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Shantivijay Jewels Limited

ANNUAL REPORT 2002-2003



SHANTIVIJAY JEWELS LIMITED

BOARD OF DIRECTORS

BIMALCHAND GODHA

(Chairman & Managing Director)

JEFFREY K. STERN

SHAMBHUKUMAR S. KASLIWAL (w.e.f. 25.04.2003)

RAJENDRA J. SHAH

JAYANT B. SHAH

APURVA R. SHAH

PRADEEP B. GODHA

ANURAG B. GODHA

REGISTERED OFFICE / WORKS

G 37, Gem & 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, Dalamal Towers, 211, Nariman Point, Mumbai-400 021.

SHANTIVIJAY JEWELS LIMITED

NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Members of SHANTIVIJAY JEWELS LIMITED will be held at G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096 on Tuesday 30th September, 2003 at 10.00 A.M. to transact the following ORDINARY business :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors, thereon.
2. To appoint a Director in place of Shri. Rajendra J. Shah, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Jeffery K. Stern, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

Registered Office :
G-37, Gem & Jewellery Complex,
Building No.III, SEEPZ,
Andheri(East),
Mumbai 400 096.
Dated 30th June, 2003

BY ORDER OF THE BOARD

Sd/-

BIMALCHAND GODHA
CHAIRMAN

NOTES

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (b) The Share Transfer Books and the Register of Members of the Company shall be closed from Friday, 26th September, 2003 to Tuesday, 30th September, 2003 (both days inclusive).
- (c) 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.
- (d) All the documents referred to in the Notice 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 up to the date of the Annual General Meeting.
- (e) 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.
- (f) Members/Proxies should bring the admission slip duly filled in for attending the meeting.
- (g) Information on Directors appointed and/or recommended for appointment/reappointment at the Annual General Meeting in terms of Clause 49 of the Listing Agreement.

Shri. Rajendra J. Shah (age 61), FCA, is a senior practicing Chartered Accountant with more than 35 years of experience and expertise in the field of direct taxation and corporate accounts. He is also Chairman of the Mahavir Health and Medical Relief Society which runs the Mahavir Hospital and the B D Mehta Heart Institute in Surat. He is Director of the Company since 28.12.1994.

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He is Director in: Asian Star Company Ltd., Rightangles.com India Ltd., Industrial Jewels Ltd. and Acrysil Ltd. He is member of total of five committees out of which he is Chairman in four committees.

Mr. Jeffery K. Stern (age 56) is proprietor Director of Stern International Limited, USA. He is Director of the Company since 28.12.1994. With his long association, the Company has been able to establish market for its product in USA. He is not Director of or member of any committees in any other companies in India.

Shri. Shambhukumar S. Kasliwal, is a reputed and well known Industrialist and one of the founder promoters of S. Kumars Group. He is appointed Director of the Company by the Board of Directors on 25.04.2003 in casual vacancy in the Board of Directors.

He is Director in: S Kumars Ltd., Shree Ram Mills Ltd., S. Kumars Enterprises (Synfab) Ltd., S. Kumars Nationwide Ltd. and Shree Maheshwar Hydel Power Corporation Ltd.



SHANTIVIJAY JEWELS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF
SHANTIVIJAY JEWELS LIMITED

Your Directors present their 30th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2003

1. FINANCIAL RESULTS

	2002 – 2003	(Rs. in Lakhs) 2001 – 2002
Sales & Operating Income	2967.84	2310.91
Other Incomes	1.51	19.49
Total Income	2969.35	2330.40
Less:		
Operating costs	2814.71	2235.44
Interest	6.30	13.88
Depreciation	39.12	50.98
Operating Profit	109.22	30.10
Less : Bad Debts Written off	23.00	436.46
Deferred Tax Assets	(7.38)	(0.71)
Net Profit /(Loss)	93.60	(405.65)
Balance brought forward	Nil	162.88
	93.60	(242.77)
Transferred to/from General Reserve	Nil	242.77
Profit & Loss Account Balance		
Carried to Balance Sheet	93.60	Nil

2. DIVIDEND

With a view to conserve resources for expansion, your Directors do not recommend any dividend for the year under review.

3. OPERATIONS

During the year under review, Sales have increased to Rs.2967.84 lakhs from Rs.2310.91 lakhs in the previous year. The Company has earned net profit of Rs. 93.60 lakhs against net loss of Rs.405.65 lakhs in the previous year which was mainly on account of bad debt write off of Rs. 436.46 lakhs. The Company has been making constant efforts to increase volumes by participating in exhibitions and exploring new export markets.

