

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



[www.su-raj.com](http://www.su-raj.com)

20TH ANNUAL REPORT  
2005-2006

**BOOK-POST**



*If undelivered please return to:*

**INTIME SPECTRUM REGISTRY LIMITED**

**UNIT : SU-RAJ DIAMONDS AND JEWELLERY LIMITED**

C-13, Pannalal Silk Mills Compound  
L.B.S.Road, Bhandup (West), Mumbai 400 078

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



<b>BOARD OF DIRECTORS</b>	<b>Jatin R. Mehta</b>	Chairman-cum-Managing Director
	<b>K. N. Bhandari</b>	Director
	<b>Dr. Dharmendra Bhandari</b>	Director
	<b>G. P. Gupta</b>	Director
	<b>G. Bharakatia</b>	Director
	<b>Atul S. Pethe</b>	Director

**CHIEF FINANCIAL OFFICER** **Jaikumar Kapoor**

**COMPANY SECRETARY** **Somnath Saha**

**AUDITORS** **M/s. R. C. Reshamwala & Co.**  
**Chartered Accountants**

**BANKERS**

Standard Chartered Bank  
Punjab National Bank  
Exim Bank  
Canara Bank  
State Bank of Hyderabad  
Bank of Maharashtra  
Oriental Bank of Commerce  
Union Bank of India  
Central Bank of India  
UTI Bank Limited  
Vijaya Bank

**REGISTERED OFFICE** **Kesharba Market-2**  
**Gotalawadi, Katargam**  
**Surat - 395 004**

**REGISTRAR** **INTIME SPECTRUM REGISTRY LIMITED**  
**&** **C-13, Pannalal Silk Mills Compound**  
**TRANSFER AGENT** **L.B.S.Road, Bhandup (West), Mumbai 400 078**

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Su-Raj Diamonds and Jewellery Limited will be held on Friday, the 22<sup>nd</sup> day of September, 2006 at Mahida Bhawan, Icchanath, Opp.S. V. R. Engineering College, Dumas Road, Surat 395 007 at 11.30 a.m., to transact the following business:

### AS ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, the Profit and Loss Account for year ended on that date along with the Schedules and the Reports of the Directors and Auditors thereon.
- 2) To declare dividend on Equity Shares for the financial year ended 31st March, 2006.
- 3) To appoint a Director in place of Dr. Dharmendra Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. Kailashnath Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To re-appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

### AS SPECIAL BUSINESS

- 6) To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** Pursuant to the provisions of Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, the approval of the members of the Company be and is hereby accorded to the terms of re-appointment of Mr. Jatin R. Mehta, as Chairman-cum-Managing Director of the Company, for a period of five years with effect from 1<sup>st</sup> February, 2006 at a remuneration and upon the terms and conditions embodied in the agreement placed before this meeting and initiated by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary remuneration, terms & conditions of the said appointment and/or agreement, subject to the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto, as may be agreed to between the Directors and Mr. Jatin R. Mehta.”

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

“**RESOLVED THAT** Mr. Gian Prakash Gupta, who was appointed as a Director in the casual vacancy caused by resignation of a Director under section 262 of the Companies Act, 1956 read with Article 146 (1) of the Articles of Association of the Company, and who holds office up to the date of this Annual General meeting and in respect of whom the Company has received a notice in writing, along with a deposit of Rs.500/- under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

By Order of the Board of Directors  
For Su-Raj Diamonds And Jewellery Limited

Place: Mumbai  
Date: 25th July, 2006

**Somnath Saha**  
Company Secretary

## NOTES:

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- 2) The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
- 3) Explanatory Statement with respect to Item Nos.6 & 7 are annexed and forms part of the Notice.
- 4) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
- 5) Pursuant to Section 154 of the Companies Act, 1956, and in accordance with Clause 15 & 16 of the listing agreement (s), the Register of Members and Share Transfer Books of the Company will remain closed from 13<sup>th</sup> September, 2006 to 22<sup>nd</sup> September, 2006 (both days inclusive) to determine the entitlement of shareholders to receive dividend, for the year ended 31<sup>st</sup> March, 2006 and for the purpose of AGM.
- 6) The Dividend on Equity Shares as recommended by the Board of Directors, if any, declared at the meeting, will be payable to those shareholders whose names appear in the Register of Members of Company as on 22<sup>nd</sup> September, 2006 and in respect of shares held in Electronic form the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
- 7) Shareholders seeking any information with regard to Accounts are requested to write to the Company at an early date to enable the management to keep the information ready.
- 8) Shareholders are requested to bring their copy of Annual Report to the Meeting as the practice of handing out copies of Annual Report at the AGM has been discontinued.
- 9) The Equity Shares of the Company are compulsorily traded in electronic form with effect from 28th August, 2000. The share holders who have not yet dematerialized their shares are requested to dematerialize their shares by opening DP Account with nearest Depository Participant at the earliest to avail the benefits of dematerialisation.
- 10) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividends for the financial year ended as on 30<sup>th</sup> September, 1999 and thereafter, which remain unclaimed in the unpaid dividend account for a period of seven years from the date of transfer of the same, will be transferred to the **Investor Education and Protection Fund (IEPF)** established by the Central Government, pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Financial Year Ended	Date of declaration of Dividend	Last Date for Claiming Dividend
30.09.1999 (1.10.98 – 30.09.99)	30.03.2000	30.03.2007
31.03.2001 (1.10.99 – 31.03.01)	29.09.2001	29.09.2008
31.03.2002 (1.04.01 – 31.03.02)	30.09.2002	30.09.2009

# ANNUAL REPORT 2005-2006

Financial Year Ended	Date of declaration of Dividend	Last Date for Claiming Dividend
31.03.2003 (1.4.02 – 31.3.03)	27.09.2003	27.09.2010
31.03.2004 (1.4.03 – 31.3.04)	31.08.2004	31.08.2011
31.03.2005 (1.4.04 – 31.3.05)	11.08.2005	11.08.2012

According to the provisions of the Act, shareholders are requested to note that no claims shall lie against the Company or said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date that they first became due for payment and no payment shall be made in respect of any such claims.

- 11) In order to provide protection against fraudulent encashment of the warrants, Members holding Share Certificates in physical form are requested to notify any change in their addresses or bank mandates immediately to the **Company's Registrar and Transfer Agent, INTIME SPECTRUM REGISTRY LIMITED**, Unit: Su-Raj Diamonds & Jewellery Limited, C-13 Pannalal Silk Mills Compound, L.B.S.Road, Bhandup [West], Mumbai 400 078. Phone: (91-22) 2596 3838. Fax: (91-22) 2594 6969 / 2596 2691. E-Mail: [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com), Website: [www.intimespectrum.com](http://www.intimespectrum.com).
- 12) Shareholders holding shares in electronic form may kindly note that their Bank Account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of/change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account and not to the Company.
- 13) Non-Resident Indian Shareholders are requested to inform immediately to **Company's Registrar and Transfer Agent, INTIME SPECTRUM REGISTRY LIMITED**, Unit: Su-Raj Diamonds & Jewellery Limited, C-13 Pannalal Silk Mills Compound, L.B.S.Road, Bhandup [West], Mumbai 400 078. Phone: (91-22) 2596 3838. Fax: (91-22) 2594 6969 / 2596 2691. E-Mail: [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com), Website: [www.intimespectrum.com](http://www.intimespectrum.com):
  - a) The change in the Residential status on return to India for permanent settlement.
  - b) The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
- 14) Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
- 15) Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the **Company's Registrar and Transfer Agent, INTIME SPECTRUM REGISTRY LIMITED**, Unit: Su-Raj Diamonds & Jewellery Limited, C-13 Pannalal Silk Mills Compound, L.B.S.Road, Bhandup [West], Mumbai 400 078. Phone: (91-22) 2596 3838. Fax: (91-22) 2594 6969 / 2596 2691. E-Mail: [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com), Website: [www.intimespectrum.com](http://www.intimespectrum.com).

16) Shareholders'/Investors' are requested to make all correspondences in connection with registration of transfer of shares, non-receipt of dividend, annual report, change of address, bank mandate, issue of duplicate, split and consolidated share certificate, dematerialisation of shares, rematerialisation of shares, transmission, transposition and other grievances etc., by addressing letters directly to the **Company's R&TA, Intime Spectrum Registry Limited** and a copy to the company at its Investor's Service cell at 73-C, Cross Road, MIDC, Marol, Andheri (E), Mumbai - 400 093 quoting their registered folio numbers or their client ID number with DP ID number to enable the company to resolve the Shareholders'/Investors' grievances smoothly and speedily.

17) All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during the office hours on all working days between 11.00 a.m. and 1.00 p.m.

#### 18) Information required under Clause 49 of the Listing Agreement on Directors Re- appointment/ Appointment:

##### Dr.Dharmendra Bhandari

Dr.Dharmendra Bhandari was appointed as an Additional Director of the Company by the Board of Directors with effect from 30<sup>th</sup> June, 2004. Dr.Dharmendra Bhandari is a Chartered Accountant and has specialized in the areas of Finance and Banking. He has extensive experience in advising clients across a range of Industries. He was inducted as a member of the Audit Committee of the Board of the Company on 26<sup>th</sup> July, 2005.

Other Directorship held by Dr.Dharmendra Bhandari as on 31<sup>st</sup> March, 2006 are as follows:

1. Lakshmi Precision Screws Limited
2. Indfund Management Limited
3. Bank of Baroda

##### Mr. K.N.Bhandari

Mr.K.N.Bhandari was appointed on the Board with effect from 20<sup>th</sup> August, 2002. He was the Chairman cum Managing Director of New India Assurance Co. Ltd., and United India Insurance Co. Ltd. He is having vast experience in General Insurance and held various positions in the Insurance industry.

Other Directorship held by Mr.K.N.Bhandari as on 31<sup>st</sup> March, 2006 are as follows:

1. Andhra Cements Limited
2. Hindalco Industries Limited
3. Agriculture Ins. Co. of India Limited
4. SREI Venture Capital Limited
5. Kenbee Consultants Limited
6. The Bank of Rajasthan Limited
7. Saurashtra Cement Limited

##### Mr. G.P. Gupta

Mr. G.P. Gupta was appointed as a Director on 26<sup>th</sup> July, 2005 in the casual vacancy caused on account of the resignation of Mr. Mohan M. Jayakar from the Board of the Company.

Mr. G.P. Gupta is acting as a Non-Executive Independent Director on the Board. He was the Chairman-Cum-Managing Director of Industrial Development Bank of India. He was also the Chairman of Unit Trust of India. He is specialized in the field of General Management, Financial Management, Banking, Industrial & Financial Restructuring. He is acting as a Director on the Boards of reputed corporates in India like Hindustan Aeronautics Ltd., Jammu & Kashmir Bank Ltd., Birla Sun Life Insurance Company Ltd., and Aditya Birla Nuvo Limited.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



Other Directorship held by Mr. G.P. Gupta as on 31<sup>st</sup> March, 2006 are as follows:

1. Swaraj Engines Limited
2. M.P. Power Generating Company Limited
3. Power Trading Corporation of India Limited
4. SIDBI Venture Capital Limited
5. EMKAY Share & Stock Brokers Limited
6. NTPC Limited
7. Indo Gulf Fertilizers Limited

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

### Item No.6

Mr.Jatin R. Mehta was re-appointed as the Chairman-cum-Managing Director of the Company by the Board, pursuant to provisions of Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, for a period of five years w.e.f. 1<sup>st</sup> February 2006.

Sr.No.	Particulars	Amount (Rs.)
<b>Remuneration:</b>		
1)	Basic Salary	2,00,000/- p.m. with such annual increment(s) as the Board may decide
2)	Special Pay	1,00,000/- p.m. with such annual increment(s) as the Board may decide
<b>Perquisites:</b>		
3)	Housing Accommodation	Rent free furnished accommodation and expenses for the upkeep and maintenance thereof
4)	Leave Travel Expenses/Allowances	Once in a year self and family, subject to a ceiling of one month's basic salary.
5)	Medical Expenses	Reimbursement of actual medical expenses for self and family.
6)	Provident Fund/ Superannuation Fund/ Annuity Fund/Leave encashment/Gratuity/ Personal Accident Insurance/Car/Telephone	As per Rules of the Company.
7)	Entertainment, Travelling and all other expenses	Reimbursement of actual expenses incurred for the business of the Company.
8)	Club Fees	Club fees for five clubs.

### OTHER TERMS AND CONDITIONS:

The Chairman-Cum-Managing Director will be entitled to one months' leave with full pay and allowance for every eleven months of service. Such leave may be accumulated in accordance with the company's rules and practice in force from time to time.

Subject as aforesaid, Mr. Jatin R. Mehta will be governed by such other existing services Rules of the Company as may be in force from time to time, during his tenure of office as Chairman-cum-Managing Director.

In the event of loss or inadequacy of profits in any year, the remuneration including the perquisites as aforesaid will be paid to Mr. Jatin R. Mehta

in accordance with the applicable provisions of Schedule XIII to the Companies Act, 1956.

So long as Mr.Jatin R. Mehta functions as the Chairman-cum-Managing Director of the Company, he shall not be subject to retirement by rotation and shall not be paid any sitting fees for attending the meetings of the Board or any Committee thereof.

As required under section 302 of the Companies Act, 1956 the Company has sent to all the members of the Company, abstract of the terms and conditions of the appointment of Mr. Jatin R. Mehta. The said appointment is subject to the consent of the members in the present Annual General Meeting. Mr.Jatin R. Mehta is a Commerce Graduate from H.R. College, Mumbai pioneered his career in the diamond industry in the year 1974 and having decades of experience in the industry. Mr.Jatin R. Mehta is looking after the day to day management and operations of the Company. Under the stewardship of Mr.Jatin R. Mehta, the Company has achieved sustained growth over the years. He was the Chairman of the Gem & Jewellery Export Promotion Council of India during the years 1989 and 1993.

In the beneficial interest of the Company your Directors recommend the resolution for your approval.

None of the Directors of the Company except Mr. Jatin R. Meha is, in any way, concerned or interested in the said resolution.

### Item No.7

Mr.Gian Prakash Gupta was appointed as a Director by the Board of Directors in the casual vacancy caused on account of resignation of a Director with effect from 26<sup>th</sup> July, 2005. Mr.Gian Prakash Gupta will hold the office as a Director liable to retire by rotation upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr.Gian Prakash Gupta for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr.Gian Prakash Gupta is acting as a Non-Executive Independent Director on the Board. He was the Chairman-Cum-Managing Director of Industrial Development Bank of India. He was also the Chairman of Unit Trust of India. Mr. Gian Prakash Gupta is specialized in the field of General Management, Financial Management, Banking, Industrial & Financial Restructuring. He is acting as a Director on the Boards of reputed corporates in India like Hindustan Aeronautics Ltd., Birla Sun Life Insurance Company Ltd., and Jammu & Kashmir Bank Ltd. etc.

In the beneficial interest of the Company your Directors recommend the resolution for your approval.

None of the Directors of the Company other than Mr.Gian Prakash Gupta is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors  
For Su-Raj Diamonds And Jewellery Limited

Place : Mumbai  
Date : 25<sup>th</sup> July, 2006

**Somnath Saha**  
Company Secretary

# ANNUAL REPORT 2005-2006

## DIRECTORS' REPORT

To

The Members

### SU-RAJ DIAMONDS AND JEWELLERY LIMITED

The Directors have pleasure in presenting the Twentieth Annual Report together with the Audited Accounts for the financial year ended 31<sup>st</sup> March 2006.

#### FINANCIAL RESULTS

(Rs. in Crores)

	Financial Year Ended 31 <sup>st</sup> March, 2006	Financial Year Ended 31 <sup>st</sup> March, 2005
Total Income	1221.73	1028.42
Profit before Interest and Depreciation	48.91	39.09
<b>Less:</b> Interest	6.30	4.20
Depreciation	3.06	2.39
Profit before tax	39.55	32.49
Provision for tax	2.15	1.81
Profit after tax	37.40	30.69
<b>Add:</b> Balance in Profit and Loss Account brought forward	69.85	57.77
<b>Add:</b> Excess/(short) provision for Expenses / Income – Tax for earlier years	1.53	(0.61)
<b>Profit available for appropriation</b>	<b>108.78</b>	87.86
Proposed Dividend	6.03	4.83
Corporate Tax on Proposed Dividend	0.85	0.68
Transfer to General Reserve	20.00	10.00
Transfer to General Reserve-		
Foreign Exchange Metal Price Fluctuations	10.00	2.5
Balance Carried Forward	71.90	69.85
<b>Total</b>	<b>108.78</b>	87.86

#### DIVIDEND

The Directors are pleased to recommend a payment of dividend, subject to the approval of the members, at the rate of 15% i.e., Rs 1.50 per fully paid-up Equity Shares of Rs.10/- each of the Company for the financial year ended 31<sup>st</sup> March 2006. The proposed dividend will absorb Rs. 6.03 Crores. To conserve the resources for the future plan of expansion Rs. 20 crores has been transferred to the General Reserve and to guard against foreign exchange/metal price fluctuations Rs.10 crores has been transferred to General Reserve – Foreign Exchange/ Metal Price Fluctuations.

#### OPERATIONS

The total income from operations during the year under review was Rs.1219.90 Crores as compared to Rs. 1028.07 Crores for the previous year. The net profit of the Company for the year was Rs 37.40 Crores as compared to Rs. 30.69 Crores for the previous year.

## PROSPECTS

### Industry Prospects:

The Gem and Jewellery Industry continues to show positive trend. The Jewellery demand book has been constantly increasing and the Company expects to grow in multiples in Jewellery.

The year 2005-06 has been a year of sustained growth for the economy as well as for your Company. Further the Government has fixed an ambitious target, in light of the Global Sales target of US\$ 150 billion by the year 2008-09, in order to double India's share in world exports to 1.5-2 per cent by further liberalization of trade policy and extension of full support to the efforts of exporters.

The Indian Diamond and Jewellery industry has witnessed a growth of 6.32% with total gem & jewellery exports reaching US\$16669.11mn (Rs.733.04bn) as compared to US\$15678.14mn (Rs.702.46bn) in the same period last year.

Industry through its consistent efforts has shown immense fortitude and has managed to maintain its year on year growth of the total gem & jewellery exports. The Gem & Jewellery Sector continues to be the frontrunner and highest contributor to the total value addition of the country, contributing US\$3.5bn in FY2006.

The growth in the sector was primarily driven by the Cut & Polished Diamonds (CPD) segment, which witnessed a remarkable increase of 6.07%. The export sales of CPD grew to US\$11860.49mn during FY 2005-06 from US\$11181.56mn in the corresponding period in FY2004-05, while total volume of CPD were at 432.72 Lakh carats during FY 2005-06 as compared to 479.47 lakh carats in the corresponding period in FY 2004-05.

Gold Jewellery Exports registered a growth of 1.28% with exports recorded at US\$3861.57mn in FY 2005-06 as compared to US\$3812.88mn in FY 2004-05.

### Company Prospects:

Su-Raj Diamonds and Jewellery Limited, one of the leading players in Indian Gem and Jewellery industry, has reported a 19% growth in operating income at Rs.1,220 Crores for the year ended 31<sup>st</sup> March, 2006. Net profit rose 22% to Rs.37.40 Crores as against Rs.30.68 Crores during the previous year. Revenues from Jewellery business continued robust growth at 36% to Rs.654 Crores as compared to Rs.483 Crores during the previous year. The Board of Directors approved the results of the Company during their meeting held at Mumbai on 9<sup>th</sup> May, 2006.

The Kolkata unit for jewellery have commenced operations during the year. Exports from the unit are encouraging with good response from international customers. The unit will have exclusive ethnic Indian jewellery which are deeply rooted to our traditions and have a great global demand. We see a huge potential for these jewellery."

Our focus is mainly on the International markets and the export growth reflects our strategy in the U.S. and the European markets, which is growing steadily. We target a growth rate of 35–45% in the coming years as our jewellery export to the U.S., U.K. and Middle East is growing at a higher pace.

### SUBSIDIARY COMPANY

As required under the provisions of Section 212 of the Companies Act, 1956, a statement of the holding company's interest in the subsidiary companies is attached as 'Annexure' and forms part of this report. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copy of Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Balance Sheet of the Company. The Company will make available these documents/details upon request by any investor of the Company or its Subsidiaries. As regards the accounts of Subsidiary Company viz.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



"Koradiam N.V." the accounts were yet not audited at the time when the Board Meeting of the Company was held. As such the said accounts has been considered as unaudited. However the said accounts will be audited subsequently.

The Annual accounts of the Subsidiaries are also available for inspection by the investors at the Head Office of the Company and also at the respective offices of its Subsidiaries. However, pursuant to Accounting Standard AS-21, issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its Subsidiaries. The following information of Subsidiary is also being disclosed in 'Annexure' of the Directors Report: (a) Capital (b) Reserves (c) Total assets (d) Total liabilities (e) Details of investment (except in case of investment in subsidiaries) (f) Turnover (g) Profit before taxation (h) Provision for taxation (i) Profit after taxation (j) Proposed dividend.

The Board has decided to open a subsidiary in Dubai to facilitate it's operations in the Middle East and to merge its Engineering Division with it's Bangalore Division.

## DIRECTORS

Dr. Dharmendra Bhandari retires by rotation and being eligible, offers him self for re-appointment. The Directors recommend his re-appointment.

Mr.K. N. Bhandari retires by rotation and being eligible, offers him self for re-appointment. The Directors recommend his re-appointment.

Mr. G.P. Gupta was appointed as a director on 26th July, 2005 in the casual vacancy caused on account of the resignation of Mr. Mohan M. Jayakar from the Board of the Company and who holds office till the conclusion of this Annual General Meeting. The Directors recommend his appointment as a Director of the Company, pursuant to the provisions of Section 257 of the Companies Act, 1956, liable to retire by rotation.

Your Company places on record its sincere appreciation to the dedicated and distinguished services of Mr. Mohan M. Jayakar for his valuable contributions to the progress of the Company since inception.

## FIXED DEPOSITS

The Company has not accepted any deposit, within the meaning of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 made there under.

## PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars are given in the statement which forms part of this Report. However, as per provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to the shareholders excluding the aforesaid information. Any shareholder interested in obtaining a copy of the statement may write to the Company's Registered Office at Surat or to its Administrative Office at Mumbai.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors state:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- (ii) 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 ended 31st March, 2006 and of the profit of the Company for that financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) that the Directors have prepared the Annual Accounts on a going concern basis.

## AUDITORS' REPORT

The observations made in the Auditors' Report are dealt with separately in the Notes to the Balance Sheet & Profit & Loss Account in Schedule 12 point No. 17.

## AUDITORS

M/s. R.C. Reshamwala & Co., Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

## GROUP FOR INTER-SE TRANSFER OF SHARES

As required under Clause 3 (e) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting Group (Within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of aforesaid SEBI Regulations, are given in the Annexure - I attached herewith and forming part of this report.

## HUMAN RESOURCE DEVELOPMENT

Your Company takes great pride in the commitment, competence and vigor shown by its workforce in all realms of business. The Company continues to take new initiatives to further align its HR policies to meet the growing needs of its business. People development continues to be a key focus area at Su-Raj Diamonds.

## LISTING

The Equity Shares of the Company are listed at The Stock Exchange, Mumbai, National Stock Exchange of India Limited, Mumbai and Ahmedabad Stock Exchange Limited. The Company has paid the Annual Listing fee to each of the above Stock Exchanges.

## INTERNAL CONTROL SYSTEM

The Company's internal control system comprises audit and compliance by in-house Internal Audit Division supplemented by internal audit checks from M/s Sampat Gala & Co., Chartered Accountants, Internal Auditors of the Company. The Internal Auditors independently evaluate the adequacy of internal controls and concurrently audit the majority of the transactions in value terms. Independence of the audit and compliance is ensured by the direct reporting of Internal Audit Division and Internal Auditors to the Audit Committee of the Board.

## CORPORATE GOVERNANCE

A detailed section on the code of Corporate Governance is attached to this Annual Report.

## ACKNOWLEDGEMENTS

The Directors would like to express their grateful appreciation for the assistance and co-operation received from the various Departments of the Central and State Governments and the Banks.

On behalf of the Board of Directors

Mumbai  
9<sup>th</sup> May, 2006

Jatin R. Mehta  
Chairman-cum-Managing Director

# ANNUAL REPORT 2005-2006

## ANNEXURE TO THE DIRECTORS' REPORT

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

### A. CONSERVATION OF ENERGY

The particulars regarding conservation of energy are not applicable to the Company as the Diamond Industry is not covered under the schedule prescribed by the said Rules.

### B. TECHNOLOGY ABSORPTION

The particulars regarding absorption of technology is given below as per Form B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

#### Research and Development (R & D):

##### (1) Specific areas in which R&D is carried out by the Company

Cutting and polishing of diamonds and manufacture of jewellery as per international standards are the areas in which general research and development work pertaining to the manufacturing process carried out by the Company.

##### (2) Benefits derived as a result of the above R & D

Better productivity and cost reduction.

##### (3) Future Plan of Action

Appropriate actions are being planned.

##### (4) Expenditure on R & D:

(a) Capital	)	
(b) Recurring	)	
(c) Total	)	Included in the manufacturing cost.
(d) Total R & D expenditure as a percentage of total turnover	)	

#### Technology absorption, adaptation and innovation:

##### (1) Efforts in brief, made towards technology absorption, adaptation and innovation

The Company is monitoring the technological up-gradation taking place in other countries in the field of diamond and jewellery manufacturing and the same are being reviewed for implementation.

##### (2) Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

- 1) Product improvement
- 2) Cost reduction
- 3) Import substitution in respect of main consumables

##### (3) In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

(a) Technology Imported	}	
(b) Year of Import	}	
(c) Has technology been fully absorbed	}	
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action	}	Nil

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company's main line of business is the manufacture and export of cut and polished diamonds and diamond studded gold and platinum jewellery. With the Government policies relating to jewellery exports streamlined and the advantage of a subsidiary in Belgium, the Company looks forward to significant increase in export turnover.

Total Foreign Exchange Earned Rs.	11,604,698,471
Total Foreign Exchange Used Rs.	9,579,639,427

The foreign exchange used includes the remittances made for raw materials which are under process and foreign exchange earned includes bills to be realised.

On behalf of the Board of Directors

Mumbai  
9<sup>th</sup> May, 2006

**Jatin R. Mehta**  
Chairman-cum-Managing Director

#### Annexure - I

Group for inter-se transfer of shares under clause 3(e) of Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

NAME OF THE COMPANY
Su-Raj Diamond Industries Limited
Su-Raj Diamond Consultancies Pvt. Ltd.
Forever Precious Jewellery And Diamonds Limited
Firstrate Diamonds Pvt. Ltd.
Forever Diamonds Pvt. Ltd.
Diadem Investment & Finance Pvt. Ltd.
Kohinoor Diamonds Pvt. Ltd.
Bombay Diamonds Company Pvt. Ltd.
J.R.Diamonds Pvt. Ltd.
Kings Jewel Exports Pvt. Ltd.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Su-Raj Diamonds & Jewellery Limited's philosophy of Corporate Governance is based on preserving core values and ethical business conduct. Commitment to maximizing shareholder value on a sustained basis, while looking after the welfare of multiple stakeholders is a fundamental shared value of the Companies Board of Directors, management and employees and critical to the company's success. This value system translates into institutionalising structures and procedures that enhance the efficacy of the Board and inculcates a culture of transparency, accountability and integrity across the Company.

As a Company, which is committed to ensuring good corporate governance practices in all its dealings, the Company has moved beyond merely meeting mandated regulations and made concerted efforts to imbibe global standards of corporate governance. In this pursuit, Su-Raj Diamonds & Jewellery Limited has already put in place systems and procedures and is fully compliant with the revised Clause 49 well before it becomes mandatory.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports Su-Raj Diamonds & Jewellery Limited's compliance with existing as well as the revised Clause 49 and highlights the additional initiatives taken in line with international best practices.

### BOARD OF DIRECTORS

#### Composition of the Board

As on 31<sup>st</sup> March 2006 the Company's Board consists of 6 members. Apart from the Chairman, who is an executive promoter director, the Board comprises of five non-executive & independent Directors. The composition of the Board is in conformity with Clause 49 of the listing agreement.

#### Number of Board Meetings

The Board of Directors met 5 times during the year on 12<sup>th</sup> May, 2005, 26<sup>th</sup> July, 2005, 22<sup>nd</sup> October, 2005, 31<sup>st</sup> January, 2006 and 8<sup>th</sup> February, 2006.

#### Directors' attendance record and Directorship held

As mandated by the Clause 49, none of the Directors are members of more than ten Board level committees nor are they Chairman of more than five committees in which they are members.

#### Shareholding of Non Executive Directors

Name of Director	Status	No. of Shares held
Autl S. Pethe	NED & ID	4100

As mandated by the revised Clause 49, the independent Directors on Su-Raj Diamonds & Jewellery Limited's Board:-

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director.
- Are not related to promoters or persons occupying management positions at the board level or at one level below the board.
- Have not been an executive of the company in the immediately preceding three financial years.
- Are not partners or executives or were not partners or executives during the preceding three years of the:

- Statutory audit firm or the internal audit firm that is associated with the Company or the Chairman of more than five committees in which they are members. Table 1 gives the details of the Board as on 31<sup>st</sup> March, 2006
- Are not material suppliers, service providers or customers or lessors or lessees of the company, which may affect independence of the Director.
- Are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

The details of the Directors with regard to their outside directorships, committee positions as well as attendance at Board Meeting/A.G.M. are as follows:

Name of the Director	Category of Directorship	No. of Board Meetings during the year 2005-06		Last A.G.M.	No. of other Directorship & Committee Membership / Chairmanship held		
		Held	Attended		Other Directorship	Other Committee Membership	Other Committee Chairmanship
Jatin R. Mehta	ED	5	5	YES	1	Nil	Nil
G.Bharakatia	NED & ID	5	5	YES	4	Nil	Nil
Kailash Nath Bhandari	NED & ID	5	4	NO	7	2	1
Dharmendra Bhandari	NED & ID	5	5	NO	3	3	Nil
Atul S. Pethe	NED & ID	5	4	NO	1	Nil	Nil
Gian Prakash Gupta	NED & ID	5	1 *	NO	11	10	Nil

\* Mr. Gian Prakash Gupta was appointed as a Director on 26<sup>th</sup> July, 2005, in the casual vacancy on account of the resignation of Mr. Mohan M. Jayakar from the Board of the Company.

#### Information Supplied to the Board

The Board has complete access to all information with the Company. Inter-alia, the following information is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings or is tabled in the course of the Board meeting:

- Annual operating plans & budgets and any update thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the Company and operating divisions and business segments.
- Minutes of the meetings of the audit committee and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.

# ANNUAL REPORT 2005-2006

- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labor problems and their proposed solutions. Any significant development in human resources/industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Details of investment of surplus funds available with the company.
- Minutes of the Board Meetings of the subsidiary companies.
- Statement showing significant transactions & arrangements entered into by the subsidiary companies.
- The Board has established procedures to enable the Board to periodically review compliance reports of all laws applicable to the Company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.

#### Responsibilities of the Chairman and CEO

- The Company has a Chairman & Managing Director, Mr Jatin R. Mehta, who is also the Chief Executive Officer (CEO)
- The Chairman is responsible for formulating the corporate strategy along with the Board of Directors and ensuring that the implementation is in accordance with the values and vision of the Company. He is also responsible for reviewing and approving the Board Agenda.
- The CEO is responsible for implementation of corporate strategy, external contacts, and other management matters. He is also responsible for achieving the annual business plan.

#### Remuneration paid to Directors

Details of remuneration paid to Directors for the year 2005-06.

Sr. No.	Name of the Director	Board Meeting Sitting Fees	Audit Committee Sitting Fees	Salary Perquisites Superannuation/ Commission/ ESOP	Total
1.	MR. JATIN MEHTA	NIL	NIL	1,350,000	1,350,000
1.	MR.K.N.BHANDARI	17,500	NIL	NIL	17,500
2.	MR.MOHAN M. JAYAKAR	NIL	NIL	NIL	NIL
3.	MR.G.BHARAKATIA	22,500	17,500	NIL	40,000
4.	DR.DHARMENDRA BHANDARI	22,500	10,000	NIL	32,500
5.	MR.ATUL S. PETHE	17,500	12,500	NIL	30,000
6.	MR.G.P.GUPTA	5,000	NIL	NIL	5,000
	GRAND TOTAL				1,475,000

#### Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the Company. The code of conduct is available on the website of the Company [www.su-raj.com](http://www.su-raj.com) All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

#### Risk Management

Su-Raj Diamonds & Jewellery Limited has established robust risk assessment and minimization procedures, which are reviewed by the Board periodically. At Su-Raj Diamonds, we have a structure in place to identify and mitigate the various risks faced by the company from time to time. At every Board meeting, the risk report is reviewed by the Board, new risks are identified, the same are then assessed, controls are designed, put in place and enforced through the process owner and a fixed timeline is set for achieving the same. The Audit Committee of the Board provides oversight and reviews the risk management policy annually.

#### COMMITTEES OF THE BOARD

Su-Raj Diamonds & Jewellery Limited has two Board level committees – Audit Committee and Shareholders/Investors Grievance Committee. All decisions pertaining to the constitution of committees, appointment of members and fixing of terms of service for committee members is taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided below:

##### a) Audit Committee

As on 31<sup>st</sup> March, 2006, the Audit Committee comprised of three independent Directors. They are Mr G. Bharakatia (Chairman), Dr. Dharmendra Bhandari & Mr. Atul S. Pethe. The Audit Committee held four meetings during 2005-06 on 12<sup>th</sup> May 2005, 26<sup>th</sup> July 2005, 22<sup>nd</sup> October 2005 and 31<sup>st</sup> January 2006. The time gap between any two meetings was less than four months.

The Details of the Audit Committee meeting are given below:

Name of Members	Status	No. of meetings	
		Held	Attended
Mr. G. Bharakatia	Chairman	4	4
Mr. Atul S. Pethe	Member	4	3
Dr. Dharmendra Bhandari	Member	4	2
Mr. Mohan M. Jayakar (upto 8th July, 2006)	Member	4	Nil

Subsequent to the resignation of Mr. Mohan M. Jayakar from the Board of the Company, he ceased to be a member of the Audit Committee. Dr. Dharmendra Bhandari was appointed as a member of the Audit Committee effective from 26th July, 2005.

The statutory auditors, internal auditors are permanent invitees to the audit committee. The Company Secretary is the secretary to the committee. Members of the Audit Committee including the Chairman (Mr. G. Bharakatia) have accounting and financial management expertise. The Chairman of the Audit Committee attended the Annual General Meeting (AGM) held on 11<sup>th</sup> August, 2005 to answer shareholder queries.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## The functions of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
  - Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
  - Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  - Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - Discussion with internal auditors any significant findings and follow up there on.
  - Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  - To review the functioning of the Whistle Blower mechanism, in case the same exists.
  - Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
  - The Audit Committee is empowered, pursuant to its terms of reference, to:
    - Investigate any activity within its terms of reference and to seek any information it requires from any employee.
    - Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

## Su-Raj Diamonds & Jewellery Limited has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the audit committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the Chief Internal Auditor.

The audit committee is also presented with the following information on related party transactions (whenever applicable):

- A statement in summary form of transactions with related parties in the ordinary course of business.
- Details of material individual transactions with related parties, which are not in the normal course of business.
- Details of material individual transactions with related parties or others, which are not on an arm's length basis along with management's justification for the same.

## Audit Committee Report for the year ended 31st March, 2006

To the shareholders of Su-Raj Diamonds & Jewellery Limited Limited:

Each member of the Audit Committee is an Independent Director according to the definition laid down in the Clause 49 of the Listing Agreement with the relevant stock exchanges. The Management is responsible for the Company's internal controls and financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the Indian GAAP (generally accepted accounting principles) and for issuing a report thereon. The Committee is also responsible for overseeing the processes related to the financial reporting and information dissemination.

In this regard the Committee discussed with the Company's internal auditors and independent auditors the overall scope and plan for their respective audits. The Committee also discussed the results of their examinations, their evaluation of the Company's internal controls and the overall quality of financial reporting. The Management presented to the Committee, the company's financial statements and also affirmed that the company's financial statements had been drawn in accordance with the Indian GAAP. Based on its review and discussions conducted with the management and the independent auditors, the audit committee believes that the Company's financial statements are fairly presented in conformity with Indian GAAP in all material aspects. The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the Internal Control Systems of the Company.

The Committee has recommended to the Board the re-appointment and fees of M/s R.C. Reshamwala & Co., Chartered Accountants as statutory auditors of the Company. In addition the Committee also recommended and approved the appointment of M/s. Sampat Gala & Co., Chartered Accountants as the Internal Auditors for Head Office & Administrative Office, M/s. Janardhan & Associates, Chartered Accountants as Internal Auditors for Bangalore Branches and M/s. Jain Maheshwari & Co., Chartered Accountants as Internal Auditors for Jodhpur Branch for the period 1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2007. In conclusion, the Committee is sufficiently satisfied that it has complied with the responsibilities as outlined in the Audit Committee's responsibility statement.

Mumbai  
9th May, 2006

**G. Bharakatia**  
Chairperson, Audit Committee

# ANNUAL REPORT 2005-2006

## e) Shareholders/Investor Grievance Committee

During the year 2005-2006, the composition of the Shareholders/Investors Grievance Committee of the Company was as follows:

Sr.No.	Name of Director	Designation
1.	Mr.Atul S Pethe	Chairman
2.	Mr.Jatin R Mehta	Member
3.	Mr.G Bharakatia	Member

In order to provide efficient services to Investors and for speedy redressal of the Complaints, the Board of Directors has delegated the power of approving transfer and transmission/transposition of shares and other matters like split up/sub-division, and consolidation of shares, issue of new certificates on re-materialisation, sub-division, consolidation, exchange and duplicate share certificates to the Company Secretary. During the year under review, the Committee met once to deliberate on various matters referred above. The Company has taken all steps to ensure that shareholders' grievances are given high priority and are resolved at the earliest.

The Directors are not paid any sitting fees for attending the meeting of the Committee. Mr.Anil Cherian and later Mr.Somnath Saha, both Company Secretaries, were the Compliance Officers in terms of the requirement of the Stock Exchanges.

Presently the Company has approximately 63,000 shareholders. During the year 2005-2006, the Company had received 205 complaint letters from the shareholders/investors, through SEBI/Stock Exchanges, which pertained to matters like non-receipt of dividend, non-receipt of annual report, non-receipt of shares after transfer/dematerialization of shares etc. All the complaints were resolved to the satisfaction of shareholders. There were no complaints pending as on 31st March, 2006.

### Investor Relations

The role of investor relations at public companies continue to expand, due in part to increased disclosure and reporting requirements, more IROs (Investor Relations Officer) providing more input to the Board of Directors and becoming members of their Company's disclosure committee. At Su-Raj the job responsibilities of the IRO are clearly defined as under:

1. Building Investor's Confidence in the company.
2. Being a strategic advisor to the Senior Management.
3. General market intelligence, including data on stock trading and shareholder characteristics.
4. General shareholder feedback/opinions.

### Subsidiary Companies

The revised Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year:

Su-Raj Diamonds & Jewellery Limited does not have a material non-listed Indian subsidiary.

## MANAGEMENT

### Management Discussion and Analysis

Annual Report has a detailed Chapter on Management Discussion and Analysis.

## Disclosures

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large:

Dealings in Company's shares on the part of persons in management have been reported to Board periodically. The material, financial and commercial transactions where persons in management have personal interest exclusively relate to transactions involving Key Management Personnel forming part of the disclosure on related parties referred to in Note 15 in Schedule 12 to Annual Accounts, which was reported to Board of Directors.

### Details of non-compliance by the Company

Su-Raj Diamonds & Jewellery Limited has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.

### Code for prevention of insider trading practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of Su-Raj Diamonds & Jewellery Limited, and cautioning them of the consequences of violations.

### Code of Business Conduct and Ethics

Su-Raj Diamonds & Jewellery Limited has a well-defined policy framework, which lays down procedures to be followed by employees for ethical professional conduct. The code outlines fundamental ethical considerations as well as specific considerations that needs to be maintained for professional conduct. This code has been displayed on the Company's website, [www.su-raj.com](http://www.su-raj.com). The CEO has affirmed to the Board that this Code of Business Conduct and Ethics has been complied by the Board Members and Senior Management of the Company during the period 22nd October, 2005 (date from which the code is in effect) to 31st March, 2006.

### Whistle-Blower Policy

In line with the best international governance practices, Su-Raj Diamonds & Jewellery Limited has put in place a system through which employees and business associates may report unethical business practices at work place without fear of reprisal. The Company has set up a direct touch initiative under which all employees / business associates have direct access to the Chairman of the Audit Committee and also to a three member direct touch team established for this purpose.

### CEO/CFO certification

The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed at the end of the report.

## SHAREHOLDERS

### Reappointment/Appointment of Directors

As per the articles of association of Su-Raj Diamonds & Jewellery Limited, one-third of its Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Consequently, Dr Dharmendra Bhandari and Mr. K. N. Bhandari would retire this year and being eligible, offer themselves for re-appointment in accordance with the provisions of the Companies Act, 1956. Their brief CVs are given below:

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



Dr.Dharmendra Bhandari is a Non Executive Independent Director and was inducted on the Board on 30<sup>th</sup> June, 2004. He is a Chartered Accountant by profession and has specialized in the area of finance and banking. He is holding directorships on the Boards of many premier companies in India.

Mr.K.N.Bhandari is acting as a Non-Executive Independent Director on the Board. He was the Chairman-Cum-Managing Director of New India Assurance Company Limited and United India Insurance Company Limited. Mr.K.N.Bhandari was inducted in the Board on 20<sup>th</sup> August, 2002 and is having rich experience in the Insurance Industry. He is serving on the Boards of many prestigious corporates in India like Hindalco Industries Limited etc. Currently he is acting as the Director of National Law University, Jodhpur.

Mr. G.P. Gupta was appointed as a Director on 26<sup>th</sup> July, 2005 in the casual vacancy caused on account of the resignation of Mr. Mohan M. Jayakar from the Board of the Company.

Mr. G.P. Gupta is acting as a Non-Executive Independent Director on the Board. He was the Chairman-Cum-Managing Director of Industrial Development Bank of India. He was also the Chairman of Unit Trust of India. He is specialized in the field of General Management, Financial Management, Banking, Industrial & Financial Restructuring. He is acting as a Director on the Boards of reputed corporates in India like Hindustan Aeronautics Ltd., Jammu & Kashmir Bank Ltd., Birla Sun Life Insurance Company Ltd., and Aditya Birla Nuvo Limited.

## Means of Communication with Shareholders

The quarterly results are published in The Economic Times and Nav Gujarat Times Newspapers.

Details of Publications of the financial results in the year 2005-06.

Description	Date
Unaudited Financial Results for the Quarter ended 30 <sup>th</sup> June, 2005	30 <sup>th</sup> July, 2005
Unaudited Financial Results for the Quarter/half year ended 30 <sup>th</sup> September, 2005	24 <sup>th</sup> October, 2005
Unaudited Financial Results for the Quarter/nine months ended 31 <sup>st</sup> December, 2005	02 <sup>nd</sup> February, 2006

The quarterly, half yearly and annual financial statements are promptly and prominently displayed on the Company's web site i.e. www.su-raj.com. and the e-mail ID of Secretarial Department is companysecretary@su-raj.com. Further, the Company has also been complying with SEBI regulations for filing of its financial results under the EDIFAR system. These are available on the SEBI web-site www.sebiedifar.nic.in.

## COMPLIANCE

### Mandatory requirements

Su-Raj Diamonds & Jewellery Limited is fully compliant with the applicable mandatory requirements of the revised Clause 49.

### Compliance report

Particulars	Clause of Listing Agreement	Compliance Status Yes/No
I. Board of Directors	49I	Yes
(A) Composition of Board	49(IA)	Yes
(B) Non-executive Directors' compensation & disclosures	49(IB)	Yes
(C) Other provisions as to Board and Committees	49(IC)	Yes
(D) Code of Conduct	49(ID)	Yes

Particulars	Clause of Listing Agreement	Compliance Status Yes/No
II. Audit Committee	49(II)	Yes
(A) Qualified & Independent Audit Committee	49(IIA)	Yes
(B) Meeting of Audit Committee	49(II B)	Yes
(C) Powers of Audit Committee	49(II C)	Yes
(D) Role of Audit Committee	49(II D)	Yes
(E) Review of Information by Audit Committee	49(II E)	Yes
III. Subsidiary Companies	49(III)	Yes
IV. Disclosures	49(IV)	Yes
(A) Basis of related party transactions	49(IVA)	Yes
(B) Board Disclosures	49(IV B)	Yes
(C) Proceeds from Public Issues, Rights Issues, Preferential Issues etc.	49(IV C)	N.A.
(D) Remuneration of Directors	49(IV D)	Yes
(E) Management	49(IV E)	Yes
(F) Shareholders	49(IV F)	Yes
V. CEO/CFO Certification	49(V)	Yes
VI. Report on Corporate Governance	49 (VI)	Yes
VII. Compliance	49 (VII)	Yes

### Adoption of non-mandatory requirements

Su-Raj Diamonds has adopted the Whistle Blower Policy, which has been mentioned earlier in this report.

### General Body Meetings

All the 3 previous Annual General Meetings were held at Mahida Bhavan, Icchanath, Opp. S.V.R. Engineering College, Dumas Road, Surat 395 007.

Year	Date	Time	Special Resolution approved at A.G.M. requiring postal ballot
2002-2003	27-09-2003	11.30 a.m.	Nil
2003-2004	31-08-2004	11.30 a.m.	Nil
2004-2005	11-08-2005	11.30 a.m.	Nil

### General Shareholder Information :

AGM : Date, time and venue 22<sup>nd</sup> September, 2006, 11.30 a.m., Mahida Bhavan, Icchanath, Opp. S.V.R. Engineering College, Dumas Road, Surat 395 007.

### Financial Calendar

Financial year: 1<sup>st</sup> April to 31<sup>st</sup> March

For the financial year ended 2005-2006 (1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006) the un-audited Financial Results and Audited Financial Results were announced as detailed below:

- First Quarter Ended on 30<sup>th</sup> June, 2005 : 26<sup>th</sup> July, 2005.
- Second Quarter Ended on 30<sup>th</sup> September, 2005 : 22<sup>nd</sup> October, 2005.
- Third Quarter Ended on 31<sup>st</sup> December, 2005 : 31<sup>st</sup> January, 2006
- For the year ended on 31<sup>st</sup> March, 2006 (Audited) : 9<sup>th</sup> May, 2006

For the financial year 2006-2007 (1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2007)

- First Quarter : End of July, 2006.
- Second Quarter : End of October, 2006.
- Third Quarter : End of January, 2007.
- Fourth Quarter/Annual : End of June, 2007.

**Date of Book Closure :** 13<sup>th</sup> September, 2006 to 22<sup>nd</sup> September, 2006.

**Dividend Payment Date :** on or after 22<sup>nd</sup> September, 2006.

# ANNUAL REPORT 2005-2006

The Annual Listing Fees for the financial year 2005-2006 has been paid by the Company to the following Stock Exchange. Your Company's Equity Shares are listed on the following Stock Exchanges:

## Ahmedabad Stock Exchange Limited

### (Regional)

First Floor, Kamdhenu Complex  
Opp. Sahajanand College  
Panjarapole  
Ahmedabad 380 015

Scrip Code : 57910

## The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400 023

Scrip Code : 507892

## National Stock Exchange of India Limited

Exchange Plaza, C-1, Block-G  
Bandra-Kurla Complex  
Bandra (East)  
Mumbai 400 051

Symbol : SURAJDIAMN  
Series : EQ

## DEMAT SEGMENT

ISIN : INE664A01015

## Market Price Data :

The price of the Company's Equity Shares-High, Low during each month in the last financial year:

MONTH	BSE		NSE	
	High	Low	High	Low
April, 2005	45.45	36.50	45.45	36.60
May, 2005	64.15	39.55	64.20	39.55
June, 2005	61.80	47.50	61.90	49.25
July, 2005	61.20	51.05	61.35	51.40
August, 2005	64.35	52.00	64.00	52.10
September, 2005	75.60	53.00	75.40	54.55
October, 2005	61.20	47.00	61.20	46.00
November, 2005	65.90	50.50	65.90	51.50
December, 2005	70.35	58.00	72.00	59.00
January, 2006	77.90	66.85	78.00	60.00
February, 2006	71.90	61.45	72.65	61.30
March, 2006	67.80	54.50	67.80	54.00

## Registrar and Transfer Agent :

**INTIME SPECTRUM REGISTRY LIMITED**, is the Registrar and Transfer Agents (R&TA) of the Company to handle physical and electronic share registry work in place of erstwhile (R&TA) MCS Limited, Mumbai effective from 1st August, 2006.

## INTIME SPECTRUM REGISTRY LIMITED

Unit: Su-Raj Diamonds & Jewellery Limited,  
C-13 Pannalal Silk Mills Compound,  
L.B.S.Road,  
Bhandup (West),  
Mumbai 400 078.  
Phone : (91-22) 2596 3838.  
Fax : (91-22) 2594 6969 / 2596 2691.  
E-Mail: [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com),  
Website: [www.intimespectrum.com](http://www.intimespectrum.com).

## Share Transfer System

Shareholders/Investors are requested to send the share transfer related documents directly to our Registrar & Transfer Agent, **INTIME SPECTRUM REGISTRY LIMITED** whose address is given above. Shareholder's/Investor's Grievance Committee are authorized to approve the registration of transfer of shares in the physical segment. All share transfer is completed within statutory time limit from the date of receipt, provided documents meet the stipulated requirement of statutory provisions in all respects.

## Company's Registered Office Address:

Su-Raj Diamonds & Jewellery Limited  
Kesharba Market – 2  
Gotalawadi, Katargam  
Surat – 395 004,  
Gujarat State, India  
Phone: 0261-2535055  
Fax: 0261-2533435

## Investor's Service Cell:

Su-Raj Diamonds and Jewellery Limited  
Su-Raj House, 73-C,  
Cross Road, MIDC  
Marol, Andheri (East)  
Mumbai 400 093,  
Maharashtra State, India  
Phone: (022) 28265534/36  
E-mail: [companysecretary@su-raj.com](mailto:companysecretary@su-raj.com)

## Dematerialisation of Shares and Liquidity

The Equity Shares of the Company are compulsorily traded in electronic form with effect from 28<sup>th</sup> August, 2000. The share holders who have not yet dematerialized their shares are requested to dematerialize their shares by opening DP Account with nearest Depository Participants at the earliest to avail the benefits of dematerialisation.

The total number of shares dematerialized as on 31<sup>st</sup> March, 2006 are 3,14,63,098 shares representing 78.22% of Share Capital. The Equity Shares of the Company are frequently traded at Mumbai and National Stock Exchange (BSE & NSE).

## Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity : Nil

## Details of Public Funding Obtained in the last three years : Nil

## Location of Factories :

- 143-D Bomasandra Industrial Area, Hosur Road, Hebbagodi, Bangalore 562 158.
- Plot No.1 and 1A, Tivim Industrial Estate, Karaswada, Mapusa, Goa 403 526.
- E-7, Marudhara Industrial Estate, IInd Phase, Basni, Jodhpur 342 005.
- Unit No.39-40, Plot No.261, Surat Special Economic Zone, Road No.3, GIDC, Sachin Surat 394 230.
- Kesharba Market-2, Gotalawadi, Katargam, Surat 395 004.
- Manikanchan Special Economic Zone, Plot No.1, Block-CN, Sector-5, Salt Lake City, Kolkata 700 091.
- Plot No. 17/SDF, 4<sup>th</sup> Floor, Cochin Special Economic Zone, Kakkanad, Kochi – 682 037, Kerala.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## Distribution of Shareholding as on 31<sup>st</sup> March, 2006

CATEGORY	NO.OF SHARES HELD	% OF SHARE HOLDING
<b>A. Promoter's Holding</b>		
<b>1. Promoters</b>		
— Indian Promoters *	1,77,23,356	44.06
— Foreign Promoters	—	—
<b>2. Persons acting in Concert</b>	<b>Nil</b>	<b>Nil</b>
<b>Sub Total</b>	<b>1,77,23,356</b>	<b>44.06</b>
<b>B. Non-Promoters Holding</b>		
<b>3. Institutional Investor</b>		
a. Mutual Funds and UTI	36,900	0.09
b. Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions/ Non- Government Institutions)	9,67,768	2.41
c. FIs	2,75,213	0.68
<b>Sub Total</b>	<b>12,79,881</b>	<b>3.18</b>
<b>4. Others</b>		
a. Private Corporate Bodies	23,66,848	5.88
b. Indian Public	1,79,86,382	44.72
c. NRIs / OCBs	8,62,091	2.14
d. Any Other (Other Directors and their Relatives) **	5,700	0.014
<b>Sub Total</b>	<b>2,12,21,021</b>	<b>52.76</b>
<b>GRAND TOTAL</b>	<b>4,02,24,258</b>	<b>100.00</b>

\* 10,280 Equity Shares of NRI's included in Promoters Holdings.

\*\* Holding of Non-Executive Independent Directors & their Relatives.

## Shareholding pattern as on 31<sup>st</sup> March, 2006

Shares From	To	No. of Shareholders	% to Total	Total Shares	% To Total
1	5,000	56,742	89.72	89,27,788	22.20
5,001	10,000	4,058	6.42	31,46,231	7.82
10,001	20,000	1,376	2.18	20,60,415	5.12
20,001	30,000	401	0.63	10,14,055	2.52
30,001	40,000	160	0.25	5,69,309	1.41
40,001	50,000	148	0.23	6,99,407	1.74
50,001	1,00,000	203	0.32	14,91,396	3.71
1,00,001	AND ABOVE	156	0.25	2,23,15,657	55.48
	<b>Total</b>	<b>63,244</b>	<b>100.00</b>	<b>4,02,24,258</b>	<b>100.00</b>

## CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

(As required by Clause 49 of the Listing Agreement(s) entered into with the Stock Exchanges)

To

The Shareholders and the Board of Directors

### Su-Raj Diamonds And Jewellery Limited

We, Jatin R. Mehta, Chief Executive Officer (CEO) and Jai Kumar Kapoor, Chief Financial Officer (CFO), of Su-Raj Diamonds & Jewellery Limited, to the best of our knowledge and belief, certify that:

- We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the year ended 31st March 2006 and all its schedule and notes on accounts, as well as the Cash Flow Statement.
- To the best of our knowledge and information:
  - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the Company, which are fraudulent, illegal or violative of the Company's Code of Business Conduct and Ethics.
- The Company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the Company's internal controls and procedures.
- The Company's other certifying officers and we have disclosed, based on our most recent evaluation, wherever applicable, to the company's auditors and through them to the Audit Committee of the Company's Board of Directors:
  - All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
  - Significant changes in internal control during the year;
  - Any fraud, which we have become aware of and that involves Management or other employees who have a significant role in the Company's internal control system;
  - Significant changes in accounting policies during the year.

We further declare that all the Board Members and Senior Management of the Company have affirmed compliance with the Code of Business Conduct and Ethics during the period 22<sup>nd</sup> October, 2005 (date from which the code is in effect) to 31<sup>st</sup> March, 2006.

Mumbai, 9<sup>th</sup> May, 2006  
Jatin R. Mehta  
CMD/CEO

Jai Kumar Kapoor  
CFO

# ANNUAL REPORT 2005-2006

## Details of other Directorships held:

Sr. No.	Name of the Director	Status	Directorship	Committee Membership	Committee Chairmanship
1	Mr. Jatin R. Mehta	Director	Forever Precious Jewellery & Diamond Ltd.		
2	Mr. Atul S. Pethe	Director	Professional Diamonds Ltd.		
3	Mr. G. Bharakatia	Director	A. B. Impex Pvt. Ltd.		
		Director	Shri Prempuriji Granimarbo Pvt. Ltd.		
		Director	Mitul India (P) Ltd.		
		Director	Forever Precious Jewellery & Diamonds Ltd.		
4	Mr. K. N. Bhandari	Director	Andhra Cements Ltd.	Audit Committee	
				Remuneration Committee	
		Director	The Bank of Rajasthan Ltd.		
		Director	Hindalco Industries Ltd.		
		Director	Agriculture Ins. Co. of India Ltd.		Audit Committee
		Director	SREI Venture Capital Limited		
		Director	Kenbee Consultants Ltd.		
		Director	Saurashtra Cement Ltd.		
5	Dr. Dharmendra Bhandari	Director	Bank of Baroda	Audit Committee	
		Director	Lakshmi Precision Screws Ltd.	Audit Committee	
		Director	Indfund Management Ltd.	Audit Committee	
6	Mr. Gian Prakash Gupta	Director	Jammu & Kashmir Bank Ltd	Investors Grievance Committee	
				Audit Committee	
		Director	Swaraj Engines Ltd	Audit Committee	
		Director	M. P. Power Generating Company Ltd		
		Director	Birla Sun Life Insurance Company Ltd.	Share Allotment Committee	
				Audit Committee	
		Director	Power Trading Corporation of India Ltd.	Audit Committee	
		Director	SIDBI Venture Capital Limited		
		Director	Aditya Birla Nuvo Limited	Audit Committee	
		Director	EMKAY Share & Stock Brokers Ltd.		
		Director	NTPC Limited	Audit Committee	
		Director	Hindustan Aeronautics Limited		
		Director	Indo Gulf Fertilizers Limited	Investors Grievance Committee	
				Audit Committee	

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## 1. Management's Discussion and Analysis

### a) Industry Structure and Development:

The Gem and Jewellery Industry continues to show positive trend. The Jewellery demand book has been constantly increasing and the Company expects to grow in multiples in Jewellery.

The year 2005-06 has been a year of sustained growth for the economy as well as for your Company. Further the Government has fixed an ambitious target of US\$ 150 billion export by the year 2008-09 in order to double India's share in world exports to 1.5 per cent by further liberalization of trade policy and extension of full support to the efforts of exporters.

The Indian Diamond and Jewellery industry has witnessed a growth of 6.32% with total gem & jewellery exports reaching US\$16669.11mn (Rs.733.04bn) as compared to US\$15678.14mn (Rs.702.46bn) in the same period last year.

Industry through its consistent efforts has shown immense fortitude and has managed to maintain its year on year growth of the total gem & jewellery exports. The Gem & Jewellery Sector continues to be the frontrunner and highest contributor to the total value addition of the country, contributing US\$3.5bn in FY2006.

The growth in the sector was primarily driven by the Cut & Polished Diamonds (CPD) segment, which witnessed a remarkable increase of 6.07%. The export sales of CPD grew to US\$11860.49mn during FY 2005-06 from US\$11181.56mn in the corresponding period in FY2004-05, while total volume of CPD were at 432.72 Lakh carats during FY 2005-06 as compared to 479.47 lakh carats in the corresponding period in FY 2004-05.

Gold Jewellery Exports registered a growth of 1.28% with exports recorded at US\$3861.57mn in FY 2005-06 as compared to US\$3812.88mn in FY 2004-05.

Su-Raj Diamonds and Jewellery Ltd., one of the leading players in Indian Gem and Jewellery Industry, has reported a 19% growth in operating income at Rs.1,220 Crores for the year ended 31st March, 2006. Net profit rose 22% to Rs.37.40 Crores as against Rs.30.69 Crores during the previous year. Revenues from Jewellery business continued robust growth at 36% to Rs.654 Crores as compared to Rs.483 Crores during the previous year.

Our focus is mainly on the International markets and the export growth reflects our strategy in the U.S. and the European markets, which is growing steadily. We target a growth rate of 35-45% in the coming years as our jewellery export to the U.S., U.K. and Middle East is growing at a higher pace.

### i) Diamond

India enjoys domination in the world cut and polished diamond market and smaller diamonds in particular, which was amply reflected in the export growth of diamond industry with a total export of US\$ 11860.49 million for the year ended 31st March, 2006 as compared to US\$ 11181.48 million against the corresponding period in last year. The Company recorded diamond sale amounting to Rs.565.46 Crores for the financial year 2005-06 as compared to Rs.545.17 Crores for the previous year.

### ii) Jewellery

The year 2005-06 was a good year for the global jewellery sales as well as to the Company. The Gold Jewellery export recorded a growth of 1.28% for the Financial Year 2005-06. The demand for the Diamond Jewellery will continue to grow stronger due to continued marketing support by the industry especially in the U.S., and Middle East. The Company recorded outstanding growth of 36% in Jewellery Sales amounting to Rs.654.43 Crores as compared to the previous year figure of Rs.482.86 Crores.

### b) Mission and Business Strategy:

We at Su-Raj maintain generally accepted standards of corporate conduct towards its employees, consumers and society and believe that the policies must balance individual interest with corporate goals and operate within the accepted norms of propriety, equity and sense of justice. The Company believes that it is rewarding to be better managed and governed and to align and intensify its activities with national interest.

We are passionately pursuing our mission to be one of the world's most respected jewellery conglomerates in all counts. The Kolkatta unit for Jewellery have commenced operations during the year. Exports from the unit are encouraging with good response from international customers. The unit will have exclusive ethnic Indian jewellery which are deeply rooted to our traditions and have a great global demand, we see a huge potential for these jewellery.

### c) Financial and Operating Performance:

The total income of the Company for the year 2005 -06 increased 19% to Rs.1221.73 Crores. The operating profit (PBDIT) for the year was Rs.48.91 Crores compared to Rs.39.09 Crores in the previous year. Net Profit of the Company stood at Rs.37.40 Crores as compared to Rs.30.69 Crores for the previous year. Earnings per Share (EPS) were Rs.9.33 as against Rs.7.67 for the previous year. A dividend of 15% has been proposed, subject to the approval of the shareholders. The Corresponding dividend payout will be Rs.6.03 Crores in addition to tax of Rs.84.62 lakhs payable by the Company as tax on distribution of dividend.

### d) Segment wise / Product wise Performance:

Sales of diamonds during the year 2005-2006 was Rs.565.46 Crores, whereas the Sales of Jewellery was Rs.654.43 Crores, representing 46.35% and 53.65 % of the total turnover respectively.

#### Statement of continent-wise sales for 2005-2006:

Continent	Sale	Percentage
North America	283.60	23.25
Europe	73.48	6.02
Middle East	630.24	51.67
Asia	232.57	19.06
<b>GRAND TOTAL</b>	<b>1219.89</b>	<b>100.00</b>

# ANNUAL REPORT 2005-2006

---

**e) Risk, Internal Control System and Adequacy:**

Your Company has a low debt equity ratio and is well placed to take care of its borrowings. The foreign exchange transactions of the Company are suitably covered and there are no materially significant exchange rate risks associated with the Company.

The Company has adequate internal control procedure commensurate with its size and nature of the business. The internal control system is supplemented by extensive internal audits, regular reviews by management and well-documented policies and guidelines to ensure reliability of financial and all other records to prepare financial statements and other data. Moreover, the Company continuously upgrades these systems in line with best accounting practices. The Company has independent audit systems to monitor the entire operations and the Audit Committee of the Board reviews the findings and recommendations of the internal auditors.

**f) Outlook, Opportunities and Threats:**

**Outlook**

During the year the jewellery performance has increased manifold. With continued government support and liberalization policies the Gem and Jewellery Industry is poised for a higher growth in the coming years.

**Opportunities**

During the year the Gem and Jewellery Industry is likely to grow by 15%. The share of India in the world market is likely to be around 1.5-2%.

With increased demand for Indian jewellery and emerging markets in India, the company is likely to consolidate its position as a frontrunner in the industry. Su-Raj is likely to keep pace with the world's latest design trends and manufacture improved top quality standard jewellery.

**Threats**

Emergence of China as a likely threat has been overcome with proper government support and streamlined labour laws. However, the factors like gold price, fashion trends and competition are likely threat.

**g) Human Resources:**

The Company regards its human resources as amongst its most valuable assets and proactively reviews policies and processes by creating a work environment that encourages initiative, provides challenges and opportunities and recognizes the performance and potential of its employees. The industrial relations across different locations of the Company were cordial during the year. The Company continues to maintain its thrust on human resources development.

**h) Cautionary Statement**

This report contains forward-looking statements based on certain assumptions and expectations of future events. Actual performance, results or achievements may differ from those expressed or implied in any such forward - looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

**On behalf of the Board of Directors**

Mumbai  
9th May, 2006

**Jatin R. Mehta**  
**Chairman-cum-Managing Director**

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of **SU-RAJ DIAMONDS & JEWELLERY LIMITED**

We have examined the compliance of conditions of Corporate Governance by **SU-RAJ DIAMONDS AND JEWELLERY LIMITED** for the year ended on 31<sup>st</sup> March, 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to 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 complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

**FOR R.C.RESHAMWALA & CO.**

**CHARTERED ACCOUNTANTS**

**RAJNIKANT C. RESHAMWALA**  
**MUMBAI: 9<sup>th</sup> May, 2006**  
**PARTNER**

**Membership No. 5502**

## AUDITOR'S REPORT TO THE MEMBERS OF SU-RAJ DIAMONDS & JEWELLERY LIMITED

We have audited the attached Balance Sheet of **SU-RAJ DIAMONDS & JEWELLERY LIMITED** as at **31st March, 2006** and also the annexed Profit and Loss Account and the Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required, by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure, a statement on the matters prescribed in Paragraphs 4 and 5 of the said order.
3. Further, to our comments, in the annexure referred to in paragraph 2 above, we report that:
  - (i) 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;
  - (ii) 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;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006;
  - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For R.C. RESHAMWALA & CO.**  
**CHARTERED ACCOUNTANTS**

**RAJNIKANT C. RESHAMWALA**  
**PARTNER**  
**Membership No. 5502**

**MUMBAI: 9<sup>th</sup> May, 2006**

# ANNUAL REPORT 2005-2006

## ANNEXURES TO THE AUDITOR'S REPORT

(Referred to in para 2 of our report of even date on the accounts for the year ended 31st March, 2006 of SU-RAJ DIAMONDS & JEWELLERY LIMITED.

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:

1. (a) The Company has maintained proper records, showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification which in our opinion is reasonable considering the size and nature of its business, and no material discrepancies have been noticed on such verification.
- (c) Substantial part of fixed assets have not been disposed off during the year. As such the determination as to whether it has affected the going concern does not arise.
2. (a) The management, at regular intervals, has done physical verification of the inventory. In our opinion, the frequency of the verification is reasonable. As regard materials lying with third parties, confirmations are awaited from the third parties.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) As per the information and explanations given to us and the records produced before us for our verification, the Company has granted unsecured loans to one company covered in the register maintained under section 301 of the Companies act, 1956 amounting to Rs. 133.45 lakhs. The entire amount has been repaid during the year.  
  
Other than the above, the Company has not granted any other loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) Interest at the rate of 9 % per annum is charges on such loan. The rate of interest and other terms and conditions of the loan given by the company are prima facie not prejudicial to the interest of the company.
- (c) The entire loan has been repaid by the borrowing company along with interest.
- (d) There are no overdue amounts.
- (e) The company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies act, 1956.
- (f) As the company has not taken any loans from parties mentioned in Para 3(e) above, the question of determining whether the rate of interest and other terms and conditions of loans taken by the company being prima facie prejudicial to the interest of the company does not arise.
- (g) Similarly the question of repayment of principal amount and interest on such loans does not arise.
4. In our opinion and according to the explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regards to purchases of inventory, fixed assets and sale of goods and services. During the course of the audit we have not observed any continuing failure to correct major weaknesses in internal control.
5. (a) According to the information and explanations given to us and on the basis of the checks carried out by us, there are no contracts or arrangements referred to in Section 301 of the Act required to be entered in the register maintained under that section.
- (b) As the company has not entered into any contracts or arrangements with the parties mentioned in Para 5(a) above, the question of determining whether the prices are reasonable having regards to prevailing market price does not arise.
6. The Company has not accepted deposits from the public. As such, the question of complying with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58 AA or any other provisions of the Act and rules framed thereunder does not arise.
7. In our opinion, the company, which is a listed company, has an adequate Internal Audit System commensurate with its size and nature of its business.
8. In the present case, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956. As such, the question of reviewing the books of account to be maintained by the company pursuant to such an order does not arise.
9. (a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable, have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. No undisputed amounts are outstanding for more than six months at the end of the accounting year.
- (b) According to the information and explanations given to us and the records of the Company as examined by us, there are no disputed dues of service tax, customs duty, excise duty wealth tax and cess, which have not been deposited. The details of disputed dues as outstanding on account of Income tax and Sales tax are as enumerated below:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the Amount relates	Forum where dispute is pending
Income Tax Act	Income Tax	28,54,297	A Y 2002-03	CIT (A)
Less:	Refund Dues	1,73,574		
	<b>Net Liability</b>	<b>26,80,723</b>		
Sales Tax	Sales Tax	3,36,657	F Y 1992-93	MST (Tribunal)
Sales Tax	Sales Tax	59,642	F Y 1993-94	MST (Tribunal)
Sales Tax	Sales Tax	1,37,826	F Y 1994-95	MST (Tribunal)
Sales Tax	Sales Tax	1,09,226	F Y 1995-96	MST (Tribunal)
	<b>Total ST Liability</b>	<b>6,43,351</b>		
	<b>TOTAL LIABILITY</b>	<b>33,24,074</b>		

10. The company has no accumulated losses and the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



11. In our opinion and according to the information and explanations given to us, the company has not defaulted on repayments of dues to banks and financial institutions. There are no debentures issued by the company and as such the question of default in payment to debenture holders does not arise.
12. As informed to us, the company has not granted any loans and advances on the basis of security by way of pledge of any shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. The Company has only invested in shares of subsidiaries / group companies for which proper records have been maintained. The said investments are held by the Company in its own name.
15. As informed to us, the company had not given any guarantees for any loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
16. On the basis of the review of the utilization of funds pertaining to term loans on overall basis and related information as made available to us by the Company, prima facie the term loans taken by the Company were applied for the purpose for which they had been raised.
17. According to the information and explanations given to us and on overall examination of the Balance Sheet and Cash Flow of the company, prima facie no funds raised on short-term basis have been used for long-term investments.
18. The company has not made any fresh allotment of shares. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
19. The company has not issued any debentures. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
20. During the year under review, apart from amounts received on calls in arrears, the company has not raised any monies by way of public issues. Hence the question of verification of end use of monies raised in public issue as per the provision of clause 4(xx) of the Companies (Auditor's Report) Order 2003 does not arise.
21. On the basis of our examinations and according to the information and explanations given to us, no fraud/s on or by the company has been noticed or reported during the course of the audit except in the case of one contractor who has misappropriated stock of raw materials amounting to Rs. 24.5 lakhs. The company has proceeded legally against the contractor in the court of law by filing a criminal suit alleging fraud/misappropriation.

**for R. C. RESHAMWALA & CO.  
CHARTERED ACCOUNTANTS**

**RAJNIKANT C. RESHAMWALA  
PARTNER  
Membership No. 5502**

**MUMBAI: 9<sup>th</sup> May, 2006**

# ANNUAL REPORT 2005-2006

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2006

	Schedules	Rupees	Current Year Rupees	Previous Year Rupees
<b>I. SOURCES OF FUNDS :</b>				
<b>1. Shareholders' Funds :</b>				
a) Share Capital	1	399,984,845		399,875,345
b) Reserves & Surplus	2	4,817,412,669		4,495,705,317
			5,217,397,514	4,895,580,662
<b>2. Loan Funds :</b>				
Secured Loans	3		2,079,965,626	2,058,494,232
<b>3. Deferred Tax Liability ( Net ) :</b>				
			22,867,276	24,357,133
	<b>TOTAL</b>		<b>7,320,230,416</b>	<b>6,978,432,027</b>
<b>II. APPLICATION OF FUNDS :</b>				
<b>1. Fixed Assets :</b>				
a) Gross Block	4	527,367,204		498,959,209
Less : Depreciation		222,692,822		202,165,666
Net Block		304,674,382		296,793,543
b) Capital Work-in-Progress		281,973,325		256,971,615
			586,647,707	553,765,158
<b>2. Investments :</b>				
	5		519,555,040	432,055,030
<b>3. Current Assets, Loans And Advances :</b>				
a) Inventories		1,715,335,552		1,478,958,693
b) Sundry Debtors		7,806,189,055		5,495,364,690
c) Cash and Bank Balances		1,062,257,009		1,069,059,782
d) Loans and Advances		149,118,773		240,361,697
		10,732,900,389		8,283,744,862
<b>Less : Current Liabilities And Provisions :</b>				
a) Current Liabilities	7	4,409,910,213		2,208,710,141
b) Provisions		110,870,503		88,146,856
		4,520,780,716		2,296,856,997
<b>Net Current Assets</b>			<b>6,212,119,673</b>	<b>5,986,887,865</b>
<b>5. Miscellaneous Expenditure :</b>				
( To the extent not written off or adjusted )	8		1,907,996	5,723,974
	<b>TOTAL</b>		<b>7,320,230,416</b>	<b>6,978,432,027</b>
NOTES ON ACCOUNTS	12			

As per our attached report of even date

For **R. C. RESHAMWALA & CO.**  
Chartered Accountants

**Rajnikant C. Reshamwala**  
Partner  
Membership No. 5502

**Somnath Saha**  
Company Secretary

Mumbai:9th May, 2006

For and on behalf of the Board

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**K. N. Bhandari**

**Dharmendra Bhandari**

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Directors

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Schedules	Rupees	Current Year Rupees	Previous Year Rupees
<b>I. INCOME</b>				
Sales		12,198,950,902		10,280,698,879
Other Income	9	18,313,026		3,525,069
			12,217,263,928	10,284,223,948
<b>II. EXPENDITURE</b>				
Material Cost	10	11,453,581,064		9,659,762,596
Manufacturing and other expenses	11	274,563,941		233,540,901
			11,728,145,005	9,893,303,497
<b>III. PROFIT</b>				
Profit before Interest and Depreciation			489,118,923	390,920,451
Interest		62,989,538		42,007,947
Depreciation		30,585,253		23,922,549
			93,574,791	65,930,496
Profit Before Tax			395,544,132	324,989,955
Provision for Tax				
a) Current		23,000,000		17,300,000
b) Deferred Tax		(1,489,857)		807,153
			21,510,143	18,107,153
Profit After Tax			374,033,989	306,882,802
Balance brought forward from Previous Year			698,521,328	577,744,849
			1,072,555,317	884,627,651
Add :				
Excess/ (Short) Provision for Expenses/ Income of earlier years ( Net )			3,706,836	(505,324)
Excess/(Short) Provision for Tax ( Net )			11,563,229	(5,559,733)
Profit available for appropriation	<b>Total</b>		<b>1,087,825,382</b>	<b>878,562,594</b>
<b>IV. APPROPRIATIONS</b>				
Proposed Dividend			60,336,387	48,269,110
Tax on Dividend			8,462,178	6,772,156
Transfer to General Reserve			200,000,000	100,000,000
Transfer to General Reserve-Foreign Exchange/ Metal Fluctuation			100,000,000	25,000,000
Balance carried to Balance Sheet			719,026,817	698,521,328
	<b>Total</b>		<b>1,087,825,382</b>	<b>878,562,594</b>
Earnings per share(Basic & Diluted)			9.33	7.67
NOTES ON ACCOUNTS	12			

As per our attached report of even date

For **R. C. RESHAMWALA & CO.**  
Chartered Accountants

**Rajnikanth C. Reshamwala**  
Partner  
Membership No. 5502

**Somnath Saha**  
Company Secretary

Mumbai:9th May, 2006

For and on behalf of the Board

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**K. N. Bhandari**

**Dharmendra Bhandari**

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Directors

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>			
Authorised			
7,00,00,000 Equity Shares of Rs. 10/- each ( Previous Year : 7,00,00,000 Equity Shares of Rs. 10/- each )		700,000,000	700,000,000
Issued and Subscribed			
4,02,24,258 Equity Shares of Rs. 10/- each ( Previous Year : 4,02,24,258 Equity Shares of Rs. 10/- each )		402,242,580	402,242,580
Paid-up			
4,02,24,258 Equity Shares of Rs. 10/- each ( Previous Year : 4,02,24,258 Equity Shares of Rs. 10/- each ) Less: Calls Unpaid - Other than Directors		402,242,580 2,257,735	402,242,580 2,367,235
<b>TOTAL</b>		<b>399,984,845</b>	<b>399,875,345</b>
Note :			
Of the above paid-up Capital, Rs. 10,48,06,450 represents capitalisation of General Reserve by issue of 1,04,80,645 Equity Shares of Rs. 10 each fully paid up as Bonus Shares.			
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>			
Capital Reserve			
As per last Balance Sheet		50,341,338	50,341,338
Share Premium Account			
Premium Receivable	1,716,514,830		1,716,514,830
Less : Allotment Money in Arrears	7,600,134		8,004,832
Less : Call Money in Arrears	6,027,872		6,825,037
		1,702,886,824	1,701,684,961
General Reserve			
As per last Balance Sheet	2,010,157,690		1,910,157,690
Add : Amount transferred from Profit and Loss Account	200,000,000		100,000,000
		2,210,157,690	2,010,157,690
General Reserve-Foreign Exchange/Metal Fluctuations			
As per last Balance Sheet	35,000,000		10,000,000
Add : Amount transferred from Profit and Loss Account	100,000,000		25,000,000
		135,000,000	35,000,000
Surplus in Profit and Loss Account		719,026,817	698,521,328
<b>TOTAL</b>		<b>4,817,412,669</b>	<b>4,495,705,317</b>
<b>SCHEDULE 3 : LOAN FUNDS</b>			
<b>Secured Loans</b>			
<b>Short Term Loans from Banks</b>			
Secured by hypothecation of stock-in-trade, book debts ( both present and future ), personal guarantee of a Director and mortgage by way of Title Deeds of the immovable properties comprising of land and other structure, fixed machinery and plant, fixtures and fittings erected or installed thereof situated at Bangalore, Jodhpur, Mumbai and Valsad; and Collateral Security of Land & Building offered by Bombay Diamond Company P. Ltd., Kohinoor Diamonds Pvt. Ltd. and Land & building and Plant & Machinery of Forever Diamonds Pvt.Ltd.			
The Company also has non-fund credit facility of Rs. 487.05 Crores, with the Consortium of Bankers, secured against above Assets and Fixed Deposits.			
		2,079,294,180	2,057,659,032
<b>Term Loans from Banks/Financial Institution</b>			
(Secured by hypothecation of Vehicle)			
		671,446	835,200
<b>TOTAL</b>		<b>2,079,965,626</b>	<b>2,058,494,232</b>

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## SCHEDULE 4 : FIXED ASSETS

Description of Asset	GROSS BLOCK ( At Cost )				DEPRECIATION				NET BLOCK	
	As At 1st April 2005 Rs.	Additions during the year Rs.	Sales during the year Rs.	As At 31st March, 2006 Rs.	As At 1st April 2005 Rs.	Sales during the year Rs.	Provided during the year Rs.	As At 31st March, 2006 Rs.	As At 31st March, 2006 Rs.	As At 31st March 2005 Rs.
1. Leasehold Land	7,232,169			7,232,169	34,918		2,318	37,236	7,194,933	7,197,251
2. Factory Premises	66,091,584	9,184,396		75,275,980	27,421,332		4,267,430	31,688,762	43,587,218	38,670,252
3. Office Premises	147,931,028			147,931,028	3,384,176		7,227,342	10,611,518	137,319,510	144,546,852
4. Plant and Machinery	211,348,864	20,069,815	2,109,558	229,309,121	127,889,051	1,722,155	13,178,203	139,345,099	89,964,022	83,459,813
5. Furniture and Fixtures	13,385,184	2,489,566	2,596,479	13,278,271	9,545,554	2,454,435	890,063	7,981,182	5,297,089	3,839,630
6. Electrical Installations	18,538,482	1,410,124	252,321	19,696,285	12,235,645	236,070	1,007,039	13,006,614	6,689,671	6,302,837
7. Equipment	10,143,808	2,159,798	2,463,649	9,839,957	6,348,943	2,238,410	678,204	4,788,737	5,051,220	3,794,865
8. Air-conditioners	7,569,523	613,264	1,802,924	6,379,863	5,000,635	1,534,561	406,640	3,872,714	2,507,149	2,568,888
9. Computers	10,992,589	3,228,888	1,050,425	13,171,052	7,756,854	1,047,016	2,077,054	8,786,892	4,384,160	3,235,735
10. Vehicles	5,725,978	423,130	895,630	5,253,478	2,548,558	825,450	850,960	2,574,068	2,679,410	3,177,420
<b>CURRENT YEAR'S TOTAL</b>	<b>498,959,209</b>	<b>39,578,981</b>	<b>11,170,986</b>	<b>527,367,204</b>	<b>202,165,666</b>	<b>10,058,097</b>	<b>30,585,253</b>	<b>222,692,822</b>	<b>304,674,382</b>	<b>296,793,543</b>
PREVIOUS YEAR'S TOTAL	316,476,998	185,580,830	3,098,619	498,959,209	179,883,701	1,640,584	23,922,549	202,165,666	296,793,543	—

### NOTE :

The value of the capital work-in-progress capitalised during the year amounted to Rs. 79,59,474 ( Previous Year Rs. NIL )

The various items of expenditure comprised therein are :

PARTICULARS	CURRENT YEAR RUPEES	PREVIOUS YEAR RUPEES
1) Factory Premises	2,672,328	—
2) Plant & Machinery	4,365,487	—
3) Electrical Installation	689,370	—
4) Furniture and Fixture	232,289	—
	<u>7,959,474</u>	<u>—</u>

	Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 5 : INVESTMENTS : (AT COST) - UNQUOTED</b>			
<b>UNQUOTED (AT COST) :</b>			
<b>Long Term</b>			
<b>In Government Securities</b>			
2 ( Previous Year : 2 ) Indira Vikas Patra of Rs. 500 each National Savings Certificates	1,000 5,000		1,000 5,000
		6,000	6,000
<b>In Shares (In Trade Investments)</b>			
<b>Subsidiary Company</b>			
30,088 ( Previous Year : 30,088 ) Equity Shares of of Koradlam N. V.		378,530,800	378,530,800
<b>Other Companies</b>			
20,00,000 ( Previous Year : 20,00,000 ) Equity Shares of Rs. 10 each of Su-Raj Diamond Dealers Limited, Fully Paid-up	20,000,000		20,000,000
20,000 ( Previous Year : 20,000 ) Equity Shares of Rs. 10 each of Su-Raj Jewellery (India) Limited, Fully Paid-up	200,000		200,000
6,900 ( Previous Year : 6,900 ) Equity Shares of Rs. 10 each of Su-Raj UK Industries Ltd., Fully paid-up	69,000		69,000
3,623,659 ( Previous Year : 9,31,351 ) Equity Shares of Rs. 10 each of Forever Precious Jewellery & Diamonds Ltd.	120,749,240		33,249,230
		141,018,240	53,518,230
<b>TOTAL</b>		<b>519,555,040</b>	<b>432,055,030</b>

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

	Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 6 : CURRENT ASSETS LOANS AND ADVANCES</b>			
<b>A. Current Assets</b>			
<b>(a) Inventories</b>			
( As certified by a Director )			
<b>I. Stores and Spare Parts ( At Cost )</b>		6,415,471	9,708,626
<b>II. Stock-in-Trade</b>			
<b>(i) Raw Materials</b>			
( Valued " At Cost" or " Net Realisable Value" whichever is lower)			
Diamonds	698,494,271		439,998,254
Gold and Alloy	464,414,235		106,202,835
Precious, Semi-precious and Other Stones	8,785,515		3,019,392
Others	1,429,637		975,962
	<u>1,173,123,658</u>		<u>550,196,443</u>
<b>(ii) Semi Finished Goods (At Cost of Materials)</b>	1,561,002		1,561,002
<b>(iii) Finished Goods</b>			
( Valued " At Cost" or "Net Realisable Value " whichever is lower )			
Diamonds and Studded Jewellery	534,235,421		917,473,122
Press Pots and Diamond Scaives	—		19,500
	<u>534,235,421</u>	<u>1,708,920,081</u>	<u>917,492,622</u>
		<u>1,715,335,552</u>	<u>1,478,958,693</u>
<b>B. Sundry Debtors</b>			
( Unsecured , considered good )			
Debts outstanding for a period exceeding six months	406,879,969		442,875,585
Other Debts	7,399,309,086		5,052,489,105
	<u>7,806,189,055</u>		<u>5,495,364,690</u>
<b>C. Cash and Bank Balances</b>			
Cash on hand	339,816		197,776
Balance with Scheduled Banks :			
In Current Account ( including cheques on hand Rs. 4,61,00,000; Previous Year Rs. 2,50,00,000 )	124,759,234		44,049,575
In Fixed Deposit Accounts	937,157,959		1,002,969,217
In Margin Money Accounts	—		21,843,214
	<u>1,062,257,009</u>		<u>1,069,059,782</u>
<b>TOTAL ' A '</b>		<u><u>10,583,781,616</u></u>	<u><u>8,043,383,165</u></u>
<b>D. Loans and Advances</b>			
( Unsecured , considered good )			
Advances recoverable in cash or in kind or for value to be received	105,901,262		208,562,306
Loans and advances to Employees	—		3,557
Advance payment of Income-tax	43,217,511		31,795,834
	<u>149,118,773</u>		<u>240,361,697</u>
<b>TOTAL ' B '</b>		<u>149,118,773</u>	<u>240,361,697</u>
<b>TOTAL ' A ' + ' B '</b>		<u><u>10,732,900,389</u></u>	<u><u>8,283,744,862</u></u>

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS</b>			
<b>A. Current Liabilities</b>			
a) Sundry Creditors	4,397,823,071		2,196,565,489
b) Due to Directors	307,050		307,050
c) Unclaimed Dividend	9,515,971		9,295,491
d) Other Liabilities	2,264,121		2,542,111
		<b>4,409,910,213</b>	2,208,710,141
<b>B. Provisions</b>			
a) Taxation	40,300,000		32,300,000
b) Provision for Gratuity	1,771,938		805,590
c) Proposed Dividend	60,336,387		48,269,110
d) Tax on Dividend	8,462,178		6,772,156
		<b>110,870,503</b>	88,146,856
<b>TOTAL</b>		<b>4,520,780,716</b>	2,296,856,997
<b>SCHEDULE 8 : MISCELLANEOUS EXPENDITURE</b> ( To the extent not written off or adjusted )			
a) Preliminary Expenses		574,119	1,722,360
b) Commission and Brokerage on subscription of shares		1,333,877	4,001,614
<b>TOTAL</b>		<b>1,907,996</b>	5,723,974
<b>SCHEDULE 9 : OTHER INCOME</b>			
Interest Received ( Tax deducted at source Rs. 43,539; Previous Year Rs. NIL )		8,205,098	1,530,865
Labour Charges Received ( Tax deducted at source Rs. 99,537; Previous Year Rs. 6,617 )		4,436,120	329,362
Profit on Sale of Assets (Net )		—	190,254
Profit on Sale of Investment		—	271,520
Dividend Received		14,500	8,195
Rent Received.		512,000	400,000
<b>Miscellaneous Receipts</b>			
Premium on Sale of Licence	4,932,385		—
From Others	212,923		794,873
<b>TOTAL</b>		<b>18,313,026</b>	3,525,069

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

	Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 10 : MATERIAL COST</b>			
<b>Raw Materials Consumed</b>			
Opening Stock	550,196,442		875,646,449
Add : Purchases	11,690,590,307		9,211,128,889
	<u>12,240,786,749</u>		<u>10,086,775,338</u>
Less : Closing Stock	1,173,123,658		550,196,442
		<b>11,067,663,091</b>	<b>9,536,578,896</b>
<b>(Increase)/ Decrease in Semi-Finished Goods</b>			
Opening Stock of Semi-Finished Goods	1,561,002		7,906,332
Add : Purchase	—		5,228,584
	<u>1,561,002</u>		<u>13,134,916</u>
Less : Closing Stock of Semi-Finished Goods	1,561,002		1,561,002
		—	11,573,914
<b>Goods Traded In</b>			
Opening Stock	4,405,394		—
Add : