



**DEEP DIAMOND INDIA LIMITED**



**12th ANNUAL REPORT  
2005-2006**



## **BOARD OF DIRECTORS**

**Mr. Prakash R. Solanki**  
*Chairman*

**Mr. Dinesh R. Solanki**  
*Managing Director*

**Mr. Manoj V. Jain**  
*Director*

**Mr. Ramesh V. Patel**  
*Director*

**Mrs. Sangeeta R. Jain**  
*Director*

### **STATUTORY AUDITORS**

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

### **BANKERS**

Rupee Co. Op. Bank Limited  
Bank of Baroda

### **REGISTERED OFFICE**

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

### **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

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**DEEP DIAMOND INDIA LIMITED****NOTICE**

**NOTICE** is hereby given that the Twelfth Annual General Meeting of the members of **DEEP DIAMOND INDIA LIMITED** will be held on Saturday, September 30, 2006 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, 2006 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 Smt. Sangeeta Jain, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors 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 A PROXY NEED NOT BE A MEMBER.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, September 23, 2006 to Saturday, September 30, 2006 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report at the time of attending the Annual General Meeting.
5. 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.
6. Shareholders desiring information as regards the accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to keep the information ready.

**Registered Office:**

25, Avon Arcade, D. J. Road,  
Vile-Parle (West),  
Mumbai – 400 056.  
MUMBAI: 30th June, 2006

By Order of the Board,  
for **DEEP DIAMOND INDIA LIMITED**

Prakash R. Solanki  
*Chairman*

**DIRECTORS' REPORT**

To,  
The Members

The Directors have pleasure in presenting the Twelfth Annual Report together with the Statement of Accounts for the year ended March 31, 2006.

**FINANCIAL RESULTS :**

	2005 - 2006 (Rs.)	2005 - 2005 (Rs.)
Sales/Turnover	<u>35652450</u>	<u>29696687</u>
Profit before Interest and Depreciation	<u>2934692</u>	<u>2031953</u>
Less : Interest	<u>401041</u>	<u>518268</u>
Profit before Depreciation	<u>2533651</u>	<u>1513685</u>
Less : Depreciation	<u>323677</u>	<u>376244</u>
Profit before Taxation	<u>2209974</u>	<u>1137441</u>
Less : Loss on Sale of Fixed Assets	<u>—</u>	<u>—</u>
Less : Provision for Taxation : Current	<u>896985</u>	<u>360000</u>
Deferred	<u>(24466)</u>	<u>3555</u>
Profit after Tax	<u>1337455</u>	<u>773886</u>
Less : Provisions of Tax of previous year return-back	<u>—</u>	<u>—</u>
Add: Balance Profit brought forward from previous year	<u>23661024</u>	<u>22887138</u>
Profit/(Loss) carried to Balance sheet	<u>24998479</u>	<u>23661024</u>

**OPERATIONS :** The Company's business comprised Domestic Operations only and the increase in Profitability is due to increase in turnover and favourable market condition of the country. The Company has also recognized its business strategy by going in for value added items and entering the retail market. The company has already started a retail showroom in Mumbai. Your Company is exploring the overseas export market for improving the Turnover and Profitability.

**DIVIDEND :** In order to finance the enhanced working capital requirements of the company and in adequacy of the profits and consequently as there is a need to conserve / retain funds, for meeting the long term fund requirements of the Company, your Directors do not recommend any dividend for the year under review.

**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.

**FIXED DEPOSITS :** The Company has not accepted any Fixed Deposits from the public during the year under review.

**LISTING :** The Equity Shares of the Company are listed at the Pune, Ahmedabad, Delhi, Calcutta and Bangalore Stock Exchanges. The company has paid the Annual Listing Fees to the Stock Exchanges for the year 2005-2006.

**DIRECTORS :** Smt. Sangeeta Jain would retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.


**DEEP DIAMOND INDIA LIMITED**


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Brief resume of the above Directors, nature of her experience in specific functional areas and names of the companies in which she hold directorship and membership/chairmanship of committees of the Board, as stipulated under clause 49 of the Listing Agreement with the stock Exchange are given in the section on Corporate Governance in the Annual Report.

**DIRECTORS' RESPONSIBILITY STATEMENT :** As specifically required under the Companies Act, 1956, your Directors state that :

- (i) that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed alongwith 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 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 the Directors have 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 and Analysis and on Corporate Governance along with a certificate from the Auditors 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.

**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.

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

**ACKNOWLEDGEMENT :** Your Directors greatly value the support and co-operation received during the year from the company's customers, suppliers, Financial Institutions, Bankers, Statutory Authorities and all organizations connected with its business. Your Directors place on record their appreciation of the efficient and loyal services rendered by the employees of the Company at all levels. Our whole-hearted thanks to our shareholders, who have extended their valuable support.

For and on behalf of the Board of Directors

Place: Mumbai  
Dated: 30th June, 2006

**Prakash R. Solanki**  
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT :**

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD 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 have a continuous strategy towards latest 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 are 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, 2006  
Place: Mumbai

**Prakash R. Solanki**  
Chairman

**DEEP DIAMOND INDIA LIMITED**

**REPORT ON CORPORATE GOVERNANCE**  
(Pursuant to clause 49 of the Listing Agreement)

**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :**

The Company's philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting other obligations to the shareholders.

**I. BOARD OF DIRECTORS :****A. COMPOSITION OF BOARD :**

The present strength of Board of Directors of your Company is Five Directors.

Composition and category of Directors is as follows:

Name of Director	Category	No. of Board Meetings attended	Attendance at the last AGM	Directorship in other Companies including private companies in India	No. of Committees in which Chairman/ Member (other than Deep Diamond India Limited)	
					Member	Chairman
Shri Prakash R. Solanki	Executive Chairman	6	Yes	NIL	NIL	NIL
Shri Dinesh R. Solanki	Managing Director	6	Yes	Prakash Jewellers P.L.	NIL	NIL
Shri Manoj V. Jain	I & N. E. D.	6	Yes	NIL	NIL	NIL
Shri Ramesh V. Patel	I & N. E. D.	6	Yes	NIL	NIL	NIL
Smt. Sangeeta R. Jain	I. & N. E. D.	6	Yes	NIL	NIL	NIL

\* I & N.E.D. – Independent & Non-Executive Director

\* N.E.D. – Non-Executive Director

**B. Non Executive Directors' compensation and disclosures :**

None of the non-executive directors is paid any remuneration.

**C. Independent Directors :**

The Independent Directors are not related to promoters or management at the Board level. They review at every board meeting legal compliance reports prepared by the company.

**D. Board Procedure :**

Six Board Meetings were held during the year 2005-2006. The dates on which the said meetings were held are as follows :

18-04-2005, 30-04-2005, 30-06-2005, 30-07-2005, 29-10-2005 and 31-01-2006.

The Company has a process to provide the information to the Board as required under Annexure - 1 to clause 49 which was followed.

All directors have made necessary disclosures about the committee positions they occupy in other companies.



**Details of Directors to be appointed :**

The particulars of Directors who are proposed to be appointed/re-appointed at this Annual General Meeting, are given below, as required pursuant to clause 49 of the Listing Agreement.

Name	:	Smt. Sangeeta Jain
Age	:	35
Qualifications	:	B. Com
Nature of Expertise	:	Personnel Management
Name of other Companies in which holds Directorship	:	NIL
Name of other Companies in which holds Membership of committees of the Board	:	N.A.

**E. Code of Conduct :**

The Board has laid down a code of conduct for Board members and senior management personnel of the company. The board members and senior management personnel have affirmed compliance with the said code of conduct.

**II. AUDIT COMMITTEE :**

The Audit Committee comprised solely of Qualified, Independent & Non-Executive Directors. The terms of reference to the Audit Committee covers the matters specified under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956 such as oversight of the company's financial reporting process; recommending the appointment / reappointment of statutory auditors; reviewing with the management annual financial statements; quarterly financial statements and other matters as covered under role of audit committee in clause 49. The audit committee has powers, inter-alia, to investigate any activity within its terms of reference and to seek information from any employee of the company as well as seek outside legal and professional advice.

The members of audit committee have knowledge on financial matters and majority of them have accounting or related financial management expertise. The Chairman of the audit committee is an independent director.

The audit committee reviews all the information that are required to be mandatorily reviewed by it under corporate governance.

Four meetings of the Committee were held during the year 2005-2006. The dates on which the meetings were held are as follows :

30-06-2005, 30-07-2005, 29-10-2005 and 30-01-2006.

Composition and category of Members is as follows :

Name of Director	Category	No. of Meetings Attended
Shri Manoj V. Jain	Chairman	4
Shri Ramesh V. Patel	Member	4
Smt. Sangeeta R. Jain	Member	4




**DEEP DIAMOND INDIA LIMITED**
**III. WHILST BLOWER POLICY :**

The company has not framed any whistle blower policy. However, no personnel has been denied access to the audit committee.

The company has not adopted non-mandatory requirements of clause 49. However the particulars relating to remuneration committee are given in this report.

**IV. SUBSIDIARY COMPANY :**

The company has no subsidiary company.

**V. DISCLOSURES :**
**A. Related Party Transactions :**

The Particulars of transactions between the company and its related parties as per Accounting Standard is set out in notes on accounts in the Annual Report. However, these transactions are not likely to have any conflict with the Company's interest.

**B. Risk Management :**

The Board of Directors have been informed from time to time the business risks faced by the Company and the steps taken by the management to face them.

**C. Proceeds from Indian Public Offerings :**

The Company has not made any IPO during the year.

The Company has complied with the requirements of regulatory authorities on matters related to capital markets and no penalties / strictures have been imposed against the company during the last three years.

**D. REMUNERATION COMMITTEE :**

The Remuneration Committee comprising of Shri Manoj V. Jain, Shri Ramesh V. Patel and Smt. Sangeeta R. Jain was constituted to determine/review the remuneration of the management personnel.

Details of remuneration paid to the Directors of the Company during the year ended March 31, 2006 are given below :

Name of Director	Salary	Perquisites	Commission	Others	Sitting Fees	Total
Shri Prakash R. Solanki	3,60,000	Nil	Nil	Nil	Nil	3,60,000
Shri Dinesh R. Solanki	3,60,000	Nil	Nil	Nil	Nil	3,60,000
Shri Manoj V. Jain	Nil	Nil	Nil	Nil	Nil	Nil
Shri Ramesh V. Patel	Nil	Nil	Nil	Nil	Nil	Nil
Smt. Sangeeta Jain	Nil	Nil	Nil	Nil	Nil	Nil

The Company does not have a scheme for grant of stock options.

**E. MANAGEMENT :**

A separate report on Management Discussion & Analysis which forms part of the report is annexed.

**F. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE :**

The Shareholders'/ Investors' Grievance Committee comprises of Shri Manoj V. Jain, Shri Ramesh V. Patel and Smt. Sangeeta R. Jain. The Chairman of the Committee is Shri Manoj V. Jain. The Committee looks into redressing of shareholders and investors complaints like transfer of shares, non receipt of Balance Sheet, non-receipt of declared dividend etc.

Shri Prakash R. Solanki has been appointed as Compliance Officer of the Company.

During the financial year ended 31st March, 2006, no complaints were received from the shareholders/investors. No requests for transfers were pending for approval as on 31st March, 2006.

**G. GENERAL BODY MEETINGS :**

Location and time for last three Annual General Meetings :

Year	Location	Date	Time
2002-2003	The Silk Merchant's Association Dahanukar Building, 1st Floor, 480, Kalbadevi Road, Mumbai – 400 002	30.09.2003	10.00 am
2003-2004	The Silk Merchant's Association Dahanukar Building, 1st Floor, 480, Kalbadevi Road, Mumbai – 400 002	30.09.2004	10.00 am
2004-2005	The Silk Merchant's Association Dahanukar Building, 1st Floor, 480, Kalbadevi Road, Mumbai – 400 002	30.09.2005	10.00 am

No postal ballots were used for voting at these meetings.

**H. POSTAL BALLOT :**

The Company does not have any proposal for postal ballot this year.

**I. MEANS OF COMMUNICATION :**

The quarterly and half-yearly results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are normally published in newspapers like The Navshakti and The Free Press Journal. These are not sent individually to the shareholders.

The Management Discussions and Analysis Report forms part of the Directors' Report in this Annual Report. There were no presentations made to the institutional investors or analysts.

**J. GENERAL SHAREHOLDERS INFORMATION :**

1. **12th Annual General Meeting** : Friday, 30th September 2006 at 10.00 am
- Date, Time and Venue** : The Silk Merchants' Association  
Dahanukar Building, 1st Floor, 480,  
Kalbadevi Road, Mumbai – 400 002.