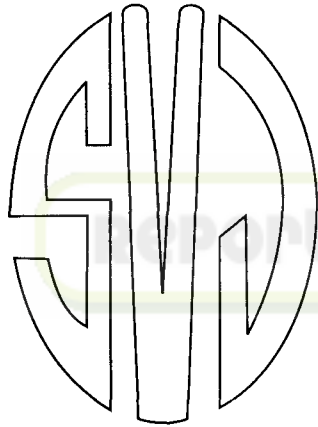




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# Shantivijay Jewels Limited

**ANNUAL REPORT 2005-2006**



## SHANTIVIJAY JEWELS LIMITED

### BOARD OF DIRECTORS

#### BIMALCHAND GODHA

*(Chairman & Managing Director)*

#### JEFFREY K. STERN

#### SHAMBHUKUMAR S. KASLIWAL

#### JAYANT B. SHAH

#### APURVA R. SHAH

#### TUSHAR A. MAVANI (w.e.f. 30.06.2006)

#### PRADEEP B. GODHA

#### ANURAG B. GODHA

### REGISTERED OFFICE / WORKS

G 37, Gem & Jewellery Complex, Bldg. No. III,  
SEEPZ, Andheri (E), Mumbai-400 096.

### ADMINISTRATIVE OFFICE

L-1, Hotel Hilton Towers,  
Nariman Point,  
Mumbai-400 021.

### BANKERS

Canara Bank  
Overseas Branch,  
Nariman Point,  
Mumbai-400 021.

### AUDITORS

B.F. Chordia & Co.  
Chartered Accountants  
17/1004, Indradarshan,  
Oshivara Link Road,  
Andheri (West), Mumbai-400 053.

### REGISTRAR & TRANSFER AGENTS

Bigshare Services Pvt. Ltd.  
E-2/3, Ansa Industrial Estate, Sakivihar Road,  
Sakinaka, Andheri (E), Mumbai-400 072.

## SHANTIVIJAY JEWELS LIMITED

## NOTICE

NOTICE is hereby given that the 33rd Annual General Meeting of the Members of SHANTIVIJAY JEWELS LIMITED will be held at G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096 on **Saturday, 23rd September, 2006 at 10.00 A.M.** to transact the following business :

## ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors, thereon.
2. To appoint a Director in place of Shri. Anurag Godha, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. Jeffrey K. Stern, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

## SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 16, 31, 94 and all other applicable provisions, if any of the Companies Act, 1956 and the enabling provisions of the Articles of Association of the Company and subject to all such approvals as may be necessary :

- (a) the Authorised Share Capital of the Company be and is hereby increased from 3,50,00,000/- (Rupees Three Crores Fifty Lacs) to Rs.6,00,00,000/- (Rupees Six Crores) by creation of new 25,00,000 (Twenty Five Lacs) Equity Share of Rs.10/- (Rupees Ten Only) each and the increased Authorised Share Capital be and is hereby divided into 60,00,000 (Sixty Lacs) Equity Shares of Rs.10/- (Rupees Ten Only) each;
- (b) the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place and stead the following as new Clause V :  
 'V. The Authorised Share Capital of the Company is Rs. 6,00,00,000/- (Rupees Six Crores only) divided into 60,00,000 (Sixty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each.;
- (c) the existing Article 4 of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in its place and stead the following as new Article 4:  
 '4. The Authorised Share Capital of the Company is Rs. 6,00,00,000/- (Rupees Six Crores only) divided into 60,00,000 (Sixty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each subject to be increased or reduced in accordance with the Regulations of the Company and legislative provisions for the time being in force in this behalf and with power to divide the Shares in the Capital for the time being into several classes and to attach thereto any preferential rights, privileges or conditions as may be determined by or in accordance with the Regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such

manner as may for the time being be provided by the Regulations of the Company.'"

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof for the time being in force) as also provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended (the "SEBI Guidelines") and any other applicable law or laws, rules, regulations, guidelines, schemes and clarifications (including any amendments thereto or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum of Association and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchange where the equity shares of the Company are listed and subject to such approvals, permissions, consents and sanctions as may be necessary of Government of India ("GOI"), Reserve Bank of India ("RBI"), Securities and Exchange Board of India ("SEBI"), Registrar of Companies ("ROC") and all other appropriate authorities, within or outside India, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "Board") which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent and approval of the Company be and is hereby accorded to the Board to issue, in the course of domestic/follow on/international offerings or qualified institutional placement to Domestic/Foreign Investors/Institutional Investors/Foreign Institutional Investors, Qualified Institutional Buyers within the meaning of Chapter XIII A of the SEBI Guidelines, Members, Employees, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks/ Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether members of the Company or not, through a public issue, a qualified institutional placement (QIP) within in the meaning of Chapter XIII A of the SEBI Guidelines, preferential issue and/or any other kind of public issue or private placement, with or without over allotment / green shoe option, in one or more tranche(s), equity shares or any securities other than warrants which are convertible into or exchangeable with equity shares including Global Depository Receipts/Shares ("GDRs") and/or American Depository Receipts/ Shares ("ADRs") and/or Foreign Currency Convertible Bonds ("FCCBs") and/or Convertible Bonds/Debentures and/or Euro-Convertible Bonds and/or Preference Shares whether Cumulative/Redeemable/Partly Convertible/Convertible and/or Securities Partly or Fully Convertible into Equity Shares and/or Securities linked to Equity Shares and/or any instruments or Securities or such other types of Securities representing either Equity Shares or Convertible Securities, (hereinafter collectively referred to as "Securities") whether rupee denominated or denominated in foreign currency, listed on any stock exchange inside India or any stock Exchange outside India, through an offer document and/or prospectus and/or offer letter and/or offering circular or through any other mode, on such terms and conditions including pricing, the form and the investor(s) to whom such Securities may be issued and

all matters connected therewith as the Board may in its sole and absolute discretion deem fit or decide."

RESOLVED FURTHER THAT the total amount raised through the aforesaid issue or offer of Securities should not, together with the over-allotment option, if any, result in issue of further shares exceeding 29.98 lakhs equity shares of Rs.10/- each.

RESOLVED FURTHER THAT in case of qualified institutional placement of Securities within the meaning of Chapter XIII A of the SEBI Guidelines, the total amount raised in such manner should not, together with the over-allotment option exceed five times the net worth of the Company as per audited balance sheet of the previous financial year.

RESOLVED FURTHER THAT the Securities issued may be redeemed and/or converted and/or exchanged, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, in a manner as may be provided in terms of their issue.

RESOLVED FURTHER THAT the pricing of the Securities and the pricing of any equity shares issued upon conversion of the Securities shall be in accordance with all applicable laws and regulations, including, if applicable, with the QIP Guidelines issued by the SEBI.

RESOLVED FURTHER THAT if the allotment of Securities shall be to QIBs in accordance with the Qualified Institutional Placement in accordance with the Chapter XIII A of the SEBI Guidelines, such Securities shall be fully paid up and the allotment of such Securities shall be completed within 12 months from the date of this resolution.

RESOLVED FURTHER THAT the relevant date for the determination of the pricing of the equity shares, if any, to be issued upon conversion or exchange of the Securities is 24th August, 2006.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board, in consultation with the Lead Managers, Merchant bankers, Advisors, Underwriters and/or other persons appointed for this purpose, be and is hereby authorized to determine the form, terms and timing of the offering(s) including the investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, number of equity shares or other securities, the price, premium or discount on issue/ conversion of securities, rate of interest, period of conversion or variation of the price or period of conversion or listings on one or more Stock Exchanges in India and/or outside India and related or incidental matters, as the Board in its sole and absolute discretion deem fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues in India and/or abroad and to do all acts, deeds, matters and things and to settle any question, difficulty or doubt that may arise in regard to any such issue, offer or allotment of Securities, utilization of the issue proceeds and in complying with any Regulations, as it may in its sole and absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution.

RESOLVED FURTHER THAT such of these Securities as are not subscribed may be disposed off by the Board in its absolute discretion in such manner as it may deem fit and as permissible by law.

RESOLVED FURTHER THAT the Securities, if any, issued in foreign markets shall be deemed to have been made abroad

and/or in the market and/or at the place of issue of the Securities in the international market and may be governed by applicable foreign laws.

RESOLVED FURTHER THAT the Board be and is hereby authorized to appoint Lead Managers, Book-runners, Underwriters, Listing Agents, Trustees, Bankers, Guarantors, Custodians Depositories, Registrars, Legal Counsels, Advisors, and all such other Agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memorandum, documents etc., as may be necessary, with such agencies and also to file any registration statement and any other document and any amendment thereto with any relevant authority for Securities listing and trading, to seek the listing of such Securities on one or more National or International Stock Exchange(s).

RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the abovementioned securities to be issued, by the creation of mortgage and/or charge on all or any of the Company's immovable and/or moveable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER THAT the issue to the holders of the Securities of the equity shares underlying the Securities shall be, inter alia, subject to the following terms and conditions:

- (i) in the event of the Company making a bonus issue by way of capitalisation of its profits or reserves prior to the allotment of the equity shares, the number of equity shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium shall stand reduced pro tanto;
- (ii) in the event of the Company making a rights offer by issue of equity shares prior to the allotment of equity shares, the entitlement to the equity shares will stand increased in the same proportion as that of the rights offer and such additional equity shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders; and
- (iii) in the event of sub-division of shares, merger, amalgamation, takeover or any other re-organisation, the number of shares, the price and the time period as aforesaid shall be suitably adjusted.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any Executive Director(s) or any other Officer(s) of the Company to give effect to the aforesaid Resolution."

BY ORDER OF THE BOARD

Sd/-  
BIMALCHAND GODHA  
CHAIRMAN

Registered Office:  
G-37, Gem & Jewellery Complex,  
Building No.III, SEEPZ, Andheri(East),  
Mumbai 400 096.  
Dated: 30th June, 2006

**SHANTIVIJAY JEWELS LIMITED****NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto and forms part of the Notice.
3. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of the Annual General Meeting.
4. The Share Transfer Books and the Register of Members of the Company shall be closed from Tuesday, 19th September, 2006 to Saturday, 23rd September, 2006 (both days inclusive).

5. The members are requested to note :

- (i) Registrar and Share Transfer Agents : M/s. Bigshare Services Private Limited at E-2 & 3, Ansa Industrial Estate, Sakinaka, Andheri(E), Mumbai 400 072, are Share Transfer Agents of the Company and the members are requested to send/address all their shares related matters/correspondence directly to them.
- (ii) Shares of the Company are traded compulsorily in dematerialized form for all investors. Shareholders are requested to open an account with Depository Participants, if not done so far.
- (iii) Section 109A of the Companies Act, 1956 provides for Nomination by the shareholders of the Company in the prescribed Form No. 2B for shares held in physical form. Bank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective Depository Participants for recording of nomination.
- (iv) Queries on accounts may please be sent to the Company 10 days in advance of the Annual general Meeting so that the answers may be made available at the meeting.

6. Brief resumes of Directors seeking re-election /re-appointment are as under:

Name of the Director	Shri. Anurag Godha	Mr. Jeffrey K. Stern
Age	45 years	59 years
Date of Appointment	15.12.1986	28.12.1994
Qualification	B.Sc. He has vast experience and expertise in jewellery industry. He has been wholetime Director of the Company for decades. He is a man of business and commercial acumen.	He is a reputed businessman in jewellery in USA.
Expertise in specific functional areas	He has excellent experience and exposure to jewellery manufacturing operations and international markets.	He has vast experience in business administration and jewellery marketing. With his long association, the Company has been able to establish market for its product in USA.
Chairmanship/ Directorship held in other public companies	Director in : Shantivijay Jewels International Ltd., Mauritius Shantivijay Impex FZCO, Dubai, UAE	Director in : Stern International Limited, USA.
Membership held in Committees of such Boards of other public companies	Member in : Shareholders Grievances Committee of the Company	Nil



## EXPLANATORY STATEMENT

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956

### Item No. 5

The Company is planning to expand its operations, domestically as well as internationally, to meet growing market demand. This would necessitate raising funds to augment long term funds to fund expansions, capital expenditures and long term working capital requirements by issue of further shares and/or securities /instruments which may be convertible into equity shares. Consequently, it is proposed to pass necessary enabling resolution to increase present Authorised Share Capital of Rs.3.50 crores to Rs.6 crores to accommodate issue of equity shares or conversion of securities /instruments into equity at a future date.

Consequent to the increase of Authorised Share Capital, Clause V of the Memorandum of Association and Article 4 of the Articles of Association would require amendments as set out in the Resolution.

Accordingly, the approvals of the members are being sought pursuant to the provisions of sections 16, 31, 94 and other applicable provisions of the Companies Act, 1956 for increase of authorized share capital and consequent amendment of Capital Clauses in the Memorandum and Articles of Association of the Company.

A copy of the Memorandum and Articles of Association of the Company together with draft amendments is available for inspection at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

Your Directors recommend the Resolution for your approval.

None of the Directors of the Company are concerned or interested in the said Resolution except in their capacity as shareholders and to the extent of shares, if any, held by them and/or their relatives in the Company.

### Item No. 6

To augment long terms funds to finance expansions, capital expenditure and long term working capital requirement for expansion of the existing business being planned and further to capture emerging business opportunities for growth, the Company would consider raising funds by issue of appropriate Securities. Towards this an enabling resolution is proposed at Item No. 6 of the Notice to enable the Board to consider issue of appropriate Securities from amongst those described in the said resolution at appropriate time(s). These funds may be raised in one or more tranches/stages from time to time and could be raised

either from domestic and/or international markets taking into account the costs and other related conditionality.

The proposed Special Resolution gives adequate flexibility in respect of working out the modalities of such issue as also to issue such securities /instruments in such tranche(s) at such time(s) and such price(s) as the Board may in its absolute discretion deem fit subject to the applicable laws, regulations and guidelines.

Under the provisions of Section 81 of the Companies Act, 1956 and the Listing Agreements executed by the Company with the Bombay Stock Exchange Ltd., the said offer of shares and/or Securities convertible into Shares to be issued by the Company would require consent of the Equity Shareholders by way of Special Resolution. The Special Resolution, if passed, will have effect of allowing the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company. In the circumstances, the approval of the shareholders is being sought for issuing the shares/securities in terms of the Resolution.

Further, the said securities may be secured by way of mortgage of the Company's assets or in any other manner in favour of the security holders. As the documents to be executed between the security holders and the Company may contain, as per normal practice, the power to take over management of the Company in certain events of default, it is necessary for the Company to obtain shareholders' approval through resolution under Section 293(1)(a) of the Act, before creation of the said mortgage.

Your Directors believe that such issue would be in the interest of the Company and therefore recommend the said Resolution for your approval as such.

None of the Directors of the Company is, in any way, concerned or interested in this resolution save and except that the Directors may be deemed to be concerned or interested in the resolution to the extent of securities that may be offered/allotted to them and/or their relatives and/or concerns, if any, controlled by them.

BY ORDER OF THE BOARD

Sd/-  
BIMALCHAND GODHA  
CHAIRMAN

Registered Office:  
G-37, Gem & Jewellery Complex,  
Building No.III, SEEPZ,Andheri(East),  
Mumbai 400 096.  
Dated: 30th June, 2006

**SHANTIVIJAY JEWELS LIMITED****DIRECTORS' REPORT**

TO THE MEMBERS OF  
SHANTIVIJAY JEWELS LIMITED

Your Directors present their 33rd Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2006

FINANCIAL RESULTS	(Rs. in Lakhs)	
	2005-2006	2004-2005
Sales & Operating Income	5352.57	4881.87
Other Incomes	89.19	38.49
Total Income	5441.76	4920.36
Less:		
Operating costs	5184.70	4708.07
Interest	40.19	29.62
Depreciation	56.41	55.49
Operating Profit	160.46	127.18
Extra-ordinary Items	37.37	Nil
Provisions for Taxation	54.59	9.00
Deferred Tax Liability/(Assets)	(28.08)	3.02
Fringe Benefit Tax	2.82	Nil
Net Profit /(Loss)	93.76	115.16
Balance brought forward	283.11	167.95
	376.87	283.11
<b>Appropriations :</b>		
Transferred to General Reserve	14.00	Nil
Interim Dividend	150.10	Nil
Tax on Dividend	21.05	Nil
Profit & Loss Account Balance		
Carried to balance Sheet	191.72	283.11

**DIVIDEND**

Your Company paid interim dividend of Rs.5/- @ 50% per equity share of Rs.10/- each amounting to Rs.150.10 lakhs. In view of this, your Directors do not recommend any further dividend for the year ended 31st March, 2006.

**OPERATIONS**

During the year under review, Sales have increased by 9.64% to Rs.5352.57 lakhs from Rs. 4881.87 lakhs in the previous year. Operating Profits have been Rs. 160.46 lakhs against Rs.127.18 lakhs in the previous year with an increase of 26.16%. Net Profit has been lower at Rs.93.76 lakhs mainly on account of provision for tax liabilities and non-recurring extra-ordinary items of loss of goods by theft of Rs.22.64 lakhs and provision of Rs.14.73 lakhs for diminution in value of investments.

The Company's quality and designs are already well recognized and amongst the best available in the international market. Constant efforts are made to increase volumes by participating in international exhibitions.

**Brand Initiative - "GIOVANCE":** During the year under review, to capitalize on the existing customer base and well perceived quality and designs of the jewellery made by the Company, brand name "GIOVANCE" has been registered which would help to patronize the customers and further boost sales in the international market. "GIOVANCE" brand is being used for sales in Spain and Japan

The Company is also planning more initiatives to expand its operations, domestically as well as internationally, to meet

growing market demand and make its product more competitive.

**SUBSIDIARY COMPANIES**

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts of Shantivijay International Limited, Mauritius and Shantivijay Impex FZCO, Dubai, U.A.E. along with the reports of the Board of Directors and Auditors' Reports thereon for the financial year ended 31st March, 2006 are annexed.

Shantivijay Impex FZCO, Dubai, wholly owned subsidiary of the Company through Shantivijay International Limited, Mauritius has started sourcing some of its requirements from China with a view to achieve competitiveness and get the benefit of operational leverage.

**DIRECTORS**

Shri. Rajendra J. Shah, Director of the Company expired on 25th April, 2006. The Board placed on record its sincere appreciation of the valuable guidance, continuous and unstinted support given by him to the Company.

Shri. Tushar Mavani, Partner, Mulla & Mulla & Craigie Blunt & Caroe, Advocates & Solicitor has been appointed Director on 30th June, 2006 to fill casual vacancy caused by death of Shri. Rajendra J. Shah.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Anurag Godha and Mr. Jeffrey K. Stern retire by rotation and, being eligible, offer themselves for reappointment.

**CORPORATE GOVERNANCE**

Report on Corporate Governance compliance is included as a part of the Annual Report along with the Auditor's Certificate.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report prescribed under the Listing Agreement is included as a part of the Annual Report.

**DISCLOSURE OF PARTICULARS**

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo are given in the annexure to this Report.

There are no particulars to be disclosed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended up to date.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, 1956, we hereby state :

- That in the preparation of the annual accounts for the Year ended March 31, 2006 the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;

(iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) That the Directors had prepared the annual accounts on a going concern basis.

#### AUDITORS

B. F. Chordia & Co., Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. You are requested to appoint Auditors and fix their remuneration.

#### ACKNOWLEDGEMENT

The Directors would like to place on record their appreciation for the valuable co-operation extended to the Company by the employees of the Company, Government Departments, Bankers, Suppliers, Customers and Investors at large for their continuous support to the Company.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai  
DATED : 30th June, 2006

Sd/-  
BIMALCHAND GODHA  
CHAIRMAN

### ANNEXURE TO DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of particular in the Report of Board of Directors) Rules, 1988.

#### A. Conservation of Energy

As the Company is not covered in the list of industries required to furnish details in the Form 'A' relating to conservation of energy, the same is not given.

#### B. Technology Absorption

Research and Development (R&D)

1. Specific areas in which (R&D) carried by the Company.
  - Manufacture of jewellery as per international standard.
  - Process Software development for avoiding human error.
  - Conceptual designs.
  - Improvement in process of gold/ platinum refining.
2. Benefits derived as a result of the above R&D.
  - Precision of manufacturing.
  - Improved quality of production.
  - Minimization of loss.
  - Achieved consistency in production quality.
  - Production with remarkable decrease in processing loss & better surface finish.
3. Future plan of action
  - Import of equipments, instruments etc. for further improvement in production as well as quality control.
4. Expenditure on R & D
  - Nil

#### Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adoption and innovation
  - The Company keeps itself abreast of the technical developments and innovation in Company's line of products world wide and tries to bring about improvements in the

2. Benefits derived as a result of the above e.g. product improvement, cost reduction product development, import substitution etc.
  - As a result of above, the following benefits are achieved :
    - Cost Reduction.
    - Achievement in precision & quality.
    - Use of indigenous equipment as import substitute.
3. Imported Technology.
  - The Company has not imported any technology.

#### C. Foreign Exchange Earnings and Outgo

	(Rs. in Lakhs)	
	2005-06	2004-05
Foreign Exchange earned	4946.38	4809.58
Foreign Exchange used :		
CIF value of Imports :		
-Raw materials	193.09	201.66
-Stores & consumable including spares	13.82	24.62
-Fixed assets	2.26	2.30
-Finished Goods	120.20	91.08
Expenditure in foreign currency :		
-Travelling expenses	9.54	10.45
-Exhibition expenses	10.97	15.92
-Bank Charges	1.44	5.36
-Membership & Subscription	0.04	0.08
-Staff Training expenses	18.65	19.31
-Sales Commission	34.94	42.15
-Dividend	2.98	0.00
	<u>407.93</u>	<u>412.93</u>

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai  
Dated : 30th June, 2006

Sd/-  
BIMALCHAND GODHA  
CHAIRMAN



**SHANTIVIJAY JEWELS LIMITED****REPORT ON CORPORATE GOVERNANCE**

Your Company has complied in all material respects with the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchange. A Report on the Corporate Governance compliance is furnished below :

**(1) Company's Philosophy on Corporate Governance**

Good Corporate Governance helps enhancement of long term shareholder value and interest of other stakeholders. This is achieved through increased awareness for responsibility, transparency and professionalism and focus on effective control and management of the organization. The Board of Directors of the Company is committed to the consistent adherence to the corporate governance code and constant review of the Board processes, practices and the Management systems to maintain a greater degree of responsibility and accountability.

**Mandatory Requirements :****(2) Board of Directors**

The constitution of the Board and other relevant details are given below :

During the year ended 31.03.2006, the Board consisted of 8 Directors, out of which 5(five) Directors were non-executive and 4(three) Directors were independent Directors. The Composition of the Board of Directors was thus in line with the stipulated requirements. Shri. Rajendra J. Shah, independent Director expired on 25.04.2006. Shri. Tushar Mavani has been appointed independent Director by the Board on 30.06.2006 to fill casual vacancy so caused. Except Managing Director, the other Directors retire by rotation.

**(3) Audit Committee**

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The terms of reference inter alia include overseeing financial reporting process, reviewing periodic financial results, financial statements, internal control and internal audit systems, accounting policies and practices, related party transactions, performance of internal and statutory auditors, adequacy of internal audit function, discussions with internal and statutory auditors.

During the year 2005-06, four Audit Committee meetings were held on 24.06.2005, 29.07.2005, 21.10.2005 and 20.01.2006.

The composition of the Audit Committee and other relevant details are given below :

Name of Director	Category	Profession	No. of meetings attended
Shri. R. J. Shah, Chairman	Independent	Chartered Accountant	3
Shri. S. S. Kasliwal, Chairman **	Independent	Industrialist	NA
Shri. B. C. Godha	Executive	Industrialist	4
Shri. Apurva Shah	Independent	Chartered Accountant	4
Shri. J. B. Shah	Independent	Business	2

\* expired on 25.04.2006 \*\* appointed Chairman on 30.06.2006

**(4) Shareholders' Grievance Committee**

Terms of Reference of the Committee inter alia cover review / redressal of status of investor' complaints/grievances, review of

Name of Director(s)	Executive/ Non-Executive/ Independent	No. of other directorship *		No. of Committee membership in all companies		No. of Board Meetings attended	Attendance at last AGM
		Chairman	Member	Chairman	Member		
Shri. Bimalchand G. Godha	Chairman & Managing Director	Nil	Nil	1	Nil	4	Yes
Shri. Shambhukumar Kasliwal	Independent	2	2	2	Nil	Nil	No
Shri Rajendra J. Shah #	Independent	1	4	4	3	3	Yes
Shri Pradeep B. Godha	Whole-time Director	Nil	Nil	Nil	1	4	Yes
Shri Anurag B. Godha	Whole-time Director	Nil	Nil	Nil	1	3	Yes
Shri Apurva R. Shah	Independent	Nil	3	1 (alternate)	5	4	No
Shri. Jayant B. Shah	Independent	1	Nil	Nil	2	2	No
Mr. Jeffrey K. Stern	Non-Executive	Nil	Nil	Nil	Nil	Nil	No
Shri. Tushar Mavani **	Independent	Nil	1	1	1	NA	NA

\* This excludes directorships held in private limited and overseas companies.

# expired on 25.04.2006 \*\* appointed to fill casual vacancy on 30.06.2006

\*\* **Board meetings** : During the year 2005-06, four meetings were held on 24.06.2005, 29.07.2005, 21.10.2005 and 20.01.2006. The last Annual General Meeting (AGM) was held on 22.08.2005.

performance of the Registrar & Share Transfer Agent and also to direct measures for improvements in investor services.

During the year 2005-06, 2 Committee meetings were held on 24.06.2005 and 20.01.2006.

The composition of the Shareholders' Grievance Committee and other relevant details are given below :

Name of Director	Category	No. of meetings attended
Shri. R. J. Shah, Chairman*	Independent	0
Shri. Tushar Mavani, Chairman **	Independent	NA
Shri. Pradeep Godha	Wholetime Director	2
Shri. Anurag Godha	Wholetime Director	2

\*expired on 25.04.2006 \*\* appointed on 30.06.2006

**Shareholders' Complaints :** Complaint received and resolved during the year was 1. No complaints were pending at the beginning or end of the financial year.

Number of pending share transfers as on 31.03.2006 was NIL  
No request for dematerialisation was pending for approval as on 31.03.2006.

**Name & Designation of Compliance Officer :**

Shri Bimalchand Godha, Chairman and Managing Director

#### (5) Remuneration of Directors

The Remuneration payable to the Directors is considered and approved by the Remuneration Committee constituted in accordance with the Corporate Governance Code and the provisions of the Companies Act, 1956, having due regard to the relevant factors. Non-executive Directors are paid Sitting fees at the rate of Rs.5000/- for each of the meetings of the Board or Committee thereof attended by them. The details of remuneration paid / payable to each Director for the year ended 31.03.2006 are as under:

(Figures in Rs.)

Name of Director(s)	Sitting Fees	Salary	Perquisites/ Allowances	Total
Shri. Bimalchand Godha	Nil	1200000	170297	1370297
Shri.Shambhukumar Kasiwal	Nil	Nil	Nil	Nil
Shri Rajendra J. Shah	30000	Nil	Nil	30000
Shri Pradeep Godha	Nil	1080000	170298	1250298
Shri Anurag Godha	Nil	1080000	128277	1208277
Shri Apurva R. Shah	40000	Nil	Nil	40000
Shri. Jayant B. Shah	30000	Nil	Nil	30000
Mr. Jeffrey K. Stern	Nil	Nil	Nil	Nil

All executive Directors are appointed under contracts each for a period of five year with effect from 01.09.2004 and with termination notice period of 90 days. All the executive Directors shall be entitled to compensation for loss of office in accordance

with and subject to the provisions of the Companies Act, 1956 in case their offices are terminated before expiration and shall not have any other claim for damages against the Company.

None of the Directors have been issued or entitled to any stock options.

The Non-executive Directors, apart from receiving Directors' remuneration by way of sitting fees, approved by the Board of Directors within the limit fixed and approved by the shareholders, do not have any other material pecuniary relationship or transactions with the Company. None of the non-executive Directors hold any shares in the company.

#### (6) General Body Meetings

Details of last three Annual General Meetings are as under :

Year	Day, Date & Time	Venue	Special Resolutions passed for
2003	Tuesday, 30.09.2003 at 10.00 a.m.	Banking Forum, SEEPZ, Andheri(East), Mumbai 400096	Nil
2004	Tuesday, 03.08.2004 at 10.00 a.m.	-Do-	- Approval of reappointment of Shri B. C. Godha as Managing Director - Approval of reappointment of Shri. Pradeep Godha as Chairman and Managing Director - Approval of delisting of shares from Ahmedabad and Delhi Stock Exchanges - Approval for delisting of shares from the Stock Exchange, Mumbai - Approval to keep register of members, index and copies of all Annual Returns with related documents/certificates at the office of Bigshare Services Private Limited
2005	Monday, 22.08.2005 at 10.00 a.m.	-Do-	- Approval for payment of sitting fees to non-executive Directors - Approval for delisting of shares from the Stock Exchange, Mumbai

During the last year, no resolution was put through postal ballot.

#### (7) Disclosures

- The Code of Conduct for the Directors and the senior management of the Company has been laid down by the Board. The Code has been posted on the website of the Company.
- The Company has continued to comply with the requirements of Stock Exchange, SEBI and other statutory authorities on