



# Classic Diamonds (India) Ltd.



## 22nd Annual Report 2008-2009



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<b>BOARD OF DIRECTORS:</b>	<b>Mr. Kumar C. Bhansali</b> Chairman & Managing Director
	<b>Mr. Chandrakant M. Bhansali</b> Director
	<b>Mr. Nirav K. Bhansali</b> Whole- time Director
	<b>Mr. Mayank R. Mehta</b> Whole- time Director
	<b>Mr. Hiren H. Shah</b> Whole-time Director
	<b>Mr. Yogesh K. Kaji</b> Director
	<b>Mr. Sumit B. Shah</b> Director
	<b>Mr. Zubin N. Batliwalla</b> Director
<b>AUDITORS :</b>	<b>M/s. A. N. Damania &amp; Co.</b> Chartered Accountants
<b>BANKERS :</b>	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
	Axis Bank



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## NOTES:

Notice is hereby given that the Twenty Second 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, 14<sup>th</sup> September, 2009 at 11.30 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as on that date together with the Directors' and Auditors' Reports.
2. To appoint a Director in place of Mr. Kumar Chandrakant Bhansali, who retires by rotation and has offered himself for being re-appointed.
3. To appoint a Director in place of Mr. Nirav Kumar Bhansali, who retires by rotation and has offered himself for being re-appointed.
4. To appoint a Director in place of Mr. Yogesh Kaji, who retires by rotation and has offered himself for being re-appointed.
5. To re-appoint M/s A. N. Damania & Co. as the statutory auditors of Company for the Year 2009- 2010, 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, 7<sup>th</sup> September, 2009 to Monday, 14<sup>th</sup> September, 2009 (both days inclusive).
4. 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 13<sup>th</sup> March, 2001. The Equity Shares of the Company have been allotted International Securities Identification Number (ISIN) INE987C01024.
5. 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.
6. 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.
7. A brief resume of the directors proposed to be appointed are as follows:

Mr. Kumar Chandrakant 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.



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Mr. Nirav Kumar Bhansali has wide contacts and experience in export trade of the Diamond Industry. He possesses vast knowledge and experience by virtue of his long association with the Diamond Industry.

Mr. Yogesh Kaji is associated with the company for a long time and his knowledge of the diamond industry is beneficial to the Company.

8. 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.
9. 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.
10. Pursuant to Section 205C, the dividend for the year ended 31<sup>st</sup> March, 2002 (2001-2002) will be transferred to the Investor Education and Protection Fund. All shareholders who have not yet taken the dividend can request for the same along with the dividend warrant for revalidation of dividend.
11. 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<sup>st</sup> March, 2003 (2002-2003) onwards, are requested to make their claims to the Company accordingly, without any delay.
12. 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.

**BY THE ORDER OF THE BOARD**

**Kumar C. Bhansali**  
Managing Director

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

**Dated:** 31<sup>st</sup> July, 2009



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## DIRECTOR'S REPORT

To  
The Members,

Your Directors have great pleasure in presenting their Twenty Second Annual Report with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March 2009.

### 1. FINANCIAL RESULTS:

(Rupees in Lacs)

PARTICULARS	FOR THE YEAR ENDED 31-March-09	FOR THE YEAR ENDED 31-March-08
<b>1. FINANCIAL RESULTS</b>		
Sales (Incl. Exch. Difference)	67,722.26	71,043.52
Other Income	(531.25)	98.22
<b>Profit before Interest &amp; Depreciation</b>	<b>4,006.64</b>	<b>6,630.56</b>
Less : 1) Interest	2,969.73	2,691.29
2) Depreciation	574.41	665.10
<b>Total of Interest and Depreciation</b>	<b>3,544.14</b>	<b>3,356.39</b>
<b>Profit before taxation</b>	<b>462.50</b>	<b>3,274.17</b>
Provision for Taxation	105.42	159.55
<b>Profit after Taxation</b>	<b>357.08</b>	<b>3,114.62</b>
Bal in P & L Account brought forward	16,788.00	13,988.23
Amounts transferred on Amalgamation of Purvi Diamonds Private Limited	--	260.20
	<b>17,145.03</b>	<b>17,363.05</b>
<b>2. APPROPRIATIONS</b>		
Proposed Dividend (incl Tax)	--	225.05
Transfer to General Reserve	--	350.00
Balance carried forward	17,145.03	16,788.00
	<b>17,145.35</b>	<b>17,363.05</b>

### 2. DIVIDEND:

Due to the recessionary market conditions and the financial crisis on account of Sub Prime your company could barely maintain the level of revenue. The sales have dipped marginally by 4.67%. In order to honour the companies committed contracts to its esteemed customers it had to sell with squeezed margins, leading to the fall in net profit level. Considering the lower earnings of the year the Directors do not to recommend any dividend for the year

### 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)





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#### 4. BUSINESS PROSPECTS:

The Gems and Jewellery sector in India is one of the largest Foreign Exchange earner for the Nation (accounting for 13 % of India's total merchandize exports), hence it has been receiving a great amount of attention from the Governmental Authorities. But the last year and a half the exchange rates were too volatile fired by the financial crisis world over, and the industry being a capital intensive, had not much finance to source the costly raw materials. The input of rough diamonds for the industry during the last quarter of FY 2008-09 had fallen to over 25 % YOY. This in disguise would help the industry in reduction of the gap in demand and supply. This has also helped us in reducing our inventory by 13 % appx. (Rs 279.79 Cr as on Mar 31 '09 as against Rs. 320.90 Cr. as on Mar 31 '08). These movements reflect that the market in the months to come will demand newer goods.

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.

The US sector which was absorbing 45 to 50% of the jewellery manufactured by the company has seen a steep fall due to lack of demand support. But after the reforms and stimulus packages announced by the new President the market seems to be improving but at a very slow pace. Hopefully, the second half of next year 2010 will see the better times.

Classic has timely turned over to other markets such as Europe, Middle East and Far East where the demand for our jewellery produce is warmly welcomed.

#### 5. FINANCE:

The company has maintained its level of finance at same levels in order to augment its raw material sourcing in these bad times where prices of Rough Diamonds are rising on a regular basis. The limits of working capital have remained the same but due to the change in the notional Dollar / Rupee rate the finance availed in rupee terms is appearing at a higher level.

#### 6. DIRECTORS:

The Company has 8 Directors of which 4 are Independent Directors. Kumar Chandrakant Bhansali, Mr. Nirav K. Bhansali and Mr. Yogesh Kaji are liable to retire by rotation and being eligible has 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.



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## 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	) included in the manufacturing
percentage of total turnover	) 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.23,410.30 Lacs
* Total Foreign Exchange earned	: Rs.58,725.92 Lacs
* Foreign Exchange earned includes bills to be realized.	

## 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



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- 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 in such trying times, which enabled the company to meet the challenges set before it.

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 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 31<sup>st</sup> March, 2009.

#### b) Board Meetings:

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

The Board Meetings were held on 14<sup>th</sup> April, 2008; 24<sup>th</sup> June, 2008; 30<sup>th</sup> July, 2008; 8<sup>th</sup> September, 2008; 24<sup>th</sup> October, 2008; 30<sup>th</sup> January, 2009; 7<sup>th</sup> March, 2009 and 23<sup>rd</sup> March, 2009. 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 29<sup>th</sup> September, 2008 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 2008-09	Attendance at A.G.M	No. of other Directorship \$	Membership of Board Committees of other Companies
Mr. Kumar C. Bhansali	Chairman & Managing Director Executive	08	YES	1	NIL
Mr. Chandrakant M. Bhansali	Director Non-Executive Independent	03	NO	NIL	NIL
Mr. Nirav K. Bhansali	Whole-time Director Executive	03	YES	1	NIL
Mr. Mayank R. Mehta	Whole time Director Executive	07	NO	NIL	NIL
Mr. Yogesh K. Kaji	Director Non- Executive Independent	08	YES	NIL	NIL
Mr. Sumit B. Shah	Director Non- Executive Independent	08	YES	NIL	NIL
Mr. Zubin N. Batliwalla	Director Non- Executive Independent	08	YES	NIL	NIL
Mr. Hiren H. Shah	Whole- time Director Executive	08	YES	NIL	NIL

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



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## **C) Share holding of Non-Executive Directors:**

Sr. No.	Name of Directors	Shareholdings in the Company
1.	Chandrakant M. Bhansali	26,72,400
2.	Zubin N. Batliwalla	NIL
3.	Yogesh K. Kaji	52000
4.	Sumit B. Shah	NIL
	<b>TOTAL:</b>	<b>27,24,400</b>

## **3) COMMITTEES OF DIRECTORS:**

The Board has constituted the following three Committees of Directors:

- a) Audit Committee
- b) Remuneration Committee
- c) Investor's Grievance Committee

### **a) Audit Committee:**

Role of Audit Committee and its terms of reference include:

- To focus it's attention on subjects relating to accounting standards, internal controls and financial policies.
- To oversee the Company's financial reporting process and disclosure of its financial information.
- To review the financial statement before submission to the Board of Directors.
- To hold discussion with Management regarding the internal control system.
- To hold prior discussion with external auditors regarding scope and nature of audit before commencement of the audit and also to have post audit discussion on areas of concern.

The Audit Committee met four times during the year on 20<sup>th</sup> June, 2008; 28<sup>th</sup> July, 2008; 21<sup>st</sup> October, 2008 & 28<sup>th</sup> January, 2009 and was chaired by Mr. Zubin N. Batliwalla. The composition, names of the members, chairperson of the meeting and attendance of the members during the year are as follows:

Sr. No	Names of Members	Designation	Category of Director	Attendance at Meeting
1.	Zubin N. Batliwalla	Chairman	Independent Non-Executive	4
2.	Chandrakant M. Bhansali	Member	Independent Non-Executive.	1
3.	Yogesh K. Kaji	Member	Independent Non-Executive	4

### **b) Remuneration Committee:**

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Whole time Directors, based on performance and defined criteria. Mr. Yogesh K. Kaji is the Chairman of the Committee. The Committee has been authorized to determine the remuneration package for any Executive Directors as well as remuneration payable to the non-executive Directors from year to year.

The Remuneration Committee has met once during the year on 26<sup>th</sup> March, 2009. The composition of the committee is as follows: