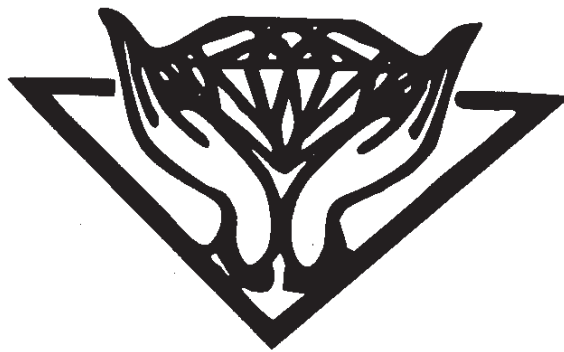


**24th
Annual Report**

2010-2011



**MINI DIAMONDS
(INDIA) LTD.**



MINI DIAMONDS (INDIA) LIMITED

24th ANNUAL REPORT 2010-2011

COMPANY INFORMATION

BOARD OF DIRECTORS : Mr. Upendra N. Shah - Promoter, Chairman & Managing Director

Mr. Himanshu K. Shah - Promoter & Executive

Mr. Vikas Upendra Nayak - Independent & Non-executive

Mr. Dillip K. Thakker - Independent & Non-executive

Mr. Dilip Jaswant Shah - Director

Mr. Sameep B. Shah - Independent & Non-executive

Appointed
30.6.12
Resigned on
1.11.2012

REGISTERED OFFICE : 7-A, Nusser House, Ground Floor,
Opp. Panchratna Building, Opera House,
Mumbai- 400 004. Tel No.: 23671210 / 23670940
Fax : 23649910 • Email: minidiamonds@yahoo.com

AUDITORS : V. A. Parikh & Associates,
Chartered Accountants,
Mumbai

**REGISTRARS & SHARE
TRANSFER AGENTS** : M/s Purva Sharegistry (India) Pvt. Ltd.
Unit No. 9, Shiv Shakti Ind. Estt.,
J .R. Boricha Marg,
Opp. Kasturba Hospital Lane,
Lower Parel (E), Mumbai - 400 011.
Email: purvashr@mtnl.net.in



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of MINI DIAMONDS (INDIA) LIMITED will be held at 7/A Nusser House Opp Panchratna Building, Opera House, Mumbai – 400004 on Friday, September 30, 2011 at 10.00 A.M to transact the following business :

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2011, 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. Dilip Krishnalal Thakar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Dilip Jaswant 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 regularize the Appointment of Mr. Sameep B Shah as an Independent Non – Executive Director of the company, liable to retire by rotation.

To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT Mr. Sameep B Shah, who was appointed as an Additional Independent Non – Executive Director by the Board of Directors on July 30, 2011 and who holds office upto the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956 along with necessary deposit from a shareholder proposing the candidature of Mr. Sameep B Shah as a Director of the Company be and is hereby appointed as an Independent Non – Executive Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution any Director be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things, as may be required."

Place : Mumbai

Date : August 25, 2011

By order of the Board

Sd/-

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. Members /Proxies should bring duly-filled Attendance Slips sent herewith to attend the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 23, 2011 to September 30, 2011 (both days inclusive) for the purpose of Annual General Meeting.
4. 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.
5. 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.
6. 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. 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.
7. Members are requested to bring their copy of Annual Report to the Meeting.
8. 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.
9. 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.
10. Member are requested to address all correspondences, including dividend matters, to the Registrar and Share transfer Agents, M/s Purva Sharegistry (India) Private Limited, Purva Sharegistry (India) Pvt. Ltd., Unit no. 9, Shiv Shakti Ind. Estt., J. R. Boricha Marg, Opp. Kasturba Hospital Lane, Lower Parel (E), Mumbai 400 011. Tel No: 22-2301 6761 / 8261, Fax No.: 22-2301 2517.
11. 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.
12. 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.

INFORMATION UNDER CLAUSE 49 (IV) (G) (i) and 49 (IV) (E) (v) OF THE LISTING AGREEMENT REGARDING RE-APPOINTMENT & APPOINTMENT OF DIRECTORS.

Mr. Sameep B. Shah has an 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.

Shareholding of Mr. Sameep Shah is Nil as on August 29, 2011.



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

Mr. Dilip Krishnalal Thakar joined the Board on December 8, 2005. Mr. Dilip Krishnalal Thakar has 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.

Shareholding of Mr. Dilip Krishnalal Thakar is Nil as on August 29, 2011.

Place : Mumbai

Date : August 25, 2011

By order of the Board

Sd/-

Upendra N. Shah
Chairman & Managing Director

Registered Office :

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

**DIRECTORS' REPORT**

**The Members of
MINI DIAMONDS (INDIA) LIMITED**

Your Directors have great pleasure in presenting the 24th Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2011.

1. FINANCIAL RESULTS:

PARTICULARS	2010 - 2011	2009 - 2010
Total Income from Sales	21,35,36,034.90	18,13,17,284.63
Less: Cost of Goods Sold	(20,17,67,882.68)	(17,56,76,776.20)
Other Income	76,872.41	95,994.00
Total Income	1,18,45,024.63	57,36,502.43
Less: Operating Expenditure	(79,43,192.00)	(29,04,273.72)
Less: Financial Expenses	(6,31,133.00)	(2,07,857.00)
Profit before Depreciation, Interest and Tax	32,70,699.00	26,24,371.71
Less: Depreciation	(3,98,813.00)	(53,183.00)
Less: Interest	(5,46,928.00)	(4,71,311.00)
Profit before Taxes	23,24,958.00	20,99,877.71
Less: Income Tax / Fringe Benefit Tax written off	-	(3,09,533.00)
Less: Interest on Income Tax	-	(62,627.00)
Less: Provision for Taxation-Current/earlier years (including FBT)	(5,82,550.00)	(6,51,165.00)
Net Profit for the year	17,42,408.00	10,76,552.71
Add: Balance brought forward from the Previous year	36,22,853.00	25,46,300.46
Balance carried to Balance Sheet	53,65,261.00	36,22,853.17

2. DIVIDEND:

Your Directors have not recommended any dividend for this financial year.

3. MANAGEMENT DISCUSSION AND ANALYSIS:**a) Industry Structure and Developments:**

The gems and jewellery industry had a fabulous growth during the financial year 2010-11. Gems and jewellery export grew by 16% to \$28.41 billion during the year. The growth was primarily due to revival in demand from markets in the U.S.A. and Europe.

The diamond production recorded increase during the year recovering from global slowdown in the previous year.

Cut and polished diamond exports were the main drivers of the growth in financial year 2010-2011 which accounted for about 62% of total share of gems and jewellery industry. The gold jewellery accounted for 31% of the total share.

The performance of gems and jewellery industry is paramount since its contribution to India's total merchandise exports is about 13%. It is anticipated that global consumer demand for luxury goods will recover leading to further growth of the sector.

The Indian gems and jewellery market continues to be dominated by the unorganised sector. There are over 15000 players across the country in the gold processing industry, of which only about 80 players have a turnover of over US\$ 4.15 million (Rs. 200 million). There are about 450,000 goldsmiths spread throughout the country. India was one of the



first countries to start making fine jewellery from minerals and metals and even today, most of the jewellery made in India is hand made. The industry is dominated by family jewellers, who constitute nearly 96 percent of the market.

b) Opportunities and Threats:

(i) Opportunities:

The jewellery industry is growing at a whopping rate with the boom in the domestic and exports of Indian jewellery, the shining materials of India brings more sparkle to the economy. Gems and jewellery export stands the second major foreign exchange earner for the country. India has many natural advantages to emerge as Gems & Jewellery hub of the world. India has the largest and the best artisan force for designing and crafting the jewellery in the world. There is considerable scope of value addition in terms of capacity building at the domestic front, quality management and professionalism.

India is the world's largest manufacturing centre for gems and jewellery and the industry contributes over 12% to the total export earnings of the country and employs highly skilled 1.5 million workers. The gems and jewellery industry is a major exchange exchequer as major portion (around 80%) of its turn over was contributed by exports. Diamonds contribute to nearly 80% of the entire turnover and of this industry and hence many times the terms 'gems and jewellery industry' and 'diamond industry' are used as synonyms.

(ii) Threats:

Although India currently enjoys dominance in the world's cut and polished diamonds market, China may emerge as a viable rival, if not in the near term, certainly in the longer term. An increasing number of diamond processors from Israel and Belgium, and even India, are setting up facilities in China for a variety of reasons, according to the report on the Indian gems and jewellery industry. The primary reasons for these are:

- (i) The labour force there, like in India, is cheap and disciplined.
- (ii) High economic growth in China over the past decade has resulted in a significant increase in potential consumers in the high – income segment within the country.
- (iii) Quality of workmanship and technological development (technical expertise) are the other areas where the Indian industry faces a threat from China.

c) Segment wise Performance:

The Company is in the business of Rough Diamonds and Polished Diamonds. The Company has two segments one is manufacturing and other is trading. The detailed reporting of segment wise performance of the Company is mentioned in point J Notes to Accounts of the Auditor's Report.

d) Future Outlook:

As industry survey stated, there has been a slowdown in the economy specially in the developed economies and it may continue for sometime due to demand contraction in the developed markets such as the US and the European Union,. However, very recent figures and increase in consumer confidence across globe have boosted the industry confidence and experts are hoping for quick revival of consumer demand and growth in industry. All India Gem and Jewellery Trade Federation (GJF) are targeting growth from US \$ 16.79 billion to US \$ 26.23 billion by the year 2012.

India possesses the world's most competitive gems and jewellery market due to its low cost of production and availability of skilled labour. As per the new research report "Indian Gems and Jewellery Market - Future Prospects to 2011", highly skilled and low cost manpower, along with strong government support in the form of incentives and establishment of SEZs, has been the major driver for the Indian gems and jewellery market. The market also plays a vital role in the Indian economy as it is a leading foreign exchange earner and accounts for more than 12% of India's total exports. Currently the Indian market remains highly fragmented, but is rapidly transforming into an organized sector.

The Indian Diamond Industry is witnessing a divergent trend in the demand for cut and polished diamonds and maintaining its Global Presence. The Jewellery Industry is also having its presence felt in the local as well as global market. The new Government and its economic policies will have an impact on the economic reforms and also on the Gem and Jewellery Industry. The Rupees / Dollar fluctuations is having a lot of impact on the performance of the industry and



continues to do so in future also because the exports are linked to dollar. The overall demand in the world market is excellent but due to problems faced by the U.S. economy the demand will be sluggish until and unless there is improvement in the oil price. Revaluation of Yuan of China will have cost bearing effect in the labour market. This will open up the market for Indian Diamond and Jewellery and increase its presence. The cash flow of the company is very encouraging with the significant growth in terms of turnover as well as profitability. Currently, the industry is facing a slowdown due to global economic turmoil. But due to various government efforts and incentives coupled with private sector initiatives, the Indian gems and jewellery sector is expected to grow at a CAGR of around 14% from 2009 to 2012. At present, the Indian gems and jewellery market is dominated by the unorganized sector; however, the trend is set to change in near future with the branded jewellery market growing at an expected CAGR of more than 41% in the coming four years.

The outlook for the Industry and consequently for the Company during the current financial year is reasonably good, subject however, to the effects of prevailing disturbed scenario in the different parts of the world. The Company is putting a lot of efforts to strengthen its financial position by increasing its working capital so as to expand its operations and export business. In view of the demand for Cut and Polished Diamonds and Diamond Studded Jewellery there is a continuous, growth in diamond business. There is enough potential in the Indian and Overseas market for the Companies engaged in diamond trade and export. The Company's policy is to maintain goodwill in the market and flawless perfection at all levels. Customer's satisfaction is the top most priority.

e) Risk Management:

Risk is an important element of corporate functioning and governance. Your Company has established the process of identifying, analyzing and treating risks, which could prevent the Company from effectively achieving its objectives. It ensures that all the risks are timely defined and mitigated in accordance with the well structured risk management Process.

f) Internal Control Systems:

The Company has designed an effective Internal Control System to balance the financial, operational, compliance and other risks and explore its business opportunities at the fullest to achieve its desired objectives.

g) Financial performance with respect to operational performance:

The turnover of the Company has increased from Rs. 21,35,36,034.90/- as compared to Rs. 18,13,17,284.63/- in the previous year. Despite the global recession affecting the domestic market as well, the Company has established itself in the local market with an increasing sale of Rs. 6,84,01,409.00/- as compared to Rs. 1,88,57,542.00/- in the previous year.

h) Human Resources:

People are the most valued assets of the Company. They work individually and collectively contributing to the achievement of the objectives of the business. The relation between the employees and the Company remained cordial throughout the year. Your Company's corporate culture and the vision and values help unite the workforce and provide standards for how your Company conducts the business.

i) Code of Conduct:

The Board of Directors has prescribed norms of ethical practices and code of conduct for the Directors of the Company. The Code of Conduct of the Company lays down the principles, values, standards and rules of behavior that guide the decisions, procedures and systems of the Company in a way that (a) it contributes to the welfare of its stakeholders, and (b) respects the rights of all constituents affected by its operations. The Code of Conduct is reviewed from time to time by the Board.

4. DEMATERIALIZATION OF SHARES:

Dematerialisation is the process of converting the physical form of shares into electronic form. Dematerialisation helps to overcome the problems of delay in transfer of certificates, forgery of certificates etc. as well as reduces the transaction time as compared to the physical segment. Due to the various benefits of dematerialization of shares to the investors and the Company as well, your Directors request and recommend you to convert your physical shares in dematerialised form.

**5. CORPORATE GOVERNANCE:**

Report on Corporate Governance is furnished as a part of the Directors' Report and forms part of this report. Certificate from Practicing Company Secretaries regarding compliance is annexed hereto and forms part of this report.

6. COST AUDIT:

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

7. 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:

- (i) that in the preparation of the Annual Accounts for the year ended March 31, 2011; the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- (ii) that 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, 2011 and of the profit of the Company for that year.
- (iii) that 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
- (iv) that the Directors have prepared the Annual Accounts for the year ended March 31, 2011, on a going concern basis.

8. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Dilip Krishnalal Thakar, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

9. STATUTORY AUDITORS:

Your Directors request you to appoint Auditors for the current year and fix their remuneration. The Auditors of the Company, M/s. V.A. Parikh & Associates, Chartered Accountants retire at the 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.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

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

11. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The total exports for the year 2010 – 2011 amounts to Rs. 1,33,520,201.90/-. Efforts are being made to develop new products keeping in view the international market which is sensitive to changing fashions.

12. PARTICULARS OF EMPLOYEES:

There are no such employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules 1975 as amended by the Companies Amendment Act, 1988. Hence, no particulars of such employees are required to be appended to this report.

Place : Mumbai

Date : August 25, 2011

Registered Office :

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

For and on behalf of the Board Directors

Sd/-

Upendra N. Shah
Chairman & Managing Director

1.4.2010 till 31.3.2011



24th ANNUAL REPORT 2010-2011

MINI DIAMONDS (INDIA) LIMITED

REPORT OF CORPORATE GOVERNANCE 2010 - 2011

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance means to steer an organization in the desired direction. It deals with laws, procedures, practices and implicit rules that determine a Company's ability to take informed managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of 'good' corporate governance: maximising long-term shareholder value."

MINI DIAMONDS (INDIA) LIMITED believes that Corporate Governance brings about equilibrium between the expectations of the owners, employees, customers and all other stakeholders. It builds continuing bonds with shareholders, employees, investors, depositors, borrowers, suppliers, customers and business constituents.

The Company believes that its fundamental objective is not mere fulfillment of the requirements of law but in ensuring commitment of the Board in managing the Company in a transparent manner for maximizing stakeholder value.

Securities and Exchange Board of India (SEBI) incorporated Clause 49 in the Listing Agreement in February 2000, as part of its endeavour to improve the standards of Corporate Governance in line with the needs of a dynamic market. 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.

The Company aims at maximizing long-term value and shareholders' wealth and thus adheres to the ethics, value and morals of the Company and its Director.

Good governance is integral to the very existence of the Company. It seeks to achieve following objectives of the Company viz:

- 1) A properly structured Board capable of taking independent and objective decisions;
- 2) Adoption of transparent procedures and practices and to arrive at decisions on the strength of adequate information.
- 3) To keep the shareholders informed of relevant developments impacting the Company.

Your Board of Directors presents the Corporate Governance Report for the year 2010-2011.

2. BOARD OF DIRECTORS:

a. Size and Composition of Board

The Board of Directors plays a pivotal role in ensuring good governance. Mini Diamonds (India) Limited has a balanced Board structure comprising of adequate number of non-executive and independent directors who take care of the interest and well-being of all the stakeholders.. The Composition of the Board and Category of Directors are as follows:

Category	Name of the Director
Promoter Director	Mr. Upendra N. Shah (Chairman & Managing Director)
	Mr. Himanshu K. Shah (Executive Director)
Executive Director	Mr. Dilip Shah (Executive Director)
Independent and	Mr. Dilip K. Thakker
Non-Executive Director	Mr. Vikas Upendra Nayak
	*Mr. Sameep B Shah

Note: Mr. Mahadev P. Desai, Independent & Non-executive Director has resigned from the board with effect from February 7, 2011

* Mr. Sameep B Shah has been appointed as Additional Independent & Non Executive Director on July 30, 2011