



DEEP DIAMOND INDIA LIMITED



13-9-03
th ANNUAL REPORT
2002-2003

9th Annual Report 2002-2003

BOARD OF DIRECTORS

Mr. Prakash R. Solanki
Chairman

STATUTORY AUDITORS
M/s. RAMPRASAD SHARMA & ASSOCIATES
325, Madhu Mansion, 4th Floor,
Kalbadevi Road, Mumbai – 400 002

Mr. Dinesh R. Solanki
Managing Director

BANKERS
Rupee Co. Op. Bank Limited
Bank of Baroda

Mr. Manoj V. Jain
Director

REGISTERED OFFICE
25, Avon Arcade, D. J. Road, Vile
Parle (W), Mumbai – 400 056

Mr. Ramesh V. Patel
Director

Mrs. Sangeeta R. Jain
Director

FACTORY
Deep House, Jagruti Shopping Centre,
Opp. Somnath Bus Stop, Vapi – Daman Road,
Dabhel, Daman (U. T.) – 396 210

REGISTRARS & SHARE TRANSFER AGENT
MONDKAR COMPUTERS PRIVATE LIMITED
21, Shakil Niwas, Mahakali Caves Road,
Opp. Sai Baba Temple,
Andheri (East), Mumbai – 400 093

DEEP DIAMOND INDIA LIMITED**NOTICE**

NOTICE is hereby given that the Ninth Annual General Meeting of the members of **DEEP DIAMOND INDIA LIMITED** will be held on Tuesday, September 30, 2003 at 10.00 a.m. at The Silk Merchants' Association, Dahanukar Building, 1st Floor, 480, Kalbadevi Road, Mumbai – 400 002, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2003 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri Prakash R. Solanki, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

4. To appoint a Director in place of Shri Manoj V. Jain, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.
5. To appoint a Director in place of Shri Ramesh V. Patel, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.
6. To appoint a Director in place of Smt. Sangeeta R. Jain, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing her candidature for the office of Director.

NOTES :

1. The relative explanatory statement under Section 173 of the Companies Act, 1956 in respect of special business at Item Nos. 4 to 6 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
3. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 23, 2003 to Tuesday, September 30, 2003 (both days inclusive).
5. Members are requested to bring their copies of the Annual Report at the time of attending the Annual General Meeting.
6. Members are requested to notify promptly any change in their addresses to the Company's Registrars and Share Transfer Agents, Mondkar Computers Private Limited, 21, Shakil Niwas, Mahakali Caves Road, Opp. Sai Baba Temple, Andheri (East), Mumbai – 400 093.

Registered Office:

25, Avon Arcade, D. J. Road,
Vile-Parle (West), Mumbai – 400 056.

Dated: 30th June, 2003

By the order of the Board of Directors,

Prakash R. Solanki
Chairman

9th Annual Report 2002-2003**ANNEXURE TO NOTICE**

Explanatory statement under Section 173 of the Companies Act, 1956

ITEM NO. 4 :

Shri Manoj V. Jain was appointed as Additional Director of the Company by the Board of Directors on March 29, 2003. By virtue of Section 260 of the Companies Act, 1956 he hold office upto the date of the ensuing Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- for Shri Manoj V. Jain from a member of the Company proposing his name as candidate for the office of Director.

Your Directors recommend the resolution relating to appointment of Shri Manoj V. Jain as Director of the Company for approval by members.

None of the Directors are interested in the aforesaid resolution except Shri Manoj V. Jain relating to his appointment as Director of the Company.

ITEM NO. 5 :

Shri Ramesh V. Patel was appointed as Additional Director of the Company by the Board of Directors on March 29, 2003. By virtue of Section 260 of the Companies Act, 1956 he hold office upto the date of the ensuing Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- for Shri Ramesh V. Patel from a member of the Company proposing his name as candidate for the office of Director.

Your Directors recommend the resolution relating to appointment of Shri Ramesh V. Patel as Director of the Company for approval by members.

None of the Directors are interested in the aforesaid resolution except Shri Ramesh V. Patel relating to his appointment as Director of the Company.

ITEM NO. 6 :

Smt. Sangeeta R. Jain was appointed as Additional Director of the Company by the Board of Directors on March 29, 2003. By virtue of Section 260 of the Companies Act, 1956 she hold office upto the date of the ensuing Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- for Smt. Sangeeta R. Jain from a member of the Company proposing her name as candidate for the office of Director.

Your Directors recommend the resolution relating to appointment of Smt. Sangeeta R. Jain as Director of the Company for approval by members.

None of the Directors are interested in the aforesaid resolution except Smt. Sangeeta R. Jain relating to her appointment as Director of the Company.

Registered Office:
25, Avon Arcade, D. J. Road,
Vile-Parle (West),
Mumbai - 400 056.
Dated: 30th June, 2003

By the order of the Board of Directors,

Prakash R. Solanki
Chairman

DEEP DIAMOND INDIA LIMITED**DIRECTORS' REPORT**

To,
The Members

The Directors have pleasure in presenting the Ninth Annual Report together with the Statement of Accounts for the year ended March 31, 2003.

FINANCIAL RESULTS :

| | 2002 - 2003 (Rs.) | 2001 - 2002 (Rs.) |
|---|-------------------|-------------------|
| Sales/Turnover | <u>39573777</u> | <u>46518211</u> |
| Other Income | <u>—</u> | <u>7960</u> |
| Profit before Interest and Depreciation | <u>3940784</u> | <u>4846232</u> |
| Less : Interest | <u>892656</u> | <u>706761</u> |
| Profit before Depreciation | <u>3048128</u> | <u>4139471</u> |
| Less : Depreciation | <u>427806</u> | <u>338198</u> |
| Profit before Taxation | <u>2620322</u> | <u>3801273</u> |
| Less : Loss on Sale of Fixed Assets | <u>256926</u> | <u>—</u> |
| Less : Provision for Taxation : Current | <u>653591</u> | <u>965000</u> |
| Deferred | <u>28431</u> | <u>45043</u> |
| Profit after Tax | <u>1681374</u> | <u>2791230</u> |
| Less : Provisions of Tax of previous year return-back | <u>9047</u> | <u>—</u> |
| Add: Balance Profit brought forward from previous year | <u>20348078</u> | <u>17655285</u> |
| Less: Adjustment of Deferred Tax Liability as on 01/04/2001 | <u>—</u> | <u>98437</u> |
| Profit/(loss) carried to Balance sheet | <u>22020405</u> | <u>20348078</u> |

OPERATIONS :

During the year ended as on 31st March 2003, your Company registered a Total Turnover of Rs. 3,95,73,777/- as compared to Rs. 4,65,18,211/- recorded last year while Profit after Tax is Rs. 16,81,374/- as compared to Rs. 27,91,230/- as per last year.

The decline in Turnover and Profitability is due to continuing increase in the level of competition from the organised and unorganised sectors of the Industry. In view of the above, your Directors have deemed fit to drop the project of setting up Unit II at Daman. Your Company is exploring the overseas export market for improving the Turnover and Profitability.

DIVIDEND :

In order to finance the enhance working capital requirements of the company and as there is a need to conserve / retain funds for meeting the on going long term fund requirements of the Company, your Directors do not recommend any dividend for the year under review.

PROSPECTS :

The products of your company enjoy a good demand in the market. Your company expects that with enhanced effort change in product mix and along with restructuring of the marketing channels will ensure better results in the current years. Your Director are also exploring the prospect of Manufacturing facility and market outlet at Mumbai to cater to retail customers and do trading in jewellery business.

FIXED DEPOSITS :

Your Company has not accepted any Fixed Deposits from the public during the year under review.

9th Annual Report 2002-2003**LISTING :**

The Equity Shares of the Company are listed on the Pune, Ahmedabad, Delhi, Calcutta and Bangalore Stock Exchanges. The company has paid the Annual Listing Fees for the year 2003-2004.

DIRECTORS :

Shri Prakash R. Solanki would retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Shri Manoj V. Jain, Shri Ramesh V. Jain and Smt. Sangeeta R. Jain were appointed as an Additional Directors of the Company by the Board of Directors on March 29, 2003. By virtue of Section 260 of the Companies Act, 1956, they would hold office upto the date of the ensuing Annual General Meeting and are eligible for appointment.

Shri Lalit R. Solanki and Shri Jitesh R. Solanki resigned as Directors of the Company with effect from March 29, 2003. The Board places on record in appreciation of the valuable services and guidance given by them during their tenure as Directors with the Company.

DIRECTORS' RESPONSIBILITY STATEMENT :

We hereby state :

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Reports on Management Discussion & Analysis and on Corporate Governance alongwith a certificate from the Auditors are attached hereto and form part of this report.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee whose particulars are required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO :

As required under 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, statement showing particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo forms part of this report.

AUDITORS :

M/s. Ramprasad Sharma & Associates, Chartered Accountants, the Auditors of the company would retire at the ensuing Annual General Meeting and are eligible for reappointment.

DEEP DIAMOND INDIA LIMITED

You are requested to appoint Auditors and to fix their remuneration.

ACKNOWLEDGEMENT :

Your Directors would like to express their grateful appreciation to the Bankers, Central Government and State Governments for their continued co-operation and assistance to the Company. Our wholehearted thanks to our shareholders, customers and suppliers who have extended their valuable support.

For and on behalf of the Board

Place: Mumbai
Dated: 30th June, 2003

Prakash R. Solanki
Chairman

ANNEXURE TO THE DIRECTORS' REPORT :

Additional information as required under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in Report of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY :

The particulars regarding conservation of energy are not applicable to the Company as the Diamond Industry is not covered under the Schedule prescribed by the said Rules.

(B) TECHNOLOGY ABSORPTION :**Research and Development (R & D) :**

- | | |
|---|--|
| (1) Specific Areas in which R & D is carried out by the Company | - None |
| (2) Benefits derived as a result of the above R & D | - N.A. |
| (3) Future Plan of action | - Implementation of R & D for quality improvement, development of new designs and cost reduction |
| (4) Expenditure on R & D | - Nil |

Technology Absorption, Adaptation and Innovation :

- (1) Efforts in brief made towards technology absorption, adaptation and innovations :
The Board of Directors are taking appropriate steps towards necessary technology absorption, adaptation and innovation taking place in the field of diamond and jewellery manufacturing.
- (2) Benefits derived as a result of the above efforts :
The benefits will be reflected in the areas of product improvement and cost reduction.
- (3) Information regarding imported technology :

| | |
|------------------------|------|
| Technology Imported : | Nil |
| Year of Import : | N.A. |
| Status of absorption : | N.A. |

(C) TECHNOLOGY ABSORPTION :

| | |
|----------------------------|---------|
| Foreign Exchange Earned: | Rs. Nil |
| Foreign Exchange Utilised: | Rs. Nil |

For and on behalf of the Board

Dated: 30th June, 2003
Place: Mumbai

Prakash R. Solanki
Chairman

9th Annual Report 2002-2003**ANNEXURE TO THE DIRECTORS' REPORT****MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

A report on Management Discussion and Analysis [MDA], which is forming part of this Report, adequately deals with the operations as also current and future outlook of the Company.

INDUSTRY STRUCTURE, DEVELOPMENT, OPPORTUNITY AND THREATS:

As per the Company's perception the present Indian jewellery market is estimated to be little over Rs. 60,000 Crores out of which diamond jewellery market accounts for about Rs. 8,000 Crores and is growing rapidly. There is huge scope for further growth and the Company expects to do well. The company will also roll out new collections to meet the customer needs based on market research.

Technologically Indian jewellery industry compares well with other major world centres, incorporating the most modern machinery and the latest manufacturing process.

The Indian jewellery market is dominated almost with 2,50,000 retail jewellers. With a strong domestic market, Indian jewellery has huge potential for exports also. The Company looks forward to tap these huge potential of Indian jewellery market by offering new brands and right products. The management take this opportunity to consolidate and partner with the Indian retailer to present products that are of high quality, authenticity and innovation in design and craftsmanship. We have well skilled artisans and if the government adopts the right policy and gives the right kind of encouragement then the demand for diamond jewellery within the country as well as outside will increase tremendously.

SEGMENT-WISE PRODUCTION PERFORMANCE :

Since the Company operations predominantly is in only one segment – viz. Jewellery of Gold and Diamond Studded, therefore the above figures relates to that segment.

OUTLOOK :

The products of your company enjoy a good demand in the market. Your company expects that with enhanced effort change in product mix and along with restructuring of the marketing channels will ensure better results in the current years. Your Director are also exploring the prospect of Manufacturing facility and market outlet at Mumbai to cater to retail customers.

RISK & CONCERNS :

The Company is falling under jewellery industry, the growth of which is determined by overall growth of Jewellery Industry. The Jewellery Industry, as such, is exposed to various types of risks and its growth is dependent, in general on the economy's growth and on several factors such as taxation, government regulations, fluctuations in gold and diamond price, etc. Jewellery Industry currently in India has become highly competitive due to competition from unorganised sectors. Most of the 2,50,000 retail jewellers are being serviced and being supplied by these unorganised sectors of manufacturers of jewellery. This in turn has affected jewellery industry which has to face pressure on margins.

Exposure to few large customers has major impact on profitability and increases the credit risks, whereas, large customers with high repeat business lead to higher revenue growth and lower marketing cost. Therefore, it is essential for the Company to strike a balance on this account. Your Company is trying to diversify its customer base, covering almost all in the country, wide dealer network and export customers. Your Company is also actively involved in developing new business opportunities both in domestic and export markets in order to further increase customer base.