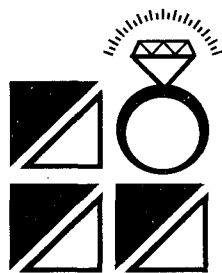


13th

ANNUAL REPORT

2006 - 2007

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RAJESH EXPORTS LIMITED



RAJESH EXPORTS LIMITED

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RAJESH EXPORTS LIMITED

Board of Directors.

SHRI. RAJESH MEHTA

Executive Chairman.

SHRI. PRASHANT MEHTA

Managing Director.

SHRI. P. SHIVA SHANKER

Director.

SHRI. Y. VENU MADHAVA REDDY

Director.

SHRI. G. SHANKER PRASAD

Director.

Auditors

M/s P. K Rungta & Co.

Chartered Accountants

Jyothi Complex

Infantry Road

Bangalore.

Bankers.

Canara Bank

State Bank of India

HSBC

UCO Bank

Regd Office.

4, Batavia Chambers

Kumara Krupa Road

Kumara Park East

Bangalore - 560 001.

Tel: 91-80-22266735

Fax: 91-80-22259503

Share Transfer Agents

M/s S. K. D. C Consultants Limited

P.B. No. 2979, 11, S. N. Layout

Street No.1, (West Power House Road)

Coimbatore - 641 012.

Phone: 0422 - 6549995; 2499803

Fax: 0422 2499574.

E-mail: info@skdc-consultants.com



NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Members of **RAJESH EXPORTS LTD** will be held at **4.30 P.M. on 22-09-2007 at the Mini Hall, Hotel Woodlands, # 5, Raja Rammohan Roy Road, BANGALORE** to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss account for the year ended 31st March 2007 and the Balance Sheet as at that date together with the reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Venu Madhava Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. Shiva Shankar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to Section 269, Schedule XIII and all other applicable Provisions of the Companies Act, 1956, Mr. Rajesh J. Mehta be and is hereby re-appointed as the Executive Chairman of the Company for a further period of three years from 16-03-2007 on existing terms and conditions viz

Remuneration:

Salary – Rs. 1,19,988/- p.a.

Perquisites (subject to a ceiling of Rs. 60,000/- p.a.)

- a. Free use of Company's car and driver.
- b. Leave Travel Concession for self and family, once in year.
- c. Children's Education Allowance, subject to a maximum of Rs. 6,000/- p.a.
- d. Reimbursement of medical expenses for self and family.
- e. Fees of clubs, subject to maximum of 2 clubs.
- f. Contribution to Provident Fund to the extent it is not taxable under Income Tax Act, 1961.
- g. Gratuity payable at a rate not exceeding half a month's salary, for each completed year of service.
- h. Encashment of leave at the end of the tenure.
- i. Personal Accident Insurance Premium, not exceeding Rs. 1,000/- p.a.

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

“RESOLVED THAT pursuant to Section 269, Schedule XIII and all other applicable Provisions of the Companies Act, 1956, Mr. Prashant J. Mehta be and is hereby re-appointed as the Managing Director of the Company for a further period of three years from 16-03-2007 on existing terms and conditions viz,

Remuneration:

Salary – Rs. 1,19,988/- p.a.

Perquisites

- a. Free use of Company's car and driver.
- b. Leave Travel Concession for self and family, once in year.
- c. Reimbursement of medical expenses for self and family.
- d. Fees of clubs, subject to maximum of 2 clubs.
- e. Contribution to Provident Fund to the extent it is not taxable under Income Tax Act, 1961.
- f. Gratuity payable at a rate not exceeding half a month's salary, for each completed year of service.

RAJESH EXPORTS LIMITED

- a. Personal Accident Insurance Premium, not exceeding Rs. 1,000/- p.a.
- b. Children's Education Allowance, subject to a maximum of Rs. 6000/- p.a.
- c. Encashment of leave at the end of the tenure.

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

RESOLVED THAT pursuant to item No 20 B, clause III B of Memorandum of Association of the company, the approval of the company be given to the pursuit of the business of giving financial assistance by securing the mortgage of properties.

9. To consider and if thought fit to pass with or without modification the following resolution as a special resolution

RESOLVED THAT subject to applicable provisions if any under FEMA, 1999 (Foreign Exchange Management Act) and Companies Act, 1956, the consent of the company be and is hereby accorded to the raising of the ceiling of acquisition of equity shares in the company by NRI's / PIO's to 24 % of the paid up capital of the company.

FURTHER RESOLVED THAT the Board of Directors of the company be and is authorised to take steps as may be necessary in this regard.

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 6 of the Agenda:

The term of appointment of Mr. Rajesh J. Mehta as the Executive Chairman of the Company has expired on March 15, 2007. Mr. Rajesh J. Mehta, who is known for his impeccable skills, was instrumental in the efficient management of the Company. It may not be out of place to mention here that Mr. Rajesh J Mehta, with his quest for excellence, uplifted the Company with a modest turnover to one that has entered the Billion dollar club in the last financial year, within a short span of time. In his tireless efforts and under his able Chairmanship, the Company achieved a prominent position among the Indian Corporates. The innumerable Awards that the Company continues to bag both from the Centre and the State Governments are the testimony to his caliber and unequivocal etiquette coupled with his business acumen.

Therefore, your Directors consider it inevitable and most advantageous to continue to receive the benefit of the expert advice and guidance of Mr. Rajesh J. Mehta as the Executive Chairman for the efficient functioning of the Company.

Mr. Rajesh J Mehta and Mr. Prashant Mehta may be regarded as interested Directors in the aforesaid Resolution.

Item No. 7 of the Agenda:

The term of appointment of Mr. Prashant J. Mehta as the Managing Director of the Company has expired on March 15, 2007.

Mr. Prashant Mehta, who is well known for his manufacturing skills, was instrumental in setting up of a modern and most integrated facility for the manufacture of gold jewellery at Whitefield. He, along with Mr. Rajesh J Mehta, paved the way for the setting up of a highly advanced Research and Development facility for the evolution of crafting of jewellery and for the development of new internationally accepted designs.

In the light of the above, your Directors consider it desirable and advantageous to continue to avail the services of Mr. Prashant J Mehta in the interest of the Company's progress.

Mr. Rajesh J Mehta and Mr. Prashant Mehta may be regarded as interested Directors in the aforesaid Resolution.

Item No. 8 of the Agenda:

Pursuant to the Provisions of Section 149 (2A) of the Company's Act, 1956, it is mandatory to obtain approval of the shareholders prior to commencement of any business mentioned in Clause III (C) of the Memorandum of Association of the Company.

Since "to lend, advance or guarantee to any one with or without security, on such terms and conditions as may be deemed proper" have been included and envisaged in the Memorandum of Association. It is considered desirable to pursue the business of giving financial assistance by securing the mortgage of properties.

Item No. 9 of the Agenda

The regulations under FEMA, 1999 allow NRI's /PIO's to acquire equity shares in Indian Companies to the extent of 10 % of the paid up capital of the company. However the ceiling can be raised to 24 % if the approval of the Board of Directors and the members of the company are accorded. The Board of Directors of the company have approved the proposal to raise ceiling to 24 % in view of the fact that there is a substantial and growing interest among NRI's / IPO's to invest in the shares of the company. The matter is now placed before the members for their approval.

No Director is deemed to be interested in the resolution.

By the Order of the Board

Place: Bangalore
Date: 26.07.2007

RAJESH MEHTA

Chairman



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/herself and the proxy so appointed need not be a member of the Company.
2. Proxies, in order to be effective, should 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 18-09-2007 to 22-09-2007 (both days inclusive.) notice of which will appear in the News Paper on 10-09-2007.
4. It is suggested for the convenience of the Members, that they inform the Company about their Bank account Number, Name of the 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 warrants, as a measure of abundant caution to minimize loss due to warrants falling into improper hands through forgery or fraud.
5. Members seeking any information with regard to the accounts are requested to write to the Company early, so as to enable the Management to keep the information ready.
6. Members/proxies should bring the attendance slip sent herewith duly filled in, for attending the Meeting.
7. Members are requested to address their correspondence, including share transfer matters and change of address to:

S. K. D. C. Consultants Limited
P.B. No. 2979, 11, S. N. Layout
Street No.1, (West Power House Road)
Coimbatore - 641 012.
Phone: 0422 - 6549995; 2499803
Fax: 0422 2499574.
E-mail: info@skdc-consultants.com

PROFILES OF RETIRING DIRECTORS WHO OFFER THEMSELVES FOR REAPPOINTMENT:

Mr. P. Shiva Shankar, aged about 44 years, is a tax planner and tax consultant by profession and advises the company on taxation matters. The board considers it appropriate to reappoint Mr. P. Shiva Shankar as a Director.

Mr. Venu Madhava Reddy, aged about 37 years, has an experience of over 12 years in management and administration. The Board considers it expedient to reappoint Mr. Venu Madhava Reddy as a Director.

RAJESH EXPORTS LIMITED

DIRECTORS' REPORT

Your Directors have great pleasure in presenting their 13th annual report on the business and operations of the Company, for the financial year ended 31st March 2007.

FINANCIAL RESULTS

| | (Rs. in Crores) For the year ended 31.03.2007 | (Rs. in Crores) For the year ended 31.03.2006 |
|---|---|---|
| Profit Before Depreciation | 105.70 | 71.59 |
| Less : Depreciation | 1.46 | 1.40 |
| Profit after depreciation | 104.24 | 70.19 |
| Less : Provision for taxation Deferred taxation for the year | 2.96 | 3.64 |
| Profit after taxation | 101.28 | 66.54 |
| Add : Balance as per last account | 11.26 | 13.14 |
| Profit available for appropriation | 112.55 | 79.69 |
| Less : transfer to general reserves | 75.00 | 60.00 |
| Less : Proposed dividend including tax on Dividend | 8.64 | 8.42 |
| Balance surplus transferred to Balance Sheet | 28.90 | 11.27 |

OPERATIONS

Your Directors are pleased to report that your Company's total income during the period under review stood at a record all time high of Rs. 6893.39 crores compared to that of Rs. 5483.67 crores during the previous year. As a result, the net profit for the year under review, after provision for depreciation and income tax was 101.28 crores which is 52.20% higher than that of the previous year. The Company has transferred an amount of Rs. 75.00 crores to the general reserves. As a result, the total reserve of the Company has moved up to 255.00 crores.

DIVIDEND

Keeping in view the profitability of the Company, your Directors have recommended a dividend of 100%. This is the third consecutive year that the Company has recommended 100% dividend to its shareholders.

Company's (Disclosure of particulars in the report of Board of Directors) Rules, 1988

A) Particulars of Employees

During the year under review, there were no employees who were drawing remuneration in excess of Rs. 24 Lakhs per annum or Rs. 2,00,000/- per month, if employed for a part of the year.

B) Research and Development and technology absorption

Your Company has the largest and one of the finest R&D units in the jewellery industry. The research and development team of the Company comprises of some of the finest designers, metallurgists, chemists and senior craftsman. The Company has been instrumental in developing and introducing several widely acclaimed jewellery designs. The Company has also developed several new systems, procedures and techniques in jewellery manufacturing.

DIRECTORS

Mr. P. Shiva Shankar and Mr. Venu Madhava Reddy, Directors of your Company, retire by rotation and being eligible; offer themselves for reappointment.



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 compilation of the annual accounts for the financial year ended 31.03.2007, the applicable accounting standards have been followed along with proper explanation relating to the material departures.
2. 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 under review and of the profit of the Company for that period.
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.

That the Directors have compiled the accounts for the financial year ended 31.03.2007 on a "going concern"

FOREIGN EXCHANGE EARNINGS

During the year the Company has reported foreign exchange earnings of Rs. 63831.54 million (Previous year: Rs. 52173.90). The foreign exchange outgo on account of import of raw materials amounted to Rs. 64900.54 million (Previous year: Rs. 53070.80 million).

AUDITORS

M/s. P. K. Rungta & Co, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. They have confirmed that their reappointment as auditors of the Company, if made, would be in accordance with the limits specified under section 224 (1B) of the Companies Act, 1956.

LISTING

The shares of the Company continue to be listed at the National Stock Exchange of India Ltd, Mumbai and the Bombay Stock Exchange Ltd, Mumbai. The annual listing fees for National Stock Exchange of India Ltd and Bombay Stock Exchange have been paid.

ACKNOWLEDGEMENTS

Your directors specially wish to place on record, their sincere appreciation to the people of the Company for their dedication and hard work, which has resulted in the overwhelming success of the Company during the year under report. Your directors place on record their gratitude to Canara Bank, State Bank of India, HSBC and UCO Bank for their continued support. Your Directors also thank all the Shareholders, Consultants, Customers, Vendors, Service providers and Government & Statutory authorities for their continued support.

For and on behalf of the Board

Place: Bangalore
Date: 26.07.2007

RAJESH MEHTA
Chairman

RAJESH EXPORTS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Our Company continues to ride on a wave of expansion strengthening its position as the world's largest integrated mines-to-customer company in the world. The Company registered a 25.74% increase in its revenue for the year ended 31/3/2007, and its order book position at the end of the financial year was Rs. 1615 crores.

Our Company's innovative design and R&D divisions have continued to develop new designs and technologies to deliver cutting edge designs with world class quality to support its international wholesaling and retailing operations. The total design portfolio at present comprises a staggering 29,000 designs, both plain gold and gem-set, arguably one of the largest and finest collections in the jewellery industry.

The Company's achievements earned note worthy recognition in the form of winning several awards and accolades. Our Company was ranked No 1 in the Gems and Jewellery sector for the year 2006 by Dun & Bradstreet; it won the Gem and Jewellery Export Promotion Council awards for the highest export in the categories of Plain Gold Jewellery exports and Plain Precious Metal Jewellery exports for the 9th consecutive year. The company won the Gold Trophy at the 'Niryat Shree' & 'Niryat Bandhu' Awards instituted by the Federation of Indian Export Organization (FIEO) for outstanding performance in Gems and Jewellery sector. The company also received FKCCI's Export Excellence Award for 2006-07.

As part of the aggressive expansion plans, during the past one year, the Company launched its national retail chain "Laabh Jewellers" through 28 showrooms across the length and breadth of India. It commenced retailing of "Shubh" gold coins and medallions through its joint-venture with the Muthoot Pappachan Group and signed a Memorandum of Understanding with Fossil Inc., one of the largest and most reputed fashion retailing companies, for retailing of watches, accessories and fashion jewellery through its own stores, and eventually through Fossil's world-wide network. These initiatives, and the plans for launch, during 2007-08, of the mass-market national chain of 100 jewellery stores under the "Shubh" umbrella, are expected to provide a further impetus to growth, while improving margins, over the next few years.

The Company's enviable financial record elicited an overwhelming response to its issue of Foreign Currency Convertible Bonds, and its US \$ 150 million issue was fully subscribed by an array of blue-chip international funds within record time.

MANAGEMENT

The Board of Directors heads the Management of the Company, which also includes Whole Time Directors.

The following is the composition of the Board of Directors of the Company as on 31.03.2007.

| Sl. No. | Name | Designation | Profession |
|---------|------------------------|--------------------------------------|--|
| 01. | Mr. Rajesh Mehta | Executive Chairman | Rich and varied experience of over two decades in functioning and management of jewellery trade. |
| 02. | Mr. Prashant Mehta | Managing Director | Over two decades of experience in jewellery Production and Marketing. |
| 03. | Mr. P. Shiva Shankar | Non Executive & Independent Director | Leading Tax consultant. |
| 04. | Mr. Venu Madhava Reddy | Non-Executive & Independent Director | Has an experience of over 12 years in management and administration. |
| 05. | Mr. G. Shanker Prasad | Non-Executive & Independent Director | Well known practicing Company Secretary and Cost accountant. |

The Board of Directors are efficiently complemented in the day to day functioning by a team of highly qualified professionals with considerable experience and expertise in their respective fields.

HUMAN RESOURCES

Rajesh Exports realizes the importance of human resources, which it considers next only to capital in the order of importance. The Company has a pool of highly qualified and experienced professionals, who are instrumental in achieving giant strides the Company is making year after year towards progress. The Company has a HR policy which emphasizes the need for attaining organizational goals through individual growth and development. Staff audit and performance appraisal are the key areas of the Company's HR Policy.



DISCLAIMER

Statements made in the management discussion and analysis report include forward looking statements and may differ from the actual situation. The important factors that would make a difference to the Company's operations include market factors, government regulations and policies, developments within and outside the country etc.

ANALYSIS OF FINANCIAL PERFORMANCE

a) *Key financial Indicators:*

| | 2006-2007 | 2005-2006 |
|-------------------------------|-----------|-----------|
| Return on Net Worth | 32.77% | 28.17% |
| PAT to Sales | 1.46% | 1.26% |
| Fixed Assets Turnover (Times) | 128.41 | 105.77 |
| Sales / Total Assets | 1.89 | 2.82 |

b) *Revenues :*

The business operations of Rajesh Exports Ltd for the year 2006-07 resulted in the Company achieving total revenue of Rs 6893.39 Crores as against Rs. 5483.67 Crores during the previous year. The operating revenue for the year (Revenue less other Income) is Rs. 6893.36 Crores.

| | 2006-2007 | 2005-2006 |
|-------------------|-----------|-----------|
| Operating Revenue | 6893.36 | 5428.83 |
| Other Income | 00.03 | 54.84 |
| Total Revenue | 6893.39 | 5483.67 |

(Rs. in Crores)

c) *Operating Income :*

Operating income (excluding other income) for the year 2006-2007 is Rs. 6893.36 Crores.

d) *Cost of Revenue :*

Cost of goods sold for 2006-2007 is Rs.6542.54 crores as compared to Rs 5360.68 Crores in the previous year.

e) *Provision for Taxation:*

The provision for taxation for 2006-07 is Rs. 2.96 crores as compared to Rs. 3.64 Crores during the previous year.

f) *Debt:*

The Company as at 31st March 2007 has the following term loan and working capital facilities outstanding with the consortium member Banks.

(Rs In Cores)

Term Loan and Working Capital: 300.86

Note: Apart from the above credit facilities the Company has also availed overdraft facility against its own deposits for meeting short term working capital requirements.

g) *Fixed Assets:*

The book value of fixed assets for the year ended 31/3/2007 after providing for depreciation is Rs. 53.68 crores.

h) *Loans and Advances:*

The loans and advances as on 31st March 2007 were Rs.157.54 Crores as compared to Rs.81.89 Crores during the previous year.

i) *Cash and Bank Balances:*

REL continues to be a cash positive Company. As on 31st March 2007 the Company has Rs.3256.80 Crores (Net) as cash and bank balances.

j) *Current Liabilities:*

The current liabilities as on 31.03.2007 are Rs.835.07 Crores as compared to Rs.292.78 crores during the previous year.