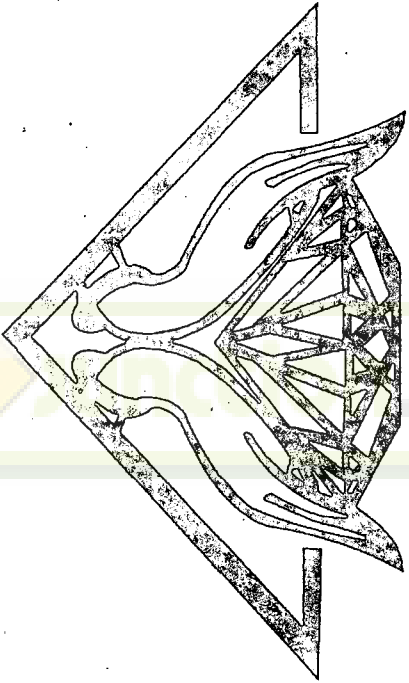



# 20<sup>th</sup> Annual Report 2006 - 2007

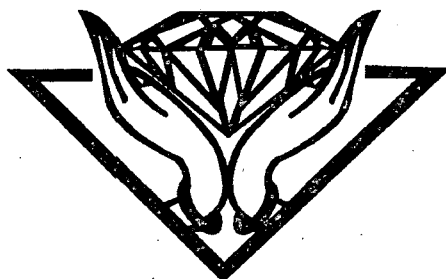


Mini Diamonds  
(India) Ltd.

CERTIFIED TRUE COPY.

  
AUTHORISED SIGNATORY

20<sup>TH</sup> ANNUAL REPORT OF 2006-2007



## **MINI DIAMONDS (INDIA) LTD.**

**TWENTIETH ANNUAL REPORT OF 2006 - 2007**

<b>BOARD OF DIRECTOR</b>	:	<b>Shri. Upendra N. Shah</b> (Chariman and Managing Director) <b>Mr. Himanshu K. Shah</b> <b>Mr. Mahadev P. Desai</b> <b>Mr. Dilip K Thakar</b> <b>Mr. Vikas U Nayak</b> <b>Mr. Dilip J Shah</b>
<b>AUDITORS</b>	:	<b>V. A. Parikh &amp; Associates</b> Chartered Accountants
<b>BANKERS</b>	:	<b>Bank Of India,</b> <b>Central Bank of India,</b> <b>Bank of Baroda,</b> <b>Punjab &amp; Sind bank,</b> <b>Laxmi Vilas Bank Ltd.</b>
<b>REGISTERED OFFICE</b>	:	<b>7-A, Nusser House, Ground Floor,</b> <b>Opp. Panchratna Building,</b> <b>Opera House, Mumbai- 400 004.</b>
<b>REGISTRAR &amp; SHARE TRANSFER AGENTS</b>	:	<b>M/s Purva Sharegistry (India) Pvt. Ltd.</b> <b>Shiv Shakti Indl. Estate, Gala No 9,</b> <b>J M Bharucha Marg, Mahalaxmi</b> <b>Mumbai – 400 011.</b>



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### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of MINI DIAMONDS (INDIA) LIMITED will be held at Vanitavishram, 392, S V P Road, Prarthana Samaj, Mumbai – 400004 on Tuesday, September 25, 2007 at 3.30 P.M to transact the following business:

#### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007, Profit and Loss Account for the year ended on that date and the Reports of the Auditors' and the Directors' thereon.
2. To appoint a Director in place of Mr. Upendra N. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Himanshu K. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint the Auditors to hold office from the conclusion of this meeting until conclusion of the next Annual General Meeting and to authorize Board to fix their remuneration.

"RESOLVED THAT V. A. PARIKH & ASSOCIATES, Chartered Accountants, Mumbai, being retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of the ensuing Annual General Meeting until conclusion of the next Annual General Meeting, on such remuneration as may be determined by the Board of Directors in consultation with the Auditors, in addition to reimbursement of service tax and all out of pocket expenses in connection with the audit of the Accounts of the Company, which remuneration may be paid on progressive billing basis to be agreed between the Auditors and the Board of Directors."

#### Special Business:

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ordinary resolution** requiring special notice.

"RESOLVED THAT Mr. Dilip Jaswant Shah who was appointed as an Additional Director of the Company with effect from August, 24 2006 by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company and that his period of office shall be liable to determination by retirement by rotation."

By order of the Board

Place : Mumbai  
Date : September 3, 2007

**Upendra N. Shah**  
Chairman & Managing Director

#### Registered Office:

7-A, Nusser House, Ground Floor,  
Opp. Panchratna Building, Opera  
House, Mumbai- 400 004.

#### Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company. Under the Companies Act, 1956, voting is by a show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000. A proxy shall not vote except on a poll. The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
2. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting in annexed hereto.
3. Members /Proxies should bring duly-filled Attendance Slips sent herewith to attend the meeting.



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4. The Register of Members and Share Transfer Books of the Company will remain closed from September 18, 2007 to September 25, 2007 (both days inclusive) for the purpose of Annual General Meeting.
5. Members holding shares in physical form and desirous of making/changing nomination in respect of their shareholding in the Company, may send their request in the prescribed form 2B to the Registrar & Transfer Agents of the Company.
6. Corporate Members are requested to send to the Company, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General meeting.
7. Members desirous of obtaining any information on the Accounts and Operations of the Company are requested to write at least one week before the meeting so that the same could be compiled in advance.
8. Members are requested to notify changes, if any, in their registered addresses along with the pin code to the Company's Registrar and Share Transfer Agent.
9. Members are requested to bring their copy of Annual Report to the Meeting.
10. All documents referred to in the notice and explanatory statement are open for inspection at the registered office of the Company between 10.30 a.m. and 1.00 p.m. on all working days upto the date of the meeting.
11. Members whose shareholding is in electronic mode are requested to direct change of address notifications and updations of savings bank account to their respective Depository Participants.
12. Member are requested to address all correspondences, including dividend matters, to the Registrar and Share transfer Agents, M/s Purva Sharegistry (India) Private Limited, 33, Printing House, 28<sup>th</sup> D Police Court Lane, Behind Old Handloom House, Fort, Mumbai- 400 001. Tel No: 23016761, 23018261 Fax No.: 22626407.
13. As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from the Registrar and Transfer agents of the Company.
14. Members seeking any information or clarifications on the Annual Report are requested to send in written queries to the Company at least one week before the meeting to enable the Company to compile the information and provide replies at the meeting.

### EXPLANATORY STATEMENT

As required by Section 173 (2) of the Companies Act, 1956.

#### Item No. 5

Mr. Dilip Jaswan Shah, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24<sup>th</sup> August, 2007. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 135 of the Articles of Association of the Company he holds office upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director.

A brief resume of Mr. Dilip Jaswant Shah is annexed to this notice.

None of the Directors except Mr. Dilip Jaswant Shah is interested in the said Resolution.

By order of the Board

Place : Mumbai  
Date : September 3, 2007

**Upendra N. Shah**  
Chairman & Managing Director

#### Registered Office:

7-A, Nusser House, Ground Floor,  
Opp. Panchratna Building, Opera  
House, Mumbai- 400 004.



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### INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING RE-APPOINTMENT & APPOINTMENT OF DIRECTORS.

**Mr. Upendra Narottamdas Shah** joined the Board on May 12<sup>th</sup>, 1987. Mr. Upendra Narottamdas Shah aged 60 years is the Chairman & Managing Director of our company has got about 35yrs of experience in the business. He is a specialist among very few in the industry to select rough diamonds which is the base and key factor of entire diamonds business.

He was a regular member in MMTC team for its overseas procurement of rough diamonds. He has visited Russia, Antwerp, Far East countries, Middle East and Israel many times. He is again a man to be watched for his capabilities and skill to set up factories of diamonds and gold jewellery in India and abroad. He was successful in setting up a few jewellery factories inside SEEPZ, Andheri apart from an office in Israel for one of his friends there.

He has got good relation with the site owners and exporters of rough diamonds there. He is also a well know person among the diamond merchants in Mumbai.

**Mr. Himanshu Kailas Shah** joined the Board on December 12<sup>th</sup>, 1992. Mr. Himanshu Kailas Shah aged 38 years is a commerce graduate and also has about 15 to-16 yrs of experience in manufacturing of Diamond Studded Gold Jewellery and Cut and Polished Diamonds. Since last ten years he is mainly concentrated in jewellery manufacture and its exports.

He was a board member and was the main manufacturing advisor to Concept Jewellery Private Limited., Concept Jewellery is the manufacturer of Smt. Lata Mangeshkar Signature Collections, Brand product "ADORA". Apart from the above he was also sole responsible for the activities of M Suresh Exports Private Limited. He is a frequent traveller to USA, Switzerland, Hong Kong etc. He is now taking care of the production and over all administration of CI2 Jewellery Private Limited.

**Mr. Dilip Jaswant Shah** joined the Board on August 24<sup>th</sup>, 2006. Mr. Dilip Jaswant Shah aged 50 years is a commerce graduate and also has about 25 years of experience in the Business.

He is a member of Gem & Jewellery Export Promotion Council. He has visited U.K, U.S, Hong Kong, Singapore, Malaysia, Russia and many other countries several times. He is the owner of a company named Executive Gems Limited. He has good relations with many businessmen's related to the same industry.



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### DIRECTORS' REPORT

The Members of

#### MINI DIAMONDS (INDIA) LIMITED

Your Directors present herewith the 20<sup>th</sup> Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2007.

#### 1. FINANCIAL RESULTS

	(Amount in Rs.)	
	2006-07	2005-06
Sales	8,52,66,885	6,38,86,167
Profit/(Loss) before interest, depreciation and taxation	27,07,255	12,16,031
Less: Interest	5,450	NIL
Depreciation	37,226	43,294
Profit/Loss before Taxation	26,64,579	11,72,737
Profit/Loss after Taxation	22,22,071	10,88,397
Add: Balance in Profit and Loss A/c brought forward	20,64,685	(31,53,082)
Balance Carried to Balance Sheet	1,57,385	(20,64,685)

#### 2. MANAGEMENT DISCUSSION AND ANALYSIS

##### a) INDUSTRY STRUCTURE AND DEVELOPMENTS:

Diamond production in India can be traced back to the 8th century BC, when the first ever diamond in the world was mined in India. Some of the world's most famous diamonds - Great Moghul, Kohinoor, Hope, Idol's Eye, etc. were born in India. Although India has virtually no diamond mines today, India is one of the most important players in the global gems and jewellery industry. India is the biggest gold jewellery market in the world estimated at Rs. 426 billion. Another reason of India's dominance in the global gems and jewellery industry is the diamond industry in India. The Indian diamond industry has established a strong position in the international arena. Today, eleven out of every twelve diamonds around the world are processed by the Indian units. India is the largest diamond cutting and polishing centre in the world and the diamonds processed in India amount to approximately 60% of the global consumption in value terms, 85% by weight and 92% by numbers. India is already gaining prominence as an international sourcing destination for high quality designer jewellery. Thus the demand for the cut polished diamonds are going to increase indigenously.

India has the distinction of being the most technologically advanced diamond cutting centre in the world and is the fastest growing jewellery market in the world. Branded jewellery is likely to be fastest growing segment in domestic sales which is expected to grow at 40% p.a. to USD 2.2 billion by 2010. The jewellery exports are expected to grow from US\$ 15.5 billion in 2005 to USD 25 billion by 2010.

The domestic consumer preference and growth of organized retail will boost the local gems and jewellery market and highly competitive and different diamond cutting and polishing industry will help India in strengthening its position as preferred supplier in the global market.

##### b) OPPORTUNITIES AND THREATS

###### OPPORTUNITIES

The Gem & Jewellery industry is the second largest foreign exchange earner for India. India has approximately 1.2% share of the global Jewellery market. World-wide the market for Indian studded Jewellery is more than Indian plain Jewellery. India has an advantage in terms of creation of exquisite designs and production of high volumes at low costs. This has been facilitated due to the following factors:

Easing out raw material procurement for the Jewellery manufacturers, after repealment of the Gold Control Act permitting import of gold without any restrictions.



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- Availability of skilled labour at low cost.

The Company has conducted a study on the demand and consumption for Jewellery products and has noticed a socio-economic evolution in the trends of consumption of Jewellery products. A new market segment of college students, senior citizens and middle class spenders has emerged, which will greatly benefit the Company. Apart from this Top International retailers like Walmart and J C Penny etc. procure jewellery from India.

### THREATS

- Geographic concentration is a major threat. The Company's majority of exports are to Hong Kong and Malaysia. To reduce the dependence the company is started export to Middle East (Dubai), a growing diamond market.
- Jewellery being a luxury item, recession is one of the threats faced by the Company, as this means less spending by consumers and less sales for the Company.
- Increasing competition and global slow down may pose a real threat to this booming and growing Industry.

### c) SEGMENT- WISE PERFORMANCE

The Company is engaged in export of cut and polished diamond jewellery. Rough diamonds are imported first and then polished in its factory (Leased) and then exported after cutting and polishing them. Majority of its exports is to Hongkong and to Malaysia. The Fixed Assets & Inventories used in the company's business are not identifiable to any particular reportable segment and can be used interchangeably among geographical segments. Consequently, management believes that it is not practical to provide segment disclosures relating to total assets since a realistic analysis among the various geographic segments is not possible.

### d) OUTLOOK

Mini Diamonds (India) Limited has strategically focused on exporting to wholesalers. Thus the company supplies Quality diamonds (Cut & Polished ) to wholesalers and jewelers all over India and in many countries like America, Hong Kong, Thailand, Malaysia and U.A.E. Although the company's territory is wide, customizing the services is of utmost importance to the company. In the Diamond market, the company has earned the reputation of being the suppliers of top quality merchandise at the most appropriate prices. It has achieved this by having almost 2 decades of experience in the diamond industry and by having a young, hardworking and dynamic team of well trained and certified diamondologists.

### e) INTERNAL CONTROL SYSTEMS

The Company has adequate Internal Control systems, which provide, inter- alia, reasonable assurance of recording the transactions of its operations in all material respects and providing protection against misuse or loss of Company assets.

### f) FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Total Income achieved during the year under review is Rs. 44.28 lakhs as against Rs. 22.12 lakhs in the previous year. The amount of exports have increased from Rs. 601.70 lakhs in the previous year to Rs. 824.74 lakhs in the current year. During last year the company's manufacturing unit (leased) was fully operational and about 14842.05cts of rough diamond was processed by our staff. Hence the company could book a better profit last year. In the marketing point of view our Company started exporting to Middle East and is in process of appointing an agency there for marketing our Cut and Polished Diamonds.

### g) HUMAN RESOURCES

Your Company provides training to its employees and ensures development and growth of them. We have a strong Performance Management System, which reinforces our work ethics.

### 3. CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, a compliance report on Corporate Governance together with a Certificate from Practicing Company Secretaries is annexed as part of the Annual Report.

### 4. COST AUDIT

The company is not required to undertake the cost audit as required under Section 233 B of the Companies Act, 1956.

### 5. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 that



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- a) In the preparation of the Annual Accounts for the year ended March 31, 2007, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- b) The Directors 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 at the end of the financial year ended March 31, 2007 and of the profit of the Company for that year.
- c) The Directors 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.
- d) The Directors have prepared the Annual Accounts for the year ended March 31, 2007, on a going concern basis.

### 6. DIRECTORS

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956 Mr. Upendra N. Shah and Mr. Himanshu K. Shah retires by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

Mr. Dilip Jaswant Shah has been appointed as Director of the Company with effect from August 24, 2006. Mr. Dilip Jaswan Shah holds office upto the date of forthcoming Annual General Meeting pursuant to section 260 of the Companies Act, 1956. Your directors recommend his appointment.

### 7. STATUTORY AUDITORS

You are requested to appoint Auditors for the current year and fix their remuneration. The Auditors of the Company, V. A. PARIKH & ASSOCIATES, Chartered Accountants retire at ensuing Annual General Meeting of the Company and have given their consent for re-appointment. The Company has also received a certificate from them under Section 224(1B) of the Companies Act, 1956.

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

The provisions of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

The information regarding Foreign Exchange earnings and outgo is as follows:

	(Amount in Rs.)
1) Value of Imports	5,21,19,098
2) Value of Exports	8,44,86,380

### 9. PARTICULARS OF EMPLOYEES

The Company has no employee in the category specified under Section 217(2A) of the Companies Act, 1956.

By order of the Board

Place : Mumbai  
Date : September 3, 2007

**Upendra N. Shah**  
Chairman & Managing Director

#### Registered Office:

7-A, Nusser House, Ground Floor,  
Opp. Panchratna Building , Opera  
House, Mumbai- 400 004.



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### REPORT OF CORPORATE GOVERNANCE 2006-2007

#### 1. Company's philosophy on Corporate Governance

MINI DIAMONDS (INDIA) LIMITED believes that transparent accounting policies, appropriate disclosure norms, best-in-class Board practices and consistently high standards of corporate conduct towards its stakeholders are essential for sustained corporate growth.

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the listing agreement of the Stock Exchanges. As a Company, which believes in implementing and adopting best-in-class corporate governance policies, MINI DIAMONDS (INDIA) LIMITED has adopted practices mandated in the revised Clause 49 and has established procedures and systems to be fully compliant with it.

Corporate governance is about commitment to values and ethical business conduct. The report on the Corporate Governance is to fulfill this commitment. An organization is able to attract investors, and enhance the trust and confidence of all stakeholders by following the best governance practices.

Our governance philosophy is based on the following:-

1. Provide an enabling environment to harmonise the goals of maximizing stakeholder value and maintaining a customer centric focus.
2. Have a simple and transparent corporate structure driven solely by business needs.
3. Communicate externally, in a truthful manner, about how the company is run internally.
4. Make clear distinction between personal conveniences and corporate resources.
5. Be transparent and maintain a high degree of disclosure levels in all facets of its operations.
6. Satisfy the spirit of the law and not just the letter of the law.

The Company's philosophy on Corporate Governance is thus concerned with the ethics, values and morals of the Company and its Directors, who are expected to act in the best interests of the Company and remain accountable to shareholders and other beneficiaries for their action.

Your Board of Directors presents the Corporate Governance Report for the year 2006- 07.

#### 2. Board of Directors

##### a. Size and Composition of Board

The composition and category of Directors as on March 31, 2007 are as under:-

Name of Directors	Category	No. of Directorships in other Companies		No. of Membership/ Chairmanship of other Board Committees	
		Public	Private	Member	Chairman
Mr. Upendra N. Shah	Promoter, Chairman & Managing Director	-	-	-	-
Mr. Himanshu K. Shah	Promoter & Executive	-	3	-	-
Mr. Mahadev P. Desai	Independent & Non-executive	-	-	-	-
Mr. Dilip K. Thakker	Independent & Non-executive	-	-	-	-
Mr. Vikas Upendra Nayak	Independent Non-executive	-	-	-	-
* Mr. Dilip J. Shah	Independent Non-executive	-	1	-	-
** Mr. Kailas N. Shah	Promoter & Director	-	-	-	-

\* Mr. Dilip J. Shah – Appointed as an additional Director at the Board Meeting held on August 24, 2006.

\*\* Mr. Kailas N. Shah has expired on 24/08/2006



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### b. Attendance at Board Meeting and Annual General Meeting :-

During the accounting year 2006-07, four Board Meetings were held on April 30, 2006, July 31, 2006, October 31, 2006 and January 31, 2007.

The Annual General Meeting of the Company for the financial year 2005-2006 was held on September 30<sup>th</sup>, 2006.

#### Attendance at Board Meeting and last Annual General Meeting:-

Name of Directors	No. of Board Meetings attended	Attendance at last AGM
Mr. Upendra N. Shah	4	Present
Mr. Himanshu K. Shah	4	Present
Mr. Mahadev P. Desai	4	Present
Mr. Dilip K. Thakker	4	Present
Mr. Vikas Upendra Nayak	2	Present
*Mr. Dilip J. Shah	3	Absent
**Mr. Kailas N. Shah	1	Absent

\* Mr. Dilip J. Shah – Appointed as an additional Director at the Board Meeting held on August 24, 2006.

\*\* Mr. Kailas N. Shah has expired on 24/08/2006

### c. Board's Functioning & Procedures:-

The Board has complete access to any information within the Company. At meetings of the Board, it welcomes the presence of Managers who can provide additional insights into the items being discussed.

The items placed at the Meeting of the Board include the following:-

- Unaudited Quarterly/half yearly financial results and audited annual accounts of the company including segment wise revenue, results and capital employed, for consideration and approval,
- Minutes of meetings of audit, share holders' grievance committee and remuneration committee,
- Abstracts of circular resolutions passed,
- General notices of interest,
- Sale and/or purchase of investments, fixed assets.
- Review compliance of all laws applicable to the Company including the requirements of the Listing Agreement with the Stock Exchanges and steps taken by the Company to rectify instances of non compliances, if any.
- Related party transactions,
- Reviewing the company's financial and risk management policies.
- Reviewing the business plan and strategy of the Company.

All the items in the Agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial /business plans, financial results, detailed presentations are made. The Agenda and the relevant notes are sent in advance separately to each Director to enable the Board to take informed decisions.

The Minutes of the Meetings of the Board are circulated through email to all Directors and confirmed at the subsequent Meeting. The Minutes of the Audit committee and shareholders' grievance committee are also individually given to the Board Directors and thereafter tabled for discussion at the subsequent Board Meeting.

### 3. Audit Committee

Audit committee acts as a link between the statutory and internal auditors and the Board of Directors. The