

DHVANIL CHEMICALS LIMITED

ANNUAL REPORT

2010-2011

REGD OFF: UL - 10, Ankur Complex, Opp. X - ray House, B/h. Town Hall, Ellisbridge,
Ahmedabad - 380006

NOTICE

NOTICE is hereby given that Annual General Meeting of **DHVANIL CHEMICALS LIMITED** will be held on 30th September, 2011 at 03.45 p.m. at the Registered office of the Company at UL – 10, Ankur Complex, Opp. X – ray House, B/h. Town Hall, Ellisbridge, Ahmedabad – 380 006 to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account of the Company for the year ended on that date together with the reports of the Directors and auditors thereon.
2. To appoint a Director in place of Mr. Sanjay S. Shah who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Prakashsinh Rehvar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration.

Dated : 01.09.2011
Place : AHMEDABAD

BY ORDER OF THE BOARD


CHAIRMAN



NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. Proxy in order to be valid must be received by the company not less than forty-eight hours before the time of holding the Meeting.
2. Members/Proxies should bring the Attendance Slip, duly filled in, for attending the meeting.
3. The Register of Members and share transfer books of the Company will remain closed from 26.09.2011 to 30.09.2011 (both days inclusive)
4. Members desiring any information regarding the accounts are requested to write to the Company at least Seven Days before the meeting so as to enable the management to keep the same ready.

DIRECTOR'S REPORT

To,
The Members
Dhvanil Chemicals Ltd.

Your Directors have pleasure in presenting the Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS:

The summarized financial results for the year ended 31st March, 2011 are as under:

(Rs. in Lacs)

| Particulars | 2010-2011 | 2009-2010 |
|---|-----------|-----------|
| 1. Profit before Interest, Depreciation and Tax | 2.54 | 2.68 |
| 2. Interest | -- | -- |
| 3. Depreciation | 1.39 | 1.68 |
| 4. Profit (Loss) Before Tax | 1.15 | 1.00 |
| 5. Provision for taxation | 0.28 | -- |
| 6. Profit (loss) after Tax | 0.87 | 1.00 |

DIRECTORS :

Mr. Sanjay S. Shah and Mr. Prakashsinh Rehvar, Director of the Company retires by rotation at this annual general meeting and being eligible, offers themselves for reappointment. The board of directors recommends the appointment of the directors.

DIVIDEND :

Your director do not recommend dividend for the year.

FIXED DEPOSITS:

The company has not accepted the fixed deposits during the year under report.

AUDITORS :

Nirav S. Shah & Co., Auditors of the Company retires at the conclusion of this Annual General Meeting and being eligible, are recommended for reappointment.

AUDITORS REPORT:

The Auditors report is self-explanatory and so far, there is no negative remark by the Auditors.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under section 217 (2AA) of the Companies Amendment Act, 2000 with respect to Director Responsibility Statement it is hereby confirmed:

1. That in the preparation of the annual accounts for the financial year ended 31st March, 2011 the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of loss of the Company for the year under review.
3. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the directors had prepared the accounts for the financial year ended 31st March, 2011 on a going concern basis.

CORPORATE GOVERNANCE :

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance there to is set out in the Annexure forming part of this report.

LISTING:

The shares of the Company are listed on Ahmedabad and Bombay Stock Exchange Limited.

PARTICULARS OF THE EMPLOYEES :

The Company has no employee to whom the provision of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 apply and so it is not applicable to the company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO :

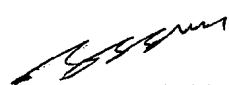
The additional information required under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of energy, technology absorption and foreign exchange earnings or outgoes is annexed herewith and forming part of this report.

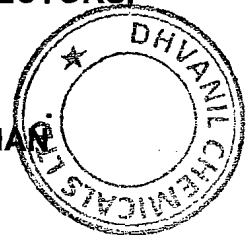
ACKNOWLEDGMENT :

The Directors wish to thank and deeply acknowledge the cooperation and assistance received from the Bankers, Suppliers and shareholders. The Director also wishes to place on record their appreciation of the devoted services of employees of the Company.

DATE : 01.09.2011
PLACE: AHMEDABAD

**FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS,**


CHAIRMAN



DHVANIL CHEMICALS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Overall Review

The Growth rate has been on the upward trend as compared to the previous year with favorable market conditions which reflect the positive market.

2. Financial Review

During the year the company has increased its business activities and earned the profit of Rs. 86992.

3. Risk and Concern

Bullish trend in Equity Markets, Commodities and Real estate will effect volume and profitability of Government Securities business. Changes in rate of Interest will effect Company's Profitability.

4. Internal Control System and their adequacy

The internal control system is looked after by Directors themselves, who also looked after the day to day affairs to ensure compliance of guide lines and policies, adhere to the management instructions and policies to ensure improvements in the system. The Internal Audit reports are regularly reviewed by the management.

5. Environmental Issues

As the company is not in the field of manufacture, the matter relating to produce any harmful gases and the liquid effluents are not applicable.

6. Financial Performance with Respect to Operation Performance

The Company has all the plans for tight budgetary control on key operational performance indication with judicious deployment of funds without resorting to any kind borrowing where ever possible.

7. Cautionary Statement

Statement in this report on Management Discussion and Analysis may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however, differ materially, from those expressed or implied. Important factors that could make a difference to the company's operations include global and domestic demand supply conditions, finished goods prices, raw material cost and availability and changes in government regulation and tax structure, economic development within India and the countries with which the company has business contacts and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward - looking statements, which may be amended or modified in future on the basis of subsequent developments, information or events.

REPORT ON CORPORATE GOVERNANCE

The company pursuant to the code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) furnishes its report as under :

Company's Philosophy on Code of Governance

The Company's philosophy on corporate governance envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders.

BOARD OF DIRECTORS

a) Size and Composition of the Board:

The Company has a proper blend of Executive and Independent Directors to maintain the independence of the Board. As of the year ended 31st March, 2011, the Board of Directors had 4 members comprising of 2 Executive Directors and 2 Non-Executive Directors. Non – Executive Directors are Independent Director.

The details in regard to the attendance of Directors at Board Meetings/Shareholders Meetings held during the year as also the number of Directorship/s held by them in other Companies and the position of membership of Committee/s are given below:

| Name of Director | Category of Director | No. of Board Meetings attended | Attendance at the last AGM | Directorships in other Indian Public Companies* as at 31 st March 2010 | Other Mandatory Committee** membership as at 31 st March 2010. | |
|------------------------|------------------------|--------------------------------|----------------------------|---|---|--------|
| | | | | | Chairman | Member |
| Mr. Sanjay S. Shah | Executive Director | 9 | Yes | NIL | NIL | NIL |
| Mr. Tushar S. Shah | Non-Executive Director | 9 | Yes | NIL | NIL | NIL |
| Mr. Jignesh S. Shah | Non-Executive Director | 8 | Yes | NIL | NIL | NIL |
| Mr. Prakashsinh Rehvar | Non-Executive Director | 8 | Yes | NIL | NIL | NIL |

*Excludes Directorships in private/foreign companies and companies incorporated under Section 25 of the Companies Act, 1956.

**Represents Membership/Chairmanship of the Audit Committee, Shareholders/ Investors Grievance Committee and Remuneration Committee of other companies.

CMD-Chairman & Managing Director, WTD- Whole Time Director, NE- Non Executive.

b) Management & Function of the Board:

The day-to-day management of the Company is conducted by the Chairman & Managing Director in consultation with four Whole Time Directors and subject to the supervision and control of the Board of Directors. The required information as enumerated in Annexure I to Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board also reviews the Board Minutes of its Subsidiary Company.

c) Details of Board Meetings held during the Financial Year and the number of Directors present:

| Serial No. | Dates on which the Board Meeting was held | Total Strength of the Board | No. of Directors Present |
|------------|---|-----------------------------|--------------------------|
| 1 | 30.04.2010 | 5 | 5 |
| 2 | 28.05.2010 | 7 | 7 |
| 3 | 03.06.2010 | 5 | 5 |
| 4 | 31.07.2010 | 5 | 5 |
| 5 | 01.09.2010 | 5 | 5 |
| 6 | 31.10.2010 | 5 | 5 |
| 7 | 31.01.2011 | 5 | 5 |
| 8 | 25.02.2011 | 4 | 4 |
| 9 | 31.03.2011 | 4 | 4 |

d) Committees of the Board

Currently the Board has three committees viz:

1) Audit Committee

Composition:

The Audit Committee has been constituted in conformity with the requirements of Section - 292A of the Companies Act, 1956 and Clause – 49 of the Listing Agreement with Stock Exchanges.

At present the Audit Committee comprises of two Independent. Details of the composition, number of meetings held during the year and attendance thereat are as under :

| Name | Position held | Attendance at Audit Committee meeting held on | | | |
|------------------------|---------------|---|------------|------------|------------|
| | | 30.06.2010 | 31.07.2010 | 31.10.2010 | 31.01.2011 |
| Mr. Prakashsinh Rehvar | Chairman | Yes | Yes | Yes | Yes |
| Mr. Jignesh S. Shah | Member | Yes | Yes | Yes | Yes |

Minutes of meetings of the Audit Committee are circulated to members of the Committee and the Board is kept apprised.

Members of the Audit Committee have requisite financial and management expertise. The Statutory Auditors, Internal Auditor and the Chief Financial Officer are invited to attend and participate at meetings of the Committee.

Powers of the audit committee includes:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The terms of reference are broadly as under :

- a. 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.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
 - Matters required to be included in the Director's Report in terms of clause 2AA of Section 217 of the Companies Act, 1956
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the periodical financial statements with management before submission to the board for their approval.
- f. Reviewing the adequacy of internal audit function, 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.
- g. Discussion with internal auditors any significant findings and follow up there on.

- h. 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.
- i. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- j. Reviewing the Company's financial and risk management policies.
- k. 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.

2) Shareholders'/Investors' Relations Committee

The Shareholders'/Investors' Grievance Committee of the Company comprises of three directors. Details of the composition, number of meetings held during the year and attendance thereat as under:

| Name | Category of Director | Position held | Attendance at Shareholders' Committee meeting held on | | | | |
|--------------------|--------------------------|---------------|---|------------|------------|------------|------------|
| | | | 30.04.2010 | 30.07.2010 | 30.09.2010 | 31.10.2010 | 31.01.2011 |
| Mr. Tushar S. Shah | Non - Executive Director | Chairman | Yes | Yes | Yes | Yes | Yes |
| Mr. Sanjay S. Shah | Executive Director | Member | Yes | Yes | Yes | Yes | Yes |

The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent / issues resolved usually within 15 days except in case of dispute over facts or other legal constraints.

During the year complaints were received from SEBI or shareholders were resolved satisfactory.

No requests for share transfers are pending except those that are disputed or sub-judice.

Mr. Sanjay S. Shah, Director of the company is the Compliance Officer of the Company.

3) Remuneration Committee:

The Remuneration Committee of the Company comprises of two member. Details of composition, number of meetings held during the year and attendance thereat are as under:

| Name | Position held | Attendance at Remuneration Committee meeting held on | | | |
|---------------------|---------------|--|------------|------------|------------|
| | | 30.04.2010 | 30.07.2010 | 30.10.2010 | 31.03.2011 |
| Mr. Tushar S. Shah | Chairman | Yes | Yes | Yes | Yes |
| Mr. Jignesh S. Shah | Member | Yes | Yes | Yes | Yes |

The terms of reference of the Remuneration Committee, inter alia consists of to recommend to the Board and to the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for executive directors including any compensation payment if required and shall review the same from time to time if required.

e) Remuneration Policy & Remuneration paid to Board of Directors:

Remuneration Policy

At present the company has decided not to pay any remuneration to any directors of the company unless and until the company will achieve good financial performance.

The Company does not have any scheme for grant of stock option to its Directors or Employees nor it pay any commission to any of its Directors.

Code of Conduct for Senior Management

The Company has adopted a Code of Conduct for Directors and Senior Management. It is the responsibility of all employees and Directors to familiarize themselves with the Code and comply with the same.

The Code includes provisions where the employees of the Company can voice their concerns on violation and potential violation of this Code in a responsible and effective manner.

All Board members and senior management personnel have confirmed compliance with the code. A declaration signed by the Managing Director is attached and forms part of the Annual Report of the company.

CEO Certification

Chief Executive Office (CEO) certification on financial statements pursuant to the provisions of Clause 49 of the listing agreement is annexed and forms part of the Annual Report of the company.

SHAREHOLDERS INFORMATION::

Location and time of Annual General Meetings held in last three years

| For the Year | Location | Date & Time | Special Resolution passed Yes Or No |
|--------------|---|-----------------------------------|--|
| 2009-10 | UL – 10, Ankur Complex, Opp. X – ray House, Bh. Town Hall, Ellisbridge, Ahmedabad - 380006 | 30th September, 2010 3.45 p.m. | No |
| 2008-09 | 750/A, Khara Kuvani Pole, B/h. Calico Dom., Relief Road, Ahmedabad – 380 001 | 30th September, 2009 3.45 p.m. | No |
| 2007-08 | 750/A, Khara Kuvani Pole, B/h. Calico Dom., Relief Road, Ahmedabad – 380 001 | 30th September, 2008 3.45 p.m. | No |

Financial year : 1st April 2010 to 31st March 2011

Date & Time of Annual General Meeting : 30th September 2011 at 3.45 p.m.

Venue : UL – 10, Ankur Complex, Opp. X – ray House,
Bh. Town Hall, Ellisbridge, Ahmedabad –
380006

Book closure date : 26th September 2011 to 30th September 2011
(both days inclusive) for Annual General Meeting.

Dividend payment date : N.A.

Registered office : UL – 10, Ankur Complex, Opp. X – ray House,
Bh. Town Hall, Ellisbridge, Ahmedabad –
380006

Compliance officer : Mr. Sanjay S. Shah, Director

Financial calendar

The Company has announced/expects to announce the unaudited quarterly results for the year 2011-12 as per the following schedule:

First quarter : on or before 31st July, 2011
Second quarter : on or before 31st October, 2011
Third quarter : on or before 31st January, 2012
Fourth Quarter : on or before 30th April, 2012

Means of communication

The quarterly and half-yearly financial results are published in newspapers.

Listing on Stock Exchange

The shares of the Company are listed on Ahmedabad and Bombay Stock Exchange Limited.

Stock Code - BSE : 531695

ASE : 14069

Dematerialization Information

M/s. Cameo Corporate Services Limited is a Registrar and Transfer Agent of the Company to do the work of share transfer/demat/remat.

Distribution of Shareholding as on March 31st, 2011

| No. of Equity shares held | No of share holders | % of shareholders | No of shares held | % of holding |
|----------------------------------|----------------------------|--------------------------|--------------------------|---------------------|
| 1-500 | 355 | 60.68 | 177500 | 2.61 |
| 501-1000 | 70 | 11.97 | 55700 | 0.82 |
| 1001-2000 | 19 | 3.25 | 25200 | 0.37 |
| 2001-3000 | 9 | 1.54 | 21000 | 0.31 |
| 3001-4000 | 1 | 0.17 | 3100 | 0.05 |
| 4001-5000 | 0 | 0.00 | 0 | 0.00 |
| 5001-10000 | 10 | 1.71 | 76900 | 1.13 |
| 10001 & above | 121 | 20.68 | 6440781 | 94.71 |
| Total | 585 | 100.00% | 6800181 | 100.00% |

Categories of Shareholders as on March 31st, 2011

| | Category | No. of Shares | % of Shares |
|---|--|----------------|---------------|
| A | Promoter's Holding | | |
| 1 | Indian Promoters | 1603630 | 23.58 |
| 2 | Foreign Promoters | -- | -- |
| | Sub total | 1603630 | 23.58 |
| B | Non-Promoters | | |
| 3 | Institutional Investors | -- | -- |
| | A Mutual Funds and UTI | -- | -- |
| | B Banks, Financial Inst., Insurance Com. (Central State Gov. Inst. /Non- Gov Inst.) | -- | -- |
| | C FIIS | -- | -- |
| | Sub total | -- | -- |
| 4 | Non – Institutional Investors | | |
| | A Private corporate Bodies | 194700 | 2.86 |
| | B Indian Public | 5001851 | 73.56 |
| | C NRIs / Clearing Member/OCBs | -- | -- |
| | Sub total | 5196551 | 76.42 |
| | GRAND TOTAL | 6800181 | 100.00 |

Disclosures

(1) There are no materially significant related party transactions of the Company with key managerial personnel which have potential conflict with the interest of the Company at large.

(2) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the period from 1st April 2010 to 31st March 2011 : NIL.

Unclaimed Dividends

The Company will be required to transfer dividends which have remained unpaid/unclaimed for the period of 7 years to the Investor Education & Protection Fund established by the Government. However there is no such unclaimed/unpaid dividend for which Company has to transfer the same to the Investor Education & Protection Fund in this financial year.

Address for Correspondence

Shareholders can do the correspondence at:

To,

Compliance Officer

Dhvanil Chemicals Limited

UL – 10, Ankur Complex,

Opp. X-ray House,

B/h. Town Hall, Ellisbridge,

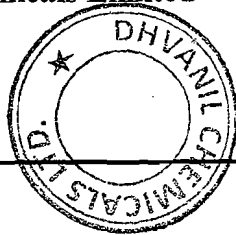
Ahmedabad – 380 006

DECLARATION

The Board has laid down a code of conduct for all Board Members and Senior Management of the Company. The Board members and Senior Management have affirmed compliance with the code of conduct.

For, Dhvanil Chemicals Limited


DIRECTOR



CEO CERTIFICATION

We, Mr. Sanjay S. Shah, Director certify to the Board that:

(a) We have reviewed financial statements and the cash flow statement for the year ended on 31.03.2011 and that to the best of their knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.

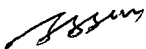
(d) We have indicated to the auditors and the Audit committee

(i) significant changes in internal control during the year;

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For Dhvanil Chemicals Limited



DIRECTOR



**CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE
GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)**

1. We have examined the Compliance of conditions of Corporate Governance by **Dhvanil Chemicals Limited** ("the Company ") for the period from during the year ended 1st April, 2010 to 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange.
2. The compliance of conditions of corporate governance is the responsibility of the management .Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance . It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us , and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. As required by the Guidance Note issued by the Institute of Chartered Accountant of India we have to state that based on the report given by the Registrar of the Company to the Investor's Grievance Committee, as on 31st March, 2011, there were no investor grievance matter against the Company remaining unattended /pending for more than 30 days.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Ahmedabad

Date : 01.09.2011

For , Nirav S. Shah & Co.

CHARTERED ACCOUNTANTS

SD/-

[PROPRIETOR]

[Nirav Shah]

Membership # 133345



AUDITORS' REPORT

To,
The Members of
DHVANIL CHAMICALS LIMITED

We have audited the attached Balance Sheet of DHVANIL CHAMICALS LIMITED as at 31st March 2011 and also the annexed Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

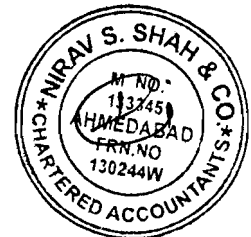
We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amount and disclosures in financial principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As per the Companies (Auditors report) order, 2003 issued by the Central Government of India in terms of Section 227 (4-A) of the Companies Act, 1956, we do hereby state that the company is exempted under the Companies (Auditors report) order, 2003, on the matter specified paragraph 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
2. In our opinion, proper books of accounts as required by Law have been kept by the Company so far as appears from our examination of the books.
3. The Balance Sheet & Profit & Loss Account dealt with by this report is in agreement with the books of accounts and comply with the Accounting Standards referred to in Sub- Section 3(C) of section 211 of the Companies Act, 1956.

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NIRAV S. SHAH & CO.

CHARTERED ACCOUNTANTS.

NIRAV SHAH
B.Com, A.C.A.

139/1665, Shivalaya Apartment, Nr. Sola Housing Complex, Sola Road,
Ahmedabad - 380 063. (M) : 98256 09734 E-mail : shah.shahassociates@gmail.com

4. According to information and explanations given to us and on the basis of written representations from the directors of the Company, none of the Director is disqualified from being appointed as a director of the Company under section 274(1) (g) of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and the Profit and Loss Account, together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view: -
 - a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2011 and
 - b) In the case of the Profit & Loss Account of the **Profit** for the year ended on that date.

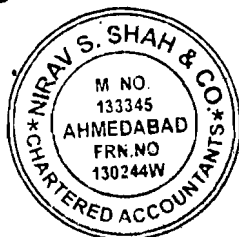
For NIRAV S. SHAH & Co.
Chartered Accountants

(NIRAV S. SHAH)

Proprietor

Firm No. 130244W

Membership : 133345



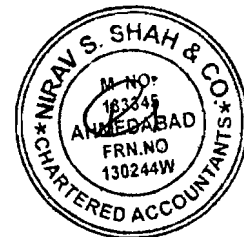
PLACE : AHMEDABAD

Date : Sep 01, 2011

ANNEXURE

(Referred to in paragraph 1 of our report of even date)

- i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets ;
- (b) All the Assets have been physically verified by the management during the year and there is regular program of Verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification ;
- (c) In our opinion and according to the information and explanation given to us the company has not disposed off substantial part of fixed assets during the year ;
- ii) (a) The Company has no inventory, hence not applicable
- iii) (a) As informed to us, the company has not granted loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. The year end Balance of Loan is **Rs.3,78,04,798/-**
- (b) In our opinion the rate of interest and other terms and conditions on which loans have been taken from/ granted to companies, firms or other parties listed in the register maintained under section 301 of the companies Act,1956 are not, prima facie, prejudicial to the interest of the company.
- (c) In respect of the aforesaid loans, the amount is received on demand, the company is receiving the principal amount as & when demanded & has not been receiving any interest.
- (d) The aforesaid loan is received on demand & therefore the question of overdue amount does not arise.



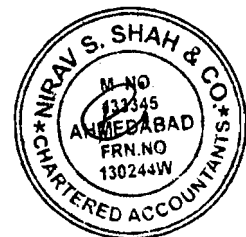
(e) The company had not taken loan, secured or unsecured from companies, firms or others parties covered in the register maintained under section 301 of the Act. and the year end balance of loans taken to such parties was **Rs.NIL** /-

(f) In our opinion the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the companies Act,1956 are not, prima facie, prejudicial to the interest of the company.

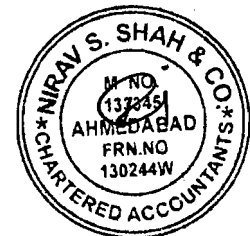
(g) In respect of the aforesaid loans, the amount is payable on demand, the company is repaying the principal amount as & when demanded & has not been paying any interest.

(h) The aforesaid loan is repayable on demand & therefore the question of overdue amount does not arise.

- iv) In our opinion and according to information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and Fixed assets. During the course of audit, no major weakness has been noticed in these internal controls.
- v) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the companies Act, 1956 have been so entered.
- vi) In our opinion, according to the information and explanations given to us, the company has not taken any deposit from the public.
- vii) In our opinion the company has an internal audit system commensurate with its size and nature of its business.



- viii) The company has no need to maintained Cost records has been prescribed by the Central Government under clause (d) of sub section (1) of section 209 of the Act.
- ix) (a) The company is generally regular in depositing with the appropriate authorities, undisputed statutory dues including Provident Fund, Income tax, Sales-tax, Excise Duty, investors education and protection fund, wealth Tax, Custom Duty, Cess and other material Statutory dues applicable to it. As on 31-03-2010 undisputed Amount of Rs. 534456/-, Rs. 327102/- and Rs. 78062/- were outstanding for a period of more than six month from the date they became payable in respect of Sales Tax arrears for a period of more than six month from the date they became payable as at 31st March 2011.
- (b) According to the information and explanation given to us, there are no cases of non-deposits with the appropriate authorities of disputed dues of sales tax /excise duty /custom duty / wealth tax / cess.
- x) The company has no any accumulated losses at the end of the current financial year. The company has not incurred any cash losses in current year
- xi) According to the information and explanations given to us, the company **has defaulted in repayment of dues of loan of taken from Bank of Baroda Rs. 66.57/-and Rs.5.46 of GSFC. Which is stand in the Secured Loan.**
- xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of Shares, debentures and other securities.
- xiii) The company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provision of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
- xiv) According to the information and explanations given to us, the company is not dealing or trading in Shares, Securities, debentures and other



investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.

xv) In our opinion, and explanation given to us the terms and condition on which the company has no given guarantees for loans taken by others from Bank or Financial Institutions are, prima facie, not prejudicial to the interest of the company.

xvi) According to the information and explanations given to us company has not received any loan during the year.

xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

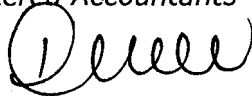
xviii) The company has not made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.

xix) According to the information and explanations given to us, no debentures and/or preference shares have been issued during the year.

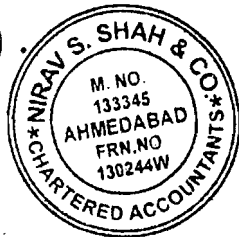
xx) The company has not raised any money through a public issue.

xxi) Based upon the audit procedures performed and information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit

For NIRAV S. SHAH & Co.
Chartered Accountants



(NIRAV S. SHAH)
Proprietor
Firm No. 130244W
Membership : 133345



PLACE : AHMEDABAD
Date : Sep 01, 2011.

BALANCE SHEET AS ON 31ST MARCH, 2011

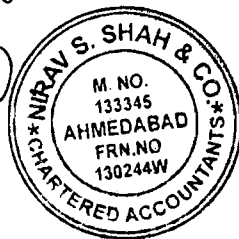
| | Schedule | As at 31st March, 2011 | | As at 31st March, 2010 | |
|---|----------|------------------------|-------------------|------------------------|-------------------|
| | | (Rupees) | (Rupees) | (Rupees) | (Rupees) |
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | | | | | |
| Share Capital | 1 | | 67,837,810 | | 67,837,810 |
| Reserve & Surplus | 2 | | 276,367 | | 276,367 |
| Loan Fund | | | | | |
| secured Loan | 3 | | 7,203,273 | | 7,203,273 |
| Differed Tax Liability | | | 49,565 | | |
| Total | | | 75,367,015 | | 75,317,450 |
| Application of Funds | | | | | |
| Fixed Assets: | | | | | |
| Gross Block | 5 | 8,030,025 | | 8,030,025 | |
| Less: Depreciation | | 7,046,441 | | 6,907,070 | |
| Net Block | | | 983,584 | | 1,122,955 |
| Differed Tax Assets | | | 2,315,878 | | 2,315,878 |
| Investment | | | 5,438,000 | | 5,438,000 |
| Current Assets, Loans & Advances | | | | | |
| Sundry Debtors | 6 | 4,468,596 | | 4,090,764 | |
| Cash & Bank Balance | 7 | 544,991 | | 214,907 | |
| Loans & Advances | 8 | 37,804,798 | | 37,804,798 | |
| | | 42,818,385 | | 42,110,469 | |
| Less : Current Liabilities & Provisions | 4 | 1,396,608 | | 964,620 | |
| | | 1,396,608 | | 964,620 | |
| Net Current Assets | | | 41,421,777 | | 41,145,849 |
| Profit & Loss Account | 9 | | 25,207,776 | | 25,294,768 |
| Total | | | 75,367,015 | | 75,317,450 |
| Significant Accounting Policies & Notes to Accounts | 11 | | | | |

As per Our Report Even Data

For NIRAV S. SHAH & Co
Chartered Accountants

(NIRAV S. SHAH)
Proprietor

Firm No. 130244W
Membership : 133345



For DHVANIL CHEMICALS LIMITED

Director

Director



Place : Ahmedabad
Date : Sep 01, 2011

Place : Ahmedabad
Date : Sep 01, 2011

DHVANIL CHEMICALS LIMITED

Annual Report 2010-2011

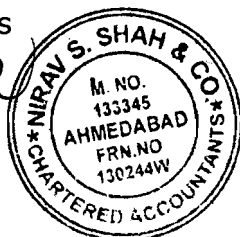
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| | Schedule | As at 31st March, 2011 (Rupees) | | As at 31st March, 2010 (Rupees) | |
|---|----------|------------------------------------|---------------------|------------------------------------|---------------------|
| | | | | | |
| INCOME | | | | | |
| Sales | | | 2,566,053 | | 2,202,367 |
| | | | 2,566,053 | | 2,202,367 |
| EXPENDITURE | | | | | |
| Purchases | | | 2,064,904 | 1,819,043 | |
| Administrative Expenditure | 10 | 246,541 | | 114,743 | |
| Interest & Other Financial Expenses | | | | | 1,933,786 |
| Dpreciation | | 139,372 | | | 168,140 |
| Preliminary Exp w/off | | | | | |
| PROFIT BEFORE TAX | | | 115,236 | | 100,441 |
| Tax Expenses : | | | | | |
| Last Year Tax Expenses | | | 21,321 | | - |
| Less :Current Year Income Tax | | | (49,565) | | - |
| Current year Differed Tax Liability | | | | | |
| PROFIT AFTER TAX | | | 86,992 | | 100,441 |
| ADD: Previous year Opening Bal. (To be carried forward to B/s) | | | (25,294,768) | | (25,395,209) |
| | | | (25,207,776) | | (25,294,768) |
| Significant Accounting Policies & Notes to Accounts | 11 | | | | |

For NIRAV S. SHAH & Co
Chartered Accountants

(NIRAV S. SHAH)
Proprietor

Firm No. 130244W
Membership : 133345



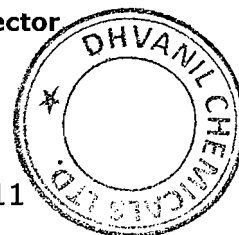
Place : Ahmedabad
Date : Sep 01, 2011

For DHVANIL CHEMICALS LIMITED

Director

Director

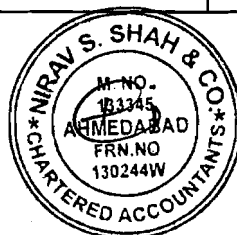
Place : Ahmedabad
Date : Sep 01, 2011



DHVANIL CHEMICALS LIMITED

SCHEDULE TO BALANCE SHEET

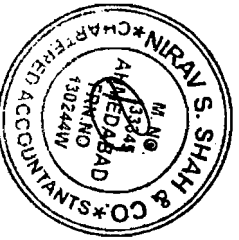
| | As at 31st March 2011 | As at 31st March 2010 |
|---|--------------------------|--------------------------|
| SCHEDULE - 1 | | |
| SHARE CAPITAL | | |
| 75,00,000 Equity Share of Rs 10/- Each | 75,000,000 | 75,000,000 |
| Issued, Subscribed & Paid Up : | | |
| 6800181 equity shares of Rs.10/- each | 68,001,810 | 68,001,810 |
| Less: Allotment Money In Arears Up To Rs. 5/- Per Share | 164,000 | 164,000 |
| | 67,837,810 | 67,837,810 |
| SCHEDULE - 2 | | |
| Reserve & Surplus | | |
| General Reserve | 276367 | 276367 |
| | 276,367 | 276,367 |
| SCHEDULE - 3 | | |
| SECURED LOAN | | |
| From Bank of Baroda | 2,981,645 | 2,981,645 |
| Against Hypothecation of Stock | 3,675,493 | 3,675,493 |
| From GSFC | 546,135 | 546,135 |
| [Against Hypothecation of chlorine containers and personal Guarantee of Director] | | |
| | 7,203,273 | 7,203,273 |
| SCHEDULE - 4 | | |
| Current Liabilities & Provision | | |
| Current Liabilities : | | |
| Sundry Creditors | | |
| Creditors for Expenses | - | 10,000 |
| Creditors for Goods | 425,667 | - |
| Total [A]-----> | 425,667 | 10,000 |
| Provision | | |
| Provision for Expenses | 10,000 | 15,000 |
| Provision for Sales Tax | 939,620 | 939,620 |
| Provision for Income Tax | 21,321 | |
| Total [B]-----> | 970,941 | 954,620 |
| Total [A]+ [B]-----> | 1,396,608 | 964,620 |



DHVANIL CHAMICALS LIMITED

Schedule 05 - Fixed Assets

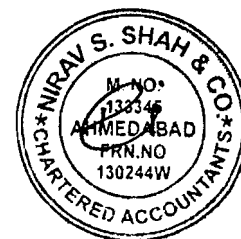
| Particulars | Gross Block | | | Depreciation | | | Net Block | |
|-----------------------|----------------------------|--------------|-----------------------------|----------------------------|---------------------|----------------------------|--------------------------------|----------------------------|
| | As At 1st April 2010 Rs | Addition Rs. | As At 31st March 2011 Rs | As At 1st April 2010 Rs | For the Year Rs. | As At 1st March 2011 Rs | As At 31st March 2011 Rs | As At 31st March 2010 R |
| Lapd | 45555 | - | 45,555 | - | - | - | 45,555 | 45,555 |
| Factory Building | 629295 | - | 629,295 | 510,207 | 5,954 | 516,161 | 113,134 | 119,088 |
| Plant & Machinery | 6748869 | - | 6,748,869 | 5,834,613 | 127,173 | 5,961,786 | 787,083 | 914,256 |
| Electric Installation | 164137 | - | 164,137 | 145,328 | 2,616 | 147,944 | 16,193 | 18,806 |
| Generator | 59500 | - | 59,500 | 54,199 | 737 | 54,936 | 4,564 | 5,301 |
| Lab. Equipments | 3982 | - | 3,982 | 3,707 | 38 | 3,745 | 237 | 271 |
| Office Equipments | 198522 | - | 198,522 | 178,985 | 2,718 | 181,703 | 16,819 | 19,531 |
| Computers | 180165 | - | 180,165 | 180,030 | 135 | 180,165 | - | 135 |
| Total : | 8030025 | - | 8,030,025 | 6,907,070 | 139,372 | 7,046,441 | 983,584 | 1,122,955 |



DHVANIL CHEMICALS LIMITED

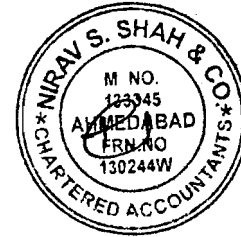
SCHEDULE TO BALANCE SHEET

| | As at 31st March 2011 | As at 31st March, 2010 |
|---|--------------------------|---------------------------|
| SCHEDULE - 6 | | |
| SUNDRY DEBTORS | | |
| More than Six Months | 4,468,596 | 3,707,440 |
| Less than Six Months | | 383,324 |
| | 4,468,596 | 4,090,764 |
| SCHEDULE - 7 | | |
| CASH AND BANK BALANCE | | |
| Cash in Hand | 512,844 | 214,907 |
| Cash at Bank - Central Bank of India-36230 | 32,147 | - |
| | 544,991 | 214,907 |
| SCHEDULE - 8 | | |
| LOANS & ADVANCES | | |
| Recoverable in cash or in kind or for which value to be received from Employee & Other Advances | 37,804,798 | 37,804,798 |
| | 37,804,798 | 37,804,798 |
| SCHEDULE - 9 | | |
| PROFIT & LOSS ACCOUNT | | |
| Opening Balance | 25,294,768 | 25,395,209 |
| Add : Current Year Profit | (86,992) | (100,441) |
| | 25,207,776 | 25,294,768 |
| Total | 25,207,776 | 25,294,768 |



DHVANIL CHAMICALS LIMITED**SCHEDULE TO PROFIT & LOSS ACCOUNT**

| | As at 31st March 2011 | As at 31st March 2010 |
|---|----------------------------------|----------------------------------|
| SCHEDULE - 10 ADMINISTRATIVE, SELLING & OTHER EXPENSES | | |
| Administrative Expenses | 15,963 | - |
| Audit Fees | 10,000 | 10,000 |
| Bank Charges | 248 | - |
| Listing Fees | 38,605 | - |
| Misc. Expenses | 23,669 | 15,623 |
| Office Esxpenses | 50,363 | 27,563 |
| Salary Expenses | 72,000 | 60,000 |
| Convenyance Expenses | 19,020 | - |
| Postage & Stationary expenses | 667 | 533 |
| Stationary & Printing | 1,006 | 1,024 |
| Legal & Professional Fees | 15,000 | - |
| | 246,541 | 114,743 |



M/s DHVANIL CHAMICALS LIMITED.

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE
YEAR
ENDED 31ST MARCH, 2011

Schedule - 11

Notes to Balance sheet and Profit & Loss Account

1. Significant Accounting Policies-

i) Basis of Accounting :

Financial Statement are prepared under historical cost convention on a accrual basis in accordance with the requirements of the Companies Act. 1956.

ii) Fixed Assets and Depreciation

a) The Fixed assets are stand at cost of acquisition inclusive of freight, duties, taxes, and inclusive of expenses.

b) Depreciation :

(i) Depreciation on fixed assets is provided on "Written Down Value Method" at the rate and in the manner prescribed in Schedule XIV of the Companies Act,1956.

ii) INVENTORIES

There is no Inventory hence not applicable.

iii) MISCELLANEOUS EXPENSES

There is no Preliminary Expenditure at the year end.

iv) CONTINGENT LIABILITIES

No provision is made for liabilities, which are contingent in nature but, if material the same is disclosed by way of notes to the accounts.



M/s DHVANIL CHAMICALS LIMITED.

-2-

2. Deferred Tax

Deferred Tax is calculated at the tax rate and laws that have been enacted or subsequently enacted as of the Balance Sheet date and is recognised on timing difference that originate in one period and are capable of reversing in one period and are capable of reversing in one or more subsequent period. Deferred Tax, subject to consideration of prudence are recognised and carried forward only to the extent that they can be realised

Deferred Tax Liability/Assets

On account of Depreciation on Fixed Assets Rs. 49565

3. None of the employees of the Company has crossed the Limits Prescribed u/s. 217 (2A) of the Companies (Particulars of Employees) Amendment Rules, 1988 during the year.

4. (a) Value of Import calculates on CIF basis

| | Current year | Previous year |
|-----------------------------|--------------|---------------|
| 1. Raw Material | N.A. | (N.A.) |
| 2. Components & Spare Parts | N.A. | (N.A.) |
| 3. Capital Goods | N.A. | (N.A.) |

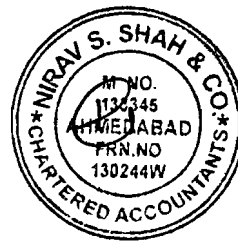
(b) Expenditure in Foreign Currency Nil Nil

(c) Amount remitted in foreign currency Nil Nil
on account of divided to Non Resident

5. Auditors Remuneration

| | As at 2010-2011 | As at 2009-2010 |
|---------------|--------------------|--------------------|
| a) Audit Fees | 10,000.00 | 10,000.00 |

...3



M/s DHVANIL CHAMICALS LIMITED.

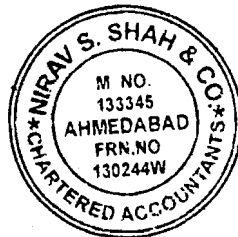
-3-

6. In the opinion of the Board, Current Assets, Loans and Advances have the value at which they are stated in the Balance Sheet, if realised in the ordinary course of business and are subject to confirmation.
7. Additional Information under Schedule VI of the Companies Act, 1956 : Nil
8. Previous Year's figure have been re-grouped / rearranged wherever essential.
9. Cash on hand at the year end certified by the management. Moreover we are not physically Verified the Cash Balance as on 31-03-2011.

For NIRAV S. SHAH & Co
Chartered Accountants


(NIRAV S. SHAH)
Proprietor

Firm No. 130244W
Membership : 133345



Place : Ahmedabad
Date : Sep 01, 2011

For & on behalf of the Board


Director


Director

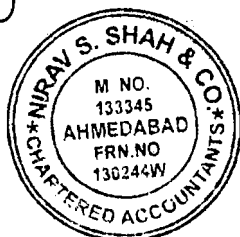


Place : Ahmedabad
Date : Sep 01, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2011**PURSUANT TO CLAUSE 32 OF LISTING AGREEMENT**

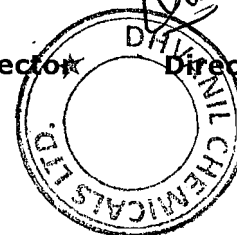
| [Rs. In Laks] | | |
|--|-------------------|-------------------|
| Particulars | 31-03-2011 | 31-03-2010 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit / (Loss) before Tax & Extra ordinary Items | 1.15 | 1 |
| Adjustment for ; | | |
| Depreciaton | 1.4 | 1.68 |
| Preliminary & Public Issue Exp. Written off | | 0 |
| Operation Profit / Loss Before Working Capital Change | 2.55 | 2.68 |
| Adjustment for | | |
| Long Term, Loans Raised | 0 | 0 |
| (Increase) / Decreased in current Assets | -3.77 | -3.83 |
| (Increase) / Decreased in current Liabilities | 4.52 | 0.15 |
| NET CASH FLOW FROM OPERAITON : (A) | 3.3 | -1 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Sales / (Purchase) of Fixed Assets | 0 | 0 |
| Sales / (Purchase) of Fixed Investment | 0 | 0 |
| NET CASH FLOW FROM INVESTING AVTIVITIES : (B) | 0 | 0 |
| C. NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B) | 3.3 | -1 |
| Opening Cash & Cash Equivalents | 2.14 | 3.14 |
| Closing Cash & Cash Equivalents | 5.44 | 2.14 |

As per our report of even date Annexed

For, Nirav S. Shah & Co.
Chartered AccountantsProprietor
(Nirav Shah)Membership # 133345
FRN.NO.130244WPlace : Ahmedabad
Date : 1st September,2011

For, DHVANIL CHEMICALS LIMITED

Director Director

Place : Ahmedabad
Date : 1st September,2011

Additional information pursuant to part IV schedule VI to the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY GENERAL BUSINESS PROFIT

1. Registration No. :

State Code : 04

Balance Sheet as on 31-03-2011

2. Capital Raised During the year Rs. In Lacs.

| | |
|---------------|-----|
| Public Issue | NIL |
| Right Issue | NIL |
| Bonus Issue | NIL |
| Private Issue | NIL |

3. Position of mobilization and deployment of funds.

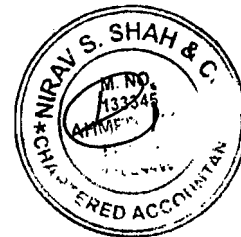
| | |
|-----------------|---------|
| Total Liability | 0753.67 |
| Total Assets | 0753.67 |

4. Source of funds

| | |
|---------------------------------|---------|
| Paid up Capital | |
| [Incl. Share Application money] | 0678.37 |
| Reserves & Surplus | 0002.76 |
| Secured Loan | 0072.03 |
| Unsecured Loan | 0000.00 |

5. Application of Funds

| | |
|--------------------|---------|
| Net Fixed Assets | 0009.84 |
| Investment | 0000.00 |
| Net Current Assets | 0414.21 |
| Misc. Expenditure | 0000.00 |



6. Accumulated Losses

Profit & Loss Account 0252.07

7. Performance of the Company

Turnover/ other income 0025.66
Total Expenses 0024.51
Profit before Tax 0001.15
No Of shares 6800181
Earning Per Share Rs.0.017
Dividend Rs.0.000

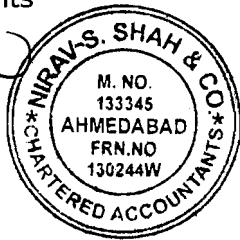
8. General Names of Three principal products/ services of the company.

a) Item Code No. : N.A.
b) Product description N.A.

For NIRAV S. SHAH & Co
Chartered Accountants


(NIRAV S. SHAH)
Proprietor

Firm No. 130244W
Membership : 133345

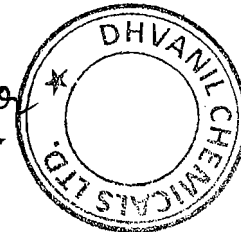


Place : Ahmedabad
Date : Sep 01, 2011

For & on behalf of the Board


Director


Director



Place : Ahmedabad
Date : Sep 01, 2011