



Classic Diamonds (India) Limited

Report  junction.com



19th
ANNUAL REPORT
2005-2006

ANNUAL REPORT : 2005 - 2006

19TH ANNUAL REPORT : 2005-2006

BOARD OF DIRECTORS :

Shri. Chandrakant M. Bhansali
Chairman

Shri. Kumar C. Bhansali
Managing Director

Shri. Nirav K. Bhansali
Whole-time Director

Shri. Mayank R. Mehta
Whole-time Director

Shri. Ashok V. Ashar
Whole-time Director

Shri. Yogesh K. Kaji
Director

Shri. Sanjay G. Dhruva (upto 3rd April, 2006)
Director

Shri. Sumit B. Shah (w.e.f 31st Dec, 2006)
Director

Shri. Zubin N. Batliwalla (w.e.f 3rd April, 2006)
Director

AUDITORS :

M/s. M. V. Damania & Co.
Chartered Accountants

BANKERS :

State Bank of India

Canara Bank

State Bank of Indore

State Bank of Patiala

ABN Amro Bank N. V.

The United Western Bank Ltd.

Indusind Bank Ltd.

Union Bank of India

Standard Chartered Bank

Classic Diamonds (India) Limited

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the members of CLASSIC DIAMONDS (INDIA) LIMITED will be held at ASHOKA HALL, ARCADIA, NARIMAN POINT, MUMBAI 400021 on FRIDAY, the 29th September, 2006 at 4.00 P.M. to transact the following business:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 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 is eligible for re-appointment.
4. To appoint a Director in place of Shri Kumar C. Bhansali, who retires by rotation and is eligible for re-appointment.
5. To appoint Mr. Sumit B. Shah as a Director as a Director.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

7. 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 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 5th September, 2006 of and payment of remuneration to Shri Nirav K. Bhansali, 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 Nirav K. 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 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 Nirav K. 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, if and to the extent necessary, with the approval of the Central Government."

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 Friday the 22nd September, 2006 to Friday the 29th September, 2006 (both days inclusive).
4. Dividend on Equity shares as recommended by the Board of Directors for the financial year ended 31st March, 2006 when declared, will be paid to those members whose names appear on the Company's Register of Members as on 29th September, 2006. 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.

ANNUAL REPORT : 2005 - 2006

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. 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.
8. A brief resume of the directors proposed to be appointed vide item nos. 3 to 5 in the Notice are as follows: Shri Chandrakant M. Bhansali is the Founder of the Company and he has a wide exposure to the diamond industry. He possesses vast knowledge and experience by virtue of his long association with the diamond industry.
Shri Kumar C. Bhansali is the Managing Director of the Company and under his Leadership the Company has reached astronomical heights in the market. He has sound knowledge and practical experience in handling technical and financial aspects of the Companies.
Shri Sumit Shah is director of the Company.
9. 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 of 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. Pursuant to Section 205C, the dividend for the year ended 31st March, 1997 has been transferred to the Investor Education and Protection Fund.
12. 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 loose their right to claim such dividend. Members, who have not yet encashed their dividend warrant(s) for the financial year ended 31.3.1999 onwards, are requested to make their claims to the Company accordingly, without any delay.
13. 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.
14. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is as follows:

Item No. 3

Shri Chandrakant M. Bhansali's term as a Director of the Company expires at this A.G.M. Being eligible for re-appointment Shri Chandrakant M. Bhansali has offered himself to be re-appointed. None of the Directors except Shri Chandrakant M. Bhansali is deemed to be concerned and interested in the resolution.

Item No.4

Shri Kumar C Bhansali's term as a Director of the Company expires at this A.G.M. Being eligible for re-appointment Shri Kumar C. Bhansali has offered himself to be re-appointed. None of the Directors except Shri Kumar C. Bhansali is deemed to be concerned and interested in the resolution.

CLASSIC DIAMONDS (INDIA) LIMITED

Item no. 5

Shri. Sumit B. Shah was appointed as Additional Director by the Board pursuant to Sec 260 of the Companies Act 1956, and Article 147(1) of the Articles of Association of the Company, at its meeting held on 31st Dec, 2005. The term of Mr. Sumit B. Shah expires at this A.G.M. Being eligible he has offered himself to be appointed as Director of Company. None of the Director except Shri Sumit B. Shah is deemed to be concerned and interested in the resolution.

Item No. 7

Shri Nirav K. Bhansali was appointed as Whole-time Director w.e.f 5th Sept, 2006. The terms of appointment and remuneration payable to Shri. Nirav K. Bhansali, was decided by the Board of Directors at its meeting held on 5th September, 2006. The same was approved by the Remuneration Committee.

The Draft Agreements between the Company and Shri Nirav K. Bhansali as Whole- time Directors of the Company, contains the principal terms and conditions:

I. Remuneration:

- a) Salary - The Whole- time Director shall be entitled to salary of Rs. 1,00,000/- p.m.
- b) Perquisites:-

The Director 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 payments for local calls and long distance office 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 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."

This explanation together with the accompanying Notice is and should be treated as an abstract of the terms of Remuneration of Shri. Nirav K. Bhansali, Whole-time Director of the Company under Section 302 of the Companies Act, 1956.

BY THE ORDER OF THE BOARD

Kumar C. Bhansali
MANAGING DIRECTOR

Registered Office:
1002, Prasad Chambers,
Opera House,
Mumbai- 400 004

Dated : 5th September, 2006

ANNUAL REPORT : 2005 - 2006

DIRECTORS' REPORT

To,
The Members,

Your Directors have great pleasure in presenting their Nineteenth Annual Report with the Audited Statement of Accounts for the financial year ended 31st March 2006.

1. FINANCIAL RESULTS:

(Rupees in Lacs.)

Particulars	For the year ended 31-Mar-06	For the year ended 31-Mar-05
1. FINANCIAL RESULTS		
Sales (Incl. Exch. Difference)	62,108.84	57,488.44
Other Income	38.83	232.58
Profit before Interest & Depreciation	5019.36	3733.74
Less : i) Interest	2,265.35	1,718.58
ii) Depreciation	513.20	205.48
	2,778.55	1,924.06
Profit before taxation	2,240.81	1,808.38
Provision for Taxation	650.47	571.91
Profit after Taxation	1,580.08	1,203.14
Bal in P & L Account brought/forward	10,967.75	10,108.56
	12,547.83	11,311.70
2. APPROPRIATIONS		
Proposed Dividend (incl Tax)	159.84	143.95
Transfer to General Reserve	200.00	200.00
Balance carried forward	12188.19	10967.75
	12547.83	11311.70

2. DIVIDEND:

Your company has registered a growth for the year in Sales of over 10 %. As you are aware the 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.

2005-06 has proved that your company has it in its DNA to quickly overcome adversity and get back on to the path of rapid & broad based growth, 2004-05 was a difficult & challenging year, consolidated revenues had declined and profits had fallen precipitously, viz. due to the rise in prices of Rough diamonds which took time to be absorbed by the market (including the Cut & Polished diamonds sourced by the jewellery manufacturers) In view of the above the Directors recommend a Dividend of Rs. 2/- per Share.

Classic Diamonds (India) Limited

3. LISTING ON NSE & BSE:

The shares of your company are listed on the Stock Exchange, Mumbai (BSE Code: 532200) and the National Stock Exchange of India, Mumbai (NSE Code: CLASSIC EQ)

4. BUSINESS PROSPECTS:

The Gems and Jewellery sector in India is one of the largest foreign Exchange earner for the nation, hence it has been receiving a great amount of attention from the Governmental authorities. The Finance Budget 2006 has also identified huge sums to be spent to assist this trade in maintaining its growth levels.

Your company is now gearing up for the production of the larger type of diamonds, which would yield higher margins and a larger array of products for the customers to suit their requirements.

Classic focuses on two areas – jewellery retailing and exports. In the jewellery - retail your company has been successful in portraying itself as the Necklace destination through its flagship brand "Classic Jewels". Looking at the demand of its jewellery in the northern region of India, your company plans to open retail outlets at Ludhiana & Delhi.

The company adheres to the Diamond Trading Company's Best Practicing Principles to ensure professionalism in the smooth functioning of the company

5. FINANCE:

The company was able to obtain adequate working capital finance as well as Term Loans for a period of five years to support the manufacturing facilities, from its consortium of bankers during the year under review.

6. DIRECTORS:

The Company has 8 Directors of which 5 are Independent Directors.

Mr. Chandrakant M. Bhansali and Mr. Kumar C. Bhansali are liable to retire by rotation and being eligible have offered themselves for re-appointment.

Mr. Sumit B. Shah had been appointed as an additional Director at the Meeting of the Board of Directors on 31st Dec, 2005, and he vacates the office at the present Annual General Meeting. Being eligible for re-appointment the Board recommends that Mr. Sumit B. Shah be appointed as a Director. Shri. Sanjay G. Dhruva has resigned w.e.f 3rd April, 2006 and the Casual Vacancy caused by the resignation was filled by appointing Shri Zubin N. Batiwalla w.e.f that date.

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 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 confirm the compliance of conditions on Corporate Governance as stipulated in the said clause 49 of the Listing Agreement is annexed thereto.

ANNUAL REPORT : 2005 - 2006

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.

10. PERSONNEL:

During the year under review no employee has drawn salary exceeding the limits as 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

The company has been successful in manufacturing its own Laser Cutting Machine for the Diamond factory.

In the jewellery sector in house design and manufacture of certain consumables are carried out.

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

The company achieves better productivity and cost reduction

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
- d. Total R & D expenditure as a percentage of total turnover



included in the manufacturing cost

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 improvements, 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

Classic Diamonds (India) Limited

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Information regarding foreign exchange earnings and outgo is given below

- | | |
|---|---------------------|
| Total Foreign Exchange used | : Rs. 49442.82 Lacs |
| * Total Foreign Exchange earned | : Rs. 60436.50 Lacs |
| * Foreign Exchange earned includes bills to be realized | |

12. DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors confirm :

- 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;
- 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;
- 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;
- that they have prepared the annual accounts on a going concern basis

13. ACKNOWLEDGEMENTS :

The Directors wish to convey their appreciation to all the employees of the company for their personal efforts as well as their collective contribution, which enabled the company meet the challenges set before it and improve its performance during the year.

Your Directors would like to express their grateful appreciation for the assistance 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 extended by the esteemed supplier of Rough Diamonds namely Diamond Trading Company, London and all the foreign patrons.

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

FOR AND ON BEHALF OF THE BOARD

CHANDRAKANT M. BHANSALI
CHAIRMAN

Place : Mumbai

Dated : 5th September, 2006

ANNUAL REPORT : 2005 - 2006

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

CLASSIC DIAMONDS (INDIA) LIMITED seeks to adopt good corporate governance practices and to ensure compliance with all relevant laws and regulations. It also leads to satisfaction of shareholders. Company's philosophy is concerned with ethics, values and morals of the Company and remains accountable to shareholders and other beneficiaries for their action. The Company conducts its activities in a manner that is fair and transparent and perceived to be such by others.

2. BOARD OF DIRECTORS:

a) COMPOSITION AND SIZE OF THE BOARD:

The Board has an optimum combination of Executive, Independent and Non- Executive directors. The Board is chaired by a Non – executive Director and total strength of the board is almost of 7 Directors in the financial year 2005-06.

b) BOARD MEETINGS:

8 Board Meetings were held at Mumbai during the year under review.

The Board Meetings were held on 22nd May, 2005, 28th May, 2005, 16th June, 2005, 20th July, 2005, 30th July, 2005, 31st October, 2005, 31st December, 2005, and 31st January, 2006. The maximum gap between two Board Meetings did not exceed the limits prescribed in clause 49 of the Listing Agreement. Details of the attendance at Board Meetings by the Directors, together with the number of their Directorships and memberships of the SEBI-designated Board Committees of other companies are as follows:

Name of Directors	Category of Directors	Board Meetings attended during 2005-2006	Attendance at A.G.M.	No. of other Directorship \$	Membership of other Board Committee
Mr.Chandrakant M. Bhansali	Chairman Non-Executive	8	NO	1	NIL
Mr. Kumar Bhansali	Managing Director Executive	8	YES	1	NIL
Nirav K. Bhansali	Director Non-Executive	8	NO	NIL	NIL
Ashok V. Ashar	Whole time Director Executive	8	YES	NIL	NIL
Mayank Mehta	Whole time Director Executive	8	YES	NIL	NIL
Yogesh K. Kaji	Non-Executive Independent	8	YES	NIL	NIL
Sumit B. Shah	Non-Executive * Independent	2	N.A.	NIL	NIL
Sanjay G. Dhruva @	Non-Executive Independent	8	YES	NIL	NIL

\$ This excludes Directorship held in other Private Limited Companies.

@ Mr. Sanjay G. Dhruva has resigned w.e.f 3rd April, 2006

* Mr. Sumit B. Shah was appointed as Additional Director by the Board on 31st Dec, 2005.

The Board comprises of 3 Executive & 5 Non-executive Directors.

7 Directors had attended the last Annual General Meeting held on 17th Sept, 2005.