



**Classic Diamonds (India) Ltd.**

**25th Annual Report 2011-2012**





**25<sup>th</sup> ANNUAL REPORT**  
**2011-2012**

**BOARD OF DIRECTORS :**

**Mr. Kumar C. Bhansali**  
**Chairman & Managing Director**

**Mr. Nirav K. Bhansali**  
**Whole-time Director**

**Mr. Madhukar G. Patankar**  
**Director**

**Mr. Nishikant S. Jha**  
**Director**

**Mr. Mayank R. Mehta**  
**Whole-time Director**  
**(Resigned w.e.f 10<sup>th</sup> May, 2012)**

**Mr. Yogesh K. Kaji**  
**Director**  
**(Resigned w.e.f 10<sup>th</sup> May, 2012)**

**AUDITORS :**

**M/s. Apte & Co.**  
**Chartered Accountants**

**BANKERS :**

**State Bank of India**

**Canara Bank**

**Industrial Development Bank of India Limited**

**Royal Bank of Scotland**

**Indusind Bank Ltd**

**Union Bank of India**

**Standard Chartered Bank**

**Axis Bank**



**NOTICE**

Notice is hereby given that the Twenty Fifth Annual General Meeting of the members of **CLASSIC DIAMONDS (INDIA) LIMITED** will be held at S.K. Somani Hall, Marine Drive, 79, Marine Drive, F Road, Patan Jain Road, Marine Lines, Mumbai 400020 on Friday, 28<sup>th</sup> September, 2012 at 6.00 p.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, 2012 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 C. Bhansali, who retires by rotation and has offered himself for being re-appointed.
3. To re-appoint M/s. Apte & Co. as the statutory auditor of the Company for the Year 2012-2013, 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 Friday 21<sup>st</sup> September, 2012 to Friday 28<sup>th</sup> September, 2012 (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 Bombay Stock Exchange Limited (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 in the Notice are as follows:  
  
Mr. Kumar C. Bhansali is the Chairman and Managing Director of the company and under his leadership the Company had reached astronomical heights in the markets. He is one of the promoter of the Company and has sound knowledge and practical experience in handling technical and financial aspects of the Companies.
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, 2005 (2004-2005) has been transferred to the Investor Education and Protection Fund.
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, 2006 (2005-2006) 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.
13. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is as follows:  
  
Item no-2: The term of Mr. Kumar C. Bhansali, Directors of the Company, expires at this Annual General Meeting Mr. Kumar C. Bhansali has offered himself to be re-appointed. None of the Directors except Mr. Kumar C. Bhansali is deemed to be concerned and interested in the resolution.  
  
Item no-3: M/s. Apte & Company were appointed as auditors by the shareholders at the Annual General Meeting held on 20<sup>th</sup> September, 2011 to hold office till the conclusion of this Annual General Meeting. M/s Apte & Company have given their consent to act as auditors for the Financial 2012-2013 and hence need to be reappointed as the Auditors of the Company.

**BY THE ORDER OF THE BOARD**

**Kumar C. Bhansali**  
Managing Director

Registered Office:  
701, Majestic Shopping Centre,  
144, J. S. S Road,  
Mumbai - 400 004

**Dated:** 14<sup>th</sup> August, 2012



**DIRECTOR'S REPORT**

To  
The Members,

Your Directors have great pleasure in presenting their Twenty Fifth Annual Report with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2012.

(₹ in Lacs)

**1. FINANCIAL RESULTS:**

<b>PARTICULARS</b>	<b>FOR THE YEAR ENDED 31-Mar-12</b>	<b>FOR THE YEAR ENDED 31-Mar-11</b>
<b>1. FINANCIAL RESULTS</b>		
Sales (Incl. Exch. Difference)	22,554.93	50,231.87
Other Income	606.59	182.38
<b>Profit before Interest &amp; Depreciation (A)</b>	<b>1,641.88</b>	<b>4,303.77</b>
Less : 1) Interest	5722.67	3,095.63
2) Depreciation	361.62	427.73
<b>Total of Interest and Depreciation (B)</b>	<b>6084.29</b>	<b>3,518.36</b>
<b>Misc Items (C)</b>		<b>(26.41)</b>
<b>Profit before taxation (A-B-C)</b>	<b>(4442.41)</b>	<b>759.00</b>
<b>Provision for &amp; Deferred Taxation</b>	<b>1403.18</b>	<b>158.87</b>
<b>Profit after taxation</b>	<b>(3039.23)</b>	<b>600.13</b>
Bal in P & L Account brought/forward	19291.08	18,690.95
	<b>16251.84</b>	<b>19,291.08</b>
<b>2. APPROPRIATIONS</b>		
Proposed Dividend (Incl Tax)		-
Transfer to General Reserve		
Balance carried forward	16251.84	19,291.08
	<b>16251.84</b>	<b>19,291.08</b>

**2. DIVIDEND:**

The sale for the year 2011-2012 has dipped down drastically by about 55%. Due to the unfavorable market conditions and the financial crisis, your company could barely maintain the level of revenue. The Company has also completely shut down its factories of Surat and SEEPZ due to non operational reasons. In order to honor 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 earning of the company in the year the Directors do not recommend any dividend for the year.



- 3. LISTING ON NSE & BSE:**  
The shares of your company are listed on the Bombay Stock Exchange Limited (BSE Code: 523200) and the National Stock Exchange of India Limited (NSE Code: CLASSIC EQ)
- 4. BUSINESS PROSPECTS:**  
As mentioned above the Company's factories at Surat and SEEPZ are not functioning due to various reasons the major being the labour unrest for which dispute is pending in the labour court. The Company's turnover is based on trading and the margins in trading are usually squeezed but the Company somehow has managed to retain its important clients due to its good relationship and name in the diamond market.  
Till such time the Company reopens its factory there does not seem to be any hope for the revival. The consortium of bankers is also after the Company and the guarantors for liquidation of their outstanding. The Company in the process of negotiation with the bankers and is confident that with the reduced limits the Company shall once again commence production at its factories.
- 5. FINANCE:**  
The company has been struggling in materializing its Debtors at a faster pace due to the conflicts between the distribution arms worldwide. The company is in the process of disposing of some of the assets which are not required and the money realized through the sale of assets would help the company in reducing the debt burden.
- 6. DIRECTORS:**  
The Company has 6 Directors (Mr. Mayank Mehta & Mr. Yogesh Kaji has resigned w.e.f 10<sup>th</sup> May, 2012) of which 3 are Independent Directors. Mr. Kumar C. Bhansali is liable to retire by rotation and being eligible is offered for re- appointment.
- 7. AUDITORS:**  
M/s Apte & 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.
- 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.

Reduction in Production lead time

Reduction in rework and rejection in the manufacturing process

Total traceability of each piece during the entire manufacturing process through in house software development

##### **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 R & D expenditure as a ) included in the manufacturing cost  
percentage of total turnover )

##### **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 2627.06 Lacs

Total Foreign Exchange earned : Rs 5632.35 Lacs

#### **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. CAUTIONARY STATEMENT:**

Statements in this Directors Report and Management Discussion & Analysis describing the Companies objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable Securities laws and regulations. Actual results could differ materially from those expressed or implied due to risk of uncertainties associated with our expectations with respect to, but not limited to, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business, technological changes, exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, the performance of the financial markets in India and globally and raw material availability and prices, demand & pricing in the Company's principal markets, and other incidental factors.

**14. ACKNOWLEDGEMENTS:**

The Directors wish to convey their appreciation to all the employees of the company for their personal efforts as well as for the excellent contribution made by all employees of the Company through their commitment, competence, co-operation and diligence to duty their collective contribution in such trying times, which enabled the company to meet the challenges set before it.

**Mr. Kumar C. Bhansali**  
Managing Director

**Mr. Nirav K. Bhansali**  
Director

Registered Office:  
701, Majestic Shopping Centre,  
144, J. S. S Road,  
Mumbai - 400 004

**Dated:** 14<sup>th</sup> August, 2012



## REPORT ON CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement, a report of Corporate Governance is given below:

### 1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The essence of Corporate Governance lies in its transparency, its efficiency lies in its ability to protect the stakeholders' interest. Corporate Governance is the application of best management practices, compliance of law and adherence to ethical standards to achieve the Company's objective of enhancing shareholders value and discharging of social responsibility. The Company remains accountable to shareholders and other stakeholders for its actions. The Company conducts its activities in a manner that is fair and transparent to all stakeholders.

### 2) BOARD OF DIRECTORS:

#### a) Composition and size of the Board:

The Board has a required combination of Executive, Independent and Non- Executive directors as per the Listing Agreement. The Board is chaired by an Executive Director and total strength of the board was of 6 Directors as on 31<sup>st</sup> March, 2012, Comprising of 2 Whole time,/ Executive Directors, 1 Managing Director and 3 Independent Directors.

#### b) Board Meetings:

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

<b>Name of Directors</b>	<b>Category of Directors</b>	<b>Board Meetings attended during 2011-12</b>	<b>Attendance at the A.G.M</b>	<b>No. of other Directorship \$</b>	<b>Membership of Board Committees of other Companies</b>
Mr. Kumar C. Bhansali	Chairman & Managing Director Executive	09	YES	1	NIL
Mr. Nirav K. Bhansali	Whole-time Director Executive	8	NO	1	NIL
Mr. Mayank Mehta (Resigned w.e.f 10.5.2012)	Whole-time Director Executive	06	YES	NIL	NIL
Mr. Yogesh K. Kajl (Resigned w.e.f 10.5.2012)	Director Non- Executive Independent	02	YES	NIL	NIL
Mr. Madhukar Pantankar	Director Non- Executive Independent	02	NO	NIL	NIL
Mr. Nishikant Jha	Director Non- Executive Independent	09	NO	NIL	NIL

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



**C) Shareholding of Non-Executive Directors as on 31<sup>st</sup> March, 2012:**

<b>Sr. No.</b>	<b>Name of Directors</b>	<b>Shareholdings in the Company</b>
<b>1.</b>	<b>Mr. Madhukar Patankar</b>	<b>-</b>
<b>2.</b>	<b>Mr. Nishikant Jha</b>	<b>-</b>
<b>3.</b>	<b>Mr. Yogesh K. Kajl (Resigned w.e.f 10.5.2012)</b>	<b>87,920</b>
	<b>TOTAL:</b>	<b>87,920</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 27<sup>th</sup> May 2011; 8<sup>th</sup> August, 2011; 11<sup>th</sup> November, 2011 & 10<sup>th</sup> February, 2012. The composition, names of the members, chairperson of the meeting and attendance of the members during the year are as follows :

<b>Sr. No</b>	<b>Names of Members</b>	<b>Designation</b>	<b>Category of Director</b>	<b>Attendance at Meeting</b>
<b>1.</b>	<b>Mr. Nishikant Jha</b>	<b>Chairman</b>	<b>Independent Non-Executive.</b>	<b>4</b>
<b>2</b>	<b>Mr. Madhukar Patankar</b>	<b>Member</b>	<b>Independent Non-Executive.</b>	<b>4</b>
<b>3.</b>	<b>Mr. Yogesh K. Kajl (Resigned w.e.f 10.5.2012)</b>	<b>Member</b>	<b>Independent Non-Executive</b>	<b>3</b>

**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. Nishikant Jha 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 23<sup>rd</sup> March, 2012. The composition of the committee is as follows: