



RAJESH EXPORTS LIMITED

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9th

ANNUAL
REPORT

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RAJESH EXPORTS LIMITED

Board of Directors

SHRI RAJESH MEHTA	<i>Executive Chairman</i>
SHRI PRASHANT MEHTA	<i>Managing Director</i>
SHRI P. SHIVASHANKAR	<i>Director</i>
SHRI G. SHANKAR PRASAD	<i>Director</i>
SHRI VENU MADHAV REDDY	<i>Director</i>

Auditors

M/S. P.K. RUNGTA & CO.
Chartered Accountants
Bangalore.

Bankers

Canara Bank
State Bank of India
HSBC
UCO Bank

Regd. Office

No.4, Batavia Chambers
Kumara Krupa Road
Kumara Park East
Bangalore - 560 001.

Share Transfer Agents

M/s. S.K.D.C. CONSULTANTS LIMITED
11, Street No.1, S.N. Layout
Tatabad, Coimbatore - 641 012
Telephone : 0422 - 2499856 / 2494704 / 2495962
Fax : 0422 - 2499574

RAJESH EXPORTS LIMITED

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NOTICE

NOTICE is hereby given that the 9th annual general meeting of the members of **RAJESH EXPORTS LIMITED** will be held at **Mini Hall, Hotel Woodlands, No.5, Raja Ram Mohan Roy Road, BANGALORE on 25th September 2003 at 11.30 A.M.** to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the profit and loss account for the year ended 31st March 2003 and the balance sheet as at that date together with the reports of directors and auditors thereon.
2. To declare dividend.
3. To appoint a director in place of Mr. Shiva Shankar who retires by rotation and being eligible offers himself for re-election.
4. To appoint auditors and to fix their remuneration.
5. To De list the securities of the company from Ahmedabad and Bangalore Stock Exchanges.

By order of the Board
for **RAJESH EXPORTS LIMITED**

Place : Bangalore
Date : 13/8/2003

Director

Registered Office :
No.4, Batavia Chambers
Kumara Krupa Road
BANGALORE - 560 001

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NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be lodged at the registered office of the company not less than 48 hours before the commencement of the Meeting.
3. The register of members and share transfer books of the company will remain closed from 19th September 2003 to 25th September 2003 (both days inclusive).
4. It is suggested for the convenience of the members that they inform the company about their bank account numbers, name of bank (also address of the bank if they desire that the warrant be mailed to the bank directly) to enable printing of these particulars on the dividend warrant as a measure of abundant caution to minimise loss due to warrants falling into improper hands through forgery and fraud.
5. Members seeking any information with regard to accounts are requested to write to the company early so as to enable the management to keep information ready.
6. Members / Proxies should bring the attendance slip sent herewith duly filled for attending the meeting.
7. Members are requested to address their correspondence, including share transfer matters and change of Address to :

SKDC CONSULTANTS LTD
No.11, Street No.1
S.N.Layout
Tatabad (West Power House Road)
Coimbatore - 641 012.
Phone : (0422) 2499856, 2494704

RAJESH EXPORTS LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their 9th Report on the business and operations of the Company for the year ended 31st March 2003.

FINANCIAL RESULTS

	(Rs. in Lakhs)	(Rs. in Lakhs)
	For the Year ending 31.03.2003	For the Year ending 31.03.2002
Profit before depreciation	956.97	1201.50
Less : Depreciation	118.87	59.97
Profit after depreciation	838.10	1141.53
Less : Provision for Taxation	19.20	8.05
Deferred taxation for the year	80.98	37.35
Profit after Taxation	737.92	1096.13
Add : Balance as per last account	421.69	342.79
Profit available for appropriation	1159.61	1441.58
Less : Transferred To General Reserve	933.36	1000.00
Less : Dividend / Interim Dividend including Tax on Dividend	34.61	19.88
Balance Surplus Transferred to Balance Sheet	191.64	421.70

OPERATIONS

The net profit after deduction of depreciation and tax is Rs.7,37,92,074/-. The Company has transferred Rs.933.36 Lakhs to General Reserves.

DIVIDEND

Your Directors have recommended a Dividend of 15% for the year 2002-03, to be paid to all the members whose names stand registered in the books of the Company on 19/9/2003 except to the subscribers to the Memorandum and Articles of the company as per Para 6 of the Articles of Association of the Company, subject to the approval of the members at the ensuing Annual General Meeting.

STATUTORY PARTICULARS**(A) Particulars of Employees :**

During the year under review there were no employees who were drawing a remuneration in excess of Rs.6 lakhs per annum or Rs.50,000/- per month, if employed for a part of the year.

(B) Conservation of Energy :

Your Directors are proud to state that your Company is one among the lowest energy consuming units in the world compared with the turnover and employment generated.

(C) Research, Development and Technology Absorption :

Your Company has setup a State of the Art, Research and Development unit at the White Field Jewellery Park, which is one of the finest in the world and this research and development facility has been responsible in inventing some of the finest jewellery concepts and patterns which have been accepted and highly appreciated the world over.

**(D) Foreign Exchange Earnings and Outflow**

Foreign Exchange Earnings : Rs.112,76,90,877/-

Foreign Exchange Outflow : Rs. 91,76,61,898/-

CORPORATE GOVERNANCE

The report of the Directors on Corporate Governance is given separately and included as an annexure to this report.

DIRECTORS

Sri P.Shiva Shankar, Director of your Company retires by rotation and being eligible offers himself for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors responsibility statement, it is hereby confirmed :

- 1) That for the preparation of the Annual Accounts for the Financial Year ended 31.03.2003, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- 2) The directors have 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;
- 3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 4) That the Directors had prepared the accounts for the financial year ended 31.03.2003 on the "Going Concern" basis.

AUDITORS

M/s. P.K. Rungta and Company, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

LISTING

The Shares of the Company continue to be listed at National Stock Exchange, Bombay Stock Exchange and Bangalore Stock Exchange. Annual listing fees to National Stock Exchange, Bombay Stock Exchange and Bangalore Stock Exchange have been paid.

ACKNOWLEDGMENT

Your Directors wish to place on record their sincere appreciation of the employees Co-operation, which has resulted in the continuing success of the Company. Your Directors place on record their gratitude to Canara Bank, State Bank of India, Hongkong and Shanghai Banking Corporation Limited and UCO Bank for their co-operation. Your Directors also thank the shareholders for their continuous support.

For and on behalf of the Board

Place : Bangalore
Date : 26/6/2003

RAJESH MEHTA
Chairman

RAJESH EXPORTS LIMITED

MANAGEMENT DISCUSSIONS AND ANALYSIS

INTRODUCTION

1. Rajesh Exports Limited is engaged in the Manufacture, Export and Wholesale of gold jewellery. Currently the company is the largest exporter of gold jewellery from the country.
2. REL was established on 29.05.1990 as a partnership firm and was reconstituted as a joint stock company on 25.01.1995 and was registered as a public company in the name and style of Rajesh Exports Limited on 1.02.1995.
3. REL was started as a jewellery manufacturing and export company and went on to become the most successful jewellery exporting company in the country.
4. REL had setup the world's largest and the most modern jewellery manufacturing facility at White Field, Bangalore in the year 2002.
5. REL has setup one of the finest and widely spread marketing network across the world and also in different states of India.
6. Along with export sales Rajesh Exports Limited has also diversified into domestic wholesale of gold jewellery and has received overwhelming demand for its products.
7. Since its inception, REL is a profit making and a dividend paying company which has grown from a turnover of R.30 Lacs to an anticipated sales of Rs. 500 crores for the current financial year.
8. REL is the only government of India recognised trading house in the field of gold jewellery and has received several central government and state government awards for excellence in exports.

PROFILE OF THE COMPANY :

1. *Back Ground :*

Rajesh Exports Limited was established as a partnership firm on 29.05.1990. REL went public in the year 1995 with a public issue of 20,00,000 equity shares of Rs.10/- each for cash at a premium of Rs.40/- per share. The public issue was overwhelmingly received by the public and was oversubscribed by about 25 times.

Originally Mr. Jaswanth Rai Mehta who has an experience of over four decades in jewellery trade promoted Rajesh Exports. His sons Mr. Prashant Mehta and Mr. Rajesh Mehta who had an experience of about five years each in jewellery at that time joined him. Currently Mr. Rajesh Mehta and Mr. Prashant Mehta lead the company in the capacities of Chairman and Managing Director along with other directors.

2. *Structure :*

Rajesh Exports Limited is a public limited company with a paid up capital of 70,01,100 shares of Rs.10/- each. 73.64% capital is held by the promoters and 22.86% is held by more than 2,500 share holders spread across the country. The company is headed by a board of directors, constituted by experts in jewellery field, widely experienced administrative professionals, legal and taxation experts head the company.

Shares of the Company are listed on the National Stock Exchange, The Bombay Stock Exchange and The Bangalore Stock Exchange. Shares have traded from a low of Rs.55/- per share to a high of Rs.385/- per share. Currently the share price is quoted on an average of around Rs.100/- per share.

Companies Share price movement and volume of shares traded on NSE since last one year is included as an annexure in the corporate governance report.

MANAGEMENT :

Board of directors head the management of the Company, which also consist of whole time directors.



The following are the board of directors of the Company :

Sl.No.	Name	Designation	Profession
01.	Mr.Rajesh Mehta	Chairman	Rich experience of over 20 years in practical functioning and management of jewellery trade.
02.	Mr.Prashanth Mehta	Managing Director	Over 20 years of experience in jewellery production, and marketing.
03.	Mr.Shiva Shankar	Director	Tax consultant by profession and advises the company regarding taxation matters.
04.	Mr.Venu Madhava Reddy	Director	Has an experience of over 7 years in the management of the company.
05.	Mr.Shankar Prasad	Director	Well known company secretary and advises the company on all company law matters.

The board of directors are ably supported in day to day functioning by a team of highly qualified and experienced professionals in their respective fields.

Production process :

The production process can be broadly divided into machine made, hand made and fusion jewellery. The primary raw material for manufacture of gold jewellery is gold bullion which is easily available in India after liberalisation of gold import.

The company has the best of managerial and artisan force, which is drawn from different parts of the country, specialised in making of different kinds of jewellery. There are master artisans who have been groomed and developed by the company over a period of time. The company has set up state of the art machinery and invested heavily in technology and process controls.

The entire production process is controlled by a customised ERP package, The company has been responsible for the invention of several new products, processes and finishing in jewellery which are successful in both global and domestic markets. The production facility is seamlessly integrated to produce quality jewellery from the basic raw material. The company has a very strict quality control department headed by an AGM and well supported by managers and supervisors who ensure that every piece of jewellery passes rigorous quality control checks both for purity and finishing.

TYPES OF MANUFACTURING PROCESS :

Machine made chains :

Machine made chains are manufactured in a semi automatic process where gold rods are first converted into required thin gauges of wires by passing them through wire drawing machines and thin wire drawing machines. The wire is spooled and the spools are mounted on automatic chain linking machines, which link the wire into different designs of chains in a fully automated process. The chain is faceted and then cut into required sizes, loops and hooks are fixed to the chain and are sent for final polishing and quality control department for further delivery.

Hand made jewellery :

1. Wire drawing : In the first step, gold bars are converted into required gauges of wires and plates with the help of rolling mills.
2. Stamping : The gold plates are stamped with required stamping dyes to get specified dye cutting with the help of dye press.
3. Fabricating : The wires are fabricated into specific designs to get frames. These frames are placed on wax. Designs are formed on this wax with the help of wires, twisted wires, dye cutting and hollow balls. After the design is complete, plaster of paris is poured on the design. The plaster of paris is allowed to dry after which the wax is pulled out. The design remains in the plaster of paris.
4. Soldering : The loose ends in the design are set with solder alloy pieces and the solder alloy is subjected to about 700 to 750 degrees centigrade flame. The solder melts and the ends are joined, after which the plaster of paris is broken to get the solder design piece out.

RAJESH EXPORTS LIMITED

5. **Cleaning, filling and accessory soldering :** The design piece is cleaned in acid and then the extra solder alloy is filed to give a smooth surface. After this accessory fittings like loops, chains etc are completed.
6. **Polishing :** The complete jewellery obtained is thoroughly cleaned in water with the help of wire brush fitted on a motor. The required jewellery is buffed with the required buff and buff powder. The jewellery is then cleaned with sulphuric acid and required jewellery is also subjected to vibrating process in a magnetic drum.
7. **Cutting :** The jewellery is then fitted on wooden pieces with the help of sealing wax and required portion are cut with fine chisels to get the cutting shine. The jewellery is then removed by heating the wax and cleaned in boiling water and caustic soda. Some of the jewellery is also subjected to automatic diamond tool cutting.
8. **Checking and quality control :** Each piece of jewellery is subjected to strict manual tests and the pieces, which do not come up to quality standards, are rejected.

Casted Jewellery :

Plain and diamond jewellery is casted using lost wax investment casting process. The steps involved in this process are as under.

1. **Metal Master Making :** This step normally involves crafting of models in silver alloy as per the predetermined designs. This process is done manually and is not a part of day to day manufacturing operations.
2. **Rubber mould making :** An exact impression of metal master is taken in a rubber mould by the process of vulcanisation.
3. **Wax injection and wax model making :** Wax models are prepared by injecting wax into the impression created in the vulcanised rubber mould with the help of wax injector. The wax models are then checked for rejections and only the perfect pieces are passed for further process.
4. **Spurring :** The wax models are fixed on wax spurs and thus forming a wax tree.
5. **Investing :** Wax models fixed on a wax tree are placed in a steel flask which is then filled with liquid investment powder under vacuum condition in the vacuum investment machine. The investment flask is allowed to set for an hour.
6. **Burnout :** The burnout is a process under which the invested flasks are placed in an oven at a temp of 1350 F. The wax is eliminated by burning out, forming a cavity in the inverted flask.
7. **Casting :** For casting, the gold alloy is heated in a crucible. The metal gold alloy is forced into the flask cavities either by centrifugal force or vacuum pressure.
8. **Despruing and pre polishing :** In this process, the castings are cut from the main metal tree to leave behind the sprue. After desprueing, using motor driven buffing wheels. Pre polishing is done which gives a shine to the casting. The gold dust so collected is sent for refining and melting. The gold that is collected is then reused.
9. **Setting :** In this process, the stones are set into the gold castings that have been made. There are different methods of setting such as prong setting, basal setting, bead setting, tube setting etc.
10. **Final Polishing :** After setting, the casted jewellery is polished with a soft polishing wheel and ultrasonically cleaned as final jewellery.
11. **Quality Control :** Each jewellery item is individually checked for quality and after approval, it is finally packed for export.

Business Analysis :

The main product of the company is gold jewellery. Gold and gold jewellery has a history of more than 5000 years. Gold is known as international currency, mainly due to its inherent value, excellent non-destructible properties and rare availability. It is a metal which acts as a hedge against inflation. Gold jewellery is sought after and owned by all sections of the society across the world, irrespective of their social standings. It is the most liquid and safe asset which can be acquired and held by human beings.

1. Global Market :

Gold jewellery has a world wide market. All the countries in the world have a market for gold jewellery, which is divided into different caratages depending upon the choice of the population. The total global gold jewellery market is estimated at 75 billion dollars per annum. Gold jewellery demand in global market is growing at the rate of about



5% per annum. Italy, USA, Israel and Singapore are the major players in gold jewellery markets in the world. Indian gold jewellery is most sought after for its unique workmanship and designs. India has the potential to emerge as a leading player in the global gold jewellery market due to its heritage, quality and economical labor in the manufacturer of gold jewellery. Currently Indian export market share in the global jewellery market is less than 1% with a very high growth potential.

Rajesh Exports Limited has decided to increase its share in Indian gold jewellery exports from about 10% to 30% in the next 3 years and upto 50% in the next 6 years. The company has developed certain new products for exports which are in excellent demand in the overseas market. These products would be superior to the products manufactured in countries like Italy, Singapore etc. With these new products the company is planning to increase its business with the existing clients and also would like to add new clients in Europe, Middle East, USA and Singapore. The company is confident of achieving its export target as there is an excellent demand for these products in the overseas market.

2. Indian Market :

India is the largest consumer of gold in the world. The total Indian gold jewellery market is estimated at about 10 billion dollars per annum, and is growing at the rate of about 15% per annum. Indian gold jewellery market is pre dominantly for 22-carat jewellery. Most of the Indian gold jewellery trade is carried on in the unorganised sector without strict adherence to quality and finishing. Organised trading and quality awareness has started in the Indian market and the change is taking place rapidly due to the changing environment of Indian living and economy. The four southern states in India consume about 50% of Indian gold jewellery production.

At present the company is concentrating in supplying jewellery to the four southern states on wholesale basis. The company is planning to increase its domestic sale from current 118 crores to 600 crores in the next three years and is confident of achieving this projected target with its wide network of marketing infrastructure and its excellent production facility.

3. Future :

Gold jewellery is popular for its security and fashion value and has got excellent future due to inherent properties of being the most suitable metal for manufacture of jewellery. It is also considered as one of the best mode of investment across the world. The demand for gold jewellery has been consistently growing due to the implementation of new technologies in the manufacture of gold jewellery to suit the taste of the new generation.

The company has setup a very futuristic jewellery manufacturing facility at White Field, Bangalore. The jewellery part setup by the company is the largest jewellery manufacturing facility in the world. The jewellery park is set up in an area of 12 acres with a built up area of approximately 5,00,000 square feet, which provides finest working atmosphere for artisans of the company.

The facility has a peak production capacity of processing 150 tonnes of gold bullion into the finest jewellery which in value terms would constitute a sales turnover of about Rs.10,000 crores. The company has setup a target of achieving its peak output within the next seven years.

The company has a well experienced marketing team in place both for global and Indian markets. The company has developed an extensive global marketing network through leading wholesalers in respective countries with which the company has exclusive marketing arrangements to ensure continuous and growing business. The company exports its jewellery to USA, UK, UAE, Kuwait, Muscat, Singapore etc. The company has maintained excellent professional relations with most of the overseas buyers since the beginning of the company's exports. These are basically wholesalers who in turn supply to jewellers and semi-wholesalers in their respective areas. The entire operation of the company is computerised and credit limits has been set for each of the parts in export and for local wholesale. There is a strong credit policy in place, according to which the company does not taken exposure on a single party for more than 20% of the estimated worth of the part. The credit limits are allotted to the parties after through research and discussions. As such the company is well prepared to meet the future targets and challenges.

4. Company's Position

The company is currently the leader in the gold jewellery segment of the company and it is the only listed company in India in the gold jewellery segment. The company is the largest manufacturer of 22-carat gold jewellery in the world. The company has over the period of time acquired expertise in the manufacture of gold jewellery and is currently in a position to produce the finest gold jewellery in the world at the most economical price. The company has also setup an excellent supply chain management system, both for international and domestic market, which