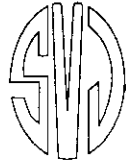


Shantivijay Jewels Limited

ANNUAL REPORT 1998-99



SHANTIVIJAY JEWELS LIMITED

BOARD OF DIRECTORS

BIMALCHAND GODHA
(Chairman & Managing Director)

JEFFREY K. STERN
VASANTLAL D. MEHTA
ABHAY KUMAR S. KASLIWAL
RAJENDRA J. SHAH
PRADEEP B. GODHA
ANURAG B. GODHA

REGISTERED OFFICE / WORKS

G 37, Gems & Jewellery Complex, Bldg. No. III,
And
Plot No.-62, Near Goods Gate,
SEEPZ, Andheri (E), Mumbai-400 096.

ADMINISTRATIVE OFFICE

L-1, Hotel Oberoi Towers, Nariman Point, Mumbai-400 021.

BANKERS

Canara Bank
Overseas Branch, Nariman Point, Mumbai-400 021.

AUDITORS

B.F. Chordia & Co.
Chartered Accountants
67/1305, Veera Desai Road, Andheri (West), Mumbai-400 058.

REGISTRAR & TRANSFER AGENTS

R & D Consultants Pvt. Ltd.,
610, Dalma Towers, 211, Nariman Point, Mumbai-400 021.

ADVOCATES & SOLICITORS

Malvi Ranchoddas & Co. (Regd.)
Yusuf Building, 3rd Floor, Flora Fountain, Mumbai.

26th ANNUAL REPORT 1998-99

NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Members of SHANTIVIJAY JEWELS LIMITED will be held at Conference Room, C/o. L. D. Shah & Co., 232, General Assurance Building, Ground floor, Dr. D. N. Road, Fort, Mumbai 400 001 (Opp. Old Handloom House) on Saturday, 12th June, 1999 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors, thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri. Vasantlal D. Mehta, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. Anurag Godha, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the followings resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as "the Act") and subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Bimalchand Godha as the Managing Director of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions including remuneration as set out in the draft agreement proposed to be entered into by the Company with him and submitted to this meeting duly initialled by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or agreement as the Board of Directors in its discretion deem fit and as acceptable to Shri. Bimalchand Godha."

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as "the Act") and subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Pradeep Godha as the Wholetime Director of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions including remuneration as set out in the draft agreement proposed to be entered into by the Company with him and submitted to this meeting duly initialled by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or agreement as

the Board of Directors in its discretion deem fit and as acceptable to Shri. Pradeep Godha."

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as "the Act") and subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Anurag Godha as the Wholetime Director of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions including remuneration as set out in the draft agreement proposed to be entered into by the Company with him and submitted to this meeting duly initialled by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or agreement as the Board of Directors in its discretion deem fit and as acceptable to Shri. Anurag Godha."

NOTES

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (b) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business at Item Nos. 6 to 8 above is annexed hereto.
- (c) The Share Transfer Books and the Register of Members of the Company shall be closed from Tuesday, 08th June, 1999 to Saturday, 12th June, 1999 (both days inclusive). The dividend on shares as recommended by the Directors, if declared at the Meeting, will be payable on or after 12th June, 1999 to those members whose names appear on the Register of Members on Saturday, 12th June, 1999.
- (d) Members are requested to notify immediately any change in their address to the Share Transfer Agents of the Company, namely, R & D Consultants Private Limited at 610, Dalamal Tower, 211, Nariman Point, Mumbai-400 021.
- (e) All the documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of the Annual General Meeting.
- (f) Members desiring any information as regards the Accounts are requested to write to the Company at least seven days in advance of the date of Annual General Meeting so as to enable the Management to keep the information ready.
- (g) Members/Proxies should bring the admission slip duly filled in for attending the meeting.

BY ORDER OF THE BOARD

Registered Office :
G-37, Gem & Jewellery Complex,
Building No.III, SEEPZ,
Andheri(East),
Mumbai 400 096.
Dated 24th April, 1999

BIMALCHAND GODHA
CHAIRMAN

SHANTIVIJAY JEWELS LIMITED

ANNEXURE TO NOTICE

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

Items Nos. 6 to 8

1. At the meeting of the Board of Directors(Board) of the Company held on 24th April, 1999, Shri. Bimalchand Godha, Shri. Pradeep Godha and Shri. Anurag Godha have been reappointed as the Managing Director and Wholetime Directors(MD/WTDs) of the Company respectively for a period of five years commencing from 1st October, 1999 to 30th September, 2004 and upon the terms and conditions contained in the draft agreements proposed to be entered into by the Company with each of them, subject to the approval of the Company in general meeting.

2. The each of the said agreements, interalia, contain the following material terms and conditions :

(i) Remuneration :

(a) Salary :

Shri. Bimalchand Godha Rs.50,000/- per month
Shri. Pradeep Godha Rs.40,000/- per month
Shri. Anurag Godha Rs.40,000/- per month
The above salary per month shall be paid with power to the Board to increase the salary from time to time subject to ceiling of Rs.1,00,000/- per month in each of the cases.

(b) Commission @ 0.50% of the net profits of the Company subject to ceiling of twice the amount of annual salary to each of them.

(c) Perquisites :

Perquisites shall be in addition to salary and commission. The Perquisites shall be restricted to an amount equivalent to 90% of the annual salary payable to the said MD/WTDs. The following perquisites will be allowed to the said MD/WTDs:

Housing accommodation or house rent allowance; Reimbursement of medical expenses and/or medical insurance for self and family; Leave Travel Concession for self and family once in a year; Reimbursement of fees of clubs; Personal accident insurance; Bonus and such other perquisites as may be determined by the Board from time to time in each of the cases.

(d) The following perquisites shall not be included in the computation of the ceiling on remuneration specified herein :

(i) Contribution to Provident Fund, Super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

(ii) Gratuity which shall not exceed half a month's salary for each completed year of services, and

(iii) Encashment of leave at the end of the tenure.

(e) Provision of car with driver for personal use as well as business of the Company and telephone at residence.

(ii) Annual privilege leave to MD/WTDs: On full salary for a period of thirty days and shall be entitled to accumulate such leave.

(iii) MD/WTDs shall not be paid any sitting fee for attending the meetings of the Board of Directors or Committee thereof.

(iv) The Company shall pay to the MD/WTDs above Salary and perquisites/allowances notwithstanding the inadequacy or no profits in any financial year during the tenure of their respective offices as such.

(v) The other terms and conditions of the agreements are such as are customarily contained in agreements of similar nature.

3. The above may also be treated as an abstract of the respective draft agreements to be entered into between the Company and the said Shri. Bimalchand Godha, Shri. Pradeep Godha and Shri. Anurag Godha pursuant to Section 302 of the Companies Act, 1956.

4. The draft agreements proposed to be entered into between the Company and Shri. Bimalchand Godha, Shri. Pradeep Godha and Shri. Anurag Godha are available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. excluding Saturdays upto the date of the Annual General Meeting.

5. Your Directors commend the said resolutions for acceptance by the members.

6. Shri. Bimalchand Godha, Shri. Pradeep Godha and Shri. Anurag Godha are interested in the resolutions pertaining to their respective reappointments as the Managing Director and the Wholetime Directors of the Company respectively.

Shri. Bimalchand Godha, Shri. Pradeep Godha and Shri. Anurag Godha, being related to each others, are also deemed to be interested or concerned in the resolutions pertaining to their respective reappointments as aforesaid. Save and except as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

BY ORDER OF THE BOARD

Registered Office :
G-37, Gem & Jewellery Complex,
Building No.III, SEEPZ,
Andheri(East),
Mumbai 400 096.
Dated 24th April, 1999

BIMALCHAND GODHA
CHAIRMAN

26th ANNUAL REPORT 1998-99**DIRECTORS' REPORT**

TO THE MEMBERS OF
SHANTIVIJAY JEWELS LIMITED

The Directors are pleased to present their 26th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	(Rs. in Lakhs)	
	1998-99	1997-98
Profit before depreciation and interest	689.29	239.80
Depreciation	39.86	31.07
Interest	45.37	43.67
Profit before tax	604.06	165.06
Provision for taxation	NIL	NIL
Profit after tax	604.06	165.06
Balance brought forward	57.48	38.42
	661.54	203.48
Appropriations:		
Transfer to General Reserve	350.00	80.00
Proposed Dividend	75.00	60.00
Tax on distributed profits	7.50	6.00
Profit & Loss A/c. balance carried to Balance Sheet	229.04	57.48

2. DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.2.50 ps. per share (25%)(Previous Year: 20%) for the year ended 31st March, 1999. Dividend, if declared at the ensuing Annual General Meeting will absorb Rs.75.00 lakhs (Previous Year: Rs.60.00 lakhs).

3. OPERATIONS

During the year under review, the Company has achieved Sales and Operating Income of Rs.3680.54 lakhs as against Rs.5095.87 lakhs in the previous year (Normal export of jewellery Rs.1908.30 lakhs and high value emeralds jewellery and emeralds Rs.3187.57 lakhs), registering an increase of over 92 percent. Net Profit after tax has been Rs.604.06 lakhs (Previous Year:Rs.165.06 lakhs). Net Profit has been higher mainly due to credit of Rs.174.68 lakhs on account of exchange fluctuation and write back of Rs.159.38 lakhs on account of commission provision made in the last year, which under the changed conditions not payable.

The export realisation against high value emeralds jewellery of Rs.1524.53 lakhs is still due (Previous Year: Rs.2379.50 lakhs). As on the date of this report, the outstanding is Rs.835.77 lakhs which is expected to be realised by December, 1999.

During the year under review, the Company also continued to participate in various exhibitions abroad in order to increase exports.

Further, with a view to achieve backward integration, the Company has planned to start cutting and processing of rough diamonds which would not only facilitate better and increased production but also improve profitability.

As a prudent business policy, your Company has decided not to take cognizance of unrealised gain on account of conversion of current assets and liabilities at foreign currency rate at the year end and the same will be accounted for on realisation.

4. SUBSIDIARY COMPANY IN MAURITIUS

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts of Shantivijay International Limited, alongwith reports of the Board of Directors and Auditors' Report thereon for the financial year ended 31st march, 1999 are annexed.

5. DISCLOSURE ON Y2K COMPLIANCE

The operations, process, functions which could be affected due to year 2000 are mainly accounting areas. The process of Y2K compliance would be completed by end of November, 1999. The expenditure to ensure Y2K compliance is not expected to have any material financial impact.

6. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Vasantlal D. Mehta and Shri. Anurag Godha retire by rotation and, being eligible, offer themselves for reappointment.

7. PARTICULARS OF EMPLOYEES

Particulars required under Section 217(2A) of the Companies Act, 1956, as amended, read with the rules made thereunder are given in Annexure I forming part of this Report.

However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent excluding this information i.e. Annexure I. Those members who are interested in obtaining such particulars may write to the Company at its Registered Office.

8. DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure II forming part of this Report.

9. AUDITORS

B. F. Chordia & Co., Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The members are requested to appoint Auditors and fix their remuneration.

10. ACKNOWLEDGEMENT

The Directors would like to place on record their appreciation for the valuable co-operation extended to the Company by the employees of the Company, Government Departments, Canara Bank, Suppliers and Customers and Investors at large during the year under review.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 24th April,1999

BIMALCHAND GODHA
CHAIRMAN

SHANTIVIJAY JEWELS LIMITED

ANNEXURE 'II' TO DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of particular in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy

As the Company is not covered in the list of industries required to furnish details in the Form 'A' relating to conservation of energy, the same is not given.

B. Technology Absorption

Research and Development (R&D)

1. Specific areas in which (R&D) carried by the Company.
 - Manufacture of jewellery as per international standard.
 - Process Software development for avoiding human error.
 - Conceptual designs.
 - Improvement in process of gold/platinum refining.
2. Benefits derived as a result of the above R&D.
 - Precision of manufacturing.
 - Improved quality of production.
 - Minimised loss.
 - Achieved consistency in production quality.
 - Production with remarkable decrease in processing loss & better surface finish.
3. Future plan of action
 - Import of equipments, instruments etc. for further improvement in production as well as quality control.
4. Expenditure on R & D
 - NIL

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adoption and innovation
 - The Company keeps itself abreast of the technical developments and innovation in Company's line of products world wide and tries to bring about improvements in the product for better yield, quality and cost effectiveness, etc.

2. Benefits derived as a result of the above e.g. product improvement, cost reduction product development, import substitution etc.
 - As a result of above, the following benefits are achieved :
 - Cost Reduction
 - Achievement in precision & quality.
 - Use of indigenous equipment as import substitute.
3. Imported Technology.
 - The Company has not imported any technology.

C. Foreign an Exchange Earnings and Outgo

	(Rs. in Lakhs)	
	1998-99	1997-98
Foreign Exchange earned	3474.42	4993.02
Foreign Exchange used :		
CIF value of Imports :		
- Raw materials	712.88	454.41
- Stores & consumable	11.80	13.88
- Fixed assets	3.45	34.43
- Machinery spares	1.65	nil
Expenditure in foreign currency :		
- Travelling expenses	6.67	6.31
- Exhibition expenses	0.97	8.61
- Bank Charges	0.81	2.30
- Membership & Subscription	0.08	nil
Dividend remittance	1.19	1.19
	<u>739.50</u>	<u>521.13</u>

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 24th April, 1999

BIMALCHAND GODHA
CHAIRMAN

Disclosure as per Clause 31 of the Listing Agreement

The equity shares of the Company are listed on the Stock Exchange, Mumbai, the Ahmedabad Stock Exchange and the Delhi Stock Exchange Association Ltd. and that the Company has paid the annual listing fee to each of the said exchanges.

26th ANNUAL REPORT 1998-99**AUDITOR'S REPORT**

We have audited the attached Balance Sheet of "SHANTIVIJAY JEWELS LTD." as on 31st March 1999 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that,

I) As required by manufacturing and other companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act 1956 and on the basis of such checks and records as we considered appropriate and the information and explanations given to us, WE REPORT THAT,

- i) Company has maintained proper records to show full particulars including quantity details and situations of Fixed Assets, Management had Physically verified Fixed Assets, at reasonable intervals and no material discrepancies have been noticed on such verification.
- ii) None of the Fixed Assets have been revalued during the year.
- iii) The Stock of Finished Goods, Raw Materials and Stores have been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- iv) The procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size of the company and the nature of its business.
- v) There are no material discrepancies noticed on verification between the physical stocks and book records.
- vi) On the basis of our examination of stock records we are of the opinion that the valuation of stock is fair, proper and in accordance with normally accepted accounting principles
- vii) The Company has not taken any loans, from the Companies, firms and other parties listed in the register maintained u/s. 301 of the Companies Act, 1956, or from the Companies under the same management.
- viii) The Company have not given any loans & advances to the companies, firms & other parties listed in the register maintained U/s. 301 of the Companies Act 1956 or to the companies under the same management.
- ix) Company have not given any other loans / advances in the nature of loans. Interest free staff loans are being recovered in installments.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of its business with regard of purchase of raw materials, stores, finished goods and with regard to the sale of goods.
- xi) Company have effected sales/purchases to/from the parties/concerns entered in the register maintained U/S. 301 of the companies Act 1956 at the prices which are reasonable & fair, we have been informed that the same are not prejudicial to the interest of the company, there were no transactions of services with such parties.
- xii) As explained to us, the company has a regular procedure for the determination of unserviceable or damaged Raw Materials and Finished goods. There were no such Material in Stock.

- xiii) During the year Company had not accepted deposits from the public.
- xiv) Company does not have realisable by-products and scrap generated is re-used in manufacturing.
- xv) Company has an internal audit system commensurate with size & nature of its business.
- xvi) Maintenance of cost records have not been prescribed by Central Govt. u/s. 209(1) of the Companies Act, 1956.
- xvii) Company has regularly deposited Provident fund and Employees State Insurance dues with appropriate authorities.
- xviii) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31.3.1999 for a period of more than six months from the date they became payable.
- xix) According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practices.
- xx) The company is not a sick Industrial Company within the meaning of clause (o) of sub-section (1) of section 3 of the sick Industrial Companies (Special Provision) Act, 1956.

II) WE FURTHER REPORT THAT,

- 1) We have obtained all the information and explanations which to the best of our knowledge and belief are necessary for the purpose of audit except few Bank statements & Payees Stamped receipt for some of the payments, same have been verified from vouchers certified by Directors.
- 2) In our opinion proper Books of Accounts as required by Law have been kept by the Company so far as it appears from our examination of these Books.
- 3) Balance Sheet and Profit & Loss Account dealt with by this report is in agreement with these Books.
- 4) In our opinion Profit & Loss A/c and Balance Sheet complied with applicable Accounting Standards referred to in section 211 (3)(C) of the Companies Act 1956 except as shown in note no. (e)(iv) of schedule 'N' on Accounting Policies with regard to revaluation of Sundry Debtors & Creditors at the year end exchange rate as required by AS 11 which has resulted in understatement of Net Profit, Reserves & Surplus and Net Current Assets by Rs. 260.45 Lacs.
- 5) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes and schedules attached thereto give the information required by the Companies Act, 1956 in manner required and give a true and fair view,
 - a) In the case of Balance Sheet of the state of Companies affairs as on 31st March, 1999
 - b) In the case of profit & loss Account of the net profit for the year ended on that date.

For B.F. Chordia & Co.
Chartered Accountants

B.F. Chordia
Proprietor

PLACE : Mumbai
DATE : 24th April, 1999