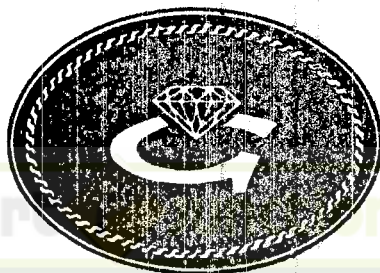


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MD	/		BKC	/
CS	/		DPY	/
RO	/		DIV	/
TRA	/		AC	/
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**Goldiam
International
Limited**

MANUFACTURERS & EXPORTERS OF DIAMONDS & JEWELLERY

Goldiam International Limited

BOARD OF DIRECTORS

MANHAR R. BHANSALI
RASHESH M. BHANSALI
CHANDRESH A. MEHTA
VIMAL N. SEDANI
AJAY M. KHATLAWALA
RAJESH G. KAPADIA

CHAIRMAN
MANAGING DIRECTOR

SECRETARY

VIMAL MASRANI

AUDITORS

H.S. GANDHI & CO.
CHARTERED ACCOUNTANTS

BANKERS

STATE BANK OF INDIA
PUNJAB NATIONAL BANK

REGISTERED OFFICE

GEMS & JEWELLERY COMPLEX,
SEEPZ, ANDHERI (EAST),
MUMBAI - 400 096.

BRANCH OFFICE

104, PRASAD CHAMBERS,
OPERA HOUSE, MUMBAI - 400 004.

REGISTRARS AND TRANSFER AGENTS UP TO ANNUAL GENERAL MEETING:

ON-TIME PROFESSIONAL SERVICES PRIVATE LIMITED
No.3, R.R. THAKKAR MARG, JAI BHAVANI PREMISES,
MALABAR HILL, MUMBAI - 400 006.
TEL: 367 7784/ 361 8394.
FAX: 367 1967.

AFTER ANNUAL GENERAL MEETING:

CONSOLIDATED SHARE SERVICES PVT.LTD.
SHANTI NAGAR, CROSS ROAD 'A'
NEAR M.I.D.C BUS DEPOT
M.I.D.C., ANDHERI (EAST)
MUMBAI - 400 093
TEL: 835 5635/ 835 5636/ 835 5637
837 6800/ 835 5302
FAX: 838 1384

ELEVENTH ANNUAL GENERAL
MEETING will be held on Monday, the
27th July, 1998, at 4.00 p.m. at Vishal Hall,
Vishal Shopping Centre, Andheri-Kurla
Road, Near Andheri Railway Station,
Andheri (East), Mumbai - 400 069,

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*Annual Report 1997-98***NOTICE**

NOTICE is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of the Members of GOLDIAM INTERNATIONAL LIMITED will be held on Monday, the 27th July, 1998, at 4.00 p.m. at Vishal Hall, Vishal Shopping Centre, Andheri-Kurla Road, Near Andheri Railway Station, Andheri (East), Mumbai - 400 069, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet and the Profit and Loss Account of the Company and the Auditors' Report thereon for the year ended 31st March, 1998.
2. To declare Dividend.
3. To appoint a Director in place of Shri Vimal N. Sedani, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Ajay M. Khatlawala, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s H.S. Gandhi & Company, Chartered Accountants, as Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED pursuant to Section 163 of the Companies Act 1956, the Company hereby approves that the Register of Members, Indexes, Share Transfer Forms and Registers instead of being kept at the Registered Office of the Company at Gems & Jewellery Complex, SEEPZ, Andheri (East), Mumbai - 400 096, be kept at the Office of Consolidated Share Services Pvt. Ltd., Company's Share Transfer Agents, at Shanti Nagar, Cross Road 'A', Near M.I.D.C. Bus Depot, M.I.D.C., Andheri (East), Mumbai - 400 093, where the necessary Registers, Indexes as mentioned above shall remain open from 11.00 a.m. to 5.00 p.m. except Saturdays and Holidays."

7. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956, [including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted from time to time] and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the 'Board'), the consent of the Company be and is hereby accorded to the Board to buy back, from the existing holders of shares and/or other securities giving right to subscribe for shares of the Company, on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots), the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as 'the Securities'), of the Company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, on such terms, conditions and in such manner as may be prescribed by law from time to time; provided that the aggregate of the securities so bought back shall not exceed 5% of the respective securities of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper."

For and on behalf of the Board

Place : Mumbai
Dated : 13th June, 1998

Manhar R. Bhansali
Chairman

Regd. Office:
Gems & Jewellery Complex,
SEEPZ, Andheri (East),
Mumbai-400 096.

Goldiam International Limited

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.
- 2) The instrument appointing proxy should, however, be deposited at the Company's Registered Office not less than 48 hours before the commencement of the meeting.
- 3) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business mentioned above is annexed hereto.
- 4) The Register of Members and Share Transfer Books will remain closed from Tuesday, 14th July 1998 to Monday, 27th July 1998 (both days inclusive).
- 5) Dividend on shares as recommended by the Board, if sanctioned at the Meeting, shall be paid to those Members whose names appear on the Register of Members of the Company as on 27th July 1998.
- 6) Members are requested to furnish particulars relating to Saving/Current Bank Account Number and the name of the Bank with whom such account is held to enable the Company to print the said details in the Dividend Warrants after the name of the payee to ensure against their misappropriation.
- 7) Members are requested to notify to the Registrar at the address as mentioned above the changes, if any, in the address in full with the postal area Pin Code Number quoting their Folio Numbers.
- 8) Members desiring any information on the accounts are requested to write to the Company at least one week before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.
- 9) As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of Annual Report with them.
- 10) The unpaid Dividends that are due for transfer to the Central Government are as follows :

Financial Year ended	Due for Transfer on
31/03/1995	03/10/1998
31/03/1996	26/09/1999
31/03/1997	09/09/2000

Members who have not encashed their Dividend Warrants for the aforesaid financial years are requested to approach the Company's Registrars & Transfer Agents for obtaining duplicate Dividend Warrants.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6:

Due to the proposed merger of On-Time Professional Services Pvt. Ltd., our present Registrars and Share Transfer Agents, with Consolidated Share Services Pvt. Ltd., who are handling similar type of work since 1968, it has become

necessary to appoint the latter as the Registrars and Share Transfer Agents of the Company. For better and quick services to the Investors and Shareholders, it is felt that all the records related to Members be kept at their office instead of keeping the same at the Registered Office of the Company. The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM NO. 7:

Buy back of own shares or other securities convertible into equity shares by the Companies is presently not allowed under the Companies Act, 1956. The Companies Bill, 1997, however, seeks to lay down the operative provisions to regulate the buy back of shares/securities by Companies. Hence it is expected that, in due course of time, the law would be amended to allow such buy back.

It is proposed to buy back not exceeding 5% of the total voting powers relating to the shares or other securities giving right to subscribe for shares of the Company, from the existing security holders on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots), subject to necessary enactment in this regard.

The buy back of shares as aforesaid would entail investing of an amount which would not be less than the market value of the shares or other securities giving right to subscribe for shares of the Company and shall be met out of the free reserves and/or the securities premium account and/or out of the proceeds of an issue specifically made for the purpose. The shares so bought back shall be cancelled forthwith.

The Board is of the opinion that it will be in the best interest of the Company if shareholders approve the said resolution, should the provisions be enacted, permitting such buy back, so that the Company will be able to implement this resolution.

The resolution, if approved, will be operative for and will be given effect within a period of 15 months from the applicable date.

The resolution as set out in this Notice is being proposed in view of the introduction of the relative provisions in the Companies Bill, 1997. The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

For and on behalf of the Board

Place : Mumbai

Dated : 13th June, 1998

Registered Office :

Gems & Jewellery Complex,
SEEPZ, Andheri (East),
Mumbai - 400 096.

Manhar R. Bhansali

Chairman

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting the Eleventh Annual Report on the affairs of the Company together with Audited Statement of Accounts for the year ended 31st March, 1998.

(Rupees in Lacs)

Year ended 31.03.1998	Year ended 31.03.1997
--------------------------	--------------------------

FINANCIAL RESULTS

Sales for the year	6,018.60	5,738.61
Branch/Departmental Transfer	169.83	1,304.77
	<u>6,188.43</u>	<u>7,043.38</u>
Profit before Interest, Depreciation and Taxation	729.65	744.38
Less: Interest	43.65	125.96
Operating Profit before Depreciation	686.00	618.42
Less: Depreciation	102.37	104.07
Profit before Taxation	583.63	514.35
Provision for Taxation	2.44	0.53
Excess provision for Taxation of earlier years Written Back	0.15	0.00
Profit after Taxation	581.34	513.82
Add: Balance brought forward	169.74	8.61
Profit available for Appropriation	<u>751.08</u>	<u>522.43</u>

STATEMENT UNDER CLAUSE 43 OF THE LISTING AGREEMENT

1. Profitability

(Rupees in Lacs)

	Projected for the year 1997-98	Actual for the year 1997-98
Sales/Income from operations	14,000.00	6,018.60
Profit before Interest, Depreciation & Tax	1,327.00	729.66
Profit after Tax	980.00	581.34
Dividend	10%	24%

The recessionary trend in International Market, particularly in Diamond Industry and devaluation of foreign currency had resulted in substantial reduction in export of Polished Diamonds, due to which the

Company could not achieve the projected targets. However, the Company has achieved a higher growth in terms of quantities. The quantities produced were of low priced jewellery which was more in demand in the International Market. The Company is happy to state that it has achieved the higher profit in terms of prospectus with turnover of Rs. 6,018.60 lacs.

DIVIDEND

The operating profit for the year has improved over previous year. Your Directors are confident that even though the working of the Diamond Division has been substantially curtailed, the productivity improvements and cost management measures undertaken in Jewellery Division enabled the Company to earn higher profits. Your Directors are pleased to recommend a Dividend @ 24% on Equity Shares for the year ended 31st March, 1998.

OPERATIONS

Due to recession in International Market, the sales of the Diamond Division had suffered. The Union and Employees working in the Diamond Division asked for the Voluntary Retirement Scheme which was accepted by the Management. However, 11 employees have not opted for the scheme and have continued to work with the Company.

The turnover for the year under review increased from Rs. 5,738.61 lacs in the previous year to Rs. 6,018.60 lacs registering a growth of 4.88 % and the Net Profit after Tax registered a growth of 13.14%.

AUDITORS' REPORT

With regard to qualification for the non-provisions of gratuity and leave encashment benefit on retirement, the gratuity and leave encashment are charged to revenue account on the basis of actual payment.

PARTICULARS OF EMPLOYEES

Particulars of employees within the meaning of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988, are given in the Annexure forming part of this report.

DIRECTORS

Shri Kamal R. Bhansali resigned as Director with effect from 26th March, 1998. The Board placed on record their appreciation for his services to the

Goldiam International Limited

Company since its formation.

As per article 118 of the Articles of Association of the Company, Shri Vimal N. Sedani and Shri Ajay M. Khatlawala, Directors, will retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

M/s H.S. GANDHI & CO., Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

The Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, require that

the information regarding conservation of energy, technology absorption, foreign exchange earnings and outgo be stated in the Directors' report.

A. CONSERVATION OF ENERGY

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

B. TECHNOLOGY ABSORPTION

The particulars regarding absorption of technology are given as per the Form B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

FORM 'B'

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R & D).

1) Specific areas in which R & D is carried out by the Company.

Manufacture of Jewellery as per International Standards in the area in which General Research and Development work is carried out by the Company.

2) Benefits derived as a result of the above R & D.

In the Jewellery business, there will be a potential for increase in sales due to the above activities.

3) Future Plans of Action.

The Company is planning to import machineries from foreign countries to effect further cost reduction and improved productivity.

4) Expenditure on R & D.

- a) Capital
- b) Recurring
- c) Total
- d) Total R & D expenditure as a % of total turnover.

Included in the Manufacturing Cost.

Technology absorption, adaptation and innovation.

(1) Efforts in brief made towards absorption, adaptation and innovation.

With the introduction of Invisal Setting in Diamond Jewellery and import of Princess Cut Diamond Grooving Machine, the Company has enhanced its export and value addition this year. The Company has ordered for additional machinery of similar type.

(2) Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

The benefit will be reflected in the areas of higher profitability and cost reduction.

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(3) In case of Imported Technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

- a) Technology Imported
- b) Year of Import
- c) Has technology been fully absorbed
- d) If it is fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

The Company has not imported any technology since its formation.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company's main line of business is the manufacture and export of Cut and Polished Diamonds and Studded Gold Jewellery. The Company has achieved a 2.80 % growth in exports during the current year 1997-98 with Export turnover of Rs. 5802.27 lacs as compared to Rs. 5644.15 lacs in 1996-97.

Total Foreign Exchange used : Rs. 27,09,02,732/-

Total Foreign Exchange earned : Rs. 58,02,26,646/-

ACKNOWLEDGEMENT

The Directors take this opportunity to place on record their appreciation and sincere gratitude to Indian Government, State Government, Seepz authority, the Bankers for their valuable assistance and look forward to their continued co-operation.

The Directors gratefully acknowledge the support and goodwill extended by the Diamond Trading Company, London.

Your Directors acknowledge and thank the employees and the Unions for the support and co-operation received, without which the performance of the Company would not have improved remarkably.

For and on behalf of the Board

Place : Mumbai
Date : 13th June, 1998.

Manhar R. Bhansali
Chairman

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2a)

Sr. No.	Name	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Age	Experience Years	Date of Commencement of Employment.	Particulars of last Employment.
1.	Mr. Rashesh M. Bhansali	Managing Director	3022820/-	T.Y.B.Com.	30	12	01.09.1988	—
2.	Mr. Chandresh A. Mehta	Whole-time Director	453423/-	F.Y.B.Com.	29	7	01.02.1991	—
3.	Mr. Vimal N. Sedani	Whole-time Director	604565/-	B.Com.	28	4	01.01.1994	—

Notes :

- GROSS REMUNERATION INCLUDES SALARY, EX-GRATIA PAYMENT AND COMMISSION.
- THE APPOINTMENT OF MANAGING DIRECTOR AND WHOLE-TIME DIRECTORS IS CONTRACTUAL.

Goldiam International Limited

AUDITORS' REPORT

TO THE MEMBERS OF GOLDIAM INTERNATIONAL LIMITED

We have audited the attached Balance Sheet of GOLDIAM INTERNATIONAL LIMITED as at 31st March, 1998 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto.

We report that :

- 1) As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we consider appropriate, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
- 2) Further to our comments in the Annexure referred to in Paragraph "1" above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of the books.
- c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.
- d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Note No.17 regarding Non-Provision of Liability in respect of Gratuity and Leave Encashment benefit together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 1998 and
 - ii) in the case of Profit and Loss Account of the Profit of the company for the year ended on that date.

For H.S. Gandhi & Co.
Chartered Accountants

Place : Mumbai,
Date : 13th June, 1998

H.S. Gandhi
Proprietor

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

- 1) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets except additions made during last three years. A major portion has been physically verified by the Management during the year. We are informed that no material discrepancies have been noticed by the Management on such verification.
- 2) None of the fixed assets of the Company have been revalued during the year.
- 3) In our opinion and according to the information and explanations given to us, the stock of finished goods, stores, spare parts and raw materials have been physically verified during the year by the Management.
- 4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of these stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- 5) The discrepancies noticed on physical verification between the physical stocks and book stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- 6) In our opinion, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles except that finished goods have been valued at estimated selling price and is on the same basis as in the preceding year.
- 7) The Company has taken loan from Managing Director, the rate of interest and terms on which these loans have been taken, is not prima facie