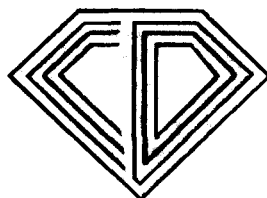


# CLASSIC DIAMONDS (INDIA) LIMITED



## 16TH ANNUAL REPORT 2002 - 2003

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**Company's Hyderabad Showroom**

## *Annual Report : 2002 - 2003*

### **16<sup>th</sup> Annual Report : 2002-2003**

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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 Ashar**  
*Whole-Time Director*

**Shri Mayank Mehta**  
*Whole-Time Director*

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**AUDITORS :**

**M/s. M. V. Damanla & Co.**  
Chartered Accountants

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**BANKERS :**

State Bank of India

Canara Bank

State Bank of Indore

State Bank of Patiala

ABN Amro Bank N. V.

Allahabad Bank

The United Western Bank Ltd.

Indusind Bank Ltd.

Antwerpse Diamant Bank (ADB)

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## CLASSIC DIAMONDS (INDIA) LIMITED

### NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the members of CLASSIC DIAMONDS (INDIA) LIMITED will be held at ASHOKA HALL, ARCADIA, NARIMAN POINT, MUMBAI 400021 on SATURDAY, the 30<sup>th</sup> August, 2003 at 10.00 A.M. to transact the following business :

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2003 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 Chandrakant M. Bhansali, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Kumar C. Bhansali, 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 modifications, the following resolution as an ORDINARY RESOLUTION :  
 "Resolved that in modification of the Resolution passed at the Annual General Meeting held on 25<sup>th</sup> September, 1993 authority be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293 (1)(d) of the Companies Act, 1956, to borrow and raise such sums of money from time to time as may be required for the purpose of the business of the Company in excess of the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, subject to the proviso that such borrowings shall not exceed Rs. 500 Crores over and above the aggregate of the paid up capital of the Company and its free reserve and shall exclude all temporary loans obtained by the Company from its bankers in the ordinary course of its business."

#### 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 filed in for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday the 23<sup>rd</sup> August, 2003 to Saturday the 30<sup>th</sup> August, 2003 (both days inclusive).
4. Dividend on Equity shares as recommended by the Directors for the financial year ended 31<sup>st</sup> March, 2003 when declared, will be paid to those members whose names appear on the Company's Register of Members as on 30<sup>th</sup> August, 2003. 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.

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5. Securities & Exchange Board of India has made trading in the shares of the Company compulsory in dematerialized form for all investors with effect from 13<sup>th</sup> March, 2001. The Equity Shares of the Company have been allotted International Securities Identification Number (ISIN) INE987C01016.
6. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialize their shares at the earliest.
7. Members are requested to furnish bank details by 16<sup>th</sup> August 2003 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.
8. Equity Shares of the Company are listed on the Stock Exchange, Mumbai. The Company has paid the annual listing fee to the said Exchange.
9. A brief resume of the directors proposed to be appointed vide item nos. 3 and 4 in the Notice are as follows:  
 Chandrakant M. Bhansali has a wide exposure to the diamond industry. He possesses vast knowledge & experience by virtue of his long association with the diamond industry. He is the one of the promoters of the Company and acting as the Chairman of the Board since inception.  
 Kumar C. Bhansali possesses rich experience of 30 years in the diamond industry. He has been the Managing Director of the company since 1987. He has technical knowledge and practical experience in rough and polished diamonds.
10. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the shareholders in respect of the shares held by them in the prescribed Form No.2B. Shareholders are requested to avail this facility.
11. 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.
12. As per the provisions of Section 205A of the Companies Act, 1956 all unclaimed dividends upto financial year ended 31<sup>st</sup> 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 period(s) are requested to claim the same from the Central Government in the prescribed format.
13. Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend, which has remained unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Kindly note that after such transfer, the members will lose their right to claim such dividend. Members who have not yet encashed their dividend warrant(s) for the financial year ended 31.3.1996 onwards, are requested to make their claims to the Company accordingly, without any delay.
14. Members are requested to consolidate the multiple folios existing in the same names and in identical orders so as to facilitate better and efficient service. Consolidation of folios does not amount to transfer of shares and therefore, no stamp duty or other expenses are payable by you.

**CLASSIC DIAMONDS (INDIA) LIMITED**

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

Under Section 293(1)(d) of the Companies Act, 1956 the Board of Directors shall not, except with the consent of the Company in general meeting, borrow monies (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate paid up capital and free reserves of the company. According to explanation (1) of the section, every resolution passed in the General Meeting of the Company in relation to the exercise of the above power shall specify the total amount upto which monies may be borrowed by the Board of Directors over and above the paid up capital and free reserves.

At the Annual general Meeting held on 25<sup>th</sup> September, 1993 the members had authorised the Board of Directors to borrow monies not exceeding Rs. 150 Crores over and above the paid up capital and free reserves of the Company. Taking into account the requirements for additional finance for working capital, expansion, diversification and modernization programmes undertaken by the company, it is proposed to obtain consent of the members to increase the limit to Rs. 500 Crores over and above the paid up capital and free reserves. Hence the resolution as set out is proposed.

The Board commends this resolution for your approval. None of the Directors of the Company is concerned or interested in the resolution.

**BY THE ORDER OF THE BOARD**

**ASHOK ASHAR  
WHOLE TIME DIRECTOR**

**Registered Office:**  
1002 Prasad Chambers,  
Opera House,  
Mumbai 400004.

**Dated : 31<sup>st</sup> July, 2003**

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### DIRECTORS' REPORT

To  
The Members,

Your Directors have great pleasure in presenting their Sixteenth Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March 2003.

#### 1. FINANCIAL RESULTS

(Rupees in lacs)

	For the year ended 31/03/2003	For the year ended 31/03/2002
<b>I. FINANCIAL RESULTS:</b>		
Sales	59741.85	41909.99
Profit before Interest & Depreciation	4057.45	3258.54
Less : i) Interest	1544.52	954.69
ii) Depreciation	152.72	110.69
	<b>1697.24</b>	<b>1065.42</b>
Profit before Taxation	2360.21	2193.11
Provision for Taxation [including deferred Tax]	253.44	100.32
Profit after Taxation	2106.77	2092.79
Balance in Profit & Loss Account brought forward	6384.13	4561.34
	<b>8490.90</b>	<b>6654.13</b>
<b>2. APPROPRIATIONS</b>		
Proposed Dividend (Incl. Tax)	102.66	70.00
Transfer to General Reserve	200.00	200.00
Balance carried forward	8188.24	6384.13
	<b>8490.90</b>	<b>6654.13</b>

#### 2. DIVIDEND

Your Company's dividend policy is based on the need to balance the twin objectives of appropriately rewarding shareholders with cash dividends and of retaining capital to maintain a healthy capital adequacy ratio to support future growth.

During the year ended 31<sup>st</sup> March 2003, your Company's working results have been excellent. Your Directors recommend dividend on the enhanced capital base at the rate of 13% for the year aggregating to Rs.91 lacs on the share capital of Rs. 7 Crores as against 18% aggregating to Rs.63 lacs on the share capital of Rs.3.5 Crores for the previous year.



## CLASSIC DIAMONDS (INDIA) LIMITED

### 3. INCREASE IN SHARE CAPITAL

Pursuant to the resolution passed by the shareholders in the 15<sup>th</sup> Annual General Meeting held on 21<sup>st</sup> September, 2002, the Board of directors have allotted 35,00,000 new equity shares of Rs.10/- each as fully paid shares as bonus to the shareholders as on the record date i.e. 23<sup>rd</sup> December, 2002. The new shares have been listed on the Stock Exchange, Mumbai with effect from 14<sup>th</sup> February, 2003 under ISIN No. INE987C01016.

### 4. BUSINESS PROSPECTS

India's diamond trade has gained an amazing sheen over the years, emerging as one of the three largest foreign exchange earners for the country. This has added more glitter to the Company's credibility. The outlook for the company's performance continues to be favourable.

Your Company's aim is to ensure that it achieves and maintains its position amongst the top companies in the industry. The Company continues its initiative to acquire new business premises and showrooms. It is actively pursuing other acquisition and alliance opportunities to expand the operations. To cater to the needs of the retail consumers, a show room has been opened at Hyderabad and other is due to be opened at Bangalore. These showrooms will strengthen the production capacity at jewellery unit.

Considering the impact of the expansion-cum-diversification project undertaken by your Company and with the increasing demand for diamonds and studded jewellery, your directors are of the view that the Company will grow by leaps and bounds and the future will see the further improvement in performance.

### 5. FINANCE

The Company was able to obtain adequate working capital finance from its consortium of Banks during the year under review.

### 6. DIRECTORS

Shri Chandrakant M. Bhansali and Shri Kumar C. Bhansali, Directors retire by rotation at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

### 7. AUDITORS

M/s. M.V. Damania & Co., Chartered Accountants will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received the certificate from the Auditors to the effect that their re-appointment if made, will be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

### 8. CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's auditors confirming the compliance of conditions on Corporate Governance as stipulated in the said clause 49 of the Listing Agreement is annexed thereto.



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### 9. FIXED DEPOSIT

Your Company has neither invited nor accepted any deposit during the year under review under Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

### 10. PERSONNEL

During the year under review no employee has drawn salary exceeding the limits stated in Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### 11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is given below.

#### A. CONSERVATION OF ENERGY

As the Company is not covered in the list of industries required to furnish information in 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 the Company carries out R&D -  
Cutting and Polishing of diamonds and manufacturing of jewellery as per International Standards are the areas in which general research and development work is carried out by the Company.

2. Benefits derived as result of the above R & D-

In the diamond business the Company would achieve better productivity and the cost reduction due to in-house design and manufacture of consumable items. In jewellery there will be a potential for increase in sales due to the above activities.

3. Future Plan of Action -

The Company will strive to improvise the manufacturing methodology to effect further cost reduction and increase productivity.

4. Expenditure on R & D

a. Capital	}	
b. Recurring	}	
c. Total	}	Included in the Manufacturing Cost
d. Total R & D expenditure	}	
as a Percentage of total	}	
turnover	}	

## CLASSIC DIAMONDS (INDIA) LIMITED

5. Efforts in brief, made towards Technology absorption and innovation-  
The Company keeps itself abreast of the technical developments and innovations in its line of products worldwide and tries to bring about improvement in the product for better quality, cost effectiveness etc.
6. Benefits derived as a Result of above efforts e.g. product improvement, cost reduction, product development, import substitution etc. The benefits will be reflected in precision and quality of the product and cost reduction.
7. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

The Company has not imported any technology.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Information regarding foreign exchange earnings and outgo is given below :

- |  |                       |
|--|-----------------------|
| Total foreign exchange used                              | : Rs. 4,20,87.40 Lacs |
| * Total foreign exchange earned                          | : Rs. 5,99,82.79 Lacs |
| * Foreign exchange earned includes bills to be realised. |                       |

### 12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm :

- (a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for that period;
- (c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that they have prepared the annual accounts on a going concern basis.

### 13. ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution, which enabled the Company meet the challenge set before it and improve its performance during this year.

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Banks during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the continued support of customers and suppliers of the Company.

Your Directors gratefully acknowledge the support and goodwill the esteemed supplier of rough diamonds namely Diamond Trading Company, London and all our foreign patrons.

Your Directors thank the shareholders for their confidence in the Company.

**FOR AND ON BEHALF OF THE BOARD**

Mumbai.  
Dated : 31<sup>st</sup> July, 2003

CHANDRAKANT M. BHANSALI  
CHAIRMAN