



Classic
Diamonds
(India)
Limited

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18TH ANNUAL REPORT 2004-2005



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Annual Report : 2004 - 2005

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BOARD OF DIRECTORS :	Shri Chandrakant M. Bhansali <i>Chairman</i>
	Shri Kumar C. Bhansali <i>Managing Director</i>
	Shri Nirav K. Bhansali
	Shri Jitendra K. Shah (upto 31 st May, 2004)
	Shri Yogesh K. Kaji
	Shri Sanjay G. Dhruva (w.e.f. 31 st May, 2004)
	Shri Ashok Ashar <i>Whole-Time Director</i>
	Shri Mayank Mehta <i>Whole-Time Director</i>

AUDITORS :	M/s. M. V. Damania & 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.

CLASSIC DIAMONDS (INDIA) LIMITED

NOTICE

Notice is hereby given that the Eighteenth 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 17th September, 2005 at 10.00 A.M. to transact the following business:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2005 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 Shri Yogesh K. Kaji as a Director of the Company, whose office shall be liable to retire by rotation.
4. To appoint Shri Sanjay G. Dhruva as a Director of the Company, whose office shall be liable to retire by rotation.
5. To appoint Auditors and to fix their remuneration.
6. To consider and, if thought fit, to pass with or without modifications, the following resolution 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 modification or re-enactment thereof, for the time being in force) the remuneration payable to Shri Kumar C Bhansali, Managing Director, Shri Ashok V Ashar, Wholetime Director and Shri Mayank R Mehta, Wholetime Director of the Company be and is hereby revised w.e.f. 01.01.2005 for their unexpired tenure on the following terms and conditions:

Salary: In the scale of Rs. 40,000/- to Rs. 1,50,000/- per month with authority to the Board to vary the salary within this scale. The variation will be merit based and will take into account the Company's performance.

The perquisites and other allowances within the overall ceiling of Rs. 2,00,000/- (Rupees Two Lakhs only) in any financial year. The directors will be entitled to the following perquisites and allowances, which may be granted to these directors in such form and the manner as the Board may decide:

Accommodation, house maintenance allowance together with utilities thereof such as gas, electricity, water, furnishings, repairs, house rent allowance, city compensatory allowance, travelling allowance, medical reimbursement, accidental 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.

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".

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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 10th September, 2005 to Saturday the 17th September, 2005 (both days inclusive).
4. Dividend on Equity shares as recommended by the Board of Directors for the financial year ended 31st March, 2005 when declared, will be paid to those members whose names appear on the Company's Register of Members as on 17th September, 2005. 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.
5. Securities & Exchange Board has made trading in the shares of the Company compulsory in dematerialized form for all investors with effect from 13th 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. We are pleased to offer the facility of electronic credit of dividend directly to the respective bank accounts of our shareholders, through Electronic Clearing Service (ECS). This facility is currently available at the locations specified in the Mandate Form separately enclosed in this Annual Report. This is in addition to the Bank Mandate Facility which already exists whereby bank account details are printed on the dividend warrant. Shareholders who would like to avail ECS Mandate Facility or the Bank Mandate Facility are requested to complete and submit the Mandate form latest by 25th August, 2005. Please note that 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 (BSE) and on National Stock Exchange of India Limited (NSE). The Company has paid the annual listing fee to the said Exchanges.
9. A brief resume of the directors proposed to be appointed vide item nos. 3 and 4 in the Notice are as follows:

Shri Yogesh K. Kaji has a wide exposure to the diamond market. He possesses vast knowledge and experience by virtue of his long association with the diamond industry.

Shri Sanjay G. Dhruva is a Chartered Accountant. He has sound knowledge and practical experience in handling financial aspects of the corporate sector.

CLASSIC DIAMONDS (INDIA) LIMITED

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. Pursuant to Section 205C, the dividend for the year ended 31st March, 1996 and 31st March, 1997 has been transferred to the Investor Education and Protection Fund.
13. Section 205C of the Companies Act, 1956, provides that 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 31.3.1998 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 on the same.
15. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is as follows:

Item No. 4

Shri Yogesh K. Kaji has been appointed as a Director of the Company in the casual vacancy caused by resignation of Shri Dhansukh M. Doshi on 31.12.2003. Pursuant to Section 262 of the Companies Act, 1956 Shri Yogesh K. Kaji will hold the office of a Director upto the date of the forthcoming Annual General Meeting. A notice has been received from a member proposing him as director under Section 257 of the Companies Act, 1956. None of the Directors except Shri Yogesh K. Kaji is deemed to be concerned and interested in the resolution.

Item No. 5

Shri Sanjay G. Dhruva has been appointed as a Director of the Company in the casual vacancy caused by resignation of Shri J. K. Shah on 31.05.2004. Pursuant to Section 262 of the Companies Act, 1956 Shri Sanjay G. Dhruva will hold the office of a Director upto the date of the forthcoming Annual General Meeting. A notice has been received from a member proposing him as director under Section 257 of the Companies Act, 1956. None of the Directors except Shri Sanjay G. Dhruva is deemed to be concerned and interested in the resolution.

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Item No. 6

At the Annual General Meeting held on 21st September 2002, Shri Kumar C Bhansali was appointed as Managing Director and Shri Ashok V Ashar and Shri Mayank R Mehta were appointed as Wholetime Directors of the Company for a period of five years. Keeping in view their expertise and increased job responsibility due to increase in the Company's business activities, the Board has decided to revise the remuneration (all other terms of appointment will remain the same) of Shri Kumar C Bhansali, Shri Ashok V Ashar and Shri Mayank R Mehta as detailed in the resolution.

The above revision of remuneration has been approved by the Remuneration Committee

Shri Kumar C Bhansali, Shri C M Bhansali and Shri Nirav Bhansali Directors of the Company are concerned or interested in the resolution to the extent it affects the remuneration payable to Shri Kumar C Bhansali.

Shri Ashok V Ashar, Director of the Company is concerned or interested in the resolution to the extent it affects the remuneration payable to himself.

Shri Mayank R Mehta, Director of the Company is concerned or interested in the resolution to the extent it affects the remuneration payable to himself.

This explanation together with the accompanying Notice is and should be treated as an abstract of the terms of remuneration of Shri Kumar C. Bhansali, Managing Director, Shri Ashok V. Ashar, Whole-time Director and Shri Mayank R. Mehta, Whole-time Director of the Company under Section 302 of the Companies Act, 1956.

BY THE ORDER OF THE BOARD

Ram Gaud
COMPANY SECRETARY

Registered Office :

1002, Prasad Chambers,
Opera House,
Mumbai - 400 004.

Dated : 30th July, 2005

CLASSIC DIAMONDS (INDIA) LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors have great pleasure in presenting their Eighteenth Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March 2005.

1. FINANCIAL RESULTS :

(Rupees in lacs)

	For the year ended 31/03/2005	For the year ended 31/03/2004
I. FINANCIAL RESULTS :		
Sales	56256.55	60937.61
Other income	232.58	202.30
Profit before Interest & Depreciation	3733.74	4640.84
Less : i) Interest	1719.88	1865.82
ii) Depreciation	205.48	169.57
	1925.36	2035.39
Profit before Taxation	1808.38	2605.45
Provision for Taxation	571.91	366.69
Profit after Taxation	1203.14	2238.76
Balance in Profit & Loss		
Account brought forward	10108.56	8188.25
	11311.70	10427.01
II. APPROPRIATIONS :		
Proposed Dividend (Incl. Tax)	143.95	118.45
Transfer to General Reserve	200.00	200.00
Balance carried forward	10967.75	10108.56
	11311.70	10427.01

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.

Though the sales and the profits during the year under review have gone down, the Company's working results may be considered to be good, in view of the fact that the trend in the industry is downward as far as this financial year is concerned. Of course, your Directors recommend a higher dividend of 18% for the year aggregating Rs.126 lacs as against 15% aggregating to Rs.105 lacs for the previous year.

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3. **LISTING ON NSE :**

The shares of your Company are listed on the Stock Exchange, Mumbai (BSE Code: 523200) and the National Stock Exchange of India, Mumbai (NSE Code: CLASSIC EQ).

4. **BUSINESS PROSPECTS :**

The Indian gem and jewellery industry has come of age and is all set to sparkle the more in the coming days. The diamond and jewellery exports have been growing at a blistering pace.

Demand for Indian jewellery is fast picking up throughout the world. Your Company has entered the high margin retail segment through its flagship brand "Classic Jewels". The retail venture was conceived as a value-enhancing proposition wherein your Company wanted to leverage its strong position in manufacturing. It has 4 showrooms in India at Hyderabad, Bangalore, Chennai and Gurgaon.

Classic focuses on two areas - retailing and jewellery exports. The Company is now focused into adding value to the whole business by getting increasingly downstream whether it is domestic retailing or exports.

The Company adheres to the Diamond Trading Company's Diamond Best Practice Principles to ensure professionalism in the running of the Company.

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 Yogesh K. Kaji and Shri Sanjay G. Dhruva, Directors retire by rotation at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Shri Yogesh K. Kaji who was appointed on 31st December, 2003 as a Director in the casual vacancy caused upon resignation of Shri Dhansukh M. Doshi. Resolution proposing his appointment will be placed before shareholders for their approval.

Shri Sanjay G. Dhruva who was appointed on 31st May, 2004 as a Director in the casual vacancy caused upon resignation of Shri J. K. Shah. Resolution proposing his appointment will be placed before shareholders for their approval.

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.

9. **FIXED DEPOSIT :**

The Company has not invited or 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.

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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 -

<ol style="list-style-type: none"> a. Capital b. Recurring c. Total d. Total R & D expenditure as a Percentage of total turnover 	}	Included in the Manufacturing Cost
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5. Efforts in brief, made towards Technology absorption and innovation -
The Company keeps abreast of global technical developments, innovations and trends in its line of business and strives to constantly reduce costs and improve the quality of its products.
6. Benefits derived as a result of the above efforts e.g. cost reduction, product development and improvement; import substitution etc. will be reflected in precision manufacturing of high quality products and substantial 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.