4. 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, 2003 are annexed.

5. DIRECTORS

Shri Abhaykumarji Kasliwal, Director of the Company expired on 8th April, 2003. The Board placed on record its appreciation of the valuable guidance, continuous and unstinted support given by him to the Company.

Shri. Shambhukumarji Kaliwal has been appointed Director on 25th April, 2003 in the casual vacancy in the Board of Directors.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Rajendra J. Shah and Mr. Jeffery K. Stern retire by rotation and, being eligible, offer themselves for reappointment.

6. 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.

7. 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.

8. DISCLOSURE AS PER LISTING AGREEMENT

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.

9. 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.

10. CORPORATE GOVERNANCE

Your Company has complied with the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement. Report on Corporate Governance is annexed as Annexure 'III' forming part of this Report.

11. 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.

12. DELISTING OF SHARES

The equity shares of the Company are infrequently traded on the Stock Exchange, Mumbai and are hardly being traded on the Stock Exchanges at Ahmedabad and Delhi. In view of this, the Promoters of the Company holding 90% equity shares in the Company had made an Open Offer in February, 2003 in terms of the applicable SEBI Takeover Regulations to acquire balance 10% equity shares with a view to voluntarily delist shares of the Company from all the said Stock Exchanges where they are listed. The post offer shareholding of the promoters thus stands increased from 90% to 93.22% of the paid up equity share

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capital of the Company. Members of the Company have also given their fresh approval by way of special resolution for the said delisting at the Extra-ordinary General Meeting held for the purpose on 20th May, 2003.

13. 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.

14. 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
Sd/-

Place : Mumbai
DATED : 30th June, 2003

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. | <ul style="list-style-type: none"> - 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. | <ul style="list-style-type: none"> - Precision of manufacturing. - 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 | <ul style="list-style-type: none"> - Import of equipments, instruments etc. for further improvement in production as well as quality control. |
| 4. Expenditure on R & D | <ul style="list-style-type: none"> - Nil |

- | | |
|---|--|
| 2. Benefits derived as a result of the above e.g. product improvement, cost reduction product development, import substitution etc. | <ul style="list-style-type: none"> - 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. | <ul style="list-style-type: none"> - The Company has not imported any technology. |

C. Foreign an Exchange Earnings and Outgo

	(Rs. in Lakhs)	
	2002-03	2001-02
Foreign Exchange earned	2900.57	2121.18
Foreign Exchange used :		
CIF value of Imports :		
-Raw materials	359.03	358.81
-Stores & consumable	24.89	9.26
-Fixed assets	Nil	Nil
-Finished Goods	72.08	Nil
Expenditure in foreign currency :		
-Travelling expenses	11.99	6.27
-Exhibition expenses	9.62	10.73
-Bank Charges	2.52	1.18
-Membership & Subscription	0.09	0.09
	480.24	386.34

Technology Absorption, Adaptation and Innovation

- | | |
|---|--|
| 1. Efforts, in brief, made towards technology absorption, adoption and innovation | <ul style="list-style-type: none"> - The Company keeps itself abreast of the technical developments and innovation in Company's |
|---|--|

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 30th June, 2003

Sd/-
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, 2003, 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

Sd/-

BIMALCHAND GODHA
CHAIRMAN

Place : Mumbai
DATED : 30th June, 2003

ANNEXURE 'III' TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

(1) Company's Philosophy on Corporate Governance Code

Your Company has complied with all the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement.

(2) Board of Directors

The Composition of the Board of Directors of the Company 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	4	Yes
Shri Abhay Kumar Kasliwal*	Non-Executive Independent	7	1	2	No
Shri Rajendra J. Shah	Non-Executive Independent	5	5 (Chairman-4)	4	Yes
Shri Pradeep B. Godha, Whole-time Director	Executive	Nil	1	4	Yes
Shri Anurag B. Godha, Whole-time Director	Executive	Nil	1	3	Yes
Shri Apurva R. Shah	Non- Executive Independent	3	3	3	No
Shri. Jayant B. Shah	Non-Executive Independent	2	2	2	No
Mr. Jeffrey K. Stern	Non-Executive	1	Nil	Nil	No

* Expired on 8th April, 2003

There were four Board meetings held during the financial year 2002-2003. These were on 30/04/2002, 26/07/2002, 22/10/2002 and 24/01/2003. The last Annual General Meeting (AGM) was held on 30/08/2002.

(3) Audit Committee

The Audit Committee comprising of Shri. R. J. Shah (Chairman of the Committee), Shri. B. C. Godha, Shri. Apurva Shah, and Shri. Jayant Shah was constituted on 26.07.2002, of which three member Directors are non-executive independent. One meeting

was held on 22.10.2002 which was attended by all the member Directors except Shri J. B. Shah. 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 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 31.03.2003 was Nil No meeting was required to be held by this Committee. Presently, Shri Bimalchand Godha, Managing

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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, Shri. Apurva Shah, Shri. Jayant Shah, Directors, was constituted on 26/07/2002 out of which three Directors are non-executive independent. No meeting was required to be held by this Committee. 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 three Annual General Meetings were held at G-37, Gems & Jewellery Complex, Building No. 3, SEEPZ, Andheri (East), Mumbai - 400 096 as per details given below :

Year	Day	Date	Time
2000	Saturday	29.07.2000	10.00 a.m.
2001	Friday	20.07.2001	10.00 a.m.
2002	Friday	30.08.2002	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' Related party transaction. Notes to Accounts Part B at Note No. 5.

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) and the website of Securities and Exchange Board of India (SEBI) on www.sebidifar.nic.in.

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

(9) General Shareholder Information

1. 30th Annual General Meeting - Day, Date, Time and Venue

Day	Date	Time	Venue
Tuesday	30/09/2003	10.00 a.m.	G-37, Gem & 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, 2003 September, 2003 December, 2003 March, 2004	3 rd or 4 th week of July, 2003 October, 2003 January, 2004 April, 2004
Dates of Book Closure (Both days inclusive)	September 26, 2003 to September 30, 2003 (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 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	2,932.35
August 2002	21.00	15.00	3,185.08	2,931.78
September 2002	20.00	14.00	3,227.62	2,973.97
October 2002	14.30	12.75	3,038.92	2,828.48
November 2002	14.45	13.20	3,245.98	2,928.63
December 2002	22.00	14.35	3,413.83	3,186.62
January 2003	21.80	14.50	3,416.92	3,199.18
February 2003	22.90	20.50	3,341.61	3,218.37
March 2003	22.85	20.00	3,311.57	3,039.83

5. Registrar & Transfer Agents :

The Company's Registrar & Transfer Agents are R&D Consultants Limited at 610, Dalamal Tower, 211, 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

SHANTIVIJAY JEWELS LIMITED

sent to the respective depositories, i.e. National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 2-3 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 31st March, 2003, 70,600 Equity Shares forming 2.35 % of the Share Capital of the Company stand dematerialised. Security Code No. with NSDL and CDSL is - ISIN INE 656D01015

6. Shareholding Pattern as on 31/03/2003

Category	No. of Shares	%
Promoters	2701700	90.00
Bodies Corporate	28847	0.96
NRI/OCBs	1300	0.04
Banks, Financial Institutions	4700	0.16
Mutual Funds	—	—
Public	205853	6.86
Foreign Company	59600	1.98
Total	3002000	100.00

7. Distribution of Shareholding as on 31/03/2003

No. of Shares		No. of Shareholders		No. of Shares	
From -	To	Number	%	Number	%
1	- 500	570	86.23	49733	1.66
501	- 1000	19	2.88	14850	0.49
1001	- 2000	13	1.97	19600	0.65
2001	- 3000	4	0.61	11500	0.38
3001	- 4000	10	1.51	33400	1.11
4001	- 5000	2	0.30	9700	0.32
5001	- 10000	5	0.76	36422	1.22
10001	- 20000	10	1.51	153095	5.10
20001	- 30000	2	0.30	56900	1.90
30001 and above		26	3.93	2616800	87.17
Total		661	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, Gem & 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 610, Dalamal Towers, 211, Nariman Point, Mumbai 400 021 OR The Managing Director, Shantivijay Jewels Limited at G-37, Gems & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai - 400 096.

10. 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 year ended on 31st March, 2003 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
Sd/-

(B.F. Chordia)
Proprietor

Place: Mumbai.
Date: 30th June, 2003.

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 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

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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.	1372.12
EUROPE	975.94
MIDDLE EAST	403.83
OTHERS	167.78
LOCAL SALES	46.94
Total	2966.61

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 Rs. 29.68 crores as compared to Rs. 23.11 crores in the previous year. The Company has earned net profit of Rs. 93.60 lakhs as against net loss of Rs.405.65 lakhs which was mainly on account of bad debt write off of Rs. 436.46 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.