



Shantivijay Jewels Limited

ANNUAL REPORT 2001-2002



SHANTIVIJAY JEWELS LIMITED

BOARD OF DIRECTORS

BIMALCHAND GODHA
(Chairman & Managing Director)

JEFFREY K. STERN
ABHAY KUMAR S. KASLIWAL
RAJENDRA J. SHAH
JAYANT B. SHAH
APURV R. SHAH
PRADEEP B. GODHA
ANURAG B. GODHA

REGISTERED OFFICE / WORKS

G 37, Gems & Jewellery Complex, Bldg. No. III,
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
17/1004, Indradarshan, Oshivara Link Road, Andheri (West), Mumbai-400 053.

REGISTRAR & TRANSFER AGENTS

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

TRUE COPY

For Shantivijay Jewels Ltd

[Signature]
W. Director.

SHANTIVIJAY JEWELS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF
SHANTIVIJAY JEWELS LIMITED

Your Directors present their 29th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2002

FINANCIAL RESULTS

	2001 - 2002	(Rs. in Lakhs) 2000 - 2001
Sales & Operating Income	2310.91	2910.36
Other Incomes	19.49	0.75
Deferred Tax	0.71	—
Total Income	2331.11	2911.11
Operating costs	2235.44	2617.94
Interest	13.88	31.31
Depreciation	50.98	19.53
Operating Profit	30.81	242.33
Less : Bad Debts Written off	436.46	—
Net Profit /(Loss)	(405.65)	242.33
Balance brought forward	162.88	253.26
	(242.77)	495.59
Appropriations:		
Transfer to General Reserve	(242.77)	250.00
Proposed Dividend	NIL	75.05
Tax on distributed profits	NIL	7.66
Profit & Loss A/c. Balance		
Carried to Balance Sheet	0	162.88

DIVIDEND

In view of the loss, your Directors do not recommend any dividend for the year under review.

OPERATIONS

During the year under review, Sales have been lower due to recession and adverse market conditions, more particularly, after September 11th terrorist attack in USA. The Company had also taken necessary steps to reduce interest costs. In past Company had advanced 436.46 lakhs against purchase of Precious Stones. However, since a creditor has filed a winding up petition against the concerned debtor, the said sum has been written off.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts of Shantivijay International Limited, Mauritius along with the reports of the Board of Directors and Auditors' Reports thereon for the financial year ended 31st March, 2002 are annexed.

DIRECTORS

Shri. Vasantlal D. Mehta, Director of the Company died in July, 2001. The Board placed on record its appreciation of the valuable guidance and continuous support given by him to the Company.

Shri. Jayant B. Shah and Shri. Apurva R. Shah have been appointed as the Additional Directors on 26th July, 2002. They hold office as such up to the date of ensuing Annual General Meeting. The Company has received notices from members proposing their candidature for appointment as Directors under Section 257 of the said Act together with requisite cash deposits thereof.

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

AMALGAMATION WITH SUBSIDIARY COMPANY

Amalgamation of Shantivijay Alloy Castings Private Limited, wholly owned subsidiary company with the Company has become effective from 1st April, 2001 upon filling of the orders of the High Courts of Bombay with the Registrar of Companies on 26th March, 2002.

PARTICULARS OF EMPLOYEES

The Company does not have any employee whose particulars are required to be furnished under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended up to date.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'I' forming a part of this report.

DISCLOSURE ON LISTING

As per Clause 31 of the Listing Agreement, it is disclosed that the equity shares of the Company are listed on the Stock Exchange, Mumbai, the Ahmedabad Stock Exchange and the Delhi Stock Exchange Association Ltd. The Company has paid the annual listing fees to each of the said exchanges.

DIRECTORS' RESPONSIBILITY STATEMENT

The statement as required under section 217(2AA) of the Companies Act, 1956 is given in Annexure 'II' forming a part of this report.

CORPORATE GOVERNANCE

Your Company has taken steps to comply with the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement applicable to the Company from current year i.e. 2002-2003. Report on Corporate Governance compliance is annexed as Annexure 'III' forming part of this Report.

29th ANNUAL REPORT 2001-2002**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussions and Analysis Report as required under the Listing Agreement is annexed as Annexure 'IV' forming part of this Report.

AUDITORS

B. F. Chordia & Co., Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. You are requested to appoint Auditors and fix their remuneration.

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, Bankers, Suppliers, Customers and Investors at large for their continuous support to the Company.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
DATED : 26th July, 2002

BIMALCHAND GODHA
CHAIRMAN

ANNEXURE 'I' TO DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of Particulars in the Report 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.
 - Precision of manufacturing.
2. Benefits derived as a result of the above R&D.
 - Improved quality of production.
 - Minimization of 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

2. Benefits derived as a result of the above e.g. product improvement, cost reduction product development, import substitution etc.
3. Imported Technology.

line of products world wide and tries to bring about improvements in the product for better yield, quality and cost effectiveness, etc.

- As a result of above, the following benefits are achieved :
 - Cost Reduction.
 - Achievement in precision & quality.
 - Use of indigenous equipment as import substitute.
- The Company has not imported any technology.

C. Foreign an Exchange Earnings and Outgo

	(Rs. in Lakhs)	
	2001-02	2000-01
Foreign Exchange earned	2121.18	2866.62
Foreign Exchange used :		
CIF value of Imports :		
-Raw materials	358.81	596.20
-Stores & consumable	9.26	12.14
-Fixed assets	Nil	2.97
-Finished Goods	Nil	10.64
Expenditure in foreign currency :		
-Travelling expenses	6.27	13.11
-Exhibition expenses	10.73	12.96
-Bank Charges	1.18	0.30
-Membership & Subscription	0.09	0.08
-Dividend remittance	1.49	2.98
	<u>387.83</u>	<u>651.38</u>

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

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 26th July, 2002

BIMALCHAND GODHA
CHAIRMAN

SHANTIVIJAY JEWELS LIMITED

ANNEXURE 'II' TO DIRECTORS' REPORT

Directors' Responsibility Statement as required under section 217(2AA) of the Companies Act, 1956(The Act) :

- (i) That in the preparation of the annual accounts for the Year ended 31st March, 2002, the applicable accounting standards had been followed. There are no material departures from the applicable accounting standards;
- (ii) That the Directors had 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 and of the profit or loss of the Company for that period;

- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That Directors had prepared the annual accounts on a going concern basis.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
DATED : 26th July, 2002

BIMALCHAND GODHA
CHAIRMAN

ANNEXURE 'III' TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

(1) Company's Philosophy on Corporate Governance Code

Your Company has taken steps to comply with the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement applicable to the Company from the year 2002-2003.

(2) Board of Directors

The Composition of the Board of Directors of the Company as on 26th July, 2002 meets the stipulated requirements.

Name of Director(s)	Category of Directorship	No. of other directorship	No. of Committee membership in all companies	No. of Board Meetings attended	Attendance at last AGM
Shri Bimalchand G. Godha, Chairman & Managing Director	Executive	Nil	1	9	Yes
Shri Abhay Kumar Kasliwal	Non-Executive Independent	7	1	8	No
Shri Rajendra J. Shah	Non-Executive Independent	5	5 (Chairman-4)	9	No
Shri Pradeep B. Godha, Whole-time Director	Executive	Nil	1	9	Yes
Shri Anurag B. Godha, Whole-time Director	Executive	Nil	1	7	Yes
Shri Apurva R. Shah*	Non- Executive Independent	2	3	1	N.A.
Shri. Jayant B. Shah*	Non-Executive Independent	2	2	1	N.A.
Mr. Jeffrey K. Stern	Non-Executive	1	Nil	Nil	No

* Appointed on 26/07/2002

There were nine Board meetings held during the period from 01/04/2001 to 26/07/2002. These were on 30/04/2001, 12/06/2001, 23/07/2001, 12/10/2001, 20/11/2001, 31/01/2002, 08/03/2002, 30/04/2002 and 26/07/2002. The last Annual General Meeting (AGM) was held on 20/07/2001.

(3) Audit Committee

The Audit Committee comprising of Shri. R. J. Shah (Chairman of the Committee), Shri. B. C. Godha, Shri. Apurva Shah, Shri. Jayant Shah, Directors, was constituted by the Board of Directors on 26/07/2002 out of which three Directors are non-executive

independent. Terms of Reference of the Audit Committee are as per the guidelines set out in the listing agreements that inter alia, include overseeing financial reporting processes, reviewing with the management the financial statements, accounting policies and practices, adequacy of internal control systems, adequacy of internal audit function and discussion with internal auditors on any significant findings, financial and risk management policies.

(4) Shareholders Grievance Committee

The Shareholders Grievance Committee comprising of Shri. R. J. Shah (Chairman of the Committee), Shri. Pradeep Godha and

Shri Anurag Godha, Directors, was constituted by the Board of Directors on 26/07/2002 to look into shareholders and investors grievances.

No complaints were received from the shareholders during the period under review. Number of pending share transfer as on 26/07/2002 was NIL. Presently, Shri Bimalchand Godha, Managing Director is the Compliance Officer of the Company.

(5) Remuneration Committee

The Remuneration Committee comprising of Shri. R. J. Shah (Chairman of the Committee), Shri. Abhaykumar Kasliwal,

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Shri. Apurva Shah, Shri. Jayant Shah, Directors, was constituted by the Board of Directors on 26/07/2002 out of which three Directors are non-executive independent. Terms of Reference of this Committee include mandate to review and recommend/approve remuneration payable to the Managerial Personnel.

(6) General Body Meetings

The last two Annual General Meetings were held at G-37, Gems & Jewellery Complex, Building No. 3, SEEPZ, Andheri (East), Mumbai - 400 096 and that for 1999 was held at Conference Room, C/o. L. D. Shah & Co., 232, General Insurance Building, Opp. Old Handloom House, Dr. D. N. Road, Fort, Mumbai 400 001 as per details given below :

Year	Day	Date	Time
1999	Saturday	12.06.1999	10.00 a.m.
2000	Saturday	29.07.2000	10.00 a.m.
2001	Friday	20.07.2001	10.00 a.m.

No Resolution was put through postal ballot last year nor is it proposed to put any resolution to vote through postal ballot.

(7) Disclosures

Disclosure of transactions with any related parties i.e. Promoters, Directors, Relatives, Subsidiary or Management have been made in the Balance Sheet in Schedule 'N' Notes to Accounts at Note No. 7 (Part B).

The Company has complied with the requirements of Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the said authorities.

(8) Means of Communication

The quarterly results are usually published in Free Press Journal (English Newspaper) and Navshakti (Marathi Newspaper). These results, official news releases are available on the website of the Stock Exchange, Mumbai (www.bseindia.com)

The Management Discussion & Analysis Report forms part of the Annual Report as an addition to the Directors' Report.

(9) General Shareholder Information**1. 29th Annual General Meeting - Day, Date, Time and Venue**

Day	Date	Time	Venue
Friday	30/08/2002	10.00 a.m.	G-37, Gems & Jewellery Complex, Building No. 3, SEEPZ, Andheri (East), Mumbai - 400 096.

2. Financial Calendar

Financial Year	1st April to 31st March
Adoption of Quarterly Results for the quarter ending : June, 2002 September, 2002 December, 2002 March, 2003	3 rd or 4 th week of July, 2002 October, 2002 January, 2003 April, 2003

Dates of Book Closure (Both days inclusive)	August 27, 2002 to August 30, 2002 (Both days inclusive)
Dividend Payment Date	Not Applicable as no dividend is recommended.

3. Listing on Stock Exchanges:

The Stock Exchange, Mumbai

Stock Code : 30989

The Stock Exchange, Ahmedabad

Stock Code : 52615

The Delhi Stock Exchange

Stock Code : 8176

4. Market Price Data :

	Bombay Stock Exchange		BSE Sensex	
	High	Low	High	Low
April 2001	23.05	19.60	3,676.82	3,096.51
May 2001	18.10	18.10	3,759.96	3,420.14
June 2001	17.00	17.00	3,651.32	3,287.94
July 2001	Nil	Nil	3,513.79	3,241.66
August 2001	15.70	15.70	3,359.07	3,241.12
September 2001	16.95	16.95	3,267.93	2,594.87
October 2001	18.00	18.00	3,083.65	2,718.41
November 2001	Nil	Nil	3,377.81	3,003.95
December 2001	17.00	17.00	3,500.20	3,100.57
January 2002	Nil	Nil	3,466.73	3,236.76
February 2002	Nil	Nil	3,758.11	3,290.00
March 2002	14.00	14.00	3,758.27	3,454.27
April 2002	13.95	13.95	3,538.49	3,296.88
May 2002	Nil	Nil	3,478.02	3,097.73
June 2002	19.00	13.95	3,377.88	3,148.57
July 2002	33.00	15.35	3,366.74	3,192.67

5. Registrar & Transfer Agents :

The Company's Registrar & Transfer Agents are R&D Consultants Limited at 611, Dalamal Towers, Nariman Point, Mumbai 400 021.

6. Share Transfer System :

With a view to expedite the process of share transfers, the Board of Directors has delegated the power of share transfer to Share Transfer Committee of the Board comprising of Shri. B. C. Godha, Shri. Pradeep Godha and Shri. Anurag Godha, which meets at least once in every fortnight. The shares for transfer received in physical mode by the Company, are transferred expeditiously and thereafter, option letter is sent to the transferee(s) for dematerialisation. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories, i.e. National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 7 days.

7. Dematerialisation of Shares :

The shares of the Company are permitted for trading in compulsory rolling settlement in dematerialisation form only. The Company's shares are available for trading in the depository systems of both NSDL and CDSL. As on

SHANTIVIJAY JEWELS LIMITED

31st March, 2002, 49,100 Equity Shares forming 1.64 % of the Share Capital of the Company stand dematerialised . Security Code No. with NSDL and CDSL is - ISIN INE 656D01015.

The Managing Director, Shantivijay Jewels Limited at G-37, Gems & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai - 400 096.

6. Shareholding Pattern as on 26/07/2002

Category	No. of Shares	%
Promoters	2701700	90.00
Bodies Corporate	8746	0.28
NRI/OCBs	1900	0.06
Banks, Financial Institutions	4700	0.16
Mutual Funds	—	—
Public	225854	7.52
Foreign Company	59600	1.99
Total	3002000	100.00

7. Distribution of Shareholding as on 30/06/2002

No. of Shares		No. of Shareholders		No. of Shares	
From -	To	Number	%	Number	%
1	500	681	86.53	73605	2.45
501	1000	30	3.82	24095	0.81
1001	2000	19	2.41	29800	0.99
2001	3000	7	0.89	19200	0.64
3001	4000	10	1.27	33700	1.12
4001	5000	2	0.25	9700	0.32
5001	10000	5	0.64	35800	1.19
10001	20000	4	0.51	62100	2.07
20001	30000	2	0.25	56900	1.90
30001 and above		27	3.43	2657100	88.51
Total		787	100.00	3002000	100.00

Liquidity of Shares : The Equity Shares of the Company are included under B2 category at The Stock Exchange, Mumbai.

8. Registered Office and Plant location :

G-37, Gems & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai - 400 096.

9. Address for Correspondence:

The shareholders may address their communications/ suggestions/ grievances/ queries to: Company's Registrar & Transfer Agents are R&D Consultants Limited at 611, Dalamal Towers, Nariman Point, Mumbai 400 021 OR

Auditors' Certificate on Corporate Governance:

To the Members of
Shantivijay Jewels Limited
Mumbai

We have examined the compliance of conditions of corporate governance by Shantivijay Jewels Limited for the period ended on 26th July, 2002 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has taken steps to comply with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained for/by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future liability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For B.F. CHORDIA & CO.
Chartered Accountants

Place: Mumbai
Date: 26th July, 2002

Sd/-
(B.F. Chordia)
Proprietor

ANNEXURE 'IV' TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

By and large jewellery exports business in India is being conducted from Special Economic Zones due to various concessions including tax holidays, duty exemptions, simpler procedures etc. The Government of India in its EXIM Policy 2002-2007 appreciated the fact that international trade is a vital part of development strategy, and it can be an effective instrument of economic growth, employment generation. The Company is engaged in the business of manufacture and export of jewellery and has unit in SEEPZ, Andheri(East), Mumbai.

Several incentive measures have been announced by the Government in EXIM Policy 2002-2007 for Gem & Jewellery which include reducing customs duty on import of rough diamonds to 0%, abolition of licence for import of rough diamond to help India to emerge as a major international centre for diamonds, reduction in Value addition norms for export of plain jewellery from 10% to 7%, permission to export all mechanised unstudded jewellery to be allowed at a value addition of 3% only. The thrust is being put for achieving quantum jump on jewellery exports. The Government has given approval for 13 more Special Economic Zones and four existing EPZs have been converted into SEZs.

Besides the fiscal packages, the Government has decided to allow IT concessions to units in SEZ, exemption from CST to supplies

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from DTA to SEZ, drawback/DEPB to DTA suppliers, transactions from DTA to SEZ to be treated as exports under Income Tax Act and Customs Act, exemption to SEZ units from External Commercial Borrowings restrictions, freedom to make overseas investment and carry out commodity hedging etc.

In Action Plan under Medium Term Export Strategy, the Government has identified a list of items in the top imports of major markets in the world which figure in India's exports for special focused efforts through export promotion schemes and continue to monitor progress. These items also include Jewellery items.

Opportunities and Threats/Risks and Concerns

The Company on account of its unit located in Special Economic Zone is aptly placed to exploit the opportunities arising on account of the locational advantage and incentives and favourable policy measures being taken by the Government from time to time to boost exports in general and, in particular, of Gem and Jewellery exports which make substantial contribution to the Total Exports of India. The Company has established a wholly owned subsidiary company in Mauritius with branch in Dubai, UAE to better tap demand from local customers and increasing number of visitors to Duty free shopping zones and world tourist traffic.

The Company at the same time is facing threats on account of increasing recessionary trends prevalent in the economies world over due to increasing globalisation of Indian economy. Declining value of rupee against major world currencies and, in particular, US Dollar has also been cause of concern as the Company is, by and large, entirely dependent on exports sales. Increasing competition has also been threat which is countered by better quality and designs and catering to changing customer demands/styles and cost control measures.

Segment-Wise Performance

The Company is exclusively engaged in the gems & Jewellery business, which as per Accounting Standard AS-17 is considered the only reportable business segment. Geographically, the Segment Reporting is as under :

	Rs. in Lakhs
Exports to :	
U.S.A.	986.12
Europe	499.87
Middle East	492.40
Others	130.74
Local Sales	163.22
Total	2272.35

Internal Control Systems and their Adequacy

The Company has devised appropriate and adequate Internal control System commensurate with its size and nature of business. With the appointment of Audit Committee and suitable internal control procedures, optimum resource utilization, veracity of accounts and compliance with various statutes is ensured.

Financial and Operational Performance

Sales have been lower at Rs. 22.72 crores as compared to Rs.28.87 crores in the previous year mainly due to recession and adverse market conditions, more particularly, after September 11th terrorist attack in USA. However, the Company had taken necessary steps to reduce interest and other costs. As a prudent and conservative accounting practice, the Company has written off Rs.436.46 lakhs advanced against purchase of Precious Stones as a creditor has filed a winding up petition against the concerned debtor. As a result, the Company has reported net loss of Rs.405.65 lakhs after adjusting operating profit of Rs.30.81 lakhs.

Human Resource Development and Research Activities

The Company has well experienced, creative, talented and motivated staff to cater to the business demands in terms of better designs, quality and precision in manufacture with minimum possible loss and consistency to meet international standards.

In-house Research and Development activities are carried out by the Company so as to continuously upgrade Process development by devising appropriate software for avoiding human error, to make conceptual designs and improvement in process of gold/platinum refining to meet changing international standards/demands. As a result, the Company has been successful in sustaining its exports to the already developed markets and look forward towards developing new markets for sustained growth.

Outlook

The Company, with its present infrastructure and facilities, staff, strong reserves, good selling arrangements, periodic and successful presentations at international exhibitions, expert, experienced and dedicated efforts by the Promoter Directors inspired by unstinted support and able guidance of other well-known, professional and Independent Board Members from the Industry and Professions, is committed for better and improved performance and growth for increasing shareholders value.

SHANTIVIJAY JEWELS LIMITED

AUDITORS' REPORT

To the Members of Shantivijay Jewels Limited

1. We have audited the attached Balance Sheet of Shantivijay Jewels Limited as at March 31, 2002 and relative Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company

so far as appears from our examination of these books.

- c. The Balance Sheet and Profit and loss Account dealt with by this report are in agreement with the books of account.
- d. In our opinion, Profit & Loss A/c and Balancesheet complied with applicable Accounting Standards referred to in section 211 (3) (C) of the Companies Act 1956.
- e. Based on the representations made by all the Directors of the Company as on March 31, 2002 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, prima facie, have any disqualification as referred to in Clause (g) of subsection (1) to Section 274 of the Act.
- f. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the Notes thereon and attached thereto give in the prescribed manner the information required by the 'Act' and also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2002; and
 - (ii) in the case of the Profit and Loss Account of the Loss for the year ended on that date.

For B.F. CHORDIA & CO.
Chartered Accountants

Place : Mumbai
Dated : 26th July, 2002

B.F.Chordia
Proprietor

29th ANNUAL REPORT 2001-2002**ANNEXURE TO AUDITORS REPORT**

Referred to in Paragraph No.3 of our report of even dated.

- 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) During the year there was no revaluation of any of Fixed Assets.
- iii) The Stock of Finished Goods, Raw Materials and Stores has 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 we are of the opinion that valuation of stock is fair & proper and is 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 except interest free unsecured advances from directors.
- viii) The Company have not given any loans & advances in the nature of loans 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) In respect of outstanding loans & advances in the nature of loans given by the Company to the parties other than to the parties mentioned in para viii above, are generally repaying the principal & interest wherever applicable.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard of purchase of raw materials, stores and with regard to the sale of goods.
- xi) During the year there were no transactions of sales, purchases and services aggregating during the year to Rs.50000/- made in pursuance of Contracts entered in the register maintained u/s 351 of the Companies Act.
- 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 it's business.
- xvi) Maintenance of cost records has 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 31.3.2002 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.

For B. F. Chordia & Co.
Chartered Accountants

Place : Mumbai
Date : 26th July, 2002

B.F. Chordia
Proprietor