



Classic Diamonds (India) Ltd.



20th Annual Report
2006-2007

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BOARD OF DIRECTORS	:	Shri Chandarakant M. Bhansali <i>Chairman</i>
		Shri Kumar C. Bhansali <i>Managing Director</i>
		Shri Nirav K. Bhansali (w.e.f 5 th Sept, 2006) <i>Whole- time Director</i>
		Shri. Mayank R. Mehta <i>Whole- time Director</i>
		Shri Hiren H. Shah (w.e.f 31 st Oct, 2006) <i>Whole-time Director</i>
		Shri Yogesh K. Kaji <i>Director</i>
		Shri Sumit B. Shah <i>Director</i>
		Shri. Zubin N. Batliwalla (w.e.f. 3 rd April, 2006) <i>Director</i>
		Shri. Ashok V. Ashar (upto 31 st Aug, 2006) <i>Whole -time Director</i>

AUDITORS	:	M/s. M. V. Damania & Co. <i>Chartered Accountants</i>
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BANKERS	:	State Bank of India Canara Bank State Bank of Indore Industrial Development Bank of India Limited ABN Amro Bank N.V Indusind Bank Ltd Union Bank of India Standard Chartered Bank
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Classic Diamonds (India) Limited

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the members of CLASSIC DIAMONDS (INDIA) LIMITED will be held at Babasaheb Dahanukar Hall, Orion House, 6th Floor, 12, K. Dubhash Marg, Near Jehangir Art Gallery, Kala Ghoda, Fort, Mumbai- 400001 on Monday, 17th September, 2007 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2007 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 Zubin N. Batliwalla, who retires by rotation and has offered himself for being re-appointed.
4. To appoint a Director in place of Shri Yogesh K. Kaji, who retires by rotation and has offered himself for being re-appointed.
5. To appoint Mr. Hiren H. Shah as Director of the Company, he was appointed to fill Casual vacancy due to resignation of Mr. Ashok V. Ashar. He vacates his office at this Annual General Meeting and being eligible offers himself for reappointment.
6. To appoint M/s A.N. Damania & Co. as the statutory auditors of Company for the Year 2007- 2008 in place of M/s M.V. Damania & Company who have submitted their resignation, and to fix their remuneration.

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 Monday 10th September, 2007 to Monday 17th September, 2007 (both days inclusive).
4. Dividend on Equity shares as recommended by the Board of Directors for the financial year ended 31st March, 2007 when declared, will be paid to those members whose names appear on the Company's Register of Members as on 10th September, 2007. 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 (SEBI) 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:

 Mr. Zubin N. Batliwalla is a Chartered Accountant. He possesses vast knowledge and experience by virtue of his long experience. He is the Chairman of the Audit Committee.

 Mr. Yogesh K. Kaji has a vast exposure to Diamond market. He possesses vast knowledge and experience by virtue of his long association with diamond Industry.

 Mr. Hiren Shah is a Chartered Accountant who has vast and in depth knowledge of the business of the company. He has good communication skills and is handling the financial issues of our Company. His learning experience at his earlier organization of audit and taxation is also helpful to our company. Being a chartered accountant his knowledge of accounts is also helpful to our organization.
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, 1999 (98-99) 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 31st March, 2000 (1999-2000) onwards, are requested to make their claims to the Company accordingly, without any delay.

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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.

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

Item No.4.

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

Item no. 5

Mr. Hiren H. Shah was appointed as a Director in Casual Vacancy by the Board pursuant to Sec 262 of the Companies Act 1956, and Article 147(1) of the Articles of Association of the Company, at its meeting held on 31st October, 2006. The term of Mr. Hiren H. 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 Mr. Hiren H. Shah is deemed to be concerned and interested in the resolution.

Item No. 6

The Board of Directors have received a letter from the Present Auditors M/s M.V. Damania & Co. about their inability to continue as the statutory Auditors of our Company. It is proposed to appoint M/s A.N. Damania & Co. as our Statutory Auditors for the Year 2007- 2008. Your Directors recommend the aforementioned appointment. None of the Directors are interested in the proposal.

BY THE ORDER OF THE BOARD

Kumar C. Bhansali
Managing Director

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

Dated: 30th July, 2007

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DIRECTOR'S REPORT

To,
The Members,

Your Directors have great pleasure in presenting their Twentieth Annual Report with the Audited Statement of Accounts for the financial year ended 31st March 2007.

1. FINANCIAL RESULTS :

(Rupees in Lacs.)

Particulars	For The Year Ended 31-Mar-07	For The Year Ended 31-Mar-06
1. FINANCIAL RESULTS		
Sales (Incl. Exch. Difference)	64,371.90	62,108.64
Other Income	463.29	38.83
Profit before Interest & Depreciation	6,748.99	5,019.36
Less : 1) Interest	3,020.33	2,265.35
2) Depreciation	764.31	513.20
	3,784.64	2,778.55
Profit before taxation	2,964.36	2,240.81
Provision for Taxation	717.13	650.47
Profit after Taxation	2,254.77	1,580.08
Bal in P & L Account brought/forward	12,188.19	10,967.75
	14,442.98	12,547.83
2. APPROPRIATIONS		
Proposed Dividend (incl Tax)	204.75	159.64
Transfer to General Reserve	250.00	200.00
Balance carried forward	13,988.23	12,188.19
	14,442.98	12,547.83

2. DIVIDEND :

Your company has registered a growth for the year in Sales of about 4 % in value terms which in Dollar terms would account for an increase of over 6 %. As you are aware that the company's dividend policy has always 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 your company had a slight fall in the sales of the loose diamond but has gained enhancement in sales in the jewellery sector which has better margins leading to the increased profits by over 30 % over the previous year. In view of the above the Directors recommend a Dividend of Rs. 2.50 per Share.

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3. LISTING ON NSE & BSE :

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 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. Currently India's magic touches almost all people wearing jewellery in different corners of the world, for the country's mammoth industry manufactures as many as 11 out of every 12 diamonds set in jewellery worldwide.

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, and as planned your company has opened 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 4 are Independent Directors. Mr. Zubin N. Batliwala and Mr. Yogesh Kaji are liable to retire by rotation and being eligible have offered themselves for re – appointment.

Mr. Hiren H. Shah has been appointed as a Whole time Director at the meeting of Board of Directors held on 31st October 2006 and he vacates the office at the present Annual General Meeting. Being eligible for re-appointment, Board of Directors recommends that Mr. Hiren H. Shah be appointed as Whole time Director of the company in place of Mr. Ashok Ashar , who has resigned w.e.f.1st September 2006.

7. AUDITORS :

M/s M.V. Damania & Co., Chartered Accountants will retire at the conclusion of the ensuing Annual General Meeting. The company intends to obtain the services of M/s A. N. Damania & Co. The company has received the certificate from the auditors that their 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.

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9. FIXED DEPOSIT :

The company has not invited or accepted any deposit during the year under review under Section 58A 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.

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C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Information regarding foreign exchange earnings and outgo is given below

Total Foreign Exchange used : Rs.51,820.44 Lacs

*Total Foreign Exchange earned : Rs.59,189.97 Lacs

*Foreign Exchange earned includes bills to be realized.

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 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 and co-operation 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.

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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 and transparency to the shareholders. Company's philosophy is concerned with ethics, values, morals and social responsibility of the Company. The Company remains accountable to shareholders and other beneficiaries for their actions. 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 of 8 Directors in the financial year 2006-07.

b) Board Meetings:

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

The Board Meetings were held on 3rd April, 2006, 19th May, 2006, 31st July, 2006, 5th September, 2006, 31st October, 2006, 9th November, 2006, and 31st January, 2007. 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 and Annual General Meeting held on 29th September, 2006 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 2006-07	Attendance at A.G.M	No. of other Directorship \$	Membership of other Board Committees
Mr.Chandrakant M. Bhansali	Chairman Non- Executive	7	NO	1	NIL
Mr. Kumar Bhansali	Managing Director Executive	7	YES	1	NIL
Mr. Nirav K. Bhansali*	Whole-time Director Executive	7	YES	NIL	NIL
Mr. Ashok V. Ashar @	Whole time Director Executive	3	YES	NIL	NIL
Mr. Mayank Mehta	Whole time Director Executive	7	YES	NIL	NIL
Mr. Yogesh K. Kaji	Non- Executive Independent	7	YES	NIL	NIL
Mr. Sumit B. Shah	Non- Executive Independent	7	YES	NIL	NIL
Mr. Zubin N. Batliwalla #	Non- Executive Independent	6	YES	NIL	NIL
Mr. Hiren H Shah @	Whole- time Director Executive	2	N.A	NIL	NIL

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

@ Mr. Ashok V. Ashar has resigned w.e.f 1st September, 2006 and Mr. Hiren H. Shah is appointed to fill the casual vacancy on 31st October, 2006.

* Mr. Nirav K. Bhansali is appointed as Whole-time Director w.e.f 5th September, 2006.

Mr. Zubin N. Batliwalla is appointed as Director w.e.f. 3rd April, 2006.

All the information as required under Annexure 1A of clause 49 of the Listing Agreement, as is required from time to time, is tabled before the Board for it's consideration.