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CLASSIC DIAMONDS (INDIA) LIMITED

15TH ANNUAL REPORT
2001 - 2002

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BOARD OF DIRECTORS	:	Shri Chandrakant M. Bhansali *Chairman*
		Shri Kumar C. Bhansali *Managing Director*
		Shri Nirav K. Bhansali
		Shri Jitendra K. Shah
		Shri Dhansukh M. Doshi
		Shri Ashok Asher *Whole-Time Director*
		Shri Mayank Mehta *Whole-Time Director*
AUDITORS	:	M/s. M. V. Damania & Co. Chartered Accountants
BANKERS	:	State Bank of India
		Canara Bank
		The United Western Bank Ltd.
		Allahabad Bank
		State Bank of Indore
		ABN Amro Bank
		Antwerp Diamond Bank N. V.
REGISTERED OFFICE	:	1002, Prasad Chambers Opera House Mumbai - 400 004.

NOTICE

NOTICE [illegible] hereby given that the Fifteenth Annual General Meeting of the members [illegible] CLASSIC DIAMONDS (INDIA) LIMITED will be held at ASHOKA HALL, ARCADIA, NARIMAN POINT, MUMBAI [illegible] SATURDAY, the 21st September 2002 at 10.00 A.M. to transact the following business.

ORDINARY BUSINESS

1. To [illegible] consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2002 and the Balance Sheet as on that date together with the Directors' and Auditors' Reports.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri J. K. Shah who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Dhanesh M. [illegible] who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS.

6. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED that Shri Ashok Ashar, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 140 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

7. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force), approval of the members be and is hereby accorded to the appointment for a period of five years commencing from 6th April 2002 of, and payment of remuneration to Shri Ashok V. Ashar, the Whole-time Director of the Company, on the terms and conditions as are set out in the Draft Agreement proposed to be entered into between the Company and Shri Ashok V. Ashar, which Draft Agreement is hereby approved, with the liberty and power to the Board of Directors (including its Committee constituted for the purpose) to grant increments and to alter and vary the terms and conditions thereof, so as not to exceed the remuneration limits as specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto;

RESOLVED FURTHER THAT if in any Financial Year the Company has no profits or its profits are inadequate, Shri Ashok V. Ashar shall be entitled to receive the same remuneration, perquisites and benefits subject to the compliance with the applicable provisions of Schedule XIII of the Act, if and to the extent necessary, with the approval of the Central Government."

8. To consider and if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED that Shri Mayank R. Mehta, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article ... of the Articles of Association of the Company and who holds the office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

9. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), approval of the members be and is hereby accorded to the appointment for a period of five years commencing from 6th April, 2002 of and payment of remuneration to Shri Mayank R. Mehta, the Whole time Director of the Company on the terms and conditions as are set out in the Draft Agreement proposed to be entered into between the Company and Shri Mayank R. Mehta, which Draft Agreement is hereby approved with the liberty and power to the Board of Directors (including its Committee constituted for the purpose) to grant increments and to alter and vary the terms and conditions thereof so as not to exceed the remuneration limits as specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto.

RESOLVED FURTHER THAT if in any Financial Year the Company has no profits or its profits are inadequate, Shri Mayank R. Mehta shall be entitled to receive the same remuneration, perquisites and benefits, subject to the compliance with the applicable provisions of Schedule XIII of the Act, if and to the extent necessary, with the approval of the Central Government."

10. To consider and if thought fit to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provision, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof, for the time being in force), and subject to the limits specified in Schedule XIII to the said Act, the Company hereby approves the appointment and terms of appointment and payment of remuneration, perquisites and benefits to Mr. Nirav K. Bhansali, as Wholetime Director of the Company for a period of six months with effect from 5.02.2002, as per the terms and conditions as are set out in the agreement dated 5th February, 2002 entered into between the Company and Mr. Nirav K. Bhansali."

11. To consider and if thought fit, to pass, with or without modification, the following as an Ordinary Resolution:

"RESOLVED that in partial modification of resolution No. 6 passed at the Annual General Meeting of the Company held on 27th September, 1997 for the re-appointment and terms of remuneration of Shri Kumar C. Bhansali, Managing Director of the Company and in accordance with the provisions of Sections 269, 309, 310 and other applicable provisions, if any, of the Companies Act 1956, the Company hereby approves the increase in the salary payable to Shri Kumar C. Bhansali from Rs. 10,000/- p.m. to Rs. 25,000/- p.m. for the period from 1st April 2002 to 30th September, 2002."

12. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT [illegible] Companies Act, 1956 [illegible] for the time being in force [illegible] the re-appointment for a further period [illegible] 2002 at a payment of remuneration to Shri Kumar C. Bhansali the Managing Director of the Company [illegible] the Draft Agreement proposed to be entered into between the Company and Shri Kumar C. Bhansali which Draft Agreement is hereby approved with the liberty and power to the Board of Directors (including its Committee constituted for the purpose) to grant increments and/or alter and vary the terms and conditions thereof, so as not to exceed the remuneration limits [illegible] Schedule XIII of the Companies Act, 1956 or any amendments thereto.

RESOLVED FURTHER THAT [illegible] Financial Year the Company has no profits or its profits are inadequate, Shri Kumar C. Bhansali shall be entitled to receive the same remuneration, perquisites and benefits subject to the compliance with the applicable provisions of Schedule XIII of the Act [illegible] with the approval of the Central Government."

13. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED that the authorized capital of the Company be increased from Rs.5,00,00,000/- (Rupees Five Crore Only) to Rs.10,00,00,000/- (Rupees Ten Crore Only) by creation of further 50,00,000 Equity Shares of Rs.10/- each."

14. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT the Memorandum of Association of the Company be altered by amending Clause V as follows:

The words and figures "Rs.5,00,00,000/- (Rupees Five Crore only) divided into 50,00,000 (Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each" be substituted by the words and figures "Rs.10,00,00,000/- (Rupees Ten Crore only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs.10/- (Rupees Ten only) each."

15. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED that Article 4 of the Articles of Association be amended as follows:

The words and figures "Rs.5,00,00,000/- (Rupees Five Crore only) divided into 50,00,000 (Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each" be substituted by the words and figures "Rs.10,00,00,000/- (Rupees Ten Crore only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs.10/- (Rupees Ten only) each."

16. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 and the guidelines issued by the Securities & Exchange Board of India, and subject to the approval of

Reserve Bank of India for allotment and issue of new equity shares to the [illegible] ... [illegible] changes and [illegible] ... according such approval, which the Board of Directors of the Company [illegible] ... [illegible] out of General Reserve [illegible] of the Company [illegible] ... Three Crores and Fifty Lakhs [illegible] ... [illegible] fully paid equity shares of Rs.10 each [illegible] Company, whose names [illegible] in the Register of Members of the Company [illegible] Record Date [illegible] by the Managing Director [illegible] authorised by the Board [illegible] ... the Company [illegible] ... income or [illegible] ... 35,00,000 fully paid up equity shares of Rs.10 each [illegible] ... bonus shares in the proportion of one new equity share for every one existing fully paid equity share held.

RESOLVED FURTHER THAT the above proposal will be subject to the following terms and conditions:

(i) The new equity shares to be [illegible] shall be allotted subject to the terms of the Memorandum and Articles of Association of the Company.

(ii) The new equity shares shall rank pari passu in all respects with and carry the same rights as the existing fully paid up equity shares of the Company except that the new shares shall not be entitled to any [illegible] from the date of allotment, if any, to be declared in respect of the [illegible] pursuant to this Resolution.

(iii) No letter of allotment will be issued by the Company in respect of the new equity shares. However, the equity share certificates in respect thereof will be ready for delivery to the holders within 3 months from the date of allotment thereof. For demated shares, electronic credit will be given within 15 days of allotment.

(iv) No allotment of bonus shares to the non-resident Indian members will be made till the approval of Reserve Bank of India is obtained by the Company.

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Managing Director be and is hereby authorised:

(a) to do all acts, deeds, matters and things whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the bonus shares, and

(b) to accept on behalf of the Company any conditions, modifications relating to the issue of bonus shares prescribed by the Reserve Bank of India or any other authority and which the Managing Director in his discretion thinks fit and proper.

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 THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE 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 Saturday the 14th September, 2002 to Saturday the 21st September, 2002 (both days inclusive).

4 Dividend on Equity shares as recommended by the Directors for the financial year ended 31st March, 2002 when declared, will be paid to those members whose names appear on the Company's Register of Members as on 21st September 2002. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership as per details furnished by NSDL and CDSL for this purpose. Pursuant to the amendments introduced by the Finance Act, 2002, tax will be deducted at source at the applicable rates on dividend. Shareholders whose annual income is not likely to exceed the taxable limit are requested to submit Form 15G duly filled, signed and verified in the manner prescribed in the said form to the Company latest by 10th September 2002 to enable the Company to pay such dividend without deduction of tax at source.

5 Securities & Exchange Board has made trading in the shares of the Company compulsorily in dematerialised form for all investors w.e.f. 13th March 2001. Shareholders are requested to open an account with the Depository Participants, if not done so far. The Equity Shares of the Company have been allotted International Securities Identification Number (ISIN) INE[illegible]

6 Members are requested to furnish bank details by 14th September, 2002 in order to enable the Company to print the same on the dividend warrants. In respect of members holding shares in electronic mode, Bank details as are furnished by the depositories to the Company will be printed on the dividend warrant.

7 Equity Shares of the Company are listed on the Stock Exchange, Mumbai. The Company has paid the annual listing fee to the said Exchange.

8 A brief resume of the directors proposed to be appointed vide item nos. 3, 4, 7 and 9 of the Notice are as follows:

Shri J.K. Shah is a Chartered Accountant practicing as a partner of J.K. Shah & Co. He is 65 years of age and is a Director of the Company since 1993. He is the President Emeritus of Shri Patan Jain Mandal. He is also an adviser to the Board of Directors of the Patan Co-op. Bank Ltd.

Shri Dhansukh M. Doshi holds a Degree in Economics. He is 69 years of age and is a Director of the Company for over 12 years. He is a Director in General Textile Stores Pvt. Ltd. and Zydex (India) Pvt. Ltd. He has 45 years experience in the business of biotechnology products.

Shri Ashok Ashar holds a Diploma in Electrical and Mechanical Engineering. He is 52 years of age and is with the Company for last 15 years. He was earlier with Khatau Mills as Deputy Engineer. He has good commercial and corporate experience.

Shri Mayank Mehta is a promoter of the Company. He is 44 years of age and has been associated with the Company since its formation. He has good knowledge of rough and polished diamonds. He manages the Companys' Goregaon unit.

9 Section 109A of the Companies Act, 1956 provides for nomination by the shareholders of the Company in the prescribed Form No.2B. Shareholders are requested to avail this facility.

10 Members intending to require information about the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.

11 Those members who have not encashed their dividend warrants from the financial years 1995-1996, may approach the Company for the payment thereof as the same will be transferred to the "Investor Education and Protection Fund" established by the Central Government, pursuant to section 205C of the Companies Act, 1956 on the respective due dates. Kindly note that after such transfer, the members will loose their right to claim such dividend.

12. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said periods are requested to claim the same from the Central Government in the prescribed format.

13. In order to render better and efficient services, we request you to consolidate the multiple folios existing in the same names and in identical order. Consolidation of folios does not amount to transfer of shares and therefore, no stamp duty or other expenses are payable by you.

14. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is as follows:

Item No. 6 to 9

Shri Ashok V. Ashar and Shri Mayank R. Mehta were appointed as Additional Directors under Article 127(1) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 on 6th April, 2002. Shri Ashok V. Ashar and Shri Mayank R. Mehta hold office only upto the forthcoming Annual General Meeting. Notices have been duly received from members as required under section 257 of the Companies Act, 1956 proposing the candidature of Shri Ashok Ashar and Shri Mayank R. Mehta for the office of Director. The Board had also appointed Shri Ashok V. Ashar and Shri Mayank R. Mehta as Whole time Directors, subject to the approval of the Shareholders.

The remuneration payable to Shri Ashok Ashar and Shri Mayank Mehta was decided by the Board of Directors at its meeting held on 6th April, 2002. The same was approved by the Remuneration Committee.

The draft Agreements between the Company and Shri Ashok Ashar and Shri Mayank Mehta as Whole-time Directors of the Company, contain the following principal terms and conditions:

I. Remuneration.

a) Salary - The Whole-time Director shall be entitled to salary of Rs.25,000/- p.m.

b) Perquisites

i) House Rent Allowance - House rent allowance at the rate of 5% (Five Percent) of salary.

ii) Medical Reimbursement – Reimbursement of actual medical expenses incurred in India including hospitalisation, nursing home and surgical charges for himself and family.

iii) Leave Travel Concession – Reimbursement of actual travelling expenses for proceeding on leave once in a year in respect of himself and family.

iv) Club Fees – Reimbursement of membership fee for two clubs including admission and life membership fees.

v) Contribution to Provident Fund, Superannuation and Annuity Fund – Entitled to Provident Fund as per the Rules of the Company.

vi) Personal Accident Insurance – Personal Accident Insurance Policy for an amount, the annual premium which shall not exceed Rs.10,000/- (Rupees Ten Thousand Only).

vii) Gratuity – Gratuity as per rules of the Company at a rate of half month's salary for each completed year of service.

viii) Leave – Entitled to one month leave with full pay or encashment thereof as per the rules of the Company.

ix) Other Perquisites – Subject to the overall ceiling on remuneration mentioned herein below the whole-time Director may be given any other allowances, benefits and perquisites as the Board of Directors may from time to time decide.

Explanation: Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

i. Car for use on Company's business, telephone and other communication facilities at residence will not be considered as perquisites.

ii. The Company shall reimburse the Director expenses incurred by him for the purpose of the business of the Company in accordance with the Company's policies, practices and procedure.

iii. The Wholetime Director shall not be paid any sitting fees for attending Board Committee Meetings.

Minimum Remuneration: The Company shall pay the aforesaid remuneration as minimum remuneration subject to such approvals as may be necessary pursuant to Schedule XIII of the Companies Act, 1956.

Shri Ashok Ashar is concerned or interested in resolutions at item no. 8 and 7. Shri Mayank Mehta is concerned or interested in resolutions at item no. 8 and 9. The draft Agreements between the Company and Shri Ashok Ashar and Shri Mayank Mehta respectively, are available for inspection by the Members at its Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m.

Item No. 10

Shri Niray K. Bhansali was appointed as Wholetime Director w.e.f. 06.02.2002. The terms of appointment and remuneration payable to Shri Niray K. Bhansali, was decided by the Board of Directors at its meetings held on 31st January 2002. The Agreement dated 5th February 2002 entered into by the Company with Shri Niray K. Bhansali in respect of his appointment, inter alia, contains the following terms and conditions:

I. Remuneration:
   a) Salary: Rs 75000/- per month
   b) Perquisites and allowances:

In addition to the salary, the Wholetime Director shall also be entitled to perquisites like medical reimbursement, accident insurance, leave travel concession for himself and his family, club fees etc. in accordance with the Rules of the Company or as may be agreed to by the Board of Directors. Such perquisites to be restricted to Rs. 1 Lac per annum or such other limit as may be permitted by the competent authority.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost. However, provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for calculating the said ceiling. Similarly, the Company's contribution to Provident Fund, Superannuation and Annuity fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961, Gratuity payable under the Rules of the Company and encashment of leave at the end of tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Overall Remuneration: The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed or to be prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act as may for the time being be in force.

Minimum remuneration: In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Whole-time Director the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under Part II of the Schedule XIII to the Companies Act, 1956.

Due to personal reasons, Shri Nirav K. Bhansali resigned from the office of Wholetime Director w.e.f. 8th ... 2002. However with a view to comply with the provisions of the Companies Act, 1956, the terms of appointment and the terms of remuneration specified above are now being placed before the members of the General Meeting for their approval.

Shri Nirav K. Bhansali being director himself and Shri Chandrakant M. Bhansali and Shri Kumar C. Bhansali relative of Shri Nirav K. Bhansali, are concerned or interested in this resolution.

The Agreement dated 5th February, 2002 between the Company and Shri Nirav K. Bhansali, Wholetime Director is available for inspection by the members of Company at its Registered Office of the Company on any working day upto the date of ensuing Annual General Meeting between 11.00 a.m. to 1.00 p.m.

Item No. 11

At the Annual General Meeting of the Company held on 27th September 1997 the members had approved of the re-appointment of Shri Kumar C. Bhansali, Managing Director of the Company on a salary of Rs. 15,000/- per month together with such perquisites and commission as specified in the Explanatory Statement annexed to the notice of the Meeting.

The Board of Directors at its meeting held on 6th April, 2002 have revised the salary payable to Shri Kumar C. Bhansali to Rs 25,000/- per month with effect from 1st April, 2002 for his remaining term i.e. upto 30th September, 2002. The Board is of the view that the increase in remuneration proposed is commensurate with the responsibilities Shri Kumar C. Bhansali has shouldered and recognises the contribution made by him to the Company.

All other terms and conditions of the appointment of Shri Kumar C. Bhansali as approved by the members will remain unchanged. The resolution for the revision of the salary payable to the Managing Director is commended for the acceptance by the Members.

Shri Kumar C. Bhansali being director himself and Shri Chandrakant M. Bhansali and Shri Nirav K. Bhansali being relatives of Shri Kumar C. Bhansali are deemed to be concerned or interested in the resolution. This may also be treated as an abstract of the draft Agreement between the Company and Shri Kumar C. Bhansali pursuant to Section 302 of the Act.

Item No. 12

Shri Kumar C. Bhansali was appointed as the Managing Director for a period of five years with effect from 1st October, 1997. The Board of Directors of the Company has at its meeting held on 31st July, 2002, re-appointed Shri Kumar C. Bhansali as the Managing Director for a further period of five years commencing from 1st October, 2002. The terms and conditions including remuneration payable to him are set out in the draft of the agreement to be entered into between Company and Shri Kumar C. Bhansali which contains the following principal terms and conditions.

1. Subject to the supervision and control of the Board of Directors, the Managing Director will carry out such duties and exercise such powers as may be entrusted to him by the Board of Directors.