



Classic Diamonds (India) Ltd.



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21st ANNUAL REPORT 2007-2008

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BOARD OF DIRECTORS

- : **Mr. Kumar C. Bhansali**
Chairman & Managing Director
- Mr. Chandrakant M. Bhansali**
Director
- Mr. Nirav K. Bhansali**
Whole- time Director
- Mr. Mayank R. Mehta**
Whole- time Director
- Mr. Hiren H. Shah**
Whole-time Director
- Mr. Yogesh K. Kaji**
Director
- Mr. Sumit B. Shah**
Director
- Mr. Zubin N. Batliwalla**
Director

AUDITORS

- : **M/s. A. N. Damania & Co.**
Chartered Accountants

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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NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the members of M/S CLASSIC DIAMONDS (INDIA) LIMITED will be held at Jamnalal Bajaj Seva Trust's Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021 on Monday, 29th September, 2008 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2008 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 Mr. Mayank R. Mehta, who retires by rotation and has offered himself for being re-appointed.
4. To appoint a Director in place of Mr. Chandrakant Manilal Bhansali, who retires by rotation and has offered himself for being re-appointed.
5. To appoint a Director in place of Mr. Sumit B. Shah, who retires by rotation and has offered himself for being re-appointed.
6. To re-appoint M/s A. N. Damania & Co. as the statutory auditors of Company for the Year 2008- 2009, 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, 22nd September, 2008 to Monday, 29th September, 2008 (both days inclusive).
4. Dividend on Equity shares as recommended by the Board of Directors for the financial year ended 31st March, 2008, when declared, will be paid to those members, whose names appear on the Company's Register of Members as on 22nd September, 2008. 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 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) INE987C01024.

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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. Mayank R. Mehta is associated with the company since its incorporation. He possesses good knowledge of rough and polished diamonds. He manages the Company's Surat Factory.

 Mr. Chandrakant Manilal 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.

 Mr. Sumit B. Shah has been a Director of the Company since December, 2005 and has prudent business sense especially the Diamond Industry by virtue of his long association with the industry.
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, 2000 (1999-2000) 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, 2001 (2000-2001) 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:



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Item No. 3

The term of Mr. Mayank R. Mehta, Director of the Company, expires at this A.G.M. Being eligible for re-appointment Mr. Mayank R. Mehta has offered himself to be re- appointed. None of the Directors except Mr. Mayank R. Mehta is deemed to be concerned and interested in the resolution.

Item No.4

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

Item No. 5

The term of Mr. Sumit B. Shah, Director of the Company, expires at this A.G.M. Being eligible for re-appointment Mr. Sumit B. Shah has offered himself to be re- appointed. None of the Directors except Mr. Sumit B. Shah is deemed to be concerned and interested in the resolution.

Item No. 6

It is proposed to re-appoint M/s A. N. Damania & Co. as our Statutory Auditors for the Year 2008- 2009. 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: 4th August, 2008

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DIRECTOR'S REPORT

To
The Members,

Your Directors have great pleasure in presenting their Twenty first Annual Report with the Audited Statement of Accounts for the financial year ended 31st March 2008.

1. FINANCIAL RESULTS :

(Rupees in Lacs)

PARTICULARS	FOR THE YEAR ENDED 31-Mar-08	FOR THE YEAR ENDED 31-Mar-07
1. FINANCIAL RESULTS		
Sales (Incl. Exch. Difference)	71,043.52	64,371.90
Other Income	98.22	463.29
Profit before Interest & Depreciation	6,630.56	6,748.99
Less : 1) Interest	2,691.29	3,020.33
2) Depreciation	665.10	764.31
Total of Interest and Depreciation	3,356.39	3,784.64
Profit before taxation	3,274.17	2,964.36
Provision for Taxation	159.55	717.13
Profit after Taxation	3,114.62	2,254.68
Bal in P & L Account brought/forward	13,988.23	12,188.19
Amounts transferred on Amalgamation of Purvi Diamonds Private Limited	260.20	- -
	17,363.05	14,442.98
2. APPROPRIATIONS		
Proposed Dividend (incl Tax)	225.05	204.75
Transfer to General Reserve	350.00	250.00
Balance carried forward	16,788.00	13,988.23
	17,363.05	14,442.98

2. DIVIDEND:

Your company has registered a growth for the year in Sales of over 10 % in value terms. 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 (4%), but has gained enhanced sales in the jewellery sector (56%) which has better margins leading to the increased profits by over 10 % over the previous year. In view of the above the Directors recommend a Dividend of 25%.

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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". 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 has maintained its level of finance at same levels inspite of the growth in turnover reflecting better management of available funds. The company has been prompt in repaying its term loans which span over five years term period for its manufacturing facilities taken from its consortium of bankers.

6. DIRECTORS:

The Company has 8 Directors of which 4 are Independent Directors. Mr. Mayank R. Mehta, Mr. Chandrakant M. Bhansali and Mr. Sumit B. Shah are liable to retire by rotation and being eligible have offered themselves for re-appointment.

7. AUDITORS:

M/s A.N. 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 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 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.

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.

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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 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.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information regarding foreign exchange earnings and outgo is given below:

Total Foreign Exchange used : Rs.45,461.64 Lacs

* Total Foreign Exchange earned : Rs.66,945.36 Lacs

* Foreign Exchange earned includes bills to be realized.

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12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- i. 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;
- ii. 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;
- iii. 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;
- iv. 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 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.

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REPORT ON CORPORATE GOVERNANCE

1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

M/S CLASSIC DIAMONDS (INDIA) LIMITED has adopted good corporate governance practices and ensures compliance with all relevant laws and regulations. It has lead to the 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 a required combination of Executive, Independent and Non- Executive directors. The Board is chaired by an Executive Director and total strength of the board is of 8 Directors as on 31st March, 2008.

b) Board Meetings:

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

The Board Meetings were held on 14th May, 2007; 28th June, 2007; 6th July, 2007; 30th July, 2007; 12th September, 2007; 30th October, 2007; 15th November, 2007; 12th December, 2007; 26th December, 2007; 9th January, 2008; 31st January, 2008 and 15th February, 2008. 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, Extra Ordinary General Meeting held on 15th June, 2007 and Annual General Meeting held on 17th September, 2007 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 2007-08	Attendance at E.G.M	Attendance at A.G.M	No. of other Directorships\$	Membership of Board Committees of other Companies
Mr. Kumar C. Bhansali	Chairman & Managing Director Executive	12	YES	YES	1	NIL
Mr. Chandrakant M. Bhansali	Director Non-Executive Independent	12	NO	NO	NIL	NIL
Mr. Nirav K. Bhansali	Whole-time Director Executive	12	YES	YES	1	NIL
Mr Mayank Mehta	Whole time Director Executive	12	NO	YES	NIL	NIL
Mr Yogesh K. Kaji	Director Non- Executive Independent	12	YES	YES	NIL	NIL
Mr Sumit B.Shah	Director Non- Executive Independent	12	NO	YES	NIL	NIL
Mr Zubin N. Batliwalla	Director Non- Executive Independent	12	YES	YES	NIL	NIL
Mr Hiren H Shah	Whole- time Director Executive	12	YES	YES	NIL	NIL

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