectus

Further, the Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.



The Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them other than contracts in the normal course of business and being permitted as per the current rules and regulations governing the same.

However, the Company has entered into Leave and License agreement for the registered office for a period of five years by way of Agreement dated March 14, 2007 with Pravin Kiri (HUF), subsequently by way of a supplementary agreement dated March 25, 2007 the rent has been waived for the period ending on March 31, 2007. The rent payable is at Rs. 5,000/- per month. The Lease being renewable with mutual consent.

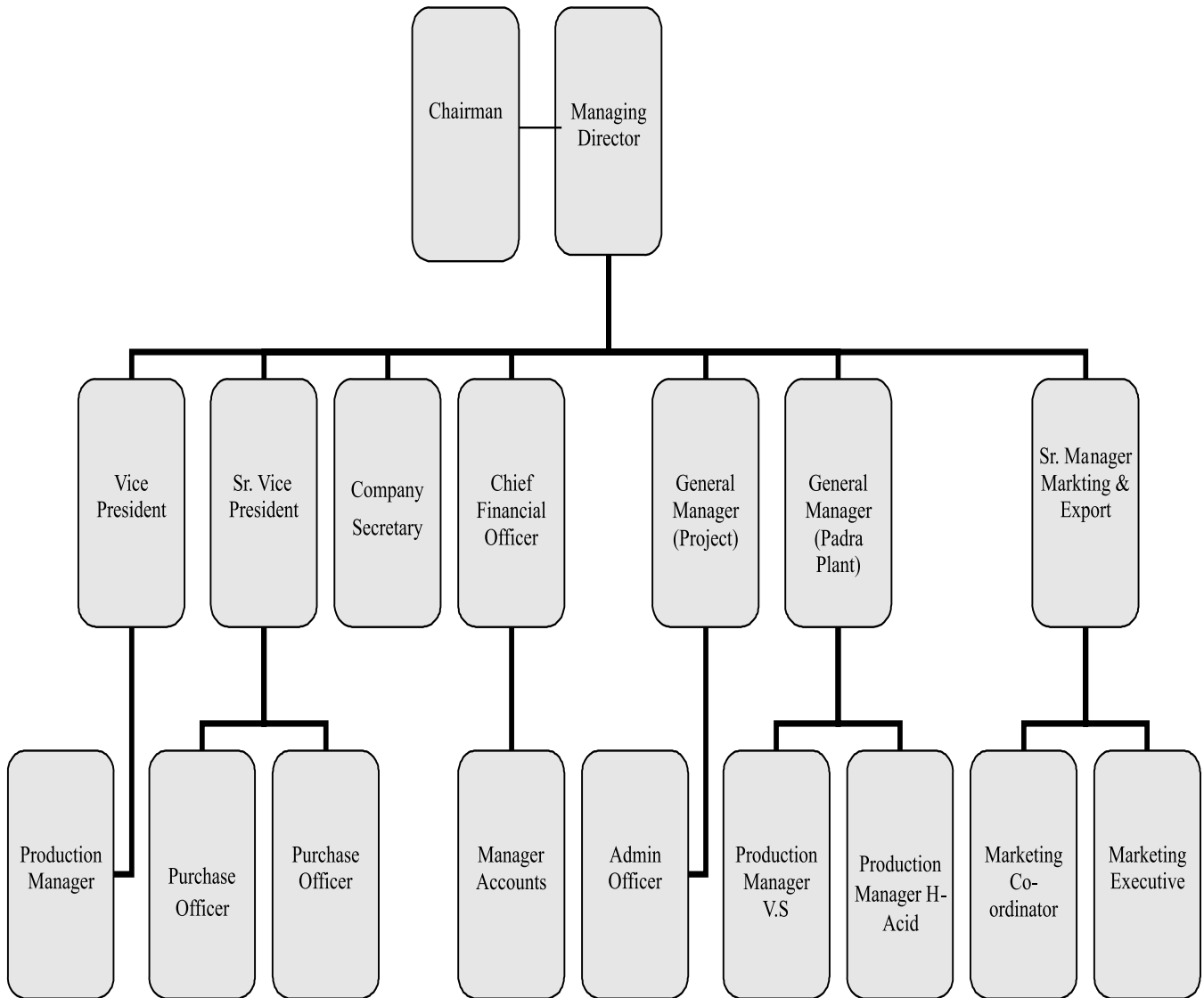
Changes in the Board of Directors in the Last 3 Years

The following are the changes in the Board of Directors in the last 3 years and no changes thereafter have taken place:

Sr. No.	Name	Date of Appointment	Date of Cessation	Reason
1.	Mr. Bipin R. Patel	September 1, 2006	N.A.	To broad base the Board
2.	Mr. Keyoor M. Bakshi	March 5, 2007	N.A.	To broad base the Board
3.	Mr. Yamal A. Vyas	March 5, 2007	N.A.	To broad base the Board

KIRI DYES AND CHEMICALS LIMITED

Management Organisation Chart





Key Managerial Personnel of the Company

The key managerial personnel and their designations are as under:

Age, Experience in years, Gross Salary for FY 2006-07

Sr. No.	Name	Age	Designation	Qualification	Experience	Date of Joining	Previous Employment	Gross Salary Rs. Lakhs
1.	Mr. Janardhan S. Bhatt	65	Sr. Vice President	B.Com.	38	October 1, 2006	Sun Chemical Industries	1.00
2.	Mr. Bipin C. Patel	40	Vice President	B. Sc	17	May 14, 1998	Achem Products	3.33
3.	Mr. Bhupatrai K. Mehta	51	General Manager (Padra – Plant)	M. Sc.	26	January 1, 2006	Maradia Chemicals Limited	1.80
4.	Mr. Munim Prasad Tripathi	61	General Manager (Project)	M. Sc.	33	February 1, 2007	Industrial Solvent & Chemicals Pvt. Ltd.	0.30
5.	Mr. Jignesh Raval	42	Chief Financial Officer	M.Com.	19	February 8, 2008	Prasad International Limited	–
6.	Ms. Neelima Rajput	38	Senior Manager (Marketing & Exports)	B.Com.	17	February 1, 2005	Meghmani Dyes and Intermediates Limited	0.92
7.	Mr. Suresh Gondalia	31	Company Secretary	B.Com, L.L.B, ACS	3	March 5, 2007	Vishal Export Overseas Limited	0.15

The persons whose name appears as key managerial personnel as above are on the rolls of the Company as permanent employees.

Brief Profiles of Key Managerial Personnel

The day-to-day operations of the Company are managed by the professionals under the guidance of the Managing Director. A brief profile of the key managerial personnel is as under:

Mr. Janardhan S. Bhatt, Senior Vice President, aged 65 years, is a commerce graduate. He has 38 experience in the field of dyes and intermediates, regarding sourcing of raw material from domestic and global market. Prior to joining the Company he was partner in Sun Chemical Industries.

Mr. Bipin C. Patel, Vice President, aged 40 years, is a science graduate. He has total experience of 17 years in the field of manufacturing of dyes. Currently he overlooks production of Dyes at Vatva. Prior to joining the Company he was working with Achem Products as Production Manager.

Mr. Bhupatrai K. Mehta, General Manager – Padra Plant, aged 51 years, holds a post graduation degree in Science. He has 26 years of experience in Dyes and Dye Intermediates. He is oversees production of Dyes at Padra unit. Prior to joining the Company he was working with Maradia Chemicals Limited.

Mr. Munim Prasad Tripathi, General Manager – Project, aged 61 years, is a post graduate in Science. He has 33 years experience in implementation of various projects for Sulphuric Acid and S.S.P. (Single Super Phosphate) fertilizers. Prior to joining the Company he was working with Industrial Solvent & Chemicals Pvt. Ltd.

Mr. Jignesh Raval, Chief Financial Officer, aged 42 years, is a post graduate in commerce. He has 19 years of experience in finance. He overlooks the finance and accounts function of the Company. Prior to joining the company he was working with Prasad International Ltd.

Ms Neelima H. Rajput, Senior Manager, Marketing & Exports, aged 38 years, is a graduate in Commerce from Gujarat University. Prior to joining the Company she was associated with Meghmani Dyes and Intermediates Limited.

Mr. Suresh Gondalia, Company Secretary, aged 31 years is an Associate Member of the Institute of Company Secretaries of India since October, 2003. He is also a graduate in commerce and has Bachelors degree in Law. He has experience of over 3 years in Corporate Laws and Secreterial compliances. Prior to joining the Company he was the Company Secretary at Vishal Export Overseas Limited.

KIRI DYES AND CHEMICALS LIMITED

Interest of Key Managerial Personnel

The key managerial personnel of the Company do not have any interest in the Company other than to the extent to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any.

The persons whose names appear as key managerial personnel are on the rolls of the Company as permanent employees. There is no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any person was selected as director or member of senior management. None of the key managerial personnel have any relationship with the promoters or directors of the Company.

Shareholding of the Key Managerial Personnel

None of the Key Managerial Employees of the Company hold any shares in the Company.

Bonus or Profit Sharing plan for Key Managerial Personnel

Currently, the Company does not have any performance linked bonus or profit sharing scheme for the Employees. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business. The Company does not have any profit sharing arrangements with any of its employees.

Loans to key managerial personnel

There are no loans outstanding against key managerial personnel as on June 30, 2007.

Changes in the Key Managerial Personnel since last one year

Sr. No.	Name	Designation	Date of Joining	Remarks
1.	Mr. Janardhan S. Bhatt	Sr. Vice President	October 1, 2006	Appointed
2.	Mr. Munim Prasad Tripathi	General Manager (Projects)	February 1, 2007	Appointed
3.	Mr. Suresh Gondalia	Company Secretary	March 5, 2007	Appointed
4.	Mr. Manoj Jingar	Chief Financial Officer	February 1, 2008	Resigned
5.	Mr. Jignesh Raval	Chief Financial Officer	February 8, 2008	Appointed

Employees

As on July 31, 2007 the Company has 86 personnel. Distribution of manpower is as follows:

Particulars	Number of Employees
Managerial	6
Supervisor	7
Administrative	28
Skilled	37
Unskilled	8
Total No. of Employees	86

Disclosure Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

The Company has no Employees Stock Option Scheme/ Employee Stock Purchase Scheme.


Other Benefits to the Officers of the Issuer Company

Except the payment of salaries and perquisites, the Company provides other benefits to the employees that are uniform to all the employees of the Company and performance based ex-gratia payments.




Promoters and their Background

Mr. Pravin A. Kiri

	Permanent Account Number	ABVPK 2112M
	Passport Number	F 3100431
	Bank Account Number	Bank of Baroda – 0734010002382
	Address:	53, Manek Baug Soc. S. M. RoadAmbavadi Ahmedabad – 380 015.


Mr. Pravin A. Kiri, aged 62 years, is the Chairman and Promoter of the Company has an experience of 40 years in the field of dyestuff and chemical industry. He is a science graduate and started his career in the year of 1966 by associating with Jai Chemical Industry (Kharawala Group) as a partner to take care all the technical matters of the unit. In 1998 he setup his own venture named "Kiri Dyes and Chemicals Private Limited". He has wide interest and knowledge in the area of synthesise organic structures of dyes and reactive dyes. He looks after the manufacturing activities of the Company and is in charge of operational strategy, quality control and research & development activities of the Company.

Mr. Manish P. Kiri

	Permanent Account Number	AIGPK 7830A
	Passport Number	Z 1025662
	Bank Account Number	Bank of Baroda – 0734010002385
	Address:	53, Manek Baug Soc. S. M. RoadAmbavadi Ahmedabad – 380 015.

Mr. Manish P. Kiri, aged 34 years, is Managing Director and promoter of the Company. He holds a Bachelors of Engineering (Electronics & Communication) from Gujarat University and has a Masters Degree in Business Management from University of Michigan, U.S.A. He started his career with a U.S based company named "Parke-Davis Pharmaceuticals" as a Statistical Analyst. In 1998 he returned to India and joined Kiri Dyes and Chemicals Limited as a Director. Presently he is involved in designing marketing strategies and its implementation, looks after overall sales and exports, customer relationship management, establishing sales network, new projects as well as expansion plans of the Company. He is also serving as an Honorary Secretary of the Gujarat Dyestuff Manufacturers Association.

Mrs. Aruna P. Kiri

	Permanent Account Number	ACJPK4880B
	Passport Number	F3100432
	Bank Account Number	Bank of Baroda – 0734010002384
	Address:	53, Manek Baug Soc. S. M. RoadAmbavadi Ahmedabad – 380 015.

Mrs. Aruna P. Kiri, aged 60, holds a Bachelors degree in Science (Chemistry). She is a Non Executive, Promoter Director of the Company.

Declaration

The Permanent Account Number, Passport Number, and Bank Account number of the promoters are being submitted to the Stock Exchange on which Equity Shares are proposed to be listed at the time of filing Red Herring Prospectus.

Relationship between the Promoters, Directors and Key Managerial Personnel

Except as stated otherwise above, there is no relation between any Promoters, Directors and Key Managerial Personnel of the Company.

Common Pursuits

The Promoters do not have common pursuits in the business of the Company, however Rudolf Kiri Chemicals Private Limited (Rudolf Kiri), a Promoter Group company is engaged in the business of trading of textiles auxiliary chemicals. Rudolf Kiri deals in trading of textiles auxiliaries and dyes intermediates while Kiri Dyes and Chemicals Ltd. deals in manufacturing of Dyes and

KIRI DYES AND CHEMICALS LIMITED

Dyes Intermediates. Rudolf Kiri is not in any way direct competition in the business segment in which Issuer operates. However, the Company may be considered to be in indirect competition with the Rudolf Kiri to the extent of selling/marketing of Dyes and Dyestuff intermediates.

Full particulars of the nature and extent of the interest, if any, of every promoter

Save as stated in this Red Herring Prospectus neither the Promoters nor the firms or companies in which they are members, have any interest in the business of the Company, except to the extent of investments made by them and their group/ investment companies in Kiri Dyes and Chemicals Ltd. and earning returns thereon and also as disclosed under Related Party Transactions mentioned on page 98 of this Red Herring Prospectus. None of the Promoters or the firms or Companies in which they are members has any interest in any property acquired by the Company within two years of the date of this Red Herring Prospectus or proposed to be acquired by it. The promoters are also interested in the Company to the extent of their shareholding, for which they are entitled to receive the dividend declared if any, by the Company.

There are no sums paid or an agreement to pay any sum to the director or promoter of the Company in cash or shares or otherwise by any person either to induce him to become or qualify him as a director or otherwise for service rendered by him or by the Company, in connection with promotion or formation of the Company. However, The Company has entered into Leave and License agreement for the registered office for a period of five years by way of Agreement dated March 14, 2007 with Pravin Kiri (HUF), subsequently by way of a supplementary agreement dated March 25, 2007 the rent has been waived for the period ending on March 31, 2007. The rent payable is at Rs. 5,000/- per month. The Lease being renewable with mutual consent.

Payment or Benefit to Promoters of the Issuer Company

Other than the salary and remuneration of the Promoter Directors, referred to in the Para titled "Compensation of Whole Time Directors" on page no 88 of this Red Herring Prospectus, and dividend, if any declared on the Equity Shares, there are no payment or benefit made to Promoters of the Company.

Related Party Transactions

The details of related party transactions are as under:

	Nature of Transaction	30-09-07	2006-07	2005-06	2004-05
<i>Amount (Rs. In Lakhs)</i>					
A. Name of the related parties :					
1. Key Managerial Personnel :					
Mr. Pravin A. Kiri	Remuneration	18.00	12.00	9.00	3.60
Mr. Manish P. Kiri	Remuneration	18.00	12.00	9.00	3.60
Mrs. Aruna P. Kiri	Remuneration	-	-	6.00	1.15
2. Directors, friends & relatives :					
<i>Mr. Pravin A. Kiri</i>					
Opening Balance		-	-	30.96	30.96
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	30.96	-
Closing Balance		-	-	-	30.96
<i>Mr. Manish P. Kiri</i>					
Opening Balance		40.25	-	2.58	2.58
Loan received during the financial year		26.25	40.25	-	-
Loan paid during the financial year		20.00	-	2.58	-
Closing Balance		46.50	40.25	-	2.58
<i>Mrs. Aruna P. Kiri</i>					
Opening Balance		-	-	0.11	0.11
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.11	-
Closing Balance		-	-	-	0.11
Ms. Amisha P. Kiri					



	Nature of Transaction	30-09-07	2006-07	2005-06	2004-05
Opening Balance		-	-	0.97	0.97
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.97	-
Closing Balance		-	-	-	0.97
<i>Mr. Mulshanker Jalal</i>					
Opening Balance		-	-	0.15	0.15
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.15	-
Closing Balance		-	-	-	0.15
<i>Mr. Vipul Kiri</i>					
Opening Balance		-	-	0.15	0.15
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.15	-
Closing Balance		-	-	-	0.15
Shri Pravin A Kiri (HUF)	Rent Paid	0.30			
3. Wholly owned subsidiary :					
<i>Investments</i>					
Kiri International USA Inc.					
Opening Balance		-	21.89	21.89	-
Investment made during the financial year		-	-	-	21.89
Investment sold during the financial year		-	21.89	-	-
Closing Balance		-	-	21.89	21.89
<i>Loan Given</i>					
Kiri International USA Inc.					
Opening Balance		10.46	10.46	10.46	10.46
Investment made during the financial year		-	-	-	-
Investment sold during the financial year		-	-	-	-
Closing Balance		10.46	10.46	10.46	10.46
3. Associate Concerns :					
Dunger Chemical Industries (Partnership firm in which Directors – Mr. Manish P. Kiri and Mr. Pravin A. Kiri were partners)	Purchase & Job work charges	-	-	-	710.39
- do -	Interest & other Income	-	-	-	9.06

However, the Company has entered into Leave and License agreement for the registered office for a period of five years by way of Agreement dated March 14, 2007 with Pravin A. Kiri (HUF), subsequently by way of a supplementary agreement dated March 25, 2007 the rent has been waived for the period ending on March 31, 2007. The rent payable is at Rs. 5,000/- per month. The Lease being renewable with mutual consent.

KIRI DYES AND CHEMICALS LIMITED

Dividend Policy

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

The Summary of dividends declared by the Company is as follows:

Particulars	As at March 31				
	2007	2006	2005	2004	2003
Number of Equity Shares (Nos. in Lakhs)	100.00	95.25	11.50	11.50	11.50
Face Value Per Share (Rs.)	10.00	10.00	10.00	10.00	10.00
Paid up Value Per Share (Rs.)	10.00	10.00	10.00	10.00	10.00
Rate of Dividend - % - Interim	-	50.00	-	-	-
Rate of Dividend - % - Final	-	-	-	-	-
Total Dividend Paid / Proposed (Rs. In Lakhs)	-	57.50	-	-	-
Corporate Dividend Tax (Rs. In Lakhs)	-	7.33	-	-	-

Note: Dividend payout was worked on number of shares held on the date of declaration of interim dividend being 11.50 lakhs Equity Shares @ Rs.5/- per share aggregating to Rs.57.50 Lakhs during the financial year 2005-06.

The amounts paid as dividend in past is not indicative of the Company's dividend policy in the future.



SECTION V: FINANCIAL INFORMATION

The Lead Managers to the issue confirm that all the notes to the accounts, significant accounting policies as well as the auditor's qualifications, if any, have been incorporated.

STANDALONE AUDITORS' REPORT

From:

V.D. Shukla & Co.

Chartered Accountants

22, Akruiti Society, Satellite Road

Ahmedabad 380 015

Dear Sirs,

- A) We have examined the annexed financial information of Kiri Dyes and Chemicals Ltd. for the five financial years from financial year ended March 31, 2003 to financial year ended March 31, 2007 and for the six months ended September 30, 2007. The Financial information is based on the accounts audited by us for the financial years ended on March 31st, 2004, 2005, 2006 and 2007 and also for the period ended on 30th September, 2007 and audited by another firm of Chartered Accountants for the financial year ended on March 31st 2003. The financial statements for the six months ended September 30, 2007 are approved by the Board of Directors of the Company for the purpose of disclosure in the Red Herring Prospectus /Prospectus being issued by the Company in connection with the Public Issue of Equity Shares of the Company (referred to as 'the issue'). These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these accounts based on our audit.
- B) In accordance with the requirements of :
- (i) Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 ('the Act');
 - (ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
 - (iii) The terms of reference received from the Company vide their letter dated 5th January, 2008 requesting us to carry out work , proposed to be included in the Red Herring Prospectus/prospectus of the Company in connection with the proposed Initial Public offer The guidance note on Reports in Company offer document and Guidance notes on Audit Report / Certificates on Financial information in offer document issued by Chartered Accountants of India (ICAI) and related matters.

In our opinion the financial information of the Company as stated above read with significant accounting policies attached in **Annexure III** to this report, after making adjustments/restatements and regroupings as considered appropriate and have been prepared in accordance with Part II of schedule II of the Act.

We have examined the following financial information relating to the Company proposed to be included in the Red Herring Prospectus/Prospectus, as approved by you and annexed to this report:

1. The restated summary statement of assets and liabilities of the Company as at March 31, 2003, 2004, 2005, 2006 and 2007 and as at 30th September, 2007 are set out in Annexure I to this report;
2. The restated summary statement of profit and loss account of the Company for the financial years ended March 31st, 2003, 2004, 2005, 2006 and 2007 and for the period ended on 30th September, 2007 are as set out in Annexure II to this report;
3. Statement of Significant Accounting Policies and Notes to the Accounts as appearing in Annexure III to this report;
4. Statement of Cash Flow as appearing in Annexure IV to this report;
5. Statement of Sundry Debtors enclosed as Annexure V to this report;
6. Details of loans and advances as appearing in Annexure VI to this report;
7. Statement of Secured Loans as appearing in Annexure VII to this report;
8. Statement of Unsecured Loans as appearing in Annexure VIII to this report;
9. Statement of Operational Income as appearing in Annexure IX to this report;
10. Statement of Other Income as appearing in Annexure X to this report;

KIRI DYES AND CHEMICALS LIMITED

11. Details of Contingent Liabilities as appearing in Annexure XI to this report;
12. Statement of Financial Ratios as appearing in Annexure XII to this Report;
13. Capitalisation Statement as at September 30th, 2007 as appearing in Annexure XIII to this report;
14. Statement of Tax Shelters as appearing in Annexure XIV to this report
15. Statement of investments at the end of above mentioned period is enclosed as per Annexure XV;
16. Statement of Dividend paid by the Company as appearing in Annexure XVI to this report;
17. Detail of transaction with the related parties (Related parties with in the meaning of AS 18 issued by ICAI) enclosed as per Annexure XVII;

There has been no change in accounting policies in the concerned years/period except as reported.

- C) This report is intended solely for your information and for inclusion in the Red Herring Prospectus/ Prospectus in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **V. D. SHUKLA & CO.**
CHARTERED ACCOUNTANTS

Sd/-

V. D. Shukla
Proprietor
Membership No. 36416

Place: Ahmedabad

Dated: 12.01.2008



ANNEXURE I

STANDALONE SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Amount Rs. in Lakhs)							
SR. NO.	PARTICULARS	30 th Sept.	AS AT 31, MARCH				
			2007	2007	2006	2005	2004
A	FIXED ASSETS:						
	Gross Block	5086.21	4,082.26	2,105.68	1,076.78	945.44	714.34
	Less : Depreciation	(490.99)	(386.67)	(260.04)	(206.62)	(162.44)	(119.40)
	Net Block	4595.22	3,695.59	1,845.64	870.16	783.00	594.94
B	INVESTMENTS	10.00	-	21.89	21.89	-	-
C	CURRENT ASSETS, LOANS & ADVANCES						
	Inventories	4026.15	2,916.79	1,920.50	1,821.53	1,507.57	1,142.65
	Sundry Debtors	2707.85	3,242.09	2,745.12	1,913.45	1,795.39	897.73
	Cash & Bank Balances	349.52	167.78	194.61	276.91	155.59	172.61
	Loans & Advances	1007.96	839.90	432.27	452.71	533.30	706.37
	Total (C)	8,091.48	7,166.56	5,292.50	4,464.60	3,991.85	2,919.36
D	LIABILITIES & PROVISIONS :						
	Secured Loans	5,802.06	5,926.81	3,593.45	1,927.22	1,932.97	924.46
	Unsecured Loans	46.50	40.25	-	36.83	36.83	36.18
	Current Liabilities & Provisions	2,323.41	1,422.58	1,011.87	1,548.88	1,282.96	1,270.59
	Deferred Tax Liability	124.50	86.00	68.00	58.00	48.00	40.00
	Total (D)	8,296.47	7,475.64	4,673.32	3,570.93	3,300.76	2,271.23
E	NET WORTH (A+B+C-D)	4,400.23	3,386.51	2,486.71	1,785.72	1,474.09	1,243.07
F	REPRESENTED BY :						
	Equity Share Capital	1,000.00	1,000.00	952.50	115.00	115.00	115.00
	Share Application Money	157.37	-	-	-	-	-
	Reserves & Surplus	3,290.25	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50
	Total (E)	4,447.62	3,399.97	2,489.24	1,786.03	1,474.46	1,243.50
G	MISC EXPENDITURE (to the extent not written off)	(47.39)	(13.46)	(2.53)	(0.31)	(0.37)	(0.43)
H	NET WORTH (F-G)	4,400.23	3,386.51	2,486.71	1,785.72	1,474.09	1,243.07

Note : (a) The Gross Block of Fixed Assets increased to Rs.4082.26 Lakhs for the financial year ended on March 31, 2007 as against Rs.2105.68 lakhs in the financial year ended on March 31, 2006. The sharp increase in the fixed assets is on account of setting up of manufacturing facilities for Vinyl Sulphone and H-Acid at Padra Plant of the Company at Village Dudhavada, Taluka Padra, District Vadodara.

(b) The Gross Block of Fixed Assets increased to Rs. 2105.68 lakhs for the financial year ended March 31, 2006 as against Rs. 1076.78 lakhs in financial year ended March 31, 2005. The addition of fixed assets was necessary on account of setting up manufacturing facilities for Vinyl Sulphone and H-Acid at Padra plant of the Company at Padra, district Vadodara.

KIRI DYES AND CHEMICALS LIMITED

ANNEXURE II

STANDALONE SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Amount Rs. in Lakhs)							
SR. NO.	PARTICULARS	30 th Sept.	FOR THE YEAR ENDED ON 31st MARCH				
			2007	2007	2006	2005	2004
A	INCOME :						
	<i>Operating Income :</i>						
	Export Sales	4,856.70	8,855.12	5,120.43	4,628.30	6,304.63	7,902.09
	Domestic Sales	4,745.89	4,487.32	3,997.04	2,220.23	529.09	73.84
	Export Incentives	99.15	33.57	30.15	378.84	999.53	1,114.49
	Total Operating Income	9,701.74	13,376.01	9,147.62	7,227.37	7,833.25	9,090.42
	Other Income	34.70	26.13	111.39	91.90	71.45	49.57
	Increase/Decrease in Inventories	720.82	598.69	419.79	318.94	(46.12)	160.68
	TOTAL (A)	10,457.26	14,000.83	9,678.80	7,638.21	7,858.58	9,300.67
B	EXPENDITURE :						
	Manufacturing Expenses	8,452.19	11,745.08	8,368.57	6,544.82	6,655.64	7,681.65
	Employee's Emoluments	94.84	120.29	77.83	57.80	54.62	53.17
	Administrative Expenses	83.10	113.21	162.44	145.35	106.96	102.23
	Selling & Distribution Expenses	257.82	460.79	292.73	276.35	492.81	734.73
	Depreciation	108.55	126.63	56.20	44.13	43.10	41.14
	Financial Charges	464.93	514.78	234.49	232.63	244.43	241.80
	Misc. Exp. Written off	2.05	0.32	0.25	0.06	0.06	0.06
	TOTAL (B)	9,463.48	13,081.10	9,192.51	7,301.14	7,597.62	8,854.78
C	PROFIT BEFORE TAX (A-B)	993.78	919.73	486.29	337.07	260.96	445.89
	Provision for Taxation						
	- Current Tax	65.00	38.50	28.25	15.50	22.00	30.00
	- Deferred Tax	38.50	18.00	10.00	10.00	8.00	10.00
D	NET PROFIT AFTER TAX	890.28	863.23	448.04	311.57	230.96	405.89
E	BROUGHT FORWARD PROFIT FROM PREVIOUS YEAR	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50	752.61
	Less : Deferred Tax Liability of Past Year	-	-	-	-	-	(30.00)
F	PROFIT AVAILABLE FOR APPROPRIATION (D+E)	3,290.25	2,399.97	2,119.07	1,671.03	1,359.46	1,128.50
	<i>LESS : APPROPRIATIONS :</i>						
	Interim Dividend	-	-	57.50	-	-	-
	Tax on Interim Dividend	-	-	7.33	-	-	-
	Capitalised for Bonus Issue	-	-	517.50	-	-	-
G	Balance Carried to Balance Sheet	3,290.25	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50



ANNEXURE III

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO AND FORMING PART OF THE ACCOUNTS FOR RESTATED FINANCIAL STATEMENTS

A) SIGNIFICANT ACCOUNTING POLICIES:

- 1) **Convention:**The financial statements are prepared under the historical cost convention in accordance with the applicable accounting standards and requirements of the Companies Act, 1956.
- 2) **Disclosure of Accounting Policies (AS – 1) :**The accounts are maintained on accrual basis as a going concern.
- 3) **Valuation of Inventories (AS – 2) :**The inventories are valued as under:
 - a. Raw materials are valued at cost of including excise duty and other taxes.
 - b. Work in process is valued at lower of cost or market value. Material lying on shop Floor and awaiting packing and sending in bonded warehouse have been treated as work-in-process.
 - c. Finished goods are valued at lower of cost or market value.
 - d. Stock of packing materials is valued at lower of cost or market value.
 - e. Stock of fuel is valued lower of cost or market value.
 - f. Valuation of Inventory is done with accordance of Accounting Standard-2 on “Valuation of Inventories” issued by ICAI from financial year 2006-07 and deviation from earlier policy of valuation of inventories as per Income Tax Act till financial year 2005-06. Due to this change there is an understatement of profit to the extent of Rs.35.14 Lakhs in financial year 2005-06. In earlier years Valuation of Inventory was not done following the directions given in the Accounting Standard-2 on “Valuation of Inventories” issued by ICAI. However, the same has no material impact on the profit of the Company.
- 4) **Cash flow statements (AS – 3) :**The cash flow statements are prepared on “indirect method”.
- 5) **Contingencies and events occurring after the date of Balance Sheet (AS – 4) :**In the opinion of the management, there is no probability that future events will confirm that an asset has been impaired or a liability has occurred as at the date of Balance Sheet and therefore the same has not been provided.
- 6) **Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies (AS – 5) :**Appropriate adjustments have been made in the restated accounts in conformity with the standard.
- 7) **Depreciation Accounting (AS – 6) :**
 - i) Depreciation has been provided on straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956
 - ii) Depreciation in respect of assets acquired during the period whose actual cost does not exceed Rs. 5000/- has been provided at 100%.
- 8) **Construction Contracts (AS – 7) :**This standard is not applicable to the Company.
- 9) **Revenue Recognition (AS – 9) :**Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates and Value Added Tax. Export incentives are recorded on cash basis. Income from services rendered is booked based on completion of rendering of services. Interest income is booked on a time proportion basis, taking into account the amounts invested and the rate of interest. The revenue is accounted on a going concern basis.
- 10) **Accounting for Fixed Assets (AS – 10) :**
 - i) Fixed Assets are stated at cost of acquisition and subsequent improvements including taxes, freight and other incidental expenses related to acquisition, installation and foundation less accumulated depreciation.
- 11) **Accounting for effects of changes in foreign exchange rates (AS – 11) :**All export proceeds not realized at year end are restated at the exchange rate prevailing at the year end. The exchange rate difference arising there from has been recognized as income or expense in the current year’s Profit and Loss account.Foreign currency translations of revenue nature are translated into Indian Rupees at the exchange rate prevailing on the date of financial transactions.
- 12) **Accounting for Government Grants (AS – 12) :**This standard is not applicable to the Company.
- 13) **Accounting for Investments (AS – 13) :**Investments are stated at Cost.
- 14) **Accounting for Amalgamations (AS – 14) :**This standard is not applicable to the Company.

KIRI DYES AND CHEMICALS LIMITED

15) Accounting for Retirement Benefits (AS – 15):

- i) Contributions to employees Provident Fund remitted to statutory authority are charged to revenue.
- ii) Liability on leave encashment to employees are provided on accrual basis.
- iii) The Company has made arrangement with Life Insurance Corporation of India for covering gratuity liability that for past services as well.

16) Borrowing Cost (AS – 16) :The borrowing costs have been treated in accordance with Accounting Standard on Borrowing Cost (AS - 16) issued by the Institute of Chartered Accountants of India.

17) Segment Reporting (AS – 17) :

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company in accordance with the requirements of the standard issued by the Institute of Chartered Accountants of India.

The geographical segments have been identified and revenue relating to the segments has been given as follows.

(Amount Rs. in Lakhs)

	Domestic	Overseas	Export Incentives	Total
Six months ended 30.09.2007	4745.89	4856.70	99.15	9701.74
2006-07	4487.32	8855.12	33.57	13376.01
2005-06	3997.04	5120.43	30.15	9147.62
2004-05	2220.23	4628.30	378.84	7227.37
2003-04	529.09	6304.63	999.53	7833.25
2002-03	73.84	7902.09	1114.49	9090.42

18) Related Party Disclosure (AS – 18) :

Disclosure is made as per the requirement of the standard.

19) Leases (AS – 19) :

This standard is not applicable to the Company.

20) Earning Per Share (AS – 20) :

The Company has reported basic Earning Per Share (EPS) in accordance with the standard.

21) Consolidated Financial Statements (AS – 21) :

The Company has reported Consolidated Financial Statements, wherever applicable, in accordance with the standard.

22) Accounting for Taxes on Income (AS – 22) :

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax resulting from "timing difference" between taxable incomes and accounting income is accounted for, using the tax rates and tax laws that have been enacted or substantially enacted as on the Balance Sheet date. Provision for fringe benefit tax is made at Applicable rate on the expenditure and the extent to which they qualify as fringe benefit.

23) Accounting for investments in associates (AS – 23) :

Disclosure is made as per the requirement of the standard.

24) Discontinuing Operations (AS – 24) :

The standard is not applicable to the Company.

25) Interim Financial Reporting (AS – 25) :

Interim financial reports including Balance Sheet, Profit & Loss Accounts and Cash Flow Statements have been reported by the Company in conformity with the standard.

26) Intangible Assets (AS – 26) :

Preliminary expenses have been written off in ten equal installments.



27) Financial Reporting of Interests in Joint Ventures (AS – 27) :

The standard is not applicable to the Company.

28) Impairment of Assets (AS – 28) :

The management assesses the impairment of assets and there being no impairment losses, the same is not recognized.

29) Provisions, Contingent Liabilities and Contingent Assets (AS – 29) :

Contingent Liabilities being a possible obligation as a result of past events the existence of which will be confirmed by the occurrence or non-occurrence of one or more future events not wholly in the control of the company. Contingent Liabilities are not recognized in the accounts. Further the nature of such liabilities, an estimate of its financial effect, etc. is disclosed as a part of Notes to Accounts.

(c) Notes to and forming part of Accounts:

1. Figures for the period ended September 30, 2007 and years ended March 31, 2003 to March 31, 2007 are taken from books of accounts and as per accounts approved by Board of Directors of the Company.

2. Auditors Remuneration:		Amount (Rs. in Lakhs)	
Particulars	Current Period	Previous Year	
Audit Fees	1.00	1.15	
Income Tax Matter Fees	-	0.50	
Other services	-	0.35	

3.	Earning Per Share :	For the period ended	FOR THE YEAR ENDED ON 31st MARCH				
			30.09.2007	2007	2006	2005	2004
	Face value per share (Rs.10/-)						
(A)	Weighted average number of equity shares						
1	Number of Equity Shares at the beginning of the year	10000000	9525000	6325000	6325000	6325000	6325000
2	Number of Equity Shares at the end of the year	10000000	10000000	9525000	6325000	6325000	6325000
3	Weighted average number of equity shares outstanding during the year	10000000	9871164	6600342	6325000	6325000	6325000
(B)	Net profit after tax available for Equity Shareholders (Amount Rs. in Lakhs)	890.28	863.23	448.04	311.57	230.96	405.89
(C)	Basic earning per share (Amount in Rs.)	8.90	8.75	6.79	4.93	3.65	6.42

Note:(i)

The number of equity shares stated above for the financial years 2003, 2004, 2005 and 2006 have been stated after making required adjustments as per Accounting Standard AS-20 with regard to Bonus issue made in FY 2005-06.(ii) Earning per Share (EPS) = Net Profit / Weighted Number of Outstanding Shares

KIRI DYES AND CHEMICALS LIMITED

4. Deferred Tax:

(Rupees in Lakhs)

Deferred Tax Liability/(Assets)	For the	FOR THE YEAR ENDED ON 31st MARCH				
	Period ended	2007	2006	2005	2004	2003
	30.09.2007					
On account of Depreciation Items	38.27	17.64	9.77	9.44	7.58	9.61
Depreciation of earlier period	-	-	-	-	-	29.96
Disallowed under the I. T. Act.	0.21	0.50	0.24	1.21	0.53	0.40
Total Deferred Tax Liability / (Assets) as on balance sheet date	38.48	18.14	10.01	10.65	8.11	39.97
Rounded off to	38.50	18.00	10.00	10.00	8.00	40.00
Add / Less :- Opening Balance of deferred tax Liability Debited/(Credited) in Profit & Loss A/c & Loss A/c	86.00	68.00	58.00	48.00	40.00	0.00
Closing Balance of deferred Tax Liability debited / (Credited) in Profit & Loss A/c	124.50	86.00	68.00	58.00	48.00	40.00

5. Inclusive list of the names of the small scale undertakings to which the Company owes a sum exceeding Rs. 1 Lakh and which is outstanding for more than 30 days as on 30th September, 2007 is as follows:

Sr. No.	Name	Amount (Rs. in Lakhs)
1	Siddhi Corporation	21.42
2	Jay Organics	2.05
3	Baroda Ice Factory	2.18
4	J. M. Enterprise	15.32
5	Shiv Ice Factory	5.99
6	Rohan Dyes & Intermediates Ltd.	26.94
7	Abhinav Industries	5.16
8	Navrang Industries	19.54
9	Shree Krishna Ice & Cold Storage	15.27
10	Hind Prakash International P. Ltd.	11.52
11	Bapa Sitaram Ice Factory	5.24
12	Ravi Chemical Industries – Chhtral	7.06
13	Shree Craft	52.79
14	Shree Hari Chemicals Exports Ltd.	72.17
15	Vapi Acid & Chemical Co.	18.64
16	Parth Enterprise	7.46
17	Panoli Intermediates (India) Pvt. Ltd.	178.03
18	Dhanlaxmi Industries	2.71
	TOTAL	469.49



6. (a) The reconciliation of restated accounts that with audited accounts is on account of prior period expenses on sales tax for Financial year 2001-02 and 2002-03 of Rs.3.43 Lakhs and Rs.0.50 Lakhs respectively and also the short fall in Miscellaneous Expenditure written off being Rs.0.06 Lakhs for Financial year 2006-07.

Statement showing increase in Current Liabilities

<u>Financial Year</u>	<u>Rs. in Lakhs</u>
2002-03 (carried forward till F.Y.2006-07)	3.93

Statement showing decrease in Reserves and Surplus

<u>Financial Year</u>	<u>Rs. in Lakhs</u>
2002-03 (carried forward till F.Y.2006-07)	3.93

Statement showing increase in Miscellaneous Expenditure Written off

<u>Financial Year</u>	<u>Rs. in Lakhs</u>
2006-07	0.06

Statement showing decrease in Miscellaneous Expenditure (to the extent not written off)

<u>Financial Year</u>	<u>Rs. in Lakhs</u>
2006-07	0.06

- (b) The reconciliation of restated accounts that with audited accounts is on account of prior period expenses on provision for retirement benefit in the audited accounts for the financial year 2006-07 for Rs.21.09 lakhs which is restated by increasing administration expenses and increasing current liabilities as follows:

Statement showing increase in administration expenses

Financial Year	Rs. in Lakhs
2005-06	11.81
2004-05	4.36
2003-04	2.79
2002-03	2.13
Total	21.09

Statement showing increase in current liabilities

Financial Year	Rs. in Lakhs
2005-06	11.81
2004-05	4.36
2003-04	2.79
2002-03	2.13
Total	21.09

KIRI DYES AND CHEMICALS LIMITED

**ANNEXURE IV
STATEMENT OF CASH FLOWS**

(Amount Rs. in Lakhs)							
SR. NO.	PARTICULARS	30 th Sept.	FOR THE YEAR ENDED ON 31st MARCH				
			2007	2007	2006	2005	2004
A	Cash flow from Operating Activities						
	Net Profit / (Loss) before tax	993.78	919.73	486.29	337.07	260.96	445.89
	Adjustment for :						
	Depreciation & Amortization	108.55	126.63	56.20	44.13	43.10	41.14
	Interest & Dividend Income	(16.03)	(6.77)	(11.35)	(14.62)	(10.26)	(10.23)
	Interest charged to P & L	464.93	514.77	234.49	232.63	244.43	241.80
	Miscellaneous Expenditure (Amortised)	2.05	0.32	0.25	0.06	0.06	0.06
	Profit /(Loss) on Sale of Investment	0.00	-	2.07	-	-	-
	Loss on Sale of Assets	0.00	-	-	-	-	-
	Operating Profit before working capital changes (I)	1,553.28	1,554.68	767.95	599.27	538.29	718.66
	Changes in Inventories	1,109.36	996.29	98.98	313.96	364.92	148.89
	Changes in Sundry Debtors	(534.25)	496.97	831.68	118.06	897.66	(39.46)
	Changes on Loans & Advances	168.06	407.63	(20.45)	(80.59)	(173.07)	211.32
	Changes in Current Liabilities & Provisions	(900.97)	(410.71)	537.01	(265.92)	(12.37)	115.69
	Changes in Deferred Tax Liability	(38.50)	(18.00)	(10.00)	(10.00)	(8.00)	(10.00)
	Total Changes in Working Capital (II)	(196.30)	1,472.18	1,437.22	75.51	1,069.14	426.44
	Cash Generated from Operations (I - II)	1,749.58	82.50	(669.27)	523.76	(530.85)	292.22
	Income Tax (paid) / refunded	(103.50)	(56.50)	(38.25)	(25.50)	(30.00)	(40.00)
	Interest Paid	(464.93)	(514.77)	(234.49)	(232.63)	(244.43)	(241.80)
	Net Cash from Operating Activities A	1,181.15	(488.77)	(942.01)	265.63	(805.28)	10.42
B	Cash Flow from Investing Activities						
	Purchase of Fixed Assets	(1,003.95)	(1,976.58)	(1,036.46)	(131.34)	(231.10)	(128.50)
	Sales of Fixed Assets		-	2.70	-	-	-
	(Purchase) / Sales of Investments		21.89	-	(21.89)	-	0.54
	Profit /(Loss) on Sale of Investment	(10.00)					
	Misc. Expenditure incurred during the Yr.	(35.99)	(11.24)	(2.47)	-	-	-
	Interest and Dividend Income	16.03	6.77	11.35	14.62	10.26	10.23
	Net Cash from Investing Activities B	(1,033.91)	(1,959.16)	(1,024.88)	(138.61)	(220.84)	(117.73)



(Amount Rs. in Lakhs)								
SR. NO.	PARTICULARS	30 th Sept.	FOR THE YEAR ENDED ON 31st MARCH					
			2007	2007	2006	2005	2004	2003
C	Cash Flow from Financing Activities							
	Increase in Capital	0.00	47.50	320.00	-	-	-	-
	Share Application Money	157.37	-	-	-	-	-	-
	Proceeds from Long term Borrowings	0.00	1,029.15	567.81	-	-	-	77.75
	Proceeds from unsecured loans	26.25	74.75	-	40.63	0.66	-	-
	Mortgage Loan	136.96	11.11	9.40	1.58	14.26	-	5.77
	Loan against F.D.	0.00	-	-	-	-	-	41.78
	Increase in working capital loans	(65.05)	1,403.09	1,162.68	34.87	1,055.62	-	95.24
	Repayment of term loans	(171.34)	(110.00)	(72.67)	(71.26)	(10.89)	-	(30.00)
	Repayment of loan against F.D.	0.00	-	-	-	(41.80)	-	-
	Repayment of mortgage Loans	(29.69)	(34.50)	(8.30)	(11.52)	(8.75)	-	(5.75)
	Repayment of Unsecured loans	(20.00)	-	(36.83)	-	-	-	(0.24)
	Payment of Dividend	0.00	-	(57.50)	-	-	-	-
	Net Cash from Financing Activities C	34.50	2,421.10	1,884.59	(5.70)	1,009.10	-	184.55
	Net Change in Cash (A+B+C)	181.74	(26.83)	(82.30)	121.32	(17.02)	-	77.24
	Cash & Bank Balance at the beginning of the year	167.78	194.61	276.91	155.59	172.61	-	95.37
	Cash & Bank Balance at the end of the year	349.52	167.78	194.61	276.91	155.59	-	172.61

ANNEXURE V
AGE-WISE ANALYSIS OF SUNDRY DEBTORS

(Amount Rs. in Lakhs)

PARTICULARS	As At					
	30-09-07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
More than Six Months	-	-	-	-	-	-
Receivable from Promoter Group	-	-	-	-	-	-
Receivable from others	114.23	47.86	22.05	23.38	69.34	54.96
Less than Six Months	-	-	-	-	-	-
Receivable from Promoter Group	-	-	-	-	-	-
Receivable from others	2,593.62	3,194.23	2,723.07	1,890.07	1,726.05	842.77
Total	2,707.85	3,242.09	2,745.12	1,913.45	1,795.39	897.73

Note : There was increase in the sundry Debtors from Rs 897.73 lakhs as on 31.03.2003 to Rs 1795.39 lakhs as on 31.03.2004. This is because the domestic sales in the last quarter ended on 31.03.2004 increased significantly This was in addition to the market conditions prevailing that time, in order to register sales, the Company was required to extend more credit .However none of the debtors were directly or indirectly connected with the Company, its promoters, directors or group companies.

KIRI DYES AND CHEMICALS LIMITED

ANNEXURE VI DETAILS OF LOANS & ADVANCES

(Amount Rs. In Lakhs)

	As At					
	30-09-07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
Advances recoverable in cash or kind or for value to be received						
From Promoter Group	-	10.46	10.46	10.46	-	-
From Others	397.33	345.96	278.94	414.24	517.13	693.24
Balance with Govt. Authorities	610.63	483.48	142.87	28.01	16.17	13.13
Total	1,007.96	839.90	432.27	452.71	533.30	706.37

ANNEXURE VII STATEMENT OF SECURED LOANS

(Amount Rs. in Lakhs)

PARTICULARS	As At					
	30-09-07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
<i>From Banks :</i>						
Term Loans :						
- State Bank India	571.34	459.40	269.70	78.61	109.23	868.58
- Oriental Bank Commerce	328.98	369.38	-	-	-	-
- Bank Of India	428.77	671.45	311.38	-	-	-
	1,329.09	1,500.23	581.08	78.61	109.23	868.58
Working Capital :						
- State Bank India	3159.88	2,871.85	2,294.20	1,839.55	1,804.67	42.32
- Oriental Bank Commerce	768.65	728.54	411.11	-	-	-
- Bank Of India	411.72	804.92	296.90	-	-	-
	4,340.25	4,405.31	3,002.21	1,839.55	1,804.67	42.32
Other Loans :						
- ICICI Bank Ltd	46.30	14.23	9.74	5.28	8.61	-
- Kotak Mahindra Bank Ltd.	34.28	7.04	0.42	1.97	3.38	-
- HDFC Bank Ltd.	52.14	-	-	1.76	5.32	9.63
- ABN AMRO Bank	-	-	-	0.05	1.76	3.93
	132.72	21.27	10.16	9.06	19.07	13.56
Total	5,802.06	5,926.81	3,593.45	1,927.22	1,932.97	924.46



Notes:

1. BANK OF INDIA

Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Repayment	Interest	Security	Personal Guarantee
Working capital :				First pari passu charge by way of Hypothecation of all chargeable current assets of the Company	of Directors : 1) Mr. Pravin A. Kiri 2) Mr. Manish P. Kiri and 3) Mrs. Aruna P. Kiri
Cash Credit	100.00	-	1.5% above BPLR presently 13 % p.a.		
Export Packing Credit / Packing Credit in Foreign Currency	200.00	-	As applicable to exporter's Gold Card. At present 9% p.a.		
Foreign Bills Discounting	200.00	-	As applicable to exporter's Gold Card. At present 9% p.a.		
(Maximum Working Capital)	450.00				
Term Loan	700.00	Repayable at 60 monthly installment w.e.f. November 2006	2% above BPLR presently 13.50 % p.a.	First Pari passu charge over Fixed assets of the Company	
Letter of credit	200.00		-	Bank's TDR	

2. ORIENTAL BANK OF COMMERCE

Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Repayment	Interest	Security	Personal Guarantee
Cash Credit	100.00	-	1.50% PLR at present comes out to 13.25% p.a.	Hypothecation of stock and receivable on pari passu basis with member banks	of Directors : 1) Mr. Pravin A. Kiri 2) Mr. Manish P. Kiri and 3) Mrs. Aruna P. Kiri
Foreign Documentary Bill Purchase	300.00	-	As per RBI / HO directives. At present 8.75 % p.a.		
Packing credit	200.00	-	As per RBI / HO directives. At present 8.75 % p.a.		
Letter of credit	150.00	-	-	Document of title of goods in case of L/C on D. P Basis Hypothecation of goods in case of LC on DA basis	
Term Loan	400.00	Repayable at 60 monthly installment w.e.f. November 2006	1.50% over PLR i.e. 13.25 % p.a.	First charge over Fixed assets of the Company ranking Pari passu with other participating banks	

KIRI DYES AND CHEMICALS LIMITED

3. STATE BANK OF INDIA

Nature of Borrowing	Amount Sanctioned (Rs. in Lakhs)	Repayment	Interest	Security	Personal Guarantee
Cash Credit	450.00	-	As per Credit rating SB-3 presently 13% p.a.	Hypothecation of all chargeable current assets of the Company	of Directors : 1) Mr. Pravin A. Kiri 2) Mr. Manish P. Kiri and 3) Mrs. Aruna P. Kiri
Export Packing Credit	1500.00	-	As per Credit rating SB-3 presently 8.50% p.a.		
Foreign Bills discounting	2950.00	-	As per Credit rating SB-3 presently 8.50% p.a.		
Term Loan	500.00		As per Credit rating SB-3 presently 12.25%	First charge over fixed assets of the Company ranking pari passu with BankC of India and Oriental Bank of Commerce	
Letter of credit	1150.00	-	-		
Bank Guarantee	50.00	-	-		

(4) Other Loans are secured against hypothecation of Vehicle and small movable equipments.

ANNEXURE VII

STATEMENT OF UNSECURED LOANS

(Amount Rs. in Lakhs)

PARTICULARS	As At					
	30-09-07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
From Directors/Promoters & their relatives	-	-	-	-	-	-
Pravin A. Kiri		-	-	30.96	30.96	32.73
Aruna P. Kiri		-	-	0.11	0.11	0.21
Manish P. Kiri	46.50	40.25	-	2.58	2.58	0.06
Amisha P. Kiri		-	-	0.97	0.97	0.97
Mulshanker Jalal		-	-	0.15	0.15	0.15
Vipul Kiri		-	-	0.15	0.15	0.15
Total (A)	46.50	40.25	-	34.92	34.92	34.27
From Shareholders	-					
Pravin A. Kiri H.U.F.		-	-	1.91	1.91	1.91
Total (B)	-	-	-	1.91	1.91	1.91
Total (A + B)	46.50	40.25	-	36.83	36.83	36.18

Note: The above unsecured loans are interest free and shall be repayable at any time on demand.



ANNEXURE IX
STATEMENT OF OPERATIONAL INCOME

(Amount Rs. in Lakhs)

PARTICULARS	For the period ended	FOR THE YEAR ENDED ON 31st MARCH				
		30-09-07	2007	2006	2005	2004
Recurring Income						
Export Sales	4,856.70	8,855.12	5,120.43	4,628.30	6,304.63	7,902.09
Domestic Sales	4,745.89	4,487.32	3,997.04	2,220.23	529.09	73.84
Export Incentives	99.15	33.57	30.15	378.84	999.53	1,114.49
Non-Recurring Income	-	-	-	-	-	-
Total	9,701.74	13,376.01	9,147.62	7,227.37	7,833.25	9,090.42

ANNEXURE X
STATEMENT OF OTHER INCOME

(Amount Rs. in Lakhs)

PARTICULARS	For the period ended	FOR THE YEAR ENDED ON 31st MARCH				
		30-09-07	2007	2006	2005	2004
Recurring Income	-					
Exchange Rate Diff.	-	0.99	11.51	1.82	7.11	4.23
Vatav Kasar	12.34	5.14	-	35.82	37.67	1.76
Sales Tax Refund	-	0.27	-	14.34	5.79	0.17
Discount Income	-	-	-	15.82	10.62	32.92
Scrap Sales	2.41	0.34	4.51	2.82	-	-
Bank Interest	16.03	6.77	11.35	14.41	6.74	10.13
Job Work Income	-	-	4.80	-	-	-
<i>Sub Total (A)</i>	<i>30.78</i>	<i>13.51</i>	<i>32.17</i>	<i>85.03</i>	<i>67.93</i>	<i>49.21</i>
Non-Recurring Income	-					
Sales Commission	-	-	-	6.65	-	-
E.C.G.C Claim Income	-	12.62	-	-	-	0.26
Excess Provision of Income Tax Written back	-	-	38.61	-	-	-
Sundry Credit Balances written back	-	-	40.61	-	-	-
Other Interest	3.92	-	-	0.22	3.52	0.10
<i>Sub Total (B)</i>	<i>3.92</i>	<i>12.62</i>	<i>79.22</i>	<i>6.87</i>	<i>3.52</i>	<i>0.36</i>
TOTAL (A+B)	34.70	26.13	111.39	91.90	71.45	49.57

KIRI DYES AND CHEMICALS LIMITED

ANNEXURE XI STATEMENT OF CONTINGENT LIABILITIES

(Amount Rs. in Lakhs)

PARTICULARS	As At					
	30-09-07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
Guarantee Given by Banks on behalf of the Company for various purposes	34.50	34.25	24.25	24.25	1.75	1.75
Outstanding L/C	633.68	315.40	407.87	567.01	427.99	-
Disputed Income Tax matters	34.98	34.98	228.14	20.75	99.45	-
Estimate amount of contracts remaining to be executed	139.56	107.00	1,110.00	265.53	32.50	-
Export Obligation	6872.75	66.67	41.09	36.68	48.58	61.26
Total	7715.47	558.30	1811.35	914.22	610.27	63.01

ANNEXURE XII STATEMENT OF FINANCIAL RATIOS

PARTICULARS	For the period ended	FOR THE YEAR ENDED ON 31st MARCH				
		30-09-07	2007	2006	2005	2004
Weighted Average number of equity shares Outstanding during the year / period	10000000	9871164	6600342	6325000	6325000	6325000
EPS (Rs.)	8.90	8.75	6.79	4.93	3.65	6.42
Return on Net Worth (%)	20.98	25.49	17.99	17.41	15.63	32.55
NAV per Equity Share (Rs.)	42.43	33.86	26.37	28.29	23.37	19.72

Note:

(1) The ratio's have been computed as under:

- (a) Earning Per Share (Rs.) = $\frac{\text{Net Profit attributable to Equity Shareholders}}{\text{Weighted Average No. of Equity Share outstanding during the year}}$
- (b) Return On Net Worth (%) = $\frac{\text{Net Profit After Tax}}{\text{Net Worth at the end of the period}}$
- (c) Net Asset Value per Share (Rs.) = $\frac{\text{Shareholders' Funds} - \text{Misc. Expenditure} - \text{Share Application Money}}{\text{Equity Shares outstanding at the end of the period}}$
Average of opening and closing outstanding of equity shares every year has been taken for calculating Weighted Average No. of Equity Share outstanding at the beginning and end of the year



ANNEXURE XIII
CAPITALISATION STATEMENT

(Amount Rs. in Lakhs)

Particulars	Pre Issue	Post Issue
	As at 30-09-07	Estimates*
DEBT		
Short Term Debt	4,519.47	[●]
Long Term Debt	1,329.09	[●]
TOTAL DEBT	5,848.56	[●]
SHAREHOLDER'S FUNDS		
Share Capital	1,000.00	[●]
Share Application Money	157.37	
Reserve & Surplus	3,290.25	[●]
Less : Misc Expenditures not Written off	-47.39	[●]
Total Shareholders' Funds	4,400.23	[●]
Debt / Equity	1.33	[●]

Debt / Equity = Total Debts / Equity Capital

Note: *The Post Issue Capitalisation can not be determined till the completion of the book building process. The Equity Share Capital and Reserves and Surplus (Post – Issue) can be calculated only on finalization of issue price.

ANNEXURE XIV
TAX SHELTER STATEMENT

(Amount Rs. in Lakhs)

PARTICULARS	As At					
	30-09-07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
Profit Before Tax as per Books	993.78	919.76	486.29	337.07	260.96	445.89
Total Tax Rate (%)	33.99%	33.99%	33.66%	36.60%	35.88%	36.75%
Tax at actual rate on book profits	337.79	312.63	163.69	123.37	93.63	163.86
Export Profits	630.63	492.54	347.53	248.23	194.92	378.29
Difference between tax depreciation and Book depreciation	176.76	350.43	155.88	65.69	60.05	34.69
Other Adjustments		(7.08)	(19.05)	(8.57)	(4.28)	3.74
Net Adjustments	807.39	835.89	484.36	305.35	250.69	416.72
Total Saving thereon	274.43	284.12	163.04	111.76	89.95	153.14
Tax as per Income Tax Return	63.35 *	28.51	0.65	11.61	3.68	10.72

* Tax liability has been worked out on estimated basis for the period six months ended on September, 2007, as Income Tax Return has to file for complete financial year ended March, 2008.

KIRI DYES AND CHEMICALS LIMITED

ANNEXURE XV STATEMENT OF INVESTMENTS

(Amount Rs. in Lakhs)

PARTICULARS	As At	AS AT 31 ST MARCH				
	30-09-07	2007	2006	2005	2004	2003
Unquoted Investment						
In Wholly owned Subsidiary						
100 Preference Share of \$500.00 each fully paid up in Kiri International USA Inc.	-	-	21.89	21.89	-	-
Others :						
100000 Units of Rs. 10 each fully paid up in SBI Infrastructure Fund	10.00					
Total Aggregate Book Value of Unquoted Investment	10.00	-	21.89	21.89	-	-

Note : There were no quoted investments held by the Company as at September 30, 2007

The Company divested its entire stake at par on and from the opening business hours of 01/04/2006. Therefore, the consolidation of accounts for FY 2006-07 has not been done.

ANNEXURE XVI STATEMENT OF DIVIDEND PAID

(Amount Rs. in Lakhs)

PARTICULARS	As At	AS AT 31 ST MARCH				
	30-09-07	2007	2006	2005	2004	2003
Number of Equity Shares (Nos. in Lakhs)	100.00	100.00	95.25	11.50	11.50	11.50
Face Value Per Share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Paid up Value Per Share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Rate of Dividend - %	-	-	50.00%	-	-	-
Total Dividend Paid / Proposed (Rs. In Lakhs)	-	-	57.50	-	-	-
Corporate Dividend Tax (Rs. In Lakhs)	-	-	7.33	-	-	-

Note: Dividend payout was worked on number of shares held on the date of declaration of interim dividend being 11.50 lakhs Equity Shares @ Rs.5/- per share aggregating to Rs.57.50 Lakhs during the financial year 2005-06.



ANNEXURE XVII
RELATED PARTY TRANSACTIONS

(Amount Rs. in Lakhs)

Nature of Transaction		30-09-07	2006-07	2005-06	2004-05
A. Name of the related parties :					
1. Key Managerial Personnel :					
Mr. Pravin A. Kiri	Remuneration	18.00	12.00	9.00	3.60
Mr. Manish P. Kiri	Remuneration	18.00	12.00	9.00	3.60
Mrs. Aruna P. Kiri	Remuneration	-	-	6.00	1.15
2. Directors, friends & relatives :					
<i>Mr. Pravin A. Kiri</i>	Loan Received				
Opening Balance		-	-	30.96	30.96
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	30.96	-
Closing Balance		-	-	-	30.96
<i>Mr. Manish P. Kiri</i>	Loan Received				
Opening Balance		40.25	-	2.58	2.58
Loan received during the financial year		26.25	40.25	-	-
Loan paid during the financial year		20.00	-	2.58	-
Closing Balance		46.50	40.25	-	2.58
<i>Mrs. Aruna P. Kiri</i>	Loan Received				
Opening Balance		-	-	0.11	0.11
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.11	-
Closing Balance		-	-	-	0.11
<i>Ms. Amisha P. Kiri</i>	Loan Received				
Opening Balance		-	-	0.97	0.97
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.97	-
Closing Balance		-	-	-	0.97
<i>Mr. Mulshanker Jalal</i>	Loan Received				
Opening Balance		-	-	0.15	0.15
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.15	-
Closing Balance		-	-	-	0.15
<i>Mr. Vipul Kiri</i>	Loan Received				
Opening Balance		-	-	0.15	0.15
Loan received during the financial year		-	-	-	-
Loan paid during the financial year		-	-	0.15	-
Closing Balance		-	-	-	0.15
Shri Pravin A. Kiri H.U.F.	Rent Paid	0.30	-	-	-

KIRI DYES AND CHEMICALS LIMITED

(Amount Rs. in Lakhs)

Nature of Transaction		30-09-07	2006-07	2005-06	2004-05
3. Wholly owned subsidiary :					
<i>Investments</i>					
Kiri International USA Inc.					
Opening Balance		-	21.89	21.89	-
Investment made during the financial year		-	-	-	21.89
Investment sold during the financial year		-	21.89	-	-
Closing Balance		-	-	21.89	21.89
<i>Loan Given</i>					
Kiri International USA Inc.					
Opening Balance		10.46	10.46	10.46	10.46
Investment made during the financial year		-	-	-	-
Investment sold during the financial year		-	-	-	-
Closing Balance		10.46	10.46	10.46	10.46
3. Associate Concerns :					
Dunger Chemical Industries (Partnership firm in which Directors - Mr. Manish P. Kiri and Mr. Pravinbhai A. Kiri were partners)	Purchase & Job work charges	-	-	-	710.39
- do -	Interest & other Income	-	-	-	9.06



CONSOLIDATED AUDITORS' REPORT

Consolidated summary statements of assets and liabilities, consolidated summary statement of profits and losses, as restated, consolidated cash flows, as restated, under Indian GAAP of Kiri Dyes and Chemicals Ltd. and its subsidiary company Kiri International USA Inc, as at and for the years ended 31st March 2005 and 2006.

From:

V.D. Shukla & Co.

Chartered Accountants

22, Akruti Society, Satellite Road

Ahmedabad 380 015

To

The Board of Directors

Kiri Dyes and Chemicals Ltd.

7th Floor, Hasubhai Chambers

Opp. Town Hall, Ellis Bridge

Ahmedabad

Dear Sirs,

We have examined the attached Consolidated Balance Sheet of Kiri Dyes And Chemicals Limited (the Company) and its Subsidiary as at 31st March, 2005 and 2006, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statements 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. We conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are prepared, in all material respects, in accordance with an identified Financial reporting framework and are free of material misstatements. An audit includes, examining on the 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 overall Financial Statements. We believe that our audit provides a reasonable basis of our opinion.

We have complied the audited Financial Statements of Subsidiary, namely, Kiri International USA Inc., whose Financial Statement reflects Total Assets of Rs.39.57 lakhs as at 31st March, 2006 (Rs.50.27 Lakhs as at 31st March, 2005) and the Total Revenue of Rs.48.01 Lakhs for the year then ended 31st March, 2006 (Rs.108.27 Lakhs for the year then ended 31st March, 2005).

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statement, and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statement issued by the Institute of Chartered Accountants of India and on the basis of the separate audited Financial Statement of the Company and audited Financial Statements of its Subsidiary included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of separate audit report on the audited Financial Statements of the company and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the Consolidated Balance Sheet, of the State of Affairs of the Kiri Dyes and Chemicals Ltd. as at 31st March, 2005 and 2006.
- b. In the case of Consolidated Profit and Loss Account, of the Profit of Kiri Dyes and Chemicals Ltd. for the year ended on that dates.
- c. In the case of the Consolidated Cash Flow Statement, of the Cash Flow of Kiri Dyes and Chemicals Ltd. for the year ended on that dates.

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

Sd/-

(V. D. Shukla)

Proprietor

Membership No. 36416

Place : Ahmedabad

Date :04.08.2007

KIRI DYES AND CHEMICALS LIMITED

CONSOLIDATED SUMMARY OF ASSETS AND LIABILITIES AS RESTATED AS AT 31st MARCH 2005 AND 2006

Amount (Rs. in Lakhs)

Sr. No.	Particulars	As at 31-March-2006	As at 31-March-2005
A	FIXED ASSETS:		
	Gross Block	2148.91	1119.35
	Less : Depreciation	269.28	209.15
	Net Block	1879.63	910.20
B	INVESTMENTS	0.00	0.00
C	CURRENT ASSETS, LOANS & ADVANCES		
	Inventories	1920.50	1821.53
	Sundry Debtors	2746.18	1921.58
	Cash & Bank Balances	197.89	277.76
	Loans & Advances	433.03	453.96
	Totl(C)	5297.60	4474.83
D	LIABILITIES & PROVISIONS :		
	Secured Loans	3609.46	1947.50
	Unsecured Loans	10.62	47.82
	Current Liabilities & Provisions	1005.40	1550.96
	Deferred Tax Liability	68.00	58.00
	Total (D)	4693.48	3604.28
E	NET WORTH (A+B+C-D)	2483.49	1780.75
F	REPRESENTED BY :		
	Equity Share Capital	952.50	115.00
	Reserves & Surplus	1533.92	1666.06
	Total (E)	2486.42	1781.06
G	MISC. EXPENDITURE		
	<i>(to the extent not written off)</i>	2.93	0.31
H	NET WORTH (F-G)	2483.49	1780.75



**CONSOLIDATED SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED FOR THE YEAR ENDED
31st MARCH 2005 AND 2006**

Amount (Rs. In Lakhs)

Sr. No.	Particulars	For the year ended on	
		31-March-2006	31-March-2005
A	INCOME :		
	<i>Sales (Net) :</i>		
	Export Sales	5120.43	4628.30
	Domestic Sales	4045.02	2328.50
	<i>Total Sales</i>	<i>9164.45</i>	<i>6956.80</i>
	Other Income	141.56	470.74
	Increase/Decrease in Inventories	419.79	318.94
	TOTAL (A)	9726.80	7746.48
B	EXPENDITURE :		
	Manufacturing Expenses	8377.10	6632.99
	Em'loyee's Emoluments	98.49	75.52
	Administrative & Other Expenses	463.83	434.98
	Depreciation	62.83	46.65
	Financial Charges	235.37	232.96
	Misc. Exp. Written off	0.37	0.06
	TOTAL (B)	9237.99	7423.16
C	PROFIT BEFORE TAX (A-B)	488.81	323.32
	Provision for Taxation		
	- Current Tax	28.25	15.50
	- Deferred Tax	10.00	10.00
D	NET PROFIT AFTER TAX	450.56	297.82
E	BROUGHT FORWARD PROFIT FROM PREVIOUS YEAR	1666.06	1368.30
F	PROFIT AVAILABLE FOR APPROPRIATION (D+E)	2116.62	1666.12
	<i>LESS : APPROPRIATIONS :</i>		
	Currency Fluctuation Difference	0.08	0.06
	Interim Dividend	57.50	0.00
	Tax on Interim Dividend	7.33	0.00
	Capitalized for Bonus Issue	517.50	0.00
G	Balance Carried to Balance Sheet	1534.21	1666.06

KIRI DYES AND CHEMICALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON 31st MARCH, 2005 AND 2006

Amount (Rs in Lakhs)

	Particulars	31-Mar-2006	31-Mar-2005
A	Cash flow from Operating Activities		
	Net Profit / (Loss) before tax	488.68	323.26
	Adjustment for :		
	Depreciation & Amortization	62.83	46.71
	Interest & Dividend Income	(11.37)	(14.62)
	Interest charged to P & L	235.37	232.96
	Miscellaneous Expenditure (Amortized)	0.38	0.06
	Profit on Sale of Assets	2.07	-
	Operating Profit before working capital changes (I)	777.96	588.37
	Changes in Inventories	98.98	313.96
	Changes in Sundry Debtors	802.59	126.26
	Changes on Loans & Advances	(20.97)	(79.34)
	Changes in Current Liabilities & Provisions	545.71	(277.36)
	Changes Deferred Tax Liability	(10.00)	(10.00)
	Total Changes in Working Capital (II)	1,416.32	73.52
	Cash Generated from Operations – (I - II)	(638.36)	514.85
	Income Tax (paid) / refunded	235.37	232.97
	Interest Paid	45.58	25.50
	Net Cash from Operating Activities A	(919.32)	256.39
B	Cash Flow from Investing Activities		
	Purchase of Fixed Assets	(1,036.46)	(173.90)
	Sales of Fixed Assets	2.70	
	Purchase of Investments	(21.96)	
	Misc. Expenditure incurred during the Yr.	(3.01)	
	Interest and Dividend Income	11.37	14.62
	Net Cash from Investing Activities B	(1,047.36)	(159.28)
C	Cash Flow from Financing Activities		
	Increase in Capital	320.00	-
	Proceeds from Long term Borrowings	567.81	60.95
	Proceeds from unsecured loans	-	10.46
	Vehicle Loan	9.40	1.58
	Loan against F.D.	-	-
	Increase in working capital loans	1,162.68	34.87
	Repayment of term loans	(69.93)	(71.26)
	Repayment of unsecured loans	(37.36)	-
	Repayment of vehicle loans	(8.30)	(11.52)
	Payment of Dividend	(57.50)	-
	Net Cash from Financing Activities C	1,886.80	25.08
	Net Change in Cash (A+B+C)	(79.88)	122.18
	Cash & Bank Balance at the beginning of the year	277.77	155.59
	Cash & Bank Balance at the end of the year	197.89	277.75



STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR RESTATED FINANCIAL STATEMENTS

Significant Accounting Policies and Notes to the Consolidated Financial Statements for the years ended on 31st March, 2005 and 2006.

1. The Consolidated Financial Statements relate to Kiri Dyes and Chemicals Ltd. and its Subsidiary Company, namely, Kiri International USA Inc.. The Consolidated Financial Statements have been prepared on the following basis.
 - a. Consolidated accounts are prepared on the basis of audited accounts of Kiri Dyes and Chemicals Ltd. prepared and presented according to the Generally Accepted Accounting Principles (GAAP) issued by the Institute of Chartered Accountants of India for the year ended on 31st March, 2006.
 - b. For the purpose of Consolidation, Financial Statements of its Subsidiary have been converted into the Reporting Currency i.e. Indian Rupees at the closing rates as on 31st March, 2006 for the Balance Sheet items and at yearly average rates from 1st April, 2005 to 31st March, 2006 for Profit and Loss items.
 - c. Reliance has been placed on the audited Financial Statements of its Subsidiary for the Financial year ended on 31st March, 2006.
 - d. Various accounting standards namely, AS- 21 and AS- 23 issued by the Institute of Chartered Accountants of India have been complied with.
 - e. The Financial Statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of items of assets, liabilities, income and expenses after eliminating intragroup balances/ transactions.

2. Basis of Consolidation:-

- a. The consolidated Financial Statements in case of subsidiary are prepared in accordance with the principles and procedures prescribed by the Consolidated Financial Statement AS- 21 and AS-23 issued by ICAI for the purpose of preparation and presentation of Consolidated Financial Statements respectively.
- b. The financial statements of the Parent company and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions.
- c. Consolidated Financial Statements of Kiri Dyes and Chemicals Limited have been prepared under historical cost convention and in accordance with Generally Accepted Accounting Principles, (GAAP) issued by the Institute of Chartered Accountants of India (ICAI) except otherwise stated and as per the relevant applicable provisions of the Companies Act, 1956.
- d. The Consolidated Financial Statements are prepared in Indian Rupees, the reporting currency of the KDCL. The translation of the local currency of subsidiary within the group into Indian Rupee is performed in respect of assets, liabilities, revenues and expenses.
- e. Depreciation on Fixed Assets has been provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the purpose of the consolidation, accounting policies for providing depreciation are not uniform because of practical reason. This statement is in line with para – 20 of the accounting standard 21. Depreciation has been considered as per the Balance Sheet and Profit and Loss Account of the subsidiary as per the prescribed Accounting principles generally accepted in the United States of America.
- f. Further in case of consolidation of accounts of subsidiary the accounting policy in respect of Retirement Benefits is not in line with that followed by the parent company (KDCL).

A) SIGNIFICANT ACCOUNTING POLICIES

1. The Accounts have been prepared on historical cost basis and on the accounting principles of going concern.
2. Fixed Assets: The fixed assets of the Company have been stated has cost less depreciation and net of MODVAT credit. Expenses incurred during the construction period or the project implementation period are capitalized as a part of project capital expenditure in the block of assets.
3. All the items of income & expenditure are accounted for on accrual basis except expenses towards gratuity and income towards export incentives like duty draw back, DEPB and refund of excise on exports.
4. Foreign currency translations: The company has followed the accounting Standard – 11 on accounting for effect of changes in Foreign Exchange rates as has been prescribed by The Institute of Chartered Accountants of India and accordingly, all export proceeds not realized at year end are restated at the exchange rate prevailing at the year end. The exchange

KIRI DYES AND CHEMICALS LIMITED

rate difference arising therefrom has been recognized as income or expense in the current year's Profit and Loss account by adjustment in sales / purchase account. Further, foreign currency fluctuation difference on consolidation has been reflected separately in the Consolidated Profit and Loss Account. Foreign currency translations of revenue nature are translated into Indian Rupees at the exchange rate prevailing on the date of the financial transactions.

5. Inventories

- A. Raw materials are valued at cost including excise duty and other taxes.
- B. Work in process is valued at lower of cost or market value. Materials lying on shop Floor and awaiting packing and sending in bonded warehouse have been treated as work-in-process.
- C. Finished goods are valued at lower of cost or market value.
- D. Stock of packing materials is valued at lower of cost or market value.
- E. Stock of fuel is valued lower of cost or market value.

6. The company continues to adopt the policy of valuation of inventory at cost including excise duty regardless of availability of MODVAT credit. Though this is in accordance with section 145A of the Income Tax Act, 1961 but is not in keeping with the guidelines issued by the Institute of the Chartered Accountants of India. The company has not ascertained the effect of the same on the financial results of the Company for the year due to this. We are explained that the effect of the same is not significance.

7. Retirement Benefits

The Company continues to follow the policy of accounting for retirement benefits to the employee on cash basis which not in accordance with Accounting Standard – AS – 15 recommended by the Institute of Chartered Accountants of India .

8. Deferred Revenue Expenditure

Considering the benefits for substantially long time, the company has treated such expenses as deferred revenue expenditure to be amortised over a period of Ten years and accordingly, has amortised one tenth of such expenditure.

B)

1. Figures have been rounded off to the nearest rupee.
2. The Debit and Credit balances of debtors, creditors, loans and advances are subjected to subject to confirmation and reconciliation, if any.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.1110 Lacs. (Previous year Rs. Nil)

4. Contingent Liabilities

Rs. in Lakhs

	2005-06	2004-05
Foreign bills discounted	1974.64	1011.96
Outstanding L/C	407.87	567.01
Guarantees given by Banks on behalf of the Company for various purposes	24.25	24.25
Disputed Income Tax matters (in appeals)	228.14	20.75

5. Directors' Remuneration

Rs. in Lakhs

	2005-06	2004-05
Mr. Pravin A. Kiri	9.00	3.60
Mr. Manish P. Kiri	9.00	3.60
Mrs. Aruna P. Kiri	6.00	1.15



6. Remuneration to Auditors

Rs. in Lakhs

	2005-06	2004-05
Audit Fees	0.25	0.15
Taxation Matters	0.40	0.40
Company Law Matters	0.35	0.25

7. Related party transactions

The Company has a wholly owned subsidiary company known as Kiri International INC., USA. However, there are no transactions with the Company during the year under review except investment made. Also Unsecured Loans from Directors were repaid.

Directors of the Company:

Mr. Pravin Kiri

Mr. Manish Kiri

Mrs. Aruna Kiri

All the three are whole time directors and have been paid Remuneration, the details of which are given above in the notes .

The associates comprise of a partnership firm M/s. Dunger Chemical Industries, transactions with this firm are as under:

Rs. in Lakhs

	2005-06	2004-05
Purchases and Job work charges	-	710.39
Interest and Other Income	-	9.06

FOR, V. D. SHUKLA & CO.

Chartered Accountants

Sd/-

VIMAL. D. SHUKLA

[Proprietor]

Place :- Ahmedabad

Date :- 04-08-2007

FOR, KIRI DYES AND CHEMICALS LTD.

Sd/-

PRAVIN A. KIRI

[Chairman]

Place :- Ahmedabad

Date :- 04-08-2007

KIRI DYES AND CHEMICALS LIMITED

Financial Information of Group Companies

Rudolf Kiri Chemicals Private Limited

Rudolf Kiri Chemicals Private Limited was incorporated on February 25, 2005 under the name Garfin Technologies Private Limited, subsequently the name of the Company was changed to Rudolf Kiri Chemicals Private Limited pursuant to which the Company obtained fresh certificate of incorporation dated February 21, 2007 with CIN U24110GJ2005PTC045564. The main object of the Company is to carry on the business as manufacturers, producers, traders, dealers, distributors, exporters, importers and agents or to deal in any or all types, varieties, formulaes, technologies and kinds of organic and inorganic chemicals including dyes, dyestuff, intermediates, textiles, auxiliaries, chemicals and to obtain, procure, use, sell technologies. the Company is currently engaged in the business of trading of textiles auxiliary chemicals.

The Company has its registered office at 7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad – 380 006, Gujarat.

Board of Directors

Name	Designation
Ms. Anupama M. Kiri	Director
Mr. Shaishav A. Shah	Director
Mr. Ashesh A. Shah	Director
Mr. Sameer Patel	Director

Shareholding Pattern as on 31st March, 2007 (Equity Shares of Rs. 10/- each)

Name of the Shareholders	Number of shares	% of Shareholding
Mr Anupama M. Kiri	2450	24.50%
Mr Shaishav A. Shah	1225	12.25%
Mr Ashesh A. Shah	1225	12.25%
I. B. Industrietiebetiligung – Germany	5100	51.00%
TOTAL	10000	100.00%

Audited Financial Performance:

The Financial highlights for the financial year ended 31st March 2007, 31st March 2006 & 31st March 2005 are as follows.

Amount (Rs. in Lakhs)

Particulars.	2006-07	2005-06	2004-05
Sales	101.91	445.67	810.38
Profit After Tax	4.02	2.37	(0.25)
Equity Share Capital	1.00	1.00	1.00
Reserves (Excluding Revaluation reserves)	6.14	2.12	-
Earning Per Share (EPS) (Rs)	40.58	23.72	-
Net Asset Value Per Share (NAV) (Rs)	71.39	31.17	7.45

The Company is not a listed Company. The Company has not become sick Company within the meaning of the sick Industrial Companies (Special Provisions) Act, 1955 or is under winding up. There are no outstanding litigation, defaults or suits against the Company except as disclosed under section "outstanding litigation and material developments" on page no 140 of this Red Herring Prospectus and there is no default in meeting any of Statutory/Bank/Industrial dues. No proceedings have been initiated for economic offences against the Company. None of the natural person mentioned above nor the Company has been restrained from accessing the Capital market for any reason by SEBI or any other authorities.



Companies/ Firms from which Promoters have disassociated during the preceding three years

- **M/s. Dunger Chemical Industries:** Mr. Pravin A. Kiri and Mr. Manish P. Kiri were partners in the partnership business carried out in the name of Dunger Chemical Industries. The constitution of the partnership was amended and Mr. Pravin A. Kiri and Mr. Manish P. Kiri by way of a deed of admission and retirement dated September 6, 2006 retired from the partnership firm thus disassociating themselves from the partnership firm.

The reasons for and the circumstance leading to the dissociation are described below

At the time of entering into partnership the Company was manufacturing only reactive Synthetic Organic dyes and did not manufacture dyes intermediates which are basic raw materials and therefore as a part of business strategy the partnership was formed to manufacture dyes intermediates at Village Dungarpur (Rajasthan). Afterwards the promoters of Kiri Dyes and Chemicals Limited, decided to set up a new unit near Ahmedabad to manufacture dyes intermediates as a part of Company's backward integration and expansion plans. Therefore the promoters retired from the partnership. The major terms of retirement included the date of retirement and settlement of Accounts.

Kiri International USA Inc., New Jersey, U.S.A.: Kiri Dyes and Chemicals Limited had subscribed 100 preference shares each at US\$500 fully paid up of Kiri International USA Inc., New Jersey on July 2, 2004 thus making it a Wholly Owned (foreign) Subsidiary (WOS). The reasons for and the circumstance leading to the dissociation are described below.

The management did not foresee further viability of WOS's operations in USA and hence vide board resolution dated March 16, 2006 decided to divest its stake in the venture. Accordingly, on and from the opening business hours of April 1st, 2006, Kiri Dyes and Chemicals Limited has divested its stake in Kiri International USA Inc. The major terms of disassociation included the determination of transfer price and the date of the transfer.

Common Pursuits

The Promoters do not have common pursuits in the business of the Company, however Rudolf Kiri Chemicals Private Limited (Rudolf Kiri), a Promoter Group company is engaged in the business of trading of textiles auxiliary chemicals. Rudolf Kiri deals in trading of textiles auxiliaries and dyes intermediates while Kiri Dyes and Chemicals Ltd. deals in manufacturing of Dyes and Dyes Intermediates. Rudolf Kiri is not in any way direct competition in the business segment in which Issuer operates. However, the Company may be considered to be in indirect competition with the Rudolf Kiri to the extent of selling/marketing of Dyes and Dyestuff intermediates.

Related Business Transaction within the Group

There is no business transaction between the group except as mentioned under "Related Party Transactions" appearing under section titled as "Financial Information of the Company" on page 101 of this Red Herring Prospectus.

Sale or Purchase between Companies in the Promoter Group

There are no sales or purchase between the companies in the Promoter's group, wherein such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the Issuer Company. The material items of income or expenditure arising out of transactions in the Promoter's group are disclosed under "Related Party Transactions" appearing under section titled as "Financial Information of the Company" on page 101 of this Red Herring Prospectus.

Changes in Accounting Policies in the last three years

There is no change in Accounting Policies in the last three years except as as mentioned under section "Financial Information" appearing on page 101 of the Red Herring Prospectus

Management Discussion and Analysis of Financial Conditions and Results of Operations

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE:

You should read the following discussion and analysis of the Company's financial condition and results of operations together with financial statements included in this Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page viii of this Red Herring Prospectus, which discusses a number of factors and contingencies that could have an impact on our financial condition and results of operations.

The following discussions are based on restated financial statements for the period ended on September 30, 2007 and for the financial year ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and for the financial year ended March 31, 2007 which have been prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI (DIP) Guidelines based and on information available from other sources.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

OVERVIEW OF THE BUSINESS

The Company is engaged in the business of manufacturing of reactive dyes which are called synthetic organic dyes used 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 is identified by color index number internationally. The Company also manufactures dye intermediates that are used in the manufacturing of dyes. The existing products manufactured by the Company are as follows:

- Synthetic Organic Dyes (S. O. Dyes)
- Dyes Intermediates: Vinyl Sulphone
- Dyes Intermediates: H-Acid

The product range of the Company comprises of more than 120 dyestuffs used by textiles, leather, paint and printing-ink 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 manufacturing facilities of the Company are located at Ahmedabad and Padra Taluka near Vadodara. The Company intends to expand by backward integration and in this regard has already commenced manufacturing of Vinyl Sulphone in April, 2006 and H-Acid from March 31, 2007 that gives it a presence in dye intermediates business. The Company through the proposed project on Sulphuric Acid intends to further integrate backwards and emerge as a dominant player in the Chemicals.

Significant developments subsequent to last financial statement as disclosed in page no 101 of this Red Herring Prospectus:

In the opinion of the management, there have not been any unforeseen circumstances since the date of the last financial statement as disclosed in the Red Herring Prospectus and which materially affects the business operations, financial positions, profitability and asset base of the Company.

Factors that may affect the results of operations:

Except as otherwise stated in this Red Herring Prospectus, the "Risk Factors" given in this Red Herring Prospectus and the following important factors could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Company's ability to successfully implement its strategy and its growth and expansion plans;
- Factors affecting chemicals industry;
- Increasing competition in the industry;
- Manufacturers' defects or mechanical problems with the Company's plant & machineries or incidents caused by human error;
- Cyclical fluctuations in the operating results;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;



- Changes in the foreign exchange control regulations, interest rates and tax laws in India;
- Supply crunch and non-availability of raw materials;
- Increase in the transportation costs that could not be transferred to the customers;
- Change in the government regulations and tax regimes.

Discussion on Results of Operations

The following discussion of the financial condition and results of operations should be read together with the audited financial statements for the period ended on September 30, 2007 and for the Financial Year ended on March 31, 2007, 2006, 2005 and 2004 including the notes thereto and the reports thereon which appear in the Red Herring Prospectus. The Restated Audited Financial Statements are prepared in accordance with the Indian Accounting Standards.

STANDALONE SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Amount Rs. in Lakhs)

SR. NO.	PARTICULARS	30th Sept. 2007	AS AT 31 st MARCH				
			2007	2006	2005	2004	2003
A	FIXED ASSETS:						
	Gross Block	5086.21	4,082.26	2,105.68	1,076.78	945.44	714.34
	Less : Depreciation	(490.99)	(386.67)	(260.04)	(206.62)	(162.44)	(119.40)
	Net Block	4595.22	3,695.59	1,845.64	870.16	783.00	594.94
B	INVESTMENTS	10.00	-	21.89	21.89	-	-
C	CURRENT ASSETS, LOANS & ADVANCES						
	Inventories	4026.15	2,916.79	1,920.50	1,821.53	1,507.57	1,142.65
	Sundry Debtors	2707.85	3,242.09	2,745.12	1,913.45	1,795.39	897.73
	Cash & Bank Balances	349.52	167.78	194.61	276.91	155.59	172.61
	Loans & Advances	1007.96	839.90	432.27	452.71	533.30	706.37
	Total (C)	8,091.48	7,166.56	5,292.50	4,464.60	3,991.85	2,919.36
D	LIABILITIES & PROVISIONS :						
	Secured Loans	5,802.06	5,926.81	3,593.45	1,927.22	1,932.97	924.46
	Unsecured Loans	46.50	40.25	-	36.83	36.83	36.18
	Current Liabilities & Provisions	2,323.41	1,422.58	1,011.87	1,548.88	1,282.96	1,270.59
	Deferred Tax Liability	124.50	86.00	68.00	58.00	48.00	40.00
	Total (D)	8,296.47	7,475.64	4,673.32	3,570.93	3,300.76	2,271.23
E	NET WORTH (A+B+C-D)	4,400.23	3,386.51	2,486.71	1,785.72	1,474.09	1,243.07
F	REPRESENTED BY :						
	Equity Share Capital	1,000.00	1,000.00	952.50	115.00	115.00	115.00
	Share Application Money	157.37	-	-	-	-	-
	Reserves & Surplus	3,290.25	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50
	Total (E)	4,447.62	3,399.97	2,489.24	1,786.03	1,474.46	1,243.50
G	MISC. EXPENDITURE						
	<i>(to the extent not written off)</i>	(47.39)	(13.46)	(2.53)	(0.31)	(0.37)	(0.43)
H	NET WORTH (F-G)	4,400.23	3,386.51	2,486.71	1,785.72	1,474.09	1,243.07

Note : (a) The Gross Block of Fixed Assets increased to Rs.4082.26 Lakhs for the financial year ended on March 31, 2007 as against Rs.2105.68 lakhs in the financial year ended on March 31, 2006. The sharp increase in the fixed assets is on account of setting up of manufacturing facilities for Vinyl Sulphone and H-Acid at Padra Plant of the Company at Village Dudhavada, Taluka Padra, District Vadodara.

(b) The Gross Block of Fixed Assets increased to Rs. 2105.68 lakhs for the financial year ended March 31, 2006 as against Rs. 1076.78 lakhs in financial year ended March 31, 2005. The addition of fixed assets was necessary on account of setting up manufacturing facilities for Vinyl Sulphone and H-Acid at Padra plant of the Company at Village Dudhavada, Taluka Padra, District Vadodara.

KIRI DYES AND CHEMICALS LIMITED

STANDALONE SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Amount Rs. in Lakhs)

SR. NO.	PARTICULARS	30th Sept. 2007	AS AT 31 ST MARCH				
			2007	2006	2005	2004	2003
A	INCOME :						
	<i>Sales (Net) :</i>						
	Export Sales	4,856.70	8,855.12	5,120.43	4,628.30	6,304.63	7,902.09
	Domestic Sales	4,745.89	4,487.32	3,997.04	2,220.23	529.09	73.84
	Export Incentives	99.15	33.57	30.15	378.84	999.53	1,114.49
	<i>Total Sales</i>	<i>9,701.74</i>	<i>13,376.01</i>	<i>9,147.62</i>	<i>7,227.37</i>	<i>7,833.25</i>	<i>9,090.42</i>
	Other Income	34.70	26.13	111.39	91.90	71.45	49.57
	Increase/Decrease in Inventories	720.82	598.69	419.79	318.94	(46.12)	160.68
	TOTAL (A)	10,457.26	14,000.83	9,678.80	7,638.21	7,858.58	9,300.67
B	EXPENDITURE :						
	Manufacturing Expenses	8,452.19	11,745.08	8,368.57	6,544.82	6,655.64	7,681.65
	Employee's Emoluments	94.84	120.29	77.83	57.80	54.62	53.17
	Administrative Expenses	83.10	113.21	162.44	145.35	106.96	102.23
	Selling & Distribution Expenses	257.82	460.79	292.73	276.35	492.81	734.73
	Depreciation	108.55	126.63	56.20	44.13	43.10	41.14
	Financial Charges	464.93	514.78	234.49	232.63	244.43	241.80
	Misc. Exp. Written off	2.05	0.32	0.25	0.06	0.06	0.06
	TOTAL (B)	9,463.48	13,081.10	9,192.51	7,301.14	7,597.62	8,854.78
C	PROFIT BEFORE TAX (A-B)	993.78	919.73	486.29	337.07	260.96	445.89
	Provision for Taxation						
	- Current Tax	65.00	38.50	28.25	15.50	22.00	30.00
	- Deferred Tax	38.50	18.00	10.00	10.00	8.00	10.00
D	NET PROFIT AFTER TAX	890.28	863.23	448.04	311.57	230.96	405.89
E	BROUGHT FORWARD PROFIT FROM PREVIOUS YEAR	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50	752.61
	Less : Deferred Tax Liability of Past Year	-	-	-	-	-	(30.00)
F	PROFIT AVAILABLE FOR APPROPRIATION (D+E)	3,290.25	2,399.97	2,119.07	1,671.03	1,359.46	1,128.50
	<i>LESS : APPROPRIATIONS :</i>						
	Interim Dividend	-	-	57.50	-	-	-
	Tax on Interim Dividend	-	-	7.33	-	-	-
	Capitalised for Bonus Issue	-	-	517.50	-	-	-
G	Balance Carried to Balance Sheet	3,290.25	2,399.97	1,536.74	1,671.03	1,359.46	1,128.50



Comparison of Financial Statements for the six months ended on September 30, 2007 with Financial Year ended March 31, 2007.

(Rs in Lakhs, except for percentage)

Particulars	Six Months ended September 30, 2007	Financial Year ended March 31, 2007	Averaged figures for six months ended March 31, 2007	(Change %)
Total Income	10,457.26	14,000.83	7,000.42	49.38%
Manufacturing Expenses	8,452.19	11,745.08	5,872.54	43.93%
Administrative and other Expenses	435.76	694.29	347.15	25.52%
Depreciation	108.55	126.63	63.32	71.43%
Interest and Financial Charges	464.93	514.78	257.39	80.63%
Earning before tax	993.78	919.73	459.87	116.10%
Net profit after tax	890.28	863.23	431.62	106.26%

Total Income:

Total Income of the Company was Rs. 10,457.26 lakhs for the six months ended September 30, 2007 as against average six months Rs. 7,000.42 lakhs for financial year 2007, registering an increase of 49.38%. The growth in sales have been achieved on account of mainly three factors viz. (i) Growth in production and sales of dyes, (ii) Growth in production and sales of Vinyl Sulphone & H- Acid. Out of Total Income for the six months ended on September 30, 2007 of Rs. 10,457.26 Lakhs sales of Vinyl Sulphone & H. Acid contributed Rs. 2411.33 Lakhs and sales of Dyes contributed Rs.7191.26 Lakhs. (iii) Commercial production of H-Acid was started in March 31, 2007. Hence Financial Year 2006-07 incorporates only one month of production and sales of H-Acid. Six months ended on September 30, 2007 reflects increase in production and sales of H-Acid for the entire period. 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.

Administrative and Other Expenses

The administrative and other expenses for the six months ended on September 30, 2007 were Rs. 435.76 lakhs as compared to Rs 347.15 lakhs for the average six months ended on March 31, 2007, an increase of 25.52% due to increase in production of Vinyl Sulphone and H- Acid. As compared to total income of the Company, Administrative and Other Expenses was 4.16% for six months ended September 30, 2007 and that of 4.96% in averaged six months ended March 31, 2007.

Interest and Financial Charges

The Interest and Financial charges was Rs. 464.93 lakhs for the six months ended September 30, 2007 as compared to Rs 257.39 Lakhs for the averaged six months ended March 31, 2007, an increase of 80.63% due to utilization of increased working capital facilities for the full period on account of increase in sales of Dyes, Vinyl Sulphone & H-Acid. As compared to total income of the Company Interest and Financial Charges was 4.44% for six months ended on September 30, 2007 and that of 3.67% in averaged six months ended March 31, 2007.

Earnings Before Tax

The Earnings before tax was Rs. 993.78 lakhs for the six months ended September 30, 2007 as against Rs. 459.87 lakhs for the averaged six months ended March 31 2007, registering an increase of 116.10%. The increase is due to (i) increase in Sales and (ii) increase in production of Vinyl Sulphone and H-Acid which is dyes intermediate captively used for manufacturing Dyestuff which enable the Company to control the cost and to increase margins. As compared to Total Income of the Company Earning before tax was 9.50% in six months ended September 30, 2007 and that of 6.56% in averaged six months ended March 31 2007.

Net Profit After tax

The Restated Net profit of the Company was Rs 890.28 lakhs for the six months ended September 30, 2007 as compared to Rs.431.62 lakhs for the averaged six months ended March 31, 2007 registering an increase of 106.26%. As compared to Total Income of the Company Net Profit after tax was 8.51% in six months ended September 30, 2007 and that of 6.17% in averaged six months ended March 31 2007.

KIRI DYES AND CHEMICALS LIMITED

(Rs in Lakhs, except for percentage)

Particulars	Six Months period ended September 30, 2007	Financial Year ended March 31, 2007	(Change %)
Reserves and Surplus	3290.25	2399.97	37.10%
Secured and unsecured loans	5848.56	5967.06	(1.99%)
Fixed Assets (Gross Block)	5086.21	4082.26	24.59%
Current Assets, Loans and Advances	8091.48	7166.56	12.91%
Current Liabilities and Provisions including Deferred Tax Liabilities	2323.41	1508.58	54.01%

Reserves and Surplus:

The Increase in Reserves and Surplus was on account of appropriation of Rs. 890.28 lakhs from the profit and loss account for the six months ended September 30, 2007.

Secured and Unsecured loans

The decrease in secured loans are due to following reasons :

- On account of regularizing adhoc facilities received in the year ended March 31, 2007 and on sanction of regular working capital facilities in six months ended September 30, 2007 there was net decrease in working capital facilities by Rs. 65.04 Lakhs.
- On account of repayment of term loan by Rs. 171.14 Lakhs.
- There was increase in vehicles & moving equipments loans of Rs.111.44 Lakhs on purchase of vehicles and moving equipments.
- There was net increase in unsecured loan by Rs.6.25 Lakhs due to fund brought by the Managing Director of the Company.

Thus there was net decrease by 1.99% in Secured and Unsecured Loans in six months ended September 30, 2007 with that of financial year ended March 31, 2007.

Fixed Assets (Gross Block)

The Gross Block of Fixed Assets increased to Rs. 5086.21 lakhs for the six months ended September 30, 2007 as against Rs. 4082.26 Lakhs in financial year ended March 31, 2007. The addition of fixed assets on account of setting up manufacturing facilities for Vinyl Sulphone and H-Acid at Padra plant of the Company at Padra, district Vadodara and on going capex.

Current Assets, Loans and Advances:

The increase in current assets, loans and advances by Rs. 924.92 lakhs was due to increase in inventories on account of increase in volume of business as production of Vinyl Sulphone and H-Acid was on full swing, increase in debtors as compared to the previous year on account of increase in sales and debts period in the international market and increase in loans and advances was due to increase in balances with Government Authorities i. e. Central Excise, Sales Tax and Income Tax.

Current Liabilities and Provisions

The increase in Current Liabilities and Provisions was due to increase in sundry creditors on account of increase in volume of business and increase in provisions for income tax.

Comparison of Financial Statements for the financial year ended March 31, 2007 with Financial Year ended March 31, 2006.

(Rs in Lakhs, except for percentage)

Particulars	Financial Year ended March 31, 2007	Financial Year ended March 31, 2006	(Change %)
Total Income	14,000.83	9,678.80	44.65%
Manufacturing Expenses	11,745.08	8,368.57	40.35%
Administrative and Other Expenses	694.29	533.00	30.26%
Financial Charges	514.78	234.49	119.53%
Earning before tax	919.73	486.29	89.13%
Net profit after tax	863.23	448.04	92.67%



Total Income:

Total Income of the Company increased to Rs. 14000.83 lakhs for the financial year 2007 as against Rs. 9678.80 lakhs for financial year 2006, registering an increase of 44.65%. 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 on March 31, 2007 of Rs. 14000.83 lakhs sales of Vinyl Sulphone & H-Acid contributed Rs. 2144.39 Lakhs and sales of dyes contributed Rs.11198.05 Lakhs. 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.

Administrative Expenses including Employees' Emoluments and Selling & Distribution Expense:

The administrative expenses including Employees' Emoluments and Selling & Distribution Expense for the financial year ended on March 31, 2007 was Rs. 694.29 lakhs as compared to Rs 533.00 lakhs for the financial year ended March 31, 2006, an increase of 30.26%, due to commencement of production of Vinyl Sulphone and H- Acid. As compared to total income of the Company Administrative including Employees' Emoluments and Selling & Distribution Expense was 4.96% in Financial Year 2007 and that of 5.51% in Financial Year 2006.

Interest and financial Charges

The Interest and Financial charges was Rs. 514.78 lakhs for the financial year ended March 31, 2007 as compared to Rs 234.49 Lakhs for the financial year ended March 31, 2006, an increase of 119.53% due to increased in term loan and working capital facilities for expansion project at Padra Plant for manufacturing Vinyl Sulphone & H-Acid. As compared to Total Income of the Company Interest and Financial Charges was 3.68% in Financial Year 2007 and that of 2.42% in Financial Year 2006.

Earnings Before Tax

The Earnings before tax was Rs. 919.73 lakhs for the year ended March 31, 2007 as against Rs. 486.29 lakhs for the financial year ended March 31, 2006, registering an increase of 89.14%. The increase is due to (i) increase in Sales and (ii) Commencement of production of Vinyl Sulphone which is dyes intermediate used for manufacturing Dyestuff which enable the Company to control the cost and to increase margins. As compared to Total Income of the Company Earning before tax was 6.57% in Financial Year 2007 and that of 5.02% in Financial Year 2006.

Net Profit After Tax

The Restated Net profit of the Company was Rs 863.23 lakhs for the year ended March 31, 2007 as compared to Rs.448.04 lakhs for the financial year ended March 31, 2006 registering an increase of 92.68%. As compared to Total Income of the Company Net Profit after tax was 6.51% in Financial Year 2007 and that of 4.63% in Financial Year 2006.

(Rs in Lakhs, except for percentage)

Particulars	Financial Year ended March, 2007	Financial Year ended March, 2006	(Change %)
Reserves and Surplus	2399.97	1536.74	56.18%
Secured and unsecured loans	5967.06	3593.45	66.05%
Fixed Assets (Gross Block)	4082.26	2105.68	93.87%
Current Assets, Loans and Advances	7166.56	5292.50	35.41%
Current Liabilities and Provisions including Deferred Tax Liabilities	1508.58	1079.87	39.70%

Reserves and Surplus:

The Increase in Reserves and Surplus was on account of appropriation of Rs. 863.23 lakhs from the profit and loss account for the year 2007.

Secured and Unsecured loan

The increased in secured loan was primarily on account of increase in working capital facilities by Rs. 1403.09 lakhs and on account of increase in term loan by Rs. 930.27 lakhs (net of Repayment) for expansion of Dyes intermediates plant. The increase in unsecured loan due to fund brought by the Directors of the Company to the tune of Rs. 40.25 Lakhs.

Fixed Assets (Gross Block)

The Gross Block of Fixed Assets increased to Rs. 4082.26 lakhs for the financial year ended March 31, 2007 as against Rs. 2105.68 Lakhs in financial year ended March 31, 2006. The addition of fixed assets on account of setting up manufacturing facilities for Vinyl Sulphone and H-Acid.

KIRI DYES AND CHEMICALS LIMITED

Current Assets, Loans and Advances:

The increase in current assets, loans and advances by Rs. 1874.06 lakhs was due to increase in inventories on account of increase in volume of business, increase in debtors as compared to the previous year on account of increase in sales and debts period in the international market and increase in loans and advances was due to increase in balances with Government Authorities i. e. Central Excise, Sales Tax and Income Tax.

Current Liabilities and Provisions Including Deferred Tax Liabilities:

The increase in Current Liabilities and Provisions including deferred tax liabilities was due to increase in sundry creditors on account of increase in volume of business and increase in provisions for income tax.

Comparison of Financial Statements for Financial year ended March 31, 2006 with the financial year ended March 31, 2005.

(Rs. in Lakhs, except for percentage)

Particulars	Financial Year ended March, 2006	Financial Year ended March, 2005	(Change %)
Total Income	9,678.80	7,638.21	26.72%
Manufacturing Expenses	8,368.57	6,544.82	27.87%
Administrative and Other Expenses	533.00	479.50	11.16%
Financial Charges	234.49	232.63	0.80%
Earning before tax	486.29	337.07	44.27%
Net profit after tax	448.04	311.57	43.80%

Total Income:

The Total Income of the Company increased from Rs. 7638.21 lakhs in financial year ended March 31, 2005 to Rs. 9678.80 lakhs in financial year ended March 31, 2006, registering an increase of 26.72%. Exports increased to Rs.5120.43 lakhs in the financial year ended March 31, 2006 from Rs.4628.30 lakhs in the financial year ended March 31, 2005 due to addition of new customers, entry into new markets and widening of product portfolio. After the abolition of Textile quota in January, 2005, the domestic production of textiles has gone up resulting in higher demand of dyes and correspondingly domestic sales increased to Rs. 3997.04 lakhs from Rs.2220.23 lakhs during the financial year ended March 31, 2006.

Administrative Expenses including Employees' Emoluments and Selling & Distribution Expenses

The Administrative Expenses including Employees' Emoluments and Selling & Distribution Expenses was Rs 533.00 lakhs for the financial year ended March 31, 2006 as compared to Rs. 479.50 lakhs for the financial year ended March 31, 2005, an increase of Rs 53.50 lakhs due to increase in turnover of the Company. Administrative Expenses increased by 11.16% as compared to financial year ended March 31, 2005, the increase was on account of increase in Selling and Distribution Expenses from Rs.276.35 lakhs to Rs.292.73 lakhs attributed to increase in turnover. However Administrative Expenses including Employees' Emoluments and Selling & Distribution Expenses when compared to total income was 5.51% during the financial year ended March 31, 2006 and 6.28% during the financial year ended March 31, 2005.

Interest and Financial Charges

The Interest and Financial charges was Rs. 234.49 Lakhs for the financial year ended March, 2006 as compared to Rs.232.63 Lakhs for the financial year ended March 31, 2005 a marginal increase of 0.80% , the same was on account of increase in utilization of working capital facilities from Banks. As compared to Total Income of the Company Interest and Financial charges was 2.42 % in Financial Year 2006 and that of 3.05% in Financial Year 2005.

Earnings Before Tax

The Earnings before Tax of the Company was Rs. 486.29 lakhs for the financial year ended March 31, 2006 as compared to Rs. 337.07 lakhs for the financial year ended March 31, 2005 registering an increase of 44.27%. Because of increase in gross margin consequently there was increase in EBT. As compared to Total Income of the Company Earning before tax was 5.02 % in Financial Year 2006 and that of 4.41% in Financial Year 2005.

Net Profit After Tax

The Restated net profit after tax of the Company was Rs.448.04 lakhs for the financial year ended March 31, 2006 as compared to Rs. 311.57 lakhs for the financial year ended March 31, 2005, registering an increase of 43.80%. Increase in profit was due to increase in turnover and also increase in gross margins. As compared to Total Income of the Company Net Profit after Tax was 4.63% in Financial Year 2006 as against Financial Year 08% in Financial Year 2005.



(Rs in Lakhs, except for percentage)

Particulars	Financial Year ended March 31, 2006	Financial Year ended March 31, 2005	(Change %)
Reserves and Surplus	1536.74	1671.73	(7.98%)
Secured and unsecured loans	3593.45	1964.05	82.96%
Fixed Assets (Gross Block)	2105.68	1076.78	95.55%
Current Assets, Loans and Advances	5292.50	4464.60	18.54%
Current Liabilities and Provisions including Deferred Tax Liabilities	1079.87	1606.88	(32.80%)

Reserves and Surplus:

The decrease in Reserves and Surplus was on account of capitalization of reserves to the tune of Rs. 517.50 lakhs to issue bonus shares. However, Rs. 383.21 lakhs were added to the reserves post the interim dividend for the financial year 2006.

Secured and Unsecured Loan

The increased in secured loan was primarily on account increase in working capital facilities by Rs. 1162.68 lakhs and on account of increase in term loan by Rs. 503.57 lakhs (net of Repayment) for expansion of dyes intermediates plant.

Fixed Assets (Gross Block)

The Gross Block of Fixed Assets increased to Rs. 2105.68 lakhs for the financial year ended March 31, 2006 as against Rs. 1076.78 lakhs in financial year ended March 31, 2005. The addition of fixed assets was necessary on account of setting up manufacturing facilities for Vinyl Sulphone and H-Acid.

Current Assets, Loans and Advances:

The increase in current assets, loans and advances by Rs. 827.90 lakhs was due to increase in inventories on account of increase in volume of business, increase in debtors as compared to the previous year on account of increase in sales and debts period in the international market and Increase in loan and advances due to increase in balances with Government Authorities i. e. Central Excise, Sales Tax and Income Tax.

Current Liabilities and Provisions

The decrease in Current Liabilities and Provisions due to decrease in sundry creditors on account of cash purchase made out of funds from increase in working capital finance.

Comparison of Financial Statements for Financial Year Ended March 31, 2005 with the Financial Year ended March 31, 2004.

(Rs in lakhs, except for percentage)

Particulars	Financial Year ended March 31, 2005	Financial Year ended March 31, 2004	(Change %)
Total Income	7,638.21	7,858.59	(2.80%)
Manufacturing Expenses	6,544.82	6,655.64	(1.67%)
Administrative and Other Expenses	479.50	654.40	(26.73%)
Financial Charges	44.13	43.10	2.39%
Interest and Financial Charges	232.63	244.43	(4.83%)
Earning before tax	337.07	260.96	29.17%
Net profit after tax	311.57	230.96	34.90%

Total Income:

Total Income was Rs.7638.21 lakhs for the financial year ended March 31, 2005 while the sales and other income for the financial year ended March 31, 2004 was Rs 7858.59 lakhs, a decrease of 2.80%. During the financial year ended March 31, 2005, the Company made sales of 5951564 Kgs. dyes against 5852743 Kgs. in the previous year ended March 31, 2004. The Sales realization was lower due to appreciation of Rupee vis-à-vis Dollar. One unit of the Company was converted into 100%

KIRI DYES AND CHEMICALS LIMITED

EOU (Export Oriented Unit) with effect from December 1, 2004. Due to which the Company was not required to claim excise duty rebate and DEPB incentives but at the same time the Company was not required to pay excise duty on inputs.

Administrative Expenses including Employees' Emoluments and Selling & Distribution Expenses:

The Administrative Expenses including Employees' Emoluments and Selling & Distribution Expenses was Rs.479.50 lakhs in financial year ended March 31, 2005 as compared to Rs.654.40 lakhs for the financial year ended March 31, 2004. There was decrease in Administrative and other expenses by Rs 174.90 lakhs. Decrease was due to the reduction on account of decrease in Selling and Distribution Expenses. As compared to total income of the Company Administrative and other Expenses was 6.28% in Financial Year 2005 and that of Financial YFinancial Year 33% in Financial Year 2004.

Interest and Financial Charges:

The Interest and Financial charges was Rs. 232.63 Lakhs for the financial year ended March 31, 2005 as compared to Rs. 244.43 Lakhs for the financial year ended March 31, 2004, thus there was decrease of Rs.11.08 lakhs. The decrease was due to lower interest cost due to repayment of Term Loan to the tune of Rs. 30.62 Lakhs during the financial year ended March 31, 2005. As compared to turnover of the Company Interest and Financial Charges was 3.05% in Financial Year 2005 and that of 3.11% in Financial Year 2004.

Earnings Before Tax:

The Earnings before tax of the Company was Rs 337.07 lakhs for the financial year ended March 31, 2005 as compared to Rs. 260.96 lakhs for the financial year ended March 31, 2004, an increase by Rs 76.11 lakhs. The increase in earning before tax was due to decreased financial charges, administrative and other expenses. As compared to total income of the Company Earning before tax was 4.41% in Financial Year 2005 and that of 3.32% in Financial Year 2004.

Net Profit After Tax

The Restated net profit after tax of the Company was Rs 311.57 lakhs for the financial year ended March 31, 2005 as compared to Rs 230.96 lakhs for the financial year ended March 31, 2004. The increase was due to decrease in tax provision. As compared to total income of the Company Net profit after tax was 4.08% in Financial Year 2005 and that of 2.94% in Financial Year 2004.

(Rs in Lakhs, except for percentage)

Particulars	Financial Year ended March 31, 2005	Financial Year ended March 31, 2004	(Change %)
Reserves and Surplus	1671.03	1359.46	22.92%
Secured and unsecured loans	1964.05	1969.80	(0.29 %)
Fixed Assets (Gross Block)	1076.78	945.44	13.89 %
Current Assets, Loans and Advances	4464.60	3991.85	11.84 %
Current Liabilities and Provisions including Deferred Tax Liabilities	1606.88	1330.96	20.73%

Reserves and Surplus:

The increase in Reserves and Surplus was on account of transfer from the profit and loss account after appropriation for the year 2005.

Secured and Unsecured loan

During the year under review there was decrease in secured loan on account of repayment of term loan by Rs. 40.63 Lakhs and decrease in utilization of working capital facilities by Rs. 34.87 Lakhs.

Fixed Assets (Gross Block)

The Gross Block of Fixed Assets increased to Rs. 1076.78 lakhs for the financial year ended March 31, 2005 as against Rs. 945.44 Lakhs in financial year ended March 31, 2004. The addition of fixed assets was necessary on account of installation of additional spray dryer at Vatva Plant for increasing capacity for manufacturing of synthetic organics dyes.

Current assets, Loans and Advances:

The increase in current assets, loan and advances by Rs. 472.75 lakhs was due to Increase in inventories on account of increase in volume of Business, Increase in debtors as compared to the previous year on account of increase in sales & debts period in the international market.



Current Liabilities and Provisions

The increase in Current Liabilities and Provisions due to increase in sundry creditors.

An Analysis of Reasons for the changes in Significant Items of Income and Expenditure

1. Unusual or infrequent events or transactions

There have been no events other than as described in this Red Herring Prospectus, which may be called “unusual” or “infrequent”.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations.

There have been no significant changes in the laws governing the Chemicals and Dyestuff business in the recent past.

One of the major unit of the Company located at plot No 299/1/ A, GIDC Vatva which manufactures dyes is a 100% EOU. The exemption of Income Tax under section 10 B of Income Tax Act, 1961 for EOU is due to expire in the financial year 2009-10. If the tax exemption is not extended beyond the said time, the Company's tax liability will increase and consequently its profit after tax will decline. These economic changes could significantly affect income from continuing operations.

3. Known trends or uncertainties that have had or expected to have a material adverse impact on sales, revenue or income from continuing operations

Other than as described in this Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a materially adverse impact on revenue or income of the Company from continuing operations.

4. Future changes in the relationship between cost & revenue:

The Company is continuously working to create efficient processes resulting in cost reduction and have a better control over its activities. Other than as described in this Red Herring Prospectus, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company. The Company's cost revenue relationship reflects direct correlation with each other. The Company expects the future relationship between costs and revenue to improve further positively, resulting in an improved bottom line due the the backward integration process envisaged through the current issue.

5. The extent to which material increase in net sales or revenue is due to increased sales volume, introduction of new products or services or increased sales price:

The Company has implemented a Backward Integration Project which has started producing two new products namely Vinyl Sulphone and H – Acid. These are two dye intermediates which has contributed to sales during the year 2006-07 and is also likely to have a positive impact on sales during the current financial year 2007-08.

6. Total turnover of each major industry segment in which the Company operates:

The Company is operating in the chemicals and dyestuff industry with its niche offering and unique strengths, thus the broader industry segment of chemicals would not be totally relevant to the Company. Also post the current expansion the Company would have an almost equal split in revenues from Chemicals and Dyestuff businesses. Also, there are no authenticated published data available to the Company for total turnover of the Industry domains that the Company operates in.

7. Status of any publicly announced new products or business segment

The Company has publicly announced two new products of Dyes-intermediates namely Vinyl Sulphone and H–Acid during the year 2006-07. Production of Vinyl Sulphone was commenced from April, 2006 and that of H-Acid commenced from March 31, 2007.

8. Seasonality of Business:

The business segment in which the Company operates is not seasonal.

9. Any significant dependence on a single or few customers:

The Company is dependent on the Top 10 customers to the tune of 48.31% of Sales, however the same is inherent in the business that the Company operates in. The Company does not foresee any business risk arising from the dependency on customers

10. Competitive conditions:

The Company expect competition from established players and potential entrants. The Company is in the business of Dyes for more then 8 years and will be able to leverage its strength in domestic and international markets For detailed assessment of competition please refer section “Risk factors” and the para “Business overview” beginning on page viii and page 51 respectively of this RHP.

SECTION VI: LEGAL AND OTHER INFORMATION

Outstanding Litigations and Material Developments

The Company certifies that except as mentioned herein below, there are no:

- Pending litigations against the Company.
- Outstanding litigations, defaults etc pertaining to matters likely to affect operations and finances of the Company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).
- Such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its directors, promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.
- Cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- Pending litigations, defaults, non payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board /Stock Exchanges against the Company/Promoters and their business ventures/ Directors and that no litigations have arisen after the issue of SEBI's Observation letter and the Company and its Directors take full responsibility of the information mentioned in the Prospectus.
- Promoters, their relatives (as per Companies Act, 1956), Issuer, Group Companies, Associated Companies are detained as willful defaulters by RBI/Government Authorities.
- Violations of Securities Laws committed by the Promoters, their relatives (as per Companies Act, 1956), Issuer, Group Companies, Associated Companies in the past or pending against them.
- Past cases in which penalty were imposed by the concerned authority on the issuer Company or its directors.

a. Outstanding litigation involving Kiri Dyes and Chemicals Limited:

Criminal Law: Nil

Securities Law: Nil

Statutory Laws including Tax disputes

Corporate Tax

(Rs. in Lakhs)

Sr No	Issue	Authority	Case No. / Date Instituted	Amount Involved	Provision made in the Balance Sheet
1	Levy of Penalty u/s 271(1)(c) for the assessment year 2001-02	Income Tax Appellate Tribunal, Ahmedabad	CIT(A) VII/Wd.4(2)/109/2006-07 instituted on 28/04/2006	34.98	No
2	Demand following amendment in the IT Act for the Assessment Year 2001-02	CIT(Appeals), Ahmedabad	11 th January,2008	81.46	No

Brief facts:

Case No 1

For the assessment year 2001-02, the Income Tax department disallowed deduction under section 80 IA and demanded a penalty under section 271(1) (c) for the sum of Rs. 34.98 Lakhs for concealment of income resulting from the disallowance. The Company challenged the levy before Commissioner of Income Tax (Appeal), Ahmedabad who has vide his order dated October 31, 2006 allowed the appeal and cancelled the penalty. The Income Tax Department has preferred the second appeal against the said order before Income Tax Appellate Tribunal, Ahmedabad which is pending for the decision.

Case No 2

The department has passed an assessment order on 31/12/2007 for A.Y.2001-02 and has raised the demand of Rs.81.46 Lakhs following the amendment in the Income Tax Act by Taxation Laws (Amendment) Act, 2005 subjecting the DEPB Income



to Income Tax with retrospective effect. Out of the total demand of Rs.81.47 Lakhs, Rs.21.34 Lakhs are attributable to interest on tax. The Company has preferred an appeal with the CIT (A). The Company has also filed an application for rectification of the said order under section 154 of the Income Tax Act, 1961 for waiver of interest in the light of the CBDT Circular bearing No.02/2006, dated 17/01/2006. The Company has also made a similar application to the Chief Commissioner of Income Tax, Ahmedabad requesting him to waive interest in the light of the CBDT Circular. Further the Company has made an application on 18th January, 2008 for rectification of mistake apparent from records under section 154 of the Income Tax Act, 1961 due to the fact that credit for prepaid taxes is not given by the Income tax department by Rs.5.51 Lakhs in the assessment order for A.Y.2001-02. The case is pending as on date.

Defaults under the Companies Act, 1956

The Company has not complied with the provisions of section 383A of Companies Act, 1956 regarding appointment of whole time Company secretary for the period from November 25, 2005 to March 4, 2007. However, the Company has filed an application for compounding of offence under section 621 of the Companies Act, 1956 with the appropriate authority vide application dated April 17, 2007.

Civil Laws: Nil

Labour Laws: Nil

Others: Nil

b. Outstanding Litigations involving Subsidiaries:

As on the date of this Red Herring Prospectus, the Company has no subsidiaries.

c. Outstanding Litigations involving Directors of the Company

There are no outstanding litigations against the Directors of the Company except the below mentioned litigations against Mr. Keyoor Bakshi, Independent Director of the Company under section 138 of Negotiable Instruments Act:

There are no litigations against the Promoter directors, however Mr. Keyoor Bakshi an Independent Director has the following cases against him:

- In the matter of Gautam Impex Vs. Growmore Solvent Limited wherein a case has been filed with First Class Judicial Magistrate, Gandhidham, Gujarat for cheques being dishonoured by Growmore Solvent Limited.
- In the matter of BSL Ethanol Limited Vs. Rajvi Petrochem Private Limited wherein a case has been filed with Metropolitan Magistrate, Tis Hazari Court, Delhi,

Mr. Keyoor Bakshi was an independent director on the board of Growmore Solvent and Rajvi Petrochem. Also, the cheques were presented after resignation of Mr. Keyoor Bakshi, who was not involved in the day to day affairs of the companies.

d. Outstanding Litigations involving Promoters and Promoter Group Companies

There are no outstanding litigations against the Promoters and Promoter Group Companies.

e. Litigations post filing of the Offer Document:

will be updated in due course, if any

Defaults

The Company had not defaulted on the Loan for any amount.

Material Developments since the last Balance Sheet date

There have been no material developments after the date of last balance sheet i.e. September 30, 2007. In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statement disclosed in the Red Herring Prospectus, any circumstances that materially and adversely affect or are likely to affect the trading or profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months (as per accounting standard 4 of the ICAI). However, post the date of the Audit Report and as on September 30, 2007 the Company has been awarded additional sanction to the tune of Rs. 700 lakhs by Bank of India & Rs 650 lakhs by Oriental Bank of Commerce towards working capital finance.

In addition to the Book Running Lead Manager, the Issuer is also obliged to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

KIRI DYES AND CHEMICALS LIMITED

Government Approvals

Except as mentioned below the Company has received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies / certification bodies required for its business and no further approvals are required by the Company for carrying on the present as well as proposed business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake this Issue and its current business activities and except as mentioned below no further major approvals from any statutory authority are required to continue those activities. The Company further undertake to take steps in compliance with applicable laws to obtain any other license, permission and approvals if required to undertake any of its proposed activities, however if the Company does not receive the requisite permission then the Company will chalk out an appropriate strategy to utilize the available funds after approval from the shareholders and in accordance with applicable rules and regulation as may be permitted by SEBI and /or other regulatory authority in this regard.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

Sr. No.	Issuing Authority	Registration/ LicenseNo.	Nature of Registration/License	Date of issue	Validity/ Date
Incorporation and other statutory Compliances					
1.	Registrar of Companies, Gujarat Dadra & Nagar Haveli	04-34094	Certificate of Incorporation	May 14998	One time registration
2.	Registrar of Companies, Gujarat, Dadra & Nagar Haveli	04-34094	Fresh Certificate of Incorporation consequent to conversion of Company	May 3, 2006	One time registration
Income Tax					
3.	Joint Commissioner Income Tax (System), Ahmedabad	AAACK9025C	Permanent Account Number	January 7, 2000	Till Cancelled
4.	Income Tax Officer, Ward 8 (TDS) (OSD), Ahmedabad	AHMK01019E	Letter of Allotment – Tax Deduction Account Number.	July 22, 2002	Till Cancelled
Labour laws					
5	Deputy Chief Inspector of Factory, Gujarat State	095323	Licence under Factories Act, 1948 (Unit I)	September 1, 1998	Till modification
6.	Regional Director, Employee State Insurance Act	No. 37-21921-34	Registration under ESI Act, 1948 – Unit I	November 23, 1998	Till Cancellation
7	Regional Director, Employee State Insurance Act	No. 37-23308-34	Registration under ESI Act, 1948 – Unit II	June 6, 2002	Till Cancellation
8.	Regional Provident Fund Commissioner	GJ/PFC/AHD/ 27859	Registration under Employees Provident Funds and Misc. Provisions Act, 1952	April 7, 1999	Till Cancellation
Excise & Service Tax					
9	Deputy Commissioner of Service Tax Ahmedabad	AAACK9025 CST002	Registration Certificate under the provisions of section 69 of the Finance Act, 1994– Unit I	February 18, 2005	Till Cancellation
10	Deputy Commissioner of Service Tax Ahmedabad	AAACK9025CS T001	Registration Certificate under the provisions of section 69 of the Finance Act, 1994– Unit II	February 11, 2005	Till Cancellation
11.	Superintendent (GR. VII) Service Tax, Vadodara	AAACK9025CS T003	Registration Certificate under the provisions of section 69 of the Finance Act, 1994– Unit IV	August 3, 2006	Till Cancellation



Sr. No.	Issuing Authority	Registration/ LicenseNo.	Nature of Registration/License	Date of issue	Validity/ Date
12	Assistant Commissioner of Central Excise Ahmedabad	AAACK9025 CXM004	Registration Certificate under Central Excise Rules, 2002 – Unit I	June 19, 2006	Till Cancellation
13.	Assistant Commissioner of Central Excise Ahmedabad	AAACK9025 CXM002	Registration Certificate under Central Excise Rules, 2002– Unit II	June 18, 2006	Till Cancellation
14	Assistant Commissioner of Central Excise Vadodara	AAACK9025 CXM005	Registration Certificate under Central Excise Rules, 2002– Unit IV	November 15,2007	Till Cancellation
15	Assistant Commissioner of Central Excise Ahmedabad	AAACK9025 CXM003	Registration Certificate under Central Excise Rules, 2002– Unit III	June 19, 2006	Till Cancellation
16	Assistant /Deputy Commissioner of Central Excise Vadodara	AAACK9025 CXM006	Registration Certificate under Central Excise Rules, 2002– Unit V	December 04, 2007	Till Cancellation
Import / Export					
17	Joint Director General of Foreign Trade, Ahmedabad	0896009025	Certificate of Importer-Exporter code (IEC)	March 13, 1997	Till Cancelled
18.	Joint Director General of Foreign Trade, Ahmedabad	014518	Certification of recognition as Two Star Export House	November 4, 2004	March 31, 2009
19.	Ministry of Commerce & Industry, Development Commissioner KASEZ	KASEZ/100% EOU/II/48/2002 – 03/16322	Letter of permission for 100% EOU	October 28, 2002	December 1, 2009
20	Ministry of Commerce & Industry, Kandla SEZ	KASEZ/842/ 04-05 for EOU	Green Card	April 10, 2004	October 13, 2009
Sales Tax					
21	Sales Tax Officer (1) Class, Ahmedabad	24073700230	Registration under Gujarat Sales Tax Act, 1969.(now Gujarat Value Added tax Act 2003 and Gujarat Value added tax Rules 2006 are applicable.)	September 16,2005	Till Cancellation
22	Asst. Sales Tax Commissioner, Ahmedabad	24573700230	Registration under Central Sales Tax (Registration and Turnover Rules), 1957.	September 14, 2005	Till Cancellation
23	Sales Tax Officer, Ahmedabad	N. 10 R.(R) 338	Certificate under section 32 of Gujarat Sales Tax Act, 1969.	October 3, 2000	Till Cancellation
Environment					
24	Environmental Engineer, Gujarat Pollution Control Board, Gandhi agar	GPCB/CCA/ABD/ VT – 110/17236	Consolidated Consent and Authorization (CC & A) under the provision of Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 framed under the Environmental (Protection) Act, 1986 - Unit I. ,Vatva	June 14, 2005	March 2, 2008

KIRI DYES AND CHEMICALS LIMITED

Sr. No.	Issuing Authority	Registration/ LicenseNo.	Nature of Registration/License	Date of issue	Validity/ Date
25	Environmental Engineer, Gujarat Pollution Control Board, Gandhi Nagar	PC/CCA/ABD/VT – 80/28606	Consolidated Consent and Authorization (CC & A) under the provision of Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 framed under the Environmental (Protection) Act, 1986 - Unit II, Vatva	October 10,2007	June 14,2012.
26	Environmental Engineer, Gujarat Pollution Control Board, Gandhinagar	PC/CCA/ABDVT-482/28673	Consolidated Consent and Authorization (CC & A) under the provision of Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 framed under the Environmental (Protection) Act, 1986 - Unit III	October 28, 2005	February 13, 2010
27	Environmental Engineer, Gujarat Pollution Control Board, Gandhinagar	VRD-73/23128	Consolidated Consent and Authorization (CC & A) under the provision of Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 framed under the Environmental (Protection) Act, 1986 - Unit IV	August 29,2007	May 6,2012
28	Environmental Engineer, Gujarat Pollution Control Board, Gandhinagar	GPCB/CE/NOC-VRD-2850/22094	Consent to establish (NOC) under section 25 of Water Act and section 21 of the Air Act, plant / activities for Sulphuric Acid, Oleum and Chloro Sulphuric Acid and other by products at Company's Plant at Dudhwada, Padra, Vadodara (unit V)	August 10, 2007	August 9, 2012
29	Chairman,Green Environment Services Co-operative Society Limited, Vatva, Ahmedabad	GSECSL\ACCT\ C11\2002\ 013\314	Membership certificate for use of Common Effluent Treatment Plant,	April 12, 2002	Till Cancelled
30	General Manager, Effluent Channel Project Limited, Vadodara	ECPL/BRD/GM/308	Membership certificate to use effluent channel, Padra, Vadodara	December 24, 2004	Till Cancelled
Other					
31.	Ministry of Commerce & Industry	2076/SIA/IMO/2006	SIA Registration for Sulphuric acid, Oleum crutinizednic acid	April 20, 2006	Till Cancellation/ Modification



Sr. No.	Issuing Authority	Registration/ LicenseNo.	Nature of Registration/License	Date of issue	Validity/ Date
32	Ministry of Commerce & Industry	2211/SIA/IMO/2005	SIA Registration for Dyes and Intermediates	May 9, 2005	Till Cancellation/ Modification
33.	Deputy Chief Controller of Explosives, Department of Explosives, Ministry of Commerce & Industry	GJ/AMD/H.P./830	Licence to store F.O./ LDO	August 31, 2000	Till Cancellation
Intellectual Property Right					
34.	Registrar of Trade Marks, Trade Marks Registry, Mumbai	1016942	Certificate of Registration for "Kiri "	March 22, 2005	March 21, 2015
35	Assistant Electrical Inspector, Office of the Assistant Electrical Inspector, Ahmedabad.	AHM/AEI/HT/ Annual insp	Certificate for electrical installation of D.G. Set (160 KVA) and permission under Rule 47A of the Indian Electricity Rules, 1956 (Unit I)	June 19, 2007	Till cancellation
36	Electrical Inspector, Office of the Electrical Inspector, Vadodara.	EI/VDR/INSP/ 2949/06	Certificate for electrical installation of D.G. Set (380 KVA) and permission under Rule 47A of the Indian Electricity Rules, 1956 (Unit IV)	October 09, 2006	Till cancellation
37.	'Nagar Niyojak', Town Planning and Valuation Department, Vadodara	BP/Dhudhwada/ Padra/07/1351/07	Letter of Approval of Lay out plan (Unit V)	August 18, 2007	Till modification/ cancellation
38.	Accounts officer, Basic Chemicals Pharmaceuticals & Cosmetics Export Promotion Council	CHEMEXCIL / K-41 / 99-2000 / 12888	Registration – cum – Membership – Certificate by Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council	December 27, 1999	March 31, 2009
39	Professional Tax Officer, Ahmedabad	R-112060648	Certificate of registration under the Gujarat State Tax on professions, Trades, Callings and Employment Act, 1976	January 01, 2000	Till Modification / cancellation
40	Madhy Gujarat Vij Company Limited	04 dated 29/10/ 2007	Approval for 50 HP (37.50 KW) power for (Unit V)	October 29, 2007	Till Modification

Approvals for which Applications have been made but permission /registration certificate not yet received:

Sr. No.	Approval/ consents	Authority	Status
1.	Licence under Factories Act, 1948(Unit IV)	Deputy Assistant Director, Industrial Safety and Health Department, Vadodara.	Application made and licence awaited
2	Amendment in licence upon change of name of the Company under the Factories Act, 1948 (Licence No.011807 for Unit II)	Director, Industrial Safety and Health Department, Ahmedabad	Application made and amended licence awaited
3	License under section 12 (2) of The Contract Labour (Regulation and Abolition) Act 1970 .	Asst Labour Commissioner, Licensing authority, Ahmedabad	Application made and license awaited
4	Certificate of Registration for Service Tax under the provisions of section 69 of the Finance Act, 1994	Assistant Commissioner (Service Tax), Vadodara (Unit V)	Application made and certificate of registration awaited
5.	Approval of plan under Factories Act, 1948	Joint Director, Safety & Health, Vadodara (Unit V)	Application made and approval awaited
6.	Addition of place of business under Central Sales (Registration and Turnover) Rules, 1957	Commercial Tax Officer, Ahmedabad (Unit V)	Application made and approval awaited

KIRI DYES AND CHEMICALS LIMITED

Sr. No.	Approval/ consents	Authority	Status
7.	Addition of place of business under Gujarat Value Added Tax Act, 2003 and Gujarat Value Added Tax Rules, 2006	Commercial Tax Officer, Ahmedabad (Unit V)	Application made and approval awaited
8.	Change of name of under Central Sales (Registration and Turnover) Rules, 1957	Commercial Tax Officer, Ahmedabad (Unit II & III)	Application made and approval awaited
9.	Change of name of under Gujarat Value Added Tax Act, 2003 and Gujarat Value Added Tax Rules, 2006	Commercial Tax Officer, Ahmedabad (Unit II & III)	Application made and approval awaited
10	SIA Registration for Dyes and Intermediates unit.	Ministry of Commerce & Industry	Application made and approval awaited

Approvals for which Application is yet to be made – Proposed Project:

Sr. No.	Approval/Consent	Concerned Authority
1.	License Under the Factories Act, 1948	Deputy Chief inspector of Factory, Gujarat State
2.	Consolidated Consent and Authorization (CC & A) under the provision of Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 framed under the Environmental (Protection) Act, 1986 (unit V)	Sr. Environmental Engineer, Gujarat Pollution Control Board, Gandhinagar
3.	License to store F.O./ LDO	Deputy Chief Controller of Explosives, Department of Explosives, Ministry of Commerce & Industry
4.	Power Connection load for 1162.50 KW (Unit V)	Madhya Gujarat VIJ Company Limited
5.	Certificate from Boiler Inspector	Boiler Inspector
6.	Renewal of License issued under section 12 (2) of The Contract Labour (Regulation and Abolition) Act 1970	Asst Labour Commissioner, Licensing authority, Ahmedabad
7.	Certificate for electrical installation of DG Set and permission under Rule 47A of the Indian Electricity Rules, 1956 (Unit V)	Electrical Inspector, Vadodara
8	Registration under Employees Provident Funds and Miscellaneous Provisions Act, 1952 (Unit V)	Regional Provident Fund Commissioner, Vadodara



SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors of the Company has, pursuant to resolution passed at its meeting held on February 9, 2007 authorized the Issue subject to the approval by shareholders of the Company under section 81(1A) of the Companies Act, 1956, and such other authorities as may be necessary.

The shareholders have authorized the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, 1956, passed at the extraordinary general meeting of the Company held on March 5, 2007 at the registered office of the Company.

The Board has approved the Draft Red Herring Prospectus at a meeting held on August 27, 2007 and Red Herring Prospectus (RHP) at a meeting held on March 4, 2008.

The Company has also obtained all necessary contractual approvals required for the Issue. For further information, please see section titled "Government and Other Approvals" beginning on page 142 of this Red Herring Prospectus.

Prohibition by SEBI

The Company, directors, promoters, other companies/entities promoted by the companies promoters, and companies/entities with which the directors are associated as directors, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of the Directors or the persons in control of the Promoters companies have been prohibited from accessing the capital market or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

However, the following details are relevant to one the Independent Directors of the Company Mr. Keyoor Bakshi:

- The Chairman, SEBI vide order dated July 10, 2003 in the matter of Jyoti Resins and Adhesives Limited directed Mr. Bakshi to disassociate in every respect from the Capital Market related activities and not to access the Capital Market for a period of 1 year.
- The Chairman, SEBI vide order dated September 5, 2003 in the matter of Natural Expo Agro Industries Limited directed Mr. Bakshi to disassociate from Capital Market for a period of 5 years and not to deal in securities in any manner whatsoever for a period of 5 years

Mr. Bakshi preferred to Appeal before the Hon'ble Securities Appellate Tribunal (SAT) challenging both the orders mentioned above by Appeal No. 166 of 2003 and 167 of 2003 respectively. The Hon'ble SAT had set aside both the above directions vide two separate orders dated October 15, 2004. The Hon'ble SAT also directed that SEBI was at liberty to issue fresh show cause notice(s) if so desired.

SEBI issued a fresh Show Cause Notice on November 19, 2004 in the matter of Natural Expo Agro Industries Limited. After a personal hearing on July 11, 2006, Whole Time Member, SEBI had issued an order dated November 3, 2006 directing no action against Mr. Bakshi.

Eligibility of the Issuer Company

The Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as confirmed by the Auditors vide certificate dated January 12, 2008:

1. The Company has net tangible assets of at least Rs. 300 lakhs in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets and is complying with Clause 2.2.1 (a) of the SEBI DIP Guidelines.
2. The Company has a track record of distributable profits as per section 205 of Companies Act, 1956, for at least three out of immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;
3. The Company has a pre-issue net worth of at least Rs.100 lakhs in each of the preceding three full years of 12 months each and is compliant with Clause 2.2.1 (c) of the SEBI DIP Guidelines;
4. The Company has not changed its name within the last one year and is compliant with Clause 2.2.1(d) of the SEBI DIP Guidelines except for the deletion of the word "Private" on conversion of the Company from Private limited to Limited.
5. The proposed Issue size would not exceeds five times the pre-Issue net worth as per the audited accounts for the last FY and is compliant with Clause 2.2.1 (e) of the SEBI DIP Guidelines;

The net tangible assets, monetary assets, net profits (as restated) and net worth (as restated) as derived from the unconsolidated financial statements (restated), included in the Red Herring Prospectus under the section titled "Financial Information" for the last five years ended March 31, 2007 is set forth below:

KIRI DYES AND CHEMICALS LIMITED

(Rs. in Lakhs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
1. Distributable Profit	863.29	448.04	311.57	230.96	405.89
2. Net Worth	3386.51	2486.71	1785.72	1474.09	1243.07
3. Net Tangible Assets	3476.44	2554.71	1843.72	1522.09	1283.07
4. Monetary Assets	167.78	194.61	276.91	155.59	172.61
5. Monetary Assets as a % of Net Tangible Assets	4.83%	7.62%	15.02%	10.22%	13.45%

Notes:

1. Distributable Profit has been defined in terms of section 205 of the Companies Act, 1956.
2. Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.
3. Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.
4. Monetary Assets comprise of cash and bank balances, public deposit account with the Government.

In addition to these, the Company shall ensure that the number of allottees getting Equity Shares is not less than one thousand in accordance with Clause 2.2.2A of the SEBI Guidelines.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, CENTRUM CAPITAL LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, CENTRUM CAPITAL LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED, AUGUST 27, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS/LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT;**
 - a. **THE PROSPECTUS/LETTER OF OFFER FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - b. **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**



- c. **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
4. **WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITER TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
5. **WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC, GUJARAT, DADRA & NAGAR HAVELI, AHMEDABAD IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC, GUJARAT, DADRA & NAGAR HAVELI, AHMEDABAD IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT, 1956.

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Disclaimer Clause from Company and Book Running Lead Manager

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not issue, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

The Company, Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above-mentioned entities and anyone placing reliance on any other source of information, including the Company's website, www.kiridyas.com, would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into amongst the Book Running Lead Manager and the Company dated March 15, 2007 and the Underwriting Agreement to be entered into among the Underwriters and the Company.

All information shall be made available by the Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers, etc.

The Issuer and BRLM are obliged to update the Red Herring Prospectus and keep the public informed of any material changes till the listing and trading commencement.

Neither the Company, nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Neither the Company, nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their

KIRI DYES AND CHEMICALS LIMITED

constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Red Herring Prospectus comes is required to inform him or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ahmedabad, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the Company affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Investors may please note that Central Government/ RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Red Herring Prospectus.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be issued or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdictions where those issues and sales occur.

Disclaimer Clause of the BSE

As required, a copy of the Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated October 22, 2007, permission to the Company to use BSE's name in Red Herring Prospectus as one of the stock exchanges on which this Company's further securities are proposed to be listed. BSE has scrutinized Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner:

- i. Warrant, certify or endorse the correctness or completeness of any of the contents of Red Herring Prospectus; or
- ii. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- iii. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of Red Herring Prospectus has been submitted to NSE. NSE has given in its letter dated November 16, 2007 permission to this Company to use NSE's name in Red Herring Prospectus as one of the Stock Exchanges on which this Company's further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 1000 lakhs and the market capitalization shall not be less than Rs.2500 lakhs at the time of listing). The NSE has scrutinised Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any of this Company's securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.



Disclaimer by CRISIL, the Grading Agency

A CRISIL IPO grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users transmitters / distributors of CRISIL IPO grading.

Undertaking from Promoters and Directors

The Company accept full responsibility for the accuracy for the information given in the Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Red Herring Prospectus misleading and the Company further confirm that the Company has made all reasonable inquiries to ascertain such facts. The Company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoters/ Directors declare and confirm that no information / material likely to have a bearing on the decision of investors in respect of the shares offered in terms of the Red Herring Prospectus has been suppressed, withheld and / or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/ material has been suppressed / withheld and/or amounts to a mis-statement / misrepresentation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of section 63 of the Companies Act, 1956.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, SEBI Bhavan, Bandra Kurla Complex, Bandra – East, Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under section 60B of the Companies Act, 1956, would be delivered along with copies of material contracts and other documents for registration to the Registrar of Companies (Roc), Gujarat Dadra and Nagar Haveli at RoC Bhavan, Opp. Rupal Park, Near Ankur Bus Stop, Naranpura, Ahmedabad- 380 013 and a copy of the Prospectus to be filed under section 60 of the Companies Act, 1956 would be delivered for registration with RoC.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of the Company's Equity Shares. BSE will be the Designated Stock Exchange with which the basis of allocation will be finalized for the issue.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight (8) days after the Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under section 73 of the Companies Act, 1956.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven (7) working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who:

- a. makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- b. Otherwise induces a Company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**
shall be punishable with imprisonment for a term which may extend to five years.”

KIRI DYES AND CHEMICALS LIMITED

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue, Bankers to the Company, (b) Book Running Lead Manager, Co-Manager, Grading Agency, Syndicate Members, Escrow Collection Bank(s) and (c) Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the RoC, Ahmedabad, Gujarat and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, M/s V.D. Shukla & Co., Chartered Accountant, Auditors of the Company, have given their written consents to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for filing with SEBI.

M/s V.D. Shukla & Co., Chartered Accountant, has given its written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of the Red Herring Prospectus for filing with SEBI.

Expert Opinion

Except for the report provided by CRISIL furnishing the rationale for its grading pursuant to Clauses 2.5A, 5.6B and 6.17.3A of the SEBI Guidelines, the Company has not obtained any expert opinions.

Other than the above and as mentioned in this Red Herring Prospectus, the Company has not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Amount (Rs. in Lakh)	% of Total Issue Expenses	% of Total Issue Size*
Lead Management Fees/Underwriting & Brokerage/ Selling Commission	[•]	[•]	[•]
Co-Manager Fees	[•]	[•]	[•]
Fees payable to Registrar including Postage	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing & Distribution of Stationery	[•]	[•]	[•]
Others expenses	[•]	[•]	[•]
Legal Fees	[•]	[•]	[•]
Total Estimated Issue expenses	[•]	[•]	[•]

*will be incorporated after finalization of the Issue Price

Fees Payable to the Book Running Lead Manager, Brokerage and Selling Commission

The total fees payable to the Book Running Lead Manager and the Syndicate Members (including underwriting commission and selling commission and reimbursement of their out of pocket expenses) will be as stated in the Memorandum of Understanding between BRLM and the Company and between Syndicate Member and the Company, copies of which are available for inspection at the Registered Office of the Company located at 7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellis bridge, Ahmedabad – 380 006, Gujarat, India.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue, Cameo Corporate Services Limited for processing of application, data entry, printing of CAN/ refund order (or revised CANS, if required), preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the Registered Office of the Company. The Company shall bear such expenses.



The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by Registered post/ Speed Post/ Under Certificate of Posting.

Particulars Regarding previous Rights and Public Issues during the last five years

This is the first issue of the Company. The Company has not made any public issue previously.

Previous Issue of Shares otherwise than for Cash

The Company has not issued any shares for consideration other than cash except as mentioned in the para "Capital Structure" on page 14 of this Red Herring Prospectus.

Commission and Brokerage on Previous Issue

Since this is the Initial Public Issue of the Company's Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies and other listed companies under the same Management within the meaning of section 370(1) B of the Companies Act, 1956, which made any capital issue during last three years

There are no listed companies under the same management within the meaning of section 370 (1) (B) of the Companies Act, 1956 and the Company has not made any previous issue.

Promise vs. Performance

The Company has not made any public issue of shares since its incorporation. There are no group companies, which have made any public issue.

Outstanding Debenture or Bond Issue or Preference Shares

As of date, the Company does not have any outstanding debentures or bond issue or redeemable preference shares or other instruments.

Stock Market Data for the Equity Shares of the Company

This being the initial public issue of the Company, the Equity Shares of the Company are not listed on any stock exchange.

Other Disclosures

The promoter group, or the directors of the promoter Company or the Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI except as stated in the para "Capital Structure" beginning on page 14 of this Red Herring Prospectus

Mechanism for Redressal of Investor Grievances

The Company has appointed the Registrar to the issue, to handle the investor grievances in coordination with the Compliance Officer of the Company. All grievances relating to the Issue may be addressed to the Registrar to the Issue, Cameo Corporate Services Limited giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the Syndicate Member or collection centre where the application was submitted. The Company will monitor the work of the Registrar to ensure that the Investor grievance will be settled expeditiously and satisfactorily.

The Registrar to the issue, Cameo Corporate Services Limited, will handle investors grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be co-coordinating with the Registrar to the issue in attending to the grievances of the investor. The Company will assure that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules:

Sr.No.	Nature of complaint	Time Table
1	Non-receipt of refund	Within 7 days of receipt of complaint subject to production of satisfactory evidence
2	Change of Address Notification	Within 7 days of receipt of information
3	Any other complaint in relation to Public issue	Within 7 days of receipt of complaint with all relevant details.

The Company has appointed Mr. Suresh Gondalia as the Compliance Officer who would directly deal with SEBI officer with respect to implementation/ compliance of various laws, rules, regulations and other directives issued by SEBI and matters

KIRI DYES AND CHEMICALS LIMITED

related to investor complaints. The investors may contact the Compliance Officer in case of any pre-issue/ post-issue related problems. The Compliance Officer would be available at the Registered Office of the Company. He may be contacted at the following address:

Name of compliance officer:

Mr. Suresh Gondalia
Company Secretary & Compliance Officer
Kiri Dyes and Chemicals Limited
7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge,
Ahmedabad -380 006
Tel: +91-79 – 2657 4371/72/73;
Fax: +91-79 - 2657 4374;
Email: ipo@kiridyesh.com

Changes in Auditors during the last three years

There have been no changes in the Auditors of the Company during the past three years.

Capitalization of Reserves or Profits during the last five years

The Company has capitalized its reserves by way of the bonus issue of the Equity Shares during the last five years, the details for the same are as mentioned below:

Date of Allotment	Number of Equity Shares	Face Value (in Rs.)	Nature of Allotment
November 23, 2005	20,12,500	10.00	Bonus
January 15, 2006	31,62,500	10.00	Bonus
Total	51,75,000		

Revaluation of Assets during the last five years

There has been no revaluation of the assets during the last five years

Payment or benefit to officers of the Company

Except as stated otherwise in this Red Herring Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any officers of the Company except the normal remuneration for services rendered as Directors, officers or employees since the incorporation of the Company.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.



SECTION VIII: ISSUE RELATED INFORMATION

Terms of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and the Articles of Association of the Company, Conditions of RBI Approval, the terms of the Red Herring Prospectus, prospectus, the Bid cum Application Form, the Revision Form, the Confirmation Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications rules and regulations relating to the issue of capital and listing and trading of securities issued from time to time by the SEBI, the Government, the Stock Exchanges, the RBI, the RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing Equity Shares of the Company, including rights in respect to receive dividends and other corporate benefits, if any, declared by the Company after the date of allotment. Kindly refer to the section titled “Main provisions of Articles of Association” on Page 185 of this Red Herring Prospectus.

Mode of payment of dividend

Dividend shall be paid only in cash or as permitted under applicable laws. The declaration and payment of dividends will be recommended by the Company’s Board of Directors and the Shareholders in their discretion and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial conditions. The Company shall pay dividends to its shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The face value of each Equity Share is Rs. 10. The Floor price of Equity Shares is Rs. 125 per Equity Shares and the Cap price is Rs. 150 per Equity Share. At any given point of time there shall be only one denomination of Equity Shares.

The face value of the shares is Rs. 10 and the Floor Price is 12.5 times of the face value and the Cap Price is 15 times of the face value.

Compliance with SEBI Guidelines

The Company shall comply with applicable disclosure and accounting norms specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a public Company under the Companies Act, 1956 and the Company’s Memorandum and Articles of Association.

For a detailed description of the main provisions of the Company’s Articles of Association dealing with , voting rights, dividend, forfeiture and lien, transfer and transmission and /or consolidation/ splitting see the section titled “Main Provisions of the Articles of Association” on page 185 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of section 68B of the Companies Act, 1956, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 45 Equity Share. For details of allocation and allotment, see the section titled “Issue Procedure – Basis for Allotment” on page 177 of this Red Herring Prospectus.

KIRI DYES AND CHEMICALS LIMITED

Nomination Facility to the Investor

In the nature of the rights specified in section 109A of the Companies Act, 1956, the sole or first Bidder, along with other joint Bidder(s), may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Corporate Office of the Company or Registered Office of the Company or at the Registrar and Transfer Agents of the Company.

In the nature of the rights stated in section 109B of the Companies Act, 1956, any person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Jurisdiction

Exclusive jurisdiction for purposes of this issue is with the competent courts in Ahmedabad, Gujarat, India.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company become liable to pay the amount (i.e., 60 days from the Bid Closing Date), The Company shall pay interest prescribed under section 73 of the Companies Act, 1956.

Further, in accordance with clause 2.2.2A of SEBI (DIP) Guidelines, 2000, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000 (one thousand)

Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

In case the Company decides so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of Issue in the newspapers in which the bid advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

Arrangement for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 equity share. Therefore, there is no possibility of odd lots.

Restriction, if any, on transfer and transmission of shares and their Consolidation/ Splitting

There are no restrictions on transfer and transmission of shares and their consolidation/splitting other than those mentioned in the Articles of Association of the Company. For details see the section titled "Main Provisions of the Articles of Association" beginning on page 185 of this Red Herring Prospectus.



Subscription by Non-Residents/NRI/FIIs/Foreign Venture Capital Fund/ Multilateral and Bilateral Development Financial Institutions

As per RBI regulations, OCBs cannot participate in the Issue.

There is no reservation for any non-residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such non-residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

The allotment of Equity Shares to non-residents, NRIs, FIIs, foreign venture capital investors shall be subject to the conditions as may be prescribed by the Government of India, Ministry of Finance and Company Affairs Department (Department of Economic Affairs) and the RBI while granting such permissions.

As per notification no. FEMA/20/2000-RB dated May 3, 2000, as amended from time to time, under automatic route of the Reserve Bank; the Company is not required to make an application for issue of Equity Shares to NRIs/ FIIs with repatriation benefits. However, the allotment /transfer of the Equity Shares to NRIs/FIIs shall be subject to the prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulations under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Application in the Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

Bidding Period / Issue Period

BID / ISSUE OPEN ON : Tuesday, March 25, 2008

BID / ISSUE CLOSE ON : Wednesday, April 02, 2008

Bids and any revision in Bids shall be accepted only between the 10 a.m. and 5 p.m. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between the 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holiday)

The Company reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The Cap price should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor of the Price Band can move up or down to the extent of 20% of the Floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the websites of the BRLM, the Company and at the terminals of the other members of the Syndicate.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid / Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE / NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid cum Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note

KIRI DYES AND CHEMICALS LIMITED

that they may be required to pay additional amounts, if any, by the Pay-in date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Offer Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Letters of allotment or refund orders

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. Applicants residing at 15 centers where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. The Company shall also ensure dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by the Company. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of the issue.

Interest in case of delay in dispatch of allotment letters /refunds orders

In accordance with Companies Act, 1956, the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- Company shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by Cheques, ECS, RTGS, Direct Credit, Pay Orders or Demand Drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. The bank charges, if any, for encashing such Cheques, pay orders or demand drafts at other centers will be payable by the Bidders.



Issue Structure

Public Issue of 37,50,000 Equity Shares Rs. 10 each, at a price of Rs. [•] for cash aggregating to Rs. [•] lakhs is being made through the 100% Book Building Process.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders subject to maximum upto 18,75,000 Shares	Not less than 5,62,500 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 13,12,500 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Up to 50% of Issue or, Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. This includes 5% to be allocated to mutual funds.	Not less 15% of Issue or, Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of Issue or, Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 45 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs.1,00,000 and in multiples of 45 Equity Shares hereafter.	45 Equity Shares and in multiples of 45 Equity Share thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable Limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 1,00,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, entire Capital Funds registered with SEBI; I Foreign Venture Capital Investors registered with SEBI; and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.2,500 lakhs and pension funds with minimum corpus of Rs. 2,500 lakhs in accordance with applicable law.	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific Institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.

KIRI DYES AND CHEMICALS LIMITED

Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	Atleast 10% of the Bid Amount on bidding	Full Bid Amount on Bidding	Full Bid Amount on Bidding

*Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any categories, would be allowed to the Company to be met with spillover inter-se from any other categories at the discretion of the Company, in consultation with the BRLM subject to applicable provisions of SEBI Guidelines.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.



Issue Procedure

Book Building Procedure

Book Building Process, with reference to the issue, refers to the process of collection of bids, on the basis of this Red Herring Prospectus within the price band. The Issue Price is fixed after the Bid/ Issue Closing Date.

The Issue is being made through the 100% Book Building Process wherein upto 50% of the issue to the public shall be available for allocation on a proportionate basis to QIBs (out of which 5% shall be allocated to mutual funds) and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all the QIB Bidders, including Mutual Funds. Further, not less than 35% of the issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. For further details please see the para “Terms of the Issue” beginning on page 155.

Bidders are required to submit their Bids through the syndicate. Further, QIB Bids can be submitted only to the BRLM. The Company, in consultation with the BRLM, may reject any Bid procured from QIB, by any or all members of the syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of receiving of the Bid Cum application form and the reason therefore shall be disclosed to the respective QIB bidder, at the time of the rejection of the Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialized form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchange(s).

The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Manager;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM.
- Escrow Collection Bank(s); and
- Registrar to the Issue.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purpose and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per Equity Share, issue size of 3,000 Equity Shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1,500	50.00%
1500	22	3,000	100.00%
2000	21	5,000	166.67%
2500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the Book Running Lead Manager, will finalise the issue price at or below such cut off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

KIRI DYES AND CHEMICALS LIMITED

Steps to be taken for bidding:

- Check whether he/she is eligible for bidding, see the para “Issue Procedure-Who Can Bid?” on page no. 162 of this Red Herring Prospectus;
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.
- Ensure that the Bid cum Application form is accompanied by the PAN. Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/Issue Closing Date and for further details see the para “Terms of the Issue” on page no. 155 of this Red Herring Prospectus.

The process of Book Building under the SEBI Guidelines is relatively new and investors are advised to make their own judgments about investments through this process prior to making the bid or applications in the issue.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allotment Note (“CAN”), and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form.

Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category Application Form	Colour of Bid cum
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders or NRIs applying on a non-repatriation basis	White
Eligible non-residents including NRIs or FIIs applying on a repatriation basis	Blue

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines.
- Indian nationals resident in India who are majors, or in names of their minor children as natural/ legal Guardian, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in Equity Shares;
- Eligible NRIs and FIIs registered with SEBI on a repatriation basis or a non-repatriation basis subject to applicable laws; NRIs other eligible NRI are not permitted in the issue.



- Scientific and/or Industrial Research Organisations authorised to invest in Equity Shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- As permitted by the applicable laws, Provident Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in Equity Shares
- Pension Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in Equity Shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals in the issue.
- Pursuant to the existing RBI regulations, OCBs are not eligible to participate in the Issue.

Participation by Associates of BRLM and syndicate Members.

Associates of BRLM and syndicate Members may bid and subscribe to Equity Shares in the issue either in the QIB portion or in the non institutional portion as may be applicable to such investors or as may be specifically permitted by SEBI. Such Bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLM and syndicate Members shall be on a proportionate basis.

Further The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any Company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any Company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Information on reservation for Mutual Funds

5% of the QIB Portion i.e. [93,750 number of Equity shares] shall be available for the allocation for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB Portion.

Application by NRIs

NRI Bidders to comply the following

1. Individual eligible NRI Bidders can obtain the Bid cum application form from the registered office of the Company, its corporate office, member of the syndicate or the Registrar to the issue.
2. Eligible NRI Bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through non resident ordinary (NRO) Account shall use the Bid cum application form meant for resident Indians.

All the applications by NRI's should be accompanied by the copy of PAN card further details refer to the para "PAN" on page 176 of this Red Herring Prospectus.

Application by FIIs registered with SEBI

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of post-Issue issued capital (i.e. 10% of 1,50,00,000 Equity Shares of Rs.10 each). In respect of an FII investing in Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total

KIRI DYES AND CHEMICALS LIMITED

issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs") may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund.

As per the current regulations, any venture capital fund or foreign venture capital investors shall not invest more than 33.33% of their investible funds by way of subscription to initial public offer of a venture capital undertaking, whose shares are proposed to be listed or in a preferential allotment of equity shares of a listed Company subject to a lock-in period of one year.

The SEBI has issued a press release on 26th June, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a Company prior to making an initial public offering would be exempt from lock – in requirements only if the shares have been held by them for at least one year prior to the time of filing the prospectus with SEBI.

The above information is given for the benefit of Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws and regulations, which may occur after the date of this Red Herring Prospectus, whether prospectively or retrospectively. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws and regulations.

Maximum and Minimum Bid Size

- a. **For Retail Individual Bidders:** The Bid must be for a minimum of 45 Equity Shares and in multiples of 45 Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.1,00,000. In case the Bid Amount is over Rs.1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- b. **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 45 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue to the public. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/Issue Closing Date and is required to pay the QIB margin upon submission of the Bid cum application form.**

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs.1,00,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs.1,00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off price'.

Information for the Bidders

- a. The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid Opening Date/ Issue Opening Date.
- b. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.



- c. Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLM or Syndicate Members or their authorized agent(s) to register their Bid.
- d. Any investor (who is eligible to invest in the Company's Equity Shares according to the terms of this Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Corporate Office of the Company or from any of the members of the Syndicate.
- e. The Bids should be submitted / registered on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

- a. The Company, the BRLM shall declare the Bid Opening Date/Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two widely circulated national newspapers (one each in English, Hindi) and a regional newspaper circulated at a place where the registered office of the Company is situated. This advertisement shall contain the salient features of the Red Herring Prospectus in the nature of the specifications under section 66 of the Companies Act, 1956, and shall contain the minimum disclosure as specified under schedule XX –A of the SEBI DIP Guidelines as amended by the SEBI circular No SEBI /CFD/ DIL/DIP/17/2005/11/11 dt Nov 11,2005.. The Syndicate Member shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- b. The Bidding Period shall be a minimum of three (3) working days and not exceeding seven (7) working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English, Hindi) and a regional newspaper circulated at a place where the registered office of the Company is situated and the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding ten working (10) days.
- c. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the para "Issue Procedure-Bids at Different Price Levels" on page 165 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- d. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the para "Issue Procedure-Build Up of the Book and Revision of Bids" on page 168 of this Red Herring Prospectus.
- e. The Syndicate Member will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Bidder should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate member. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- f. During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the term of the syndicate agreement and this Red Herring prospectus.
- g. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the para "Issue Procedure-Terms of Payment and Payment into the Escrow Accounts" on page 167 of this Red Herring Prospectus.

The Syndicate Members shall compulsorily take the bid form in writing from prospective investors.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 125 to Rs. 150 per Equity Share of Rs.10 each, Rs. 125 being the Floor Price and Rs. 150 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of 45 Equity Shares.
2. In accordance with SEBI Guidelines, the Company reserves the right to revise the Price Band during the Bidding Period. The Cap on the Price Band should not be more than 20% of the Floor of the Price Band. Subject to compliance with the immediately preceding sentence, the Floor of the Price Band can move up or down to the extent of 20% of the Floor of the Price Band disclosed in this Red Herring Prospectus.

KIRI DYES AND CHEMICALS LIMITED

3. In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English, Hindi and a regional Newspaper), and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
5. Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price.
6. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.
7. Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined which may be any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s).
8. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the Cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap of the Price Band prior to the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
9. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s) as the case may be.

In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 40 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000. The issuer Company, in consultation with the merchant banker, shall stipulate with minimum application size (in terms of number of shares) falling within the aforesaid range of minimum application value.

Option to subscribe

Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only. Bidders will not have the option of getting allotment of physical form. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchange(s).

Escrow Mechanism

The Company shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favors the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and the Red Herring Prospectus. The Company shall have access to the funds in the issue account only after the final listing and trading approval received from the BSE and NSE.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.



Terms of Payment and Payment into the Escrow Accounts

In case of Non-Institutional Bidders and Retail Individual Bidders, each Bidder with the submission of the Bid cum Application Form should draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the para "Issue Procedure-Payment Instructions" on page 174 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/ Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders failing which interest for the delayed period shall be payable to such bidders in terms of this Red Herring Prospectus.

Each category of Bidders i.e. QIBs, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. For details of Margin Amount payable kindly refer to the para "Issue Structure" on page 159 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

In case of QIBs, the members of the Syndicate may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Forms waived at the discretion of the members of the Syndicate, the Issue Price shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favoring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the bid form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date as disclosed under para "Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders" on page 182 of Red Herring Prospectus, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The Syndicate Members will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and its authorised agents during the Bidding Period/Issue Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently download the off-line data file into the on-line facilities for book building on regular basis. On the Bid Closing Date/ Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding Period/Issue Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.);

KIRI DYES AND CHEMICALS LIMITED

- Investor Category –Individual, Corporate, FII, NRI or mutual fund, etc.;
 - Numbers of Equity Shares Bid for;
 - Bid price;
 - Bid cum Application Form number;
 - Whether payment is made upon submission of Bid cum Application Form; and
 - Depository Participant identification number and client identification number of the demat account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, the members of the Syndicate have the right to review the bid. Consequently, the members of the syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by the BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us or the BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, Promoter, the management or any scheme or project of Company.
- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through any Syndicate Member shall be electronically transmitted to the NSE or BSE mainframe on an online basis. Data would be uploaded on a regular basis.
2. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working days, subject to the total bidding Period not exceeding ten working days. The Cap on the Price Band should not be more than 20% of the Floor of the Price Band. Subject to compliance with the immediately preceding sentence, the Floor of Price Band can move up or down to the extent of 20% of the Floor of the Price Band disclosed in the Red Herring Prospectus.
3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and by indicating change on the relevant websites and the terminals of the members of the Syndicate.
4. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
5. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
6. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged, incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
7. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**



8. Any revision of the Bid shall be accompanied by payment in the form of Cheques or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
9. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
10. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.
11. The primary responsibility of building the book shall be that of the Book Running Lead Manager.
12. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

- (a) After the Bid Closing Date/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with the Company.
- (b) The Company, in consultation with the BRLM, shall finalise the "Issue Price", the number of Equity Shares to be allocated in each investor category.
- (c) The allocation for QIB Bidders for up to 50% of the Issue would be on a proportionate basis (with a minimum 5% allocation of the QIB Portion reserved for Mutual Funds, and such Mutual Funds can participate in the remaining allocation for QIBs), in consultation with the Designated Stock Exchange subject to valid Bids being received at or above the Issue Price, in the manner as described in the para "Basis of Allotment" on page 177 of this Red Herring Prospectus., the allocation to Non-Institutional Bidders for minimum of 15% and Retail Individual Bidders of not less than 35% each of the Issue would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. QIB Bidders will be required to deposit a margin of 10% at the time of submitting of their Bids. After the Issue Closing Date/Bid Closing Date, the level of subscription in the various categories shall be determined. Based on the level of subscription, additional margin money, if any, may be called for from the QIB. The QIB shall pay such additional margin money within a period of two days from the date of the letter communicating the request for such additional margin money.
- (d) Allotment to all investors, including Eligible non residents, NRIs or FIIs registered with SEBI or Mutual Funds or FVCIs registered with SEBI applying on repatriation basis will be subject to applicable laws, rules, regulations, guidelines and approvals the terms and conditions stipulated by the RBI while granting permission for Issue/ allocation of Equity Shares to them.
- (e) The BRLM, in consultation with the Company shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) The Company reserves the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever, but before the allotment of the Equity Shares.
- (g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/Issue Closing Date.
- (h) Under-subscription, if any, in any category would be met with spill-over from any of the other categories, at the Company sole discretion, in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 93,750 Equity Shares, the balance Equity in the Mutual Fund Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

Signing of Underwriting Agreement and RoC Filing

- a. The Company, the BRLM, and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation (s) to the Bidder.
- b. After signing the Underwriting agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting agreements and would be complete in all material respects.

KIRI DYES AND CHEMICALS LIMITED

Advertisement regarding Issue Price and Prospectus

The Company shall at the time of filing the Red Herring Prospectus with the RoC publish in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated, a pre-issue advertisement which shall be in the format and contain the disclosures specified in Part A of schedule XX-A of the SEBI Guidelines. This advertisement, in addition to the information, that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Issuance of Letter for Additional Margin Money

In case of QIB Bidders who have submitted their Bids with the Margin Amount of 10%, additional margin amount may be called for by the Bank, in consultation with the BRLM. The amount of such additional Margin Amount called for shall depend on the level of subscription in various categories as determined on the basis of electronic registration of bids. The allotment of shares to QIB Bidders shall be finalised by the Company in consultation with the BRLM and the Designated Stock Exchange.

Issuance of CAN

- (a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Basis of Allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
- (b) The BRLM or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.
- (d) The Issuance of CAN is subject to "Notice to QIBs : Allotment Reconciliation" as set forth under the para "Terms of the Issue" of this Red Herring Prospectus.

Designated Date and allotment of Equity Shares

- (a) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account within two working days of the date of allotment.
- (b) As per SEBI Guidelines, **Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.
- (c) After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would allot the Equity Shares to the Allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Company fail to make allotment within 15 days of the Bid / Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.



Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply; check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approval and the terms of the Red Herring Prospectus.
- Read all the instructions carefully and complete the Resident Bid cum Application Form (White in Colour) or Non-Resident Bid cum Application Form (Blue in Colour), as the case may be;
- Ensure that you bid only within the Price Band;
- Ensure that DP account is activated;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all the Company Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- Ensure that you mention the Company Permanent Account Number (PAN) allotted under the I-T Act
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- QIB bidders should submit their bids only to the BRLM or Members of the Syndicate.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash , by money orders or by postal order;
- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, for whom the Bid Amount exceeds Rs.1,00,000);
- Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit Bid accompanied with Stockinvest.
- Do not submit the GIR No instead of the PAN ,as the Bid is liable to be rejected on this ground.
- Do not Bid if prohibited from doing so under the law of your local jurisdiction
- Do not submit the bid without the QIB margin Amount, in case of a Bid by a QIB

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white Colour for Resident Indians and blue Colour for NRIs and FIIs applying on repatriation basis)

KIRI DYES AND CHEMICALS LIMITED

- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- The Bids from the Retail Individual Bidders must be for a minimum of 45 Equity Shares and in multiples of 45 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 45 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders, or give credit through ECS, NEFT, RTGS or Direct Credit and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.



In case of Bids made pursuant to a power of attorney by Mutual Funds, Venture Capital Fund and Foreign Venture Capital Investors, registered with SEBI, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs.2500 lakhs and pension funds with minimum corpus of Rs.2500 lakhs, a certified copy of certificate from a Chartered Accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Company and the BRLM may deem fit.

The Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by NRIs FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

NRIs, FIIs and Foreign Venture Capital Funds bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the registered office or BRLM or the syndicate Member(s) or the Registrar to the Issue whose addresses are printed on the cover page of this Red Prospectus.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category.
- The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.
- All applications by NRIs should be accompanied by a copy of the PAN card / letter, for further details refer to the para "PAN" on page 176 of this Red Herring Prospectus.

Bids and revision to Bids must be made:

- On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- By FIIs for a minimum of such number of Equity Shares and in multiples of 45 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see para titled "Issue Procedure-Maximum and Minimum Bid Size" on page 164 of the Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs, or in the names of foreign venture capital funds, multilateral and bilateral development financial institutions, but not in the names of minors, firms or partnerships, foreign nationals (including NRIs) or their nominees, foreign venture capital investors.
- For a minimum of 45 Equity Shares and in multiples of 45 thereafter subject to a maximum Bid amount of Rs 1,00,000/- for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs 1,00,000/- would be considered under Non Institutional Category for the purposes of allocation. For further details refer the para titled "Maximum and Minimum Bid Size" on page 164 of the Red Herring Prospectus.
- Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

KIRI DYES AND CHEMICALS LIMITED

In the names of individuals or in the names of FII's or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's. The Company does not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to Non-Residents, since foreign direct investment in companies engaged in manufacturing, such as this Company, is permitted to the extent of 100% under existing law and policy. It is to be distinctly understood that there is no reservation for NRIs and FII's. All NRIs and FII's will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this issue.

Payment Instructions

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account for the issue

- The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- The payment instruments for payment into the Escrow Account should be drawn in favour of:
 1. In case of Resident QIB Bidders: **“Escrow Account – Kiri Dyes and Chemicals Public Issue –QIB – R”**
 2. In case of Non-Resident QIB Bidders: **“Escrow Account – Kiri Dyes and Chemicals Public Issue – QIB - NR”**
 3. In case of Resident Non-Institutional and Retail Individual Bidders: **“Escrow Account - Kiri Dyes and Chemicals Public Issue –R”**
 4. In case of Non-Resident Non-Institutional and Retail Individual Bidders: **“Escrow Account - Kiri Dyes and Chemicals Public Issue – NR”**
- In case of bids by NRIs applying on a repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the Foreign Currency Non-Resident Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.
- In case of Bids by FII's, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On or after the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Banker to the Issue.
- On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders failing which interest for the delayed period shall be payable to such bidders in terms of Red Herring prospectus.



Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn. Hence, payment through stock invest would not be accepted in this issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions:

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address, as per the demographic details received from the depositories.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

The Company reserves the right to reject, in absolute discretion, all or any multiple Bids in any or all categories.

In this regard, the procedure which would be followed by the Registrar to the issue to detect multiple applications are given below.

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiplier master.
2. In this master, a check will be carried out for the same PAN. In case where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants address based on the DP ID and Beneficiary Account number provided in the BID-Cum Application Form and create an address master.
4. The addresses of all the applicants in the multiple masters will be strung from the address master. This involves putting the address in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each applications received and a photo match will be carried out amongst all the applications processed. A print out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
5. The applications will scrutinize for their DP ID and Beneficiary Account numbers. In case applications bear the same DP ID and beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, this applications will be identified as multiple applications.

KIRI DYES AND CHEMICALS LIMITED

Procedure for Application by Mutual Fund

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of the scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made. The Company reserves the right to reject, in its absolute discretion, all or any multiple bids in any or all portion.

PAN

The Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I-T Act and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bid cum Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Unique Identification Number (UIN)

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir- 13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 1,00,000/- to Rs. 5,00,000/- or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Therefore, MAPIN is not required to be quoted with the Bids.

Right to reject Bids

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIB Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, the Company has a right to reject Bids on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

The Company's shares bear an ISIN Number: INE415 I 01015

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- PAN photocopy/ PAN Communication;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bank account details for refund are not given;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
- Bids for number of Equity Shares, which are not in multiples of 45;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;



- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stock invest/money order/postal order/cash;
- Signature of sole and /or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLM or the Syndicate Member;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the para titled "Issue Procedure—Bids at Different Price Levels" at page 165 of the Red Herring Prospectus;
- Bids by OCBs; and
- Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act.
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details please kindly refer to the para titled "Terms of the Issue" on page 155 of the Red Herring Prospectus.
- Bids by QIBs not submitted through Book Runners or members of the Syndicate.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to 13,12,500 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 13,12,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 45 equity Shares and in multiples of 45 Equity Shares thereafter.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 5,62,500 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 5,62,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 45 equity Shares and in multiples of 45 Equity Shares thereafter.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be on proportionate basis

KIRI DYES AND CHEMICALS LIMITED

- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of upto 93,750 Equity Shares (the Mutual Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with the Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Fund Portion). For the method of allocation in the QIB Portion please see the section titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds is less than 93,750 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. In the event that the valid Bids in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company, in consultation with BRLM and Designated Stock Exchange. For the purposes of this paragraph it has been assumed that QIB Portion for the purposes of the Issue amounts to 50% of the Issue size, i.e. 18,75,000 Equity Shares.

Allotment shall be undertaken in the following manner:

- (a) In the first instance allocation to Mutual Fund for 5% of the QIB Portion shall be determined as follows:
1. In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 2. In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
 3. Equity Shares remaining unsubscribed, if any, not allocated to Mutual Fund shall be available to all QIB Bidders as set out in (b) below;
- (b) In the second instance allocation to all QIBs shall be determined as follows:
1. In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 2. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB.
 3. Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on the proportionate basis.

Except for any shares allocated to QIB Bidders due to under-subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 18,75,000 Equity Shares.

Mode of making refunds

The payment of refund, if any, would be done through various modes as under:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following sixty eight centers: Agra, Ahmedabad, Allahabad, Amritsar, Aurangabad, Bangalore, Baroda, Bhilwara, Bhopal, Bhubaneswar, Burdwan(non-MICR), Calicut, Chandigarh, Chennai, Coimbatore, Dehradun, Dhanbad(non-MICR), Durgapur (non-MICR), Erode, Gorakhpur, Guwahati, Gwalior, Haldia (non-MICR), Hubli, Hyderabad, Indore, Jabalpur, Jaipur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kakinada (non-MICR), Kanpur, Kochi/Ernakulam, Kolhapur, Kolkata, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nashik, Nellore (non-MICR), New Delhi, Panaji, Patna, Pondicherry, Pune, Raipur, Rajkot, Ranchi, Salem, Shimla (non-MICR), Sholapur, Siliguri (non-MICR), Surat, Thiruvananthapuram, Tirupati(non-MICR), Tirupur, Trichur, Trichy, Udaipur, Varanasi, Vijaywada, Visakhapatnam. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned sixty eight centers, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

3. Direct Credit – Applicants having bank accounts with the Refund Banker(s), in this case being, HDFC Bank Limited shall be eligible to receive refunds through direct credit.

4. RTGS – Applicants having a bank account at any of the abovementioned sixty eight centers and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS.



For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs.1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

For all the other applicants excepts for whom payment of refund is possible through 1, 2, 3 and 4 the refund orders would be dispatched “Under Certificate of Posting” for refund orders less than Rs. 1500 and through Speed Post/ Registered Post for refund orders exceeding Rs. 1500.

Method of proportionate basis of allocation in the Issue

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than 45 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate allotment is less than 45 Equity Shares per Bidder, the allotment shall be made as follows:
 1. Each successful Bidder shall be Allotted a minimum of 45 Equity Shares; and
 2. The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above;
- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

The example given below is for illustrative purposes only:

A. Issue details

Sr. No.	Particulars	Issue Details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (upto 50% of the Issue)	100 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

KIRI DYES AND CHEMICALS LIMITED

B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	500

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders / Applicants

Type of QIB Bidders	Shares Bid For Shares to MF	Allocation of 5 Million Equity Shares to QIBs proportionately (please see note 2 below)	Allocation of 95 Million Equity proportionately (Please see note 4 below)	Aggregate allocation of MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	5	95	42.41

Please note:

- The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the para titled "Issue Structure" beginning on page 159 of this Red Herring Prospectus.
- Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million shares in the QIB Portion.
- The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 million Equity Shares (including 5 Mutual Fund applicants who applied for 200 million Equity Shares).



4. The figures in the fourth column titled “Allocation of balance 95 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:

For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 95 /495

For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495

The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of section 68B of the Companies Act, 1956, the allotment of Equity Shares in this Issue shall be only in a de-materialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

- A tripartite agreement dated July 4, 2007 with NSDL, Company and Registrar to the Issue; and
- A tripartite agreement dated July 4, 2007 with CDSL, Company and Registrar to the Issue. This is to be executed prior to the filing of the Red Herring Prospectus with the RoC.
- All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.
- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar.
- If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.
- As the Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allotted to them pursuant to the Issue. Investors should satisfy themselves that their demat account is active.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

KIRI DYES AND CHEMICALS LIMITED

Pre-Issue and Post Issue Related Problems

The Company has appointed Mr. Suresh Gondalia, Company Secretary, as the Compliance Officer and he may be contacted in case of any Pre-Issue and Post Issue Related Problems, such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc., at the following address:

Mr. Suresh Gondalia

Company Secretary cum Compliance Officer

Kiri Dyes and Chemicals Limited

7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge

Ahmedabad -380 006

Tel No: +91-79-2657 4371/72/73

Fax No: +91-79-2657 4374

Email Id: ipo@kiridyesh.com

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who:

- (a) Makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- (b) Otherwise induces a Company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

Interest on Refund of Excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders

The Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares.

The Company shall ensure dispatch of refund orders by following mode:

- a. In case of applicants residing at Agra, Ahmedabad, Allahabad, Amritsar, Aurangabad, Bangalore, Baroda, Bhilwara, Bhopal, Bhubaneswar, Burdwan(non-MICR), Calicut, Chandigarh, Chennai, Coimbatore, Dehradun, Dhanbad(non-MICR), Durgapur (non-MICR), Erode, Gorakhpur, Guwahati, Gwalior, Haldia (non- MICR), Hubli, Hyderabad, Indore, Jabalpur, Jaipur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kakinada (non-MICR), Kanpur, Kochi/Ernakulam, Kolhapur, Kolkata, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nashik, Nellore (non-MICR), New Delhi, Panaji, Patna, Pondicherry, Pune, Raipur, Rajkot, Ranchi, Salem, Shimla (non-MICR), Sholapur, Siliguri (non-MICR), Surat, Thiruvananthapuram, Tirupati(non-MICR), Tirupur, Trichur, Trichy, Udaipur, Varanasi, Vijaywada, Visakhapatnam – refunds shall be credited through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer);
- b. In case of applicants residing at places other than those specified in (a) above and where the value of refund order is Rs. 1500/- or more, refund orders will be dispatched to the applicants by registered post only at the sole or First Bidder's sole risk;
- c. In case of applicants residing at places other than those specified in (a) above and where the value of refund order is less than Rs. 1500/-, refund orders will be dispatched under certificate of posting only at the sole or First Bidder's sole risk.

Adequate funds for the refunds shall be made available to the Registrar by the Company.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.



In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertakes that:

- Allotment shall be made only in dematerialized form within 15 days of the Bid Closing Date/Issue Closing Date;
- Dispatch refund orders (including through ECS, NEFT, Direct Credit or RTGS) within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; and
- The Company agrees that allotment of the Equity Shares offered to the public shall be made not later than 15 days of the closure of the Issue. The Company further agrees that it shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refunds are not electronically transferred and refund orders are not dispatched and/or demit credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

The Company will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Issue. Refunds will be made by ECS, NEFT, RTGS, Direct Credit, cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such Cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Undertakings by the Company

The Company undertake as follows:

- i. That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;
- ii. That all steps will be taken for the completion of the necessary formalities for listing and the commencement of the trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- iii. That the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the register to the Issue by the Company;
- iv. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of issue, giving details of the bank where refunds shall be credited alongwith the amount and expected date of electronic credit of refund;
- v. That the refund of the order or allotment advice to the eligible NRI and FII shall be dispatched within specific time;
- vi. No further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc .

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue Proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Issue to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested;
- The Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges where listing is sought has been received.
- The Company shall Comply with the requirements of Clause 49 of the listing agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

Pending utilization of funds as stated in the object of the issue on page no 20 of this RHP, the Company intends to invest the funds in high quality interest /dividend bearing liquid instruments including money market mutual funds, inter corporate deposits, deposits with Banks for necessary duration or reducing the working capital / term capital / term borrowing from banks and financial institutions

KIRI DYES AND CHEMICALS LIMITED

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Equity Shares of Indian companies is regulated by the provisions of the Foreign Exchange Management Act, 1999 (FEMA) and the rules and regulations framed there under read with the Industrial Policy of the Government of India as amended from time to time. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian Economy, FEMA regulates the precise manner in which such investments may be made. Under the Industrial Policy of Government of India, unless specifically restricted, foreign investment is freely permitted in Indian companies up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per the current foreign investment policy, foreign investment is allowed up to 24% in the Company. The Government bodies responsible for granting foreign investment approvals are FIPB and RBI. As per the existing regulations, FIIs are permitted to subscribe to shares of an Indian Company in a Public Issue without prior RBI approval, so long as the price of the Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents. The maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the Company's Shareholders; however, as of the date thereof, no such resolution has been recommended to the shareholders of the Company for adoption.

Subscription by NRIs/FII.

Under the FEMA, FIIs and NRIs are permitted to subscribe for shares of an Indian Company making a public offer without prior RBI approval. It is to be distinctly understood that there is no reservation for Non-residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-issue paid up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company where such sub-account is a foreign corporate or an individual.

As of now, the aggregate FII holding in the Company cannot exceed 24% of the Company's total issued capital. With approval of the Board and that of the shareholders of the Company by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%. However, as of the date of this Red Herring Prospectus, no such resolution has been recommended to the shareholders for approval.

Subject to compliance with all applicable Indian Laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, an FII or its sub account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with the SEBI. Accordingly, the holding by any venture capital fund should not exceed 25% of the corpus of such venture capital fund.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States of America and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The above information is given for the benefit of the Bidders. Neither the Company, nor the BRLM are not liable for any amendments or modification or changes in applicable laws and regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their own independent investigations and ensure that the number of Equity Shares bid for does not exceed the applicable limits under relevant laws or regulations.



SECTION IX: MAIN PROVISION OF THE ARTICLES OF ASSOCIATION

Main Provisions of the Articles of Association

SHARE CAPITAL

4. The Authorised Share Capital of the Company shall be as per Clause V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase or decrease the Authorised Share Capital in accordance with Company's regulations and legislative provisions for the time being in that behalf.

5. Power to increase Capital

(a) The Company in general meeting may, from time to time increase the capital by the creation of new shares, such increase to be of such aggregate amount and of such classes and to be divided into shares of such respective amounts as the resolution shall prescribe.

(b) Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the Company in general meeting shall prescribe, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company, and with a right of voting at general meeting of the Company in conformity with sections 87 and 88 of the Act whenever the capital of the Company is increased under the provisions of this Article, the Directors shall comply with the provisions of section 97 of the Act.

6. New Capital same as existing Capital

Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered as part of the existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission voting and otherwise.

7. Power to issue Redeemable Preference Shares

Subject to the provisions of sections 80 and 80A of the Act any such new shares may be issued as preference shares which are or at the option of the Company are liable to be redeemed, and the resolution authorising such issue shall prescribe the manner, terms and conditions of the redemption subject however to the following conditions:

(a) no such shares shall be redeemed except out of profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of redemption;

(b) no such shares shall be redeemed unless they are fully paid up;

(c) the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or the Company's share premium account before the shares are redeemed;

(d) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company;

(e) subject to the provisions of sections 80 and 80A of the Act, the redemption of preferential share hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf in such manner as the Directors determine;

(f) Whenever the Company shall redeem any redeemable preference shares, the Company shall, within one month thereafter, give notice thereof to the Registrar of Companies as required by section 95 of the Act.

8. Reduction of Capital

Subject to the provision of sections 78, 80, 80A and 100 to 105 of the Act, the Company may from time to time, by special resolution, reduce its capital in any manner for the time being authorised by law, and in particular, hold up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

9. Sub-division or consolidation of capital

Subject to the provisions of section 94 of the Act, the Company in General Meeting may from time to time:

(i) Consolidate and divide all or any of its Share Capital of larger amount than its existing shares;

KIRI DYES AND CHEMICALS LIMITED

- (ii) Convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares of any denomination;
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in the case of the shares from which the reduced share is derived;
- (iv) Cancel shares which at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its Share Capital by the amount of the shares so cancelled.

10. Buy Back of Shares

Notwithstanding anything contained elsewhere in these Articles, but subject to the provisions of applicable laws, the Board of Directors may, when and if thought fit, authorize buy back of such of the Company's own shares or securities as it may think fit, subject to such limits, upon such terms and conditions, and in such manner as may be prescribed by the law and subject to such approvals as may be necessary.

11. Issue of Shares with differential rights

The Company may issue shares including sweat equity shares and quasi equity instruments with differential rights as to dividend, voting or otherwise in accordance with such regulations as may be prescribed or hybrids, derivatives and options as may be allowed under the Act or any other regulations/enactment that may be in force from time to time.

MODIFICATION OF CLASS RIGHTS

12. Modification of class rights

- (a) If at any time the share capital by reason of the issue of preference share or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied, modified, abrogated or dealt with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting.
- (b) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

SHARES

13. Shares to be numbered progressively

The shares in the Capital of the Company shall be numbered progressively according to their several denominations as long as such shares are held in physical form.

14. Power to dematerialise and rematerialise.

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing shares, debentures and other securities and rematerialise its such shares, debentures and other securities held by it with the Depository and/ or offer its fresh shares and debentures and other securities in a dematerialized form pursuant to the Depositories Act, 1996 and the Rules framed there under, if any."

15. Intimation to Depository

Notwithstanding anything contained in this Article, where securities are dealt with in a Depository, the Company shall intimate the Details of allotment of securities to Depository immediately on allotment of such Securities.

16. Securities in Depositories and Beneficial Owner.

All Securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners."

17. Rights of depositories and Beneficial Owners.

- (i) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (ii) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.



- (iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by a depository.”

18. Further issue of capital

- (a) Where at any time it is proposed to increase the subscribed capital of the Company by the issue of further new shares, then subject to the provisions of section 81 of the Act, such further new shares shall be offered to the persons who at the date of the offer are the holder of the equity shares in the Company in proportion, as nearly as circumstance admit to the capital paid up on those shares at that date, and such offer shall be made by notice specifying the number of shares offered and limiting a time not being less than 30 days from the date of the offer within which the offer, if not accepted will be deemed to have been declined. The offer aforesaid shall include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person acceptable to the Board of Directors. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such offer is given that he declines to accept the shares offered, the Board of Directors may dispose them off in such manner as they think most beneficial to the Company.
- (b) Notwithstanding anything contained in clause (a) hereinabove further new shares aforesaid may be offered to any persons, (whether or not these persons include the persons who, at the date of the offer are holders of the equity shares of the Company) in any manner whatsoever:
- (i) If a special resolution to that effect is passed by the Company in general meeting; or
- (ii) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on poll, as the case may be) in favour of the proposal contained in the resolution moved at the general meeting sanctioning the issue of such shares (including the casting of vote, if any, of the chairman) by members who being entitled so to do, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by the members so entitled and voting and the central government is satisfied, on an application made by the Board of Directors in that behalf that the proposal is most beneficial to the Company.
- (iii) Notwithstanding anything contained in clause (a) above, but subject, however to the provisions of section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debenture issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.
- (c) Where any instrument of transfer of shares has been delivered to the Company for registration and transfer of such shares has not been registered by the Company notwithstanding anything contained in any other provision of the Act and these Articles, shall comply with the provisions of section 206A of the Act by keeping in abeyance in relation to such shares:
- (i) Any offer of right shares under clause (a) of sub-section (1) of section 81 of the Act and clause (a) and (b) of this Article.
- (ii) any issue of fully paid up bonus shares in pursuance sub-section (3) of section 205 by capitalisation of profits and reserve of the Company under Articles 180 and 181.

19. Shares under the control of Directors

Subject to the provisions of the Act and these Articles, the shares (including any shares forming part of any increased capital of the Company) shall be under the control of the Directors, who may issue, allot or otherwise dispose off the same or any of them in such proportion and on such terms and conditions and at such times as the Board of Directors think fit and subject to the sanction of the Company in general meeting with full power, to give any person the option or right to call for or be allotted shares of any class of the Company either at the premium or at par or at a discount (subject to the provisions of the sections 78 and 79 of the act in either case) and such option being exercisable for such time and for such consideration as the directors think fit.

20. Power to issue shares in General Meetings at a premium or at discount

In addition to and without derogation from the powers conferred on the board under Articles 15(a) and 15(b) and 16 above the Company in general meeting may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and (subject to compliance with the provisions of sections 78 and 79 of the Act) either at a premium or at a par or at a discount, as such general meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either at a premium or at a par or at a discount (subject to compliance with the provisions of sections 78 and 79 of the Act, in either case) such option being exercisable at such time and for such consideration as may be directed by such general meeting; or the Company in general meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.

21. Acceptance of shares

Any application signed by the applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is on the register shall for the purpose of the Act and these Articles, be a member of the Company.

22. Deposit and calls etc. to be debt payable immediately

The money (if any) which the Board of Directors shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the register as the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

23. Liability of the members

Every member or his heirs, executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner as the Board of Directors shall from time to time in accordance with the Company's regulations, require or fix for the payment thereof.

SHARE CERTIFICATE

24. Certificate of shares

- (a) A Certificate under common seal of the Company specifying any shares held by any member shall be prima facie evidence of the title of the member to such shares.
- (b) The certificates of title to shares shall be issued under the Seal of the Company which shall be affixed in the presence of and signed by (i) two Directors or persons acting on behalf of the Directors under a duly registered Power of Attorney; and (ii) the Secretary or other person appointed by the Board for the purpose; provided that if the composition of the Board permits of, at least one of the aforesaid two Directors shall be a person other than a Managing Director or Wholtime Director. A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography.

PROVIDED ALWAYS that notwithstanding anything contained in this Article, the certificates of title to shares may be executed and issued in accordance with such other provisions of the Act or the Rules made there under as may be in force for the time being and from time to time.

25. Members' right to certificate

- (a) Every member or allottee of shares shall be entitled without payment to one certificate for all the shares registered in his name. Every certificate of shares shall specify the denoting numbers of the shares in respect of which it is issued and the amount paid up thereon. For every further certificate the Board of Directors shall be entitled but shall not be bound to prescribe a charge not exceeding one rupee.
- (b) The Company shall comply with the provisions of section 113 of the Act regarding limitation of time for issue of certificates.

26. Certificate

The Company may issue such fractional certificates as the Board of Directors may approve in respect of any of the shares of the Company on such terms as the Board of Directors think fit as to the period within which the fractional certificates are to be converted into share certificates.

27. Renewal of Certificate

If any certificate be old, decrepit, worn-out, defaced, torn or be otherwise mutilated or rendered useless for any reason whatsoever or there is no further space on the back thereof for endorsements or transfer, then upon production thereof to the Board of Directors, they may order the same to be cancelled and issue new certificate in lieu thereof; and if any certificate be lost or destroyed, then upon proof thereof to the satisfaction of the Board of Directors and on such indemnity as the Board of Directors deem adequate and such advertisement being published and on such other terms and conditions as the Board of Directors may require, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Such sum not exceeding rupee one as the Board of Directors may from time to time prescribe shall be paid to the Company for every certificate issued under this clause. Provided that no fee shall be charged for issue of the new certificate on subdivision or consolidation of share certificate into lots of market units of trading or in replacement of those which are old, decrepit or worn-out or where the pages on the reverse for recording transfers have been fully utilised.



28. The Company shall not make any charge for :

- (a) Sub-division and/or consolidation of share certificates and/or debenture certificates and for sub-division of letters of allotment and split, consolidation and renewal of transfer receipts into denominations corresponding to the market units of trading.
- (b) Sub-division of renounceable letter of Right.

29. Option to receive or hold Securities with Depositories

Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. A beneficial owner of any security can at any time opt out of a Depository, if permitted by law, in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.”

30. The Company to recognise under Depositories Act, Interest in the Securities Other than that of Registered holder

The Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with Depository in electronic form and the certificates in respect thereof shall be, dematerialised in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto shall be governed by the provisions of the Depositories Act, 1996.

31. The first name of joint-holders deemed sole holder

If any share stands in the name of two or more persons, the person first named in the register shall as regards receipt of dividends or cash bonus, or service of notice or any other matter connected with the Company except voting at meeting and the transfer of the shares, be deemed the sole holder thereof but the joint holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such shares and for all incidents thereof according to the Company's regulations.

32. Nomination

- (a) Every shareholder or debenture holder of the Company, may at any time, nominate a person to whom his shares or debentures shall vest in the event of his death in such manner as may be prescribed under the Act.
- (b) Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be, shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.
- (c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholders or debenture holder or, as the case may be on the death of the joint holders become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act,
- (d) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his death, during the minority.

33. Option of nominee

- (i) A nominee upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:
 - (a) to register himself as holder of the share of debenture, as the case may be; or
 - (b) to make such transfer of the shares and/or debentures, as the deceased shareholder or debentureholder, as the case may be, could have made.
- (ii) If the nominee elects to be registered as holder of the shares or debentures, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with death certificate of the deceased shareholder or debenture holder, as the case may be.
- (iii) A nominee shall be entitled to the share dividend / interest and other advantages to which he would be entitled if he were the registered holder of the shares or debentures, provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company.
- (iv) Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures, and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the shares or debentures, until the requirements of the notice have been complied with.”

KIRI DYES AND CHEMICALS LIMITED

34. Certificate to be delivered to first named of joint holders

The certificate of shares registered in the name of two or more persons shall be delivered to the person first named in the register.

35. Declaration by person not holding beneficial interest

- (a) Notwithstanding anything contained in section 153 of the Act, any person whose name is entered in the register of members of the Company as the holder of the share in the Company, but does not hold the beneficial interest in such share, shall, within such time and in such form, as may be prescribed, make a declaration to the Company specifying the name and other particular of the person who hold the beneficial interest in such shares.
- (b) Where any declaration is made to the Company, as aforementioned the Company shall make a note of such declaration, in its register of members and shall file, within thirty days from the date of receipt of the declaration by it a return in regard to such declaration.
- (c) Save as herein, or in the Act otherwise provided the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof, and accordingly, shall not except as ordered by a court of competent jurisdiction or by statute or the Act bound to recognise any equitable beneficial or other claim to or interest in such share on the part of any other person.

36. Trust not recognised

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name(s) appears on the Register of Members/Debentures as the holder of any Shares/Debentures in the records of the Company and/or in the records of the Depository as the absolute owner thereof and accordingly shall not (except as may be ordered by a Court of competent jurisdiction or as may be required by law) be bound to recognise any benami trust or equitable, contingent, future or other claim or interest or partial interest in any such shares/debentures on the part of any other person or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto on the part of any other person whether or not it shall have express or implied notice thereof, but the Board shall be at liberty and at its sole discretion decide to register any share/debenture in the joint names of any two or more persons or the survivor or survivors of them.

37. Notice of change of name or on marriage of the member

No member who shall change his name or who, being a female shall marry, shall be entitled to recover any dividend or to vote in the name other than the one registered with the Company, until notice of the change of name or of marriage, respectively, is given to the Company in order that the same be registered after production of satisfactory evidence.

38. Funds of the Company shall not be applied in purchase of or lending on the shares of the Company

Save as otherwise provided by section 77 of the Act, the funds of the Company shall not be applied in the purchase of or in lending on security of, any share of the Company.

CALLS

41. Calls

The Board of Directors may, from time to time by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be made payable by installments.

42. Notice of the calls

Not less than thirty days' notice of any call shall be given by the Company specifying the time and place of payment, and the persons to whom such calls shall be paid; provided that before the time for payment of such call the Board of Directors may by notice in writing to the members revoke the same or extend the time for payment thereof.

43. Amount payable at fixed time or new issue payable at calls

If by the terms of issue of any shares or otherwise any amount is made payable at any fixed time or installment at fixed time (whether on account of the amount of the share capital or by way of premium) every such amount of installment shall be payable as if it were a call duly made by the Board of Directors and of which due notice had been given, and all the provisions herein contained in respect of calls shall relate and apply to such amount or. Premium or installments accordingly.

44. Calls to date from resolution

Call shall be deemed to have been made at the time when the resolution authorising such calls was passed at a meeting of the Board of Directors.



45. When interest on call, or instalments payable

If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the holder for the time being of the shares in respect of which the call shall have been made or the installments shall be due, shall pay interest for the same at the rate of 12% per annum from the date appointed for the payment thereof to the time of the actual payment, or at such other rate as the Board of Directors may from time to time determine. The Board of Directors may however in their absolute discretion forego payment of any interest where in their opinion the circumstances so justify.

46. Proof on trial of suit for money due on shares

On the trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the member in respect of whose shares the money sought to be recovered appears on the Register of Members of the Company as their holders, at or subsequently to the date at which the money sought to be recovered is alleged to have become due, of the shares in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the member or his representative in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such calls nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

47. Partial payment not to preclude forfeiture

Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

48. Payment in anticipation of calls may carry interest

The Board of Directors may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amount due upon the share held by him beyond the sums actually called for and upon the amount so paid in advance, or upon so much thereof as from time to time exceeds the amount of the call then made upon the shares in respect of which such advance has been made, the Company may pay or allow interest at such rate as the member paying such sum in advance and the Board of Directors agree upon. The Board of Directors may at their absolute discretion repay at any time any amount so advanced or may at any time re-pay the same upon giving to the member notice in writing of not less than three months. Provided that moneys paid in advance of calls for any shares may carry interest but shall not confer a right to dividend or to participate in profits.

FORFEITURE AND LIEN

49. If money payable on share not paid, notice to be given to the member

If any member fails to pay any call or installments of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board of Directors may, at any time thereafter while the call or installments remain unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued by the Company by reason of such non-payment.

50. Terms of the notice

The notice shall name the day (not being earlier than thirty days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, the share in respect of which the call was made or instalments is payable, will be liable to be forfeited.

51. In default of payment share to be forfeited

If the requisition of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may, at any time thereafter and before the payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

52. Notice of forfeiture to the member

When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register.

KIRI DYES AND CHEMICALS LIMITED

53. Forfeited share to be property of the Company and may he sold, etc.

Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated or otherwise disposed off, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board of Directors may think fit.

54. Power to annul forfeiture

The Board of Directors may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed off, annul the forfeiture thereof upon such condition as it thinks fit.

55. Member liable to pay money owing at time of forfeiture and interest

Any member whose share shall have been forfeited shall notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such share at the time of the forfeiture, together with interest thereon from the time of forfeiture the payment not exceeding 12% per annum or such other rate as the board of directors may determine, and the Board of Directors may enforce the payment thereof, or any part thereof, if it thinks fit.

56. Effect of forfeiture

- a) The forfeiture of a share shall involve extinction at the time of the forfeiture of all interest in and all claims and demand against the Company in the respect of the share, except only such of those rights as by these presents are expressly saved.
- b) A declaration in writing that the declarant is a director or . secretary of the Company and that certain shares in the Company have been duly forfeited on a date stated in declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

57. Company's lien on share

- a) The Company shall have a first and paramount lien on every share other than fully paid-up shares for all moneys whether presently payable or not payable at fixed time in respect of such shares. PROVIDED THAT the Board of Directors may at any time declare any share to be wholly or in part exempt from the provision of these Articles.
- b) Any lien on shares shall extend to all dividends from time to time declared in respect of such share.
- c) Unless otherwise agreed, the registration of a transfer of share shall operate as a waiver of the Company's lien, if any, on such shares.

58. Enforcement of lien by sale

For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they think fit; but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served as provided for service of documents in these Articles, on such member, his heirs, executors or administrators and default shall have been made by him or them in the payment, fulfillment, or discharge of such debts, liabilities, or engagements for thirty days after such notice. To give effect to any such sale, the Board may authorise some person to execute an instrument of transfer in respect of the share sold and to transfer the share sold to the purchaser thereof and the purchaser shall be registered as the holders of the shares comprised in any such transfer. Upon any such sale as aforesaid the certificate in respect of the shares sold shall stand cancelled and become null and void and of no effect, and the directors shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser concerned.

59. Application of proceeds of sale

The net proceeds of any such sale after payments of the costs of such sale shall be applied in or towards satisfaction of the debts, liabilities, or engagements of such member and the residue (if any) or the short fall (if any) shall be paid to or recovered from him, his heirs, executor, administrators or assignees, as the case may be.

60. Purchaser to get valid title to share upon sale

- (a) Upon any sale after forfeiture or the enforcing a lien in purported exercise of the power hereinbefore given, the Board of Directors may cause the purchaser's name to be entered in the register in respect of the shares sold, and the purchaser shall not be bound to see to the application of the purchase money if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in the reference to the forfeiture, sale or disposal of and once his name has been entered in the register in respect of such shares, the validity of the sale and of the entry in the register in respect of such share sold shall not be impeached by any person, and the remedy (if any) of any person aggrieved by the sale shall be in damages only and against the Company exclusively.



61. Cancellation of Share Certificate of forfeited shares

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been provisionally surrendered to it by the defaulting member) stand cancelled and become null and void and shall have no effect. Where any share under the power in that behalf herein contained are sold by the Board of Directors and the certificate in respect thereof has not been delivered to the Company by the former holders of such shares. The Board of Directors may issue a new certificate for such shares distinguishing it in such manner as it may think fit from the certificate not so delivered.

62. Application of forfeiture provisions

The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by terms of the issue of share becomes payable at a fixed time, whether on account of the amount of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

TRANSFER AND TRANSMISSION OF SHARES

63. Register of Transfer

The Company shall keep a book to be called "register of transfer", and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of shares.

64. Execution and Registration of transfer etc.

No transfer shall be registered unless a proper instrument of transfer has been delivered to the Company in the prescribed form and in accordance with the provisions of section 108 of the Act. Every such instrument of transfer shall be duly stamped and executed both by the transferor and the transferee and witnessed. The transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register in respect thereof.

65. Transfer of securities held with Depository

Nothing contained in section 108 of the Act, shall apply to a transfer of Securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of the depository.

In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic form and fungible form with a Depository, the provisions of the Depositories Act, 1996 shall apply.

66. Directors' right to decline to register transfer

- (a) Subject to the provisions of section 111A of the Act the Board may refuse to register any transfer of, or the transmission by operation of law of the right to any shares or interest of a member in the Company.

Provided however that the registration of a share shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.

Provided further that in the event of refusal to register any such transfer of, or the transmission of the right to any shares or interest of member in the Company, the Company shall, within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of such refusal to the transferee and the transferor or the person giving intimation of such transmission, as the case may be giving reasons for such refusal.

- (b) The Board of Directors shall be entitled to decline to register more than three persons as the joint holders of any shares.
- (c) Transfer of shares/debentures in whatever lot should not be refused. However there would be no objection to the Company refusing to split, a share certificate/debenture certificate in several scrips of very small denomination or to consider a proposal for transfer of shares/debentures comprised in a share certificate/debenture certificate to several parties, involving such splitting, if on the face of its such splitting/transfer appears to be unreasonable or without a genuine need or a marketable lot. Except as above, the Company should not refuse transfer of shares/debentures in violation of the stock exchange listing requirements on the ground that the number of shares/debentures to be transferred is less than any specified number.
- (d) No transfer shall be made to a person of unsound mind or an insolvent.

67. Notice to transferor and transferee of refusal to transfer shares

If the Board of Directors refuse to register a transfer of any shares, they shall within two months from the date on which the transfer was lodged with the Company send to the transferee and the transferor notice of the refusal in accordance with the provisions of the Act.

KIRI DYES AND CHEMICALS LIMITED

68. **Transfer to be presented with evidence to title**

- (a) Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the certificate or certificates of the shares to be transferred, and such other evidence as the Board of Directors may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board of Directors shall from time to time prescribe.
- (b) Every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board of Directors. But any instrument of transfer which the Board of Directors may decline to register shall, on demand, be returned to the person depositing the same.

69. **No fees on transfer or, transmission**

No fee shall be charged for registration of transfer, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other documents.

70. **Transfer Books when closed**

The Board of Directors shall have power to close the Register of Members and/or the Register of Debenture holders at such time or times and for such period or periods as the Board may deem expedient in accordance with the provisions of the Act.

71. **Title to shares of deceased member**

The executors or administrators of a deceased member shall be the only persons recognised by the Company as having any title to his share except in case of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be recognised; but nothing herein contained shall release the estate of any share jointly held by him. The Company shall not be bound to recognise such executor or administrators unless he shall have first obtained probate or Letters of Administration or other legal representation as the case may be from a duly constituted Court in India to grant such probate or Letters of Administration; provided nevertheless that in cases, which the Board in its discretion consider to be special cases and in such cases only, it shall be lawful for the Board of Directors to dispense with the production of probate or Letters of Administration or a Succession Certificate upon such terms as to indemnity publication of notice or otherwise as the Board of Directors may, deem fit.

72. **Registration of persons entitled to shares otherwise than by transfer (Transmission clause)**

Subject to the provisions of these Articles any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board of Directors (which the Board shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article or his title, as the Board of Directors think sufficient, be registered as a member in respect of such shares, or may, subject to the regulation as to transfer hereinabove contained, transfer such shares. This clause is hereinafter referred to as "The Transmission Clause".

73. **Directors' right to refuse registration**

Subject to the provisions of the Act, the Board of Directors shall have the same right to refuse to register a person entitled by the transmission to any shares or his nominee, as if he were the transferee named in any ordinary instrument of transfer presented for registration.

74. **The Company is not liable for disregard of notice prohibiting registration of transfer**

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares, made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register) to the prejudice of a person having or claiming any equitable right, title or interest to or in the said shares notwithstanding that the Company may have had notice prohibiting registration of such transfer and may have entered such notice or referred thereto in any book or record of the Company and the Company shall not be bound or required to regard to attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting to do so, notwithstanding that the notice may have been entered in or referred to in some book or record of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board of Directors shall so think fit.

75. **Provision for Transfer of shares applicable to Transfer of Debentures**

The provisions of these Articles shall mutatis mutandis apply to the transfer of or the transmission by operation of law of the right to Debentures of the Company.



SECTION X: OTHER INFORMATION

Material Contracts and Documents for Inspection

The following contracts (not being contracts entered into in the ordinary the business carried by the Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company between 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts

1. Copy of Memorandum of Understanding between the Company and the Centrum Capital Limited dated March 15, 2007.
2. Copy of Memorandum of Understanding executed by the Company and the Registrar to the Issue dated March 20, 2007.
3. Copy of tripartite agreement entered into between NSDL, the Company and the Registrar, Cameo Corporate Services Ltd. dated July 4, 2007.
4. Copy of tripartite agreement entered into between CDSL, the Company and the Registrar, Cameo Corporate Services Ltd. dated July 4, 2007.
5. Copy of Escrow Agreement dated January 11, 2008 between the Company, the BRLM, Syndicate Members, Escrow Collection Banks, and the Registrar to the issue.
6. Copy of Syndicate Agreement dated January 11, 2008 between the Company, the BRLM and the Syndicate Members.
7. Copy of Underwriting Agreement dated [●] between the Company, the BRLM and the Syndicate Member.
8. Copy of letter from Kiri Dyes and Chemicals Limited dated January 21, 2008 to Elara Capital (India) Private Limited regarding appointment of Elara Capital (India) Private Limited as the Co-Manager.

Material Documents.

1. Certified true copies of the Memorandum and Articles of Association of the Company as amended.
2. Certificate of Incorporation of the Company dated May 14, 1998 issued by Registrar of Companies, Gujarat, Dadra & Nagar Haveli and certified copy of fresh Certificate of Incorporation dated May 3, 2006 issued by Registrar of Companies, Gujarat, Dadra & Nagar Haveli, consequent on conversion of Company from Private Limited to Public Limited.
3. Copy of Resolutions passed by the Board of Directors of the Company at their meeting held on February 9, 2007 in relation to this Issue under section 81 (1A) of the Companies Act, 1956.
4. Copy of Special Resolution passed by the Members of the Company at their Extra Ordinary General Meeting held on March 5, 2007 pursuant to section 81 (1A) of the Companies Act, 1956.
5. Copy of Ordinary Resolution passed by the Members of the Company at their Extra Ordinary General Meeting held on March 5, 2007 pursuant to section 293(1) (d) of the Companies Act 1956.
6. Copy of Resolution passed by the Board of Directors of the Company at their meeting held on March 6, 2007 and copy of resolution passed by the members in the Extra Ordinary General Meeting held on March 30, 2007 for reappointment and affixing the remuneration of Mr. Manish P. Kiri as Managing Director and Mr. Pravin Kiri as Chairman of the Company w.e.f. April 1, 2007.
7. Copies of all quotations received by the Company related to Plant & Machinery and Equipments mentioned in the Red Herring Prospectus.
8. Copy of Quotation dated January 18, 2008 received from M/s. Nitin B. Shah, Consultant Engineer with respect to estimate cost of civil construction of Building proposed to be built as part of the proposed project.
9. Copies of Sale deeds dated September 21, 2006 & November 9, 2006 entered for purchase of land situated at Village Dudhwada, Taluka Padra, District Vadodara which forms part of proposed project
10. Copies of lease deed dated February 1, 1999, August 12, 2002 and October 22, 2003 entered into between Issuer Company and GIDC for lease hold property owned by the Company.
11. Copy of Leave and License Agreements dated March 14, 2007 and supplementary agreement dated March 25, 2007 as mentioned relating to the premises on which registered office of the Company is situated.
12. Copies of all Government/Statutory Approvals mentioned under the heading "Government Approvals".
13. Letters from Bombay Stock Exchange Limited (BSE) dated October 22, 2007 and National stock Exchange Limited (NSE) dated November 16, 2007 granting the "in-principle" approvals to the listing of Equity Shares.

KIRI DYES AND CHEMICALS LIMITED

14. Reports of the Statutory Auditors, M/s. V. D. Shukla & Co., Chartered Accountants, dated August 4, 2007, January 12, 2008 as mentioned in this Red Herring Prospectus and a letter dated January 12, 2008 modifying the earlier report dated August 4, 2007
15. Letter dated August 4, 2007 given by M/s V. D. Shukla & Co., Chartered Accountants, regarding possible Tax Benefits available to Kiri Dyes and Chemicals Limited and its current shareholders under the Current tax laws presently in force in India and a letter of modification dated January 12, 2008 for the aforesaid letter dated August 4,2007
16. Certificate dated, January 12, 2008 from M/s. V. D. Shukla & Co., Chartered Accountant regarding sources and deployment of funds.
17. Certificate dated January 12, 2008 from M/s V. D. Shukla & Co, Chartered Accountant, regarding Compliance of Corporate Governance by the Company as per clause 49 of the Listing Agreement.
18. Consent letter dated January 12, 2008 from M/s V. D. Shukla & Co, Chartered Accountant for inclusion of his report on Accounts, tax benefits certificate and certificate for the compliance of the corporate governance in the Red Herring Prospectus / Prospectus of the Company.
19. Consent letters from the Directors of the Company, Book Running Lead Manager to the Issue, Co-Manager to the Issue, Bankers to the Issue, Bankers to the Company, Auditors, Legal Advisor, Grading Agency, Registrar to the Issuer, Company Secretary and Compliance Officer, Syndicate Members, Underwriters to act in their respective capacities and for inclusion of their names in the Red Herring Prospectus / Red Herring Prospectus / Prospectus of the Company..
20. Power of Attorney(s) executed by the Directors dated March 15, 2007 authorising Mr. Suresh Gondalia and/ or Mr. Manoj Jingar for signing and making correction in the Red Herring Prospectus and other related documents on their behalf.
21. Copies of Annual Reports of the Company for the last five accounting period, i.e. FY 2002-2003, 2003-2004, 2004-2005, 2005-2006 and 2006-07.
22. Copy of the Resolution passed by the Board of Directors of the Company at their meeting held on March 5, 2007 for appointment of Company Secretary and Compliance Officer of the Company.
23. Copy of the Resolution passed by the Board of Directors of the Company at their meeting held on March 5, 2007 for constitution of Audit Committee, Constitution of Shareholders and Investor Grievances Committee and Remuneration Committee and copy of Board resolution dated January 12, 2008 redefining the role of Audit Committee.
24. Copy of resolution passed by the Board of Directors in their meeting held on March 16, 2006 for considering the transfer of entire shareholding by the Company in it wholly owned subsidiary viz. Kiri International USA Inc.
25. No Objection Certificate from State Bank of India, dated April 28, 2007, Bank of India dated May 1, 2007 and Oriental Bank of Commerce dated March 22, 2007.
26. Copy of the letter dated January 22, 2008 from Ms. Swati Soparkar, Advocates as legal Advisor to the issue for vetting and approval of Red Herring Prospectus.
27. Copy of certificate dated April 11, 2007 issued by M/s. SAN Envirotech Private Limited, a recognized Environmental Auditor, recognized by Gujarat Pollution Control Board regarding proper working conditions and specification of Effluent Treatment Plants situated at all the units of the Company.
28. Due diligence certificate dated August 27, 2007 issued by BRLM to the issue, Centrum Capital Limited .
29. Copy of SEBI observation letter no. CFD/DIL/ISSUES/PB/MKS/112049/2007dated December 28, 2007 and reply by the Book Running lead Manager to the same dated January 30, 2008.
30. Copy of Board Resolution dated August 27, 2007 approving Draft Red Herring Prospectus, approving the Red Herring Prospectus dated March 4, 2008 and the Prospectus dated (●).
31. Copy of the Memorandum of understanding entered between Company and Zhejiang Lonsen Group Stock Co. Ltd. (herein after referred to as 'Lonsen') on November 01, 2007
- 32 . Copy of tripartite Shareholders Agreement dated October 16, 2007 entered between the Company (KDCL), M/s. Well Prospering Limited (herein after referred as 'WPL') and the promoters of the Company (KDCL) namely Mr. Pravin A. Kiri, Mr. Manish P. Kiri & Mrs. Aruna P. Kiri.
33. CRISIL Report for IPO grade along with the rationale dated September 24,2007 and dated January 11, 2008 granting extension by revaliding the earlier letter.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.



Declaration

This is to confirm that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. All the legal requirements connected with this said offer as also the guidelines, instructions etc., issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

We, the Directors of Kiri Dyes and Chemicals Limited and the Issuer(s), declare and confirm that no information/material likely to have a bearing on the decision of the investor in respect of the Equity Shares offered in terms of this Red Herring Prospectus have been suppressed/withheld and/or incorporated in a manner that would amount to misstatement/misrepresentation and in the event of it transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/or amounts to misstatement/misrepresentation, the Company undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of section 63 of the Act.

Since the date of last financial statement disclosed in this Red Herring Prospectus, there have been no circumstances that materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay off its liabilities within a period of next twelve months.

The Directors of the Company certify that all disclosures made in the RHP are true and correct.

SIGNED BY ALL THE DIRECTORS OF THE COMPANY

Mr. Pravin A. Kiri
(Chairman)

Mr. Manish P. Kiri
(Managing Director)

Ms. Aruna P. Kiri
(Director)

Mr. Bipin R. Patel
(Director)

Mr. Keyoor M. Bakshi
(Director)

Mr. Yamal A. Vyas
(Director)

SIGNED BY CHIEF FINANCIAL OFFICER

Jignesh Raval

Place: Ahmedabad

Date : March 4, 2008

THIS PAGE IS INTENTIONALLY LEFT BLANK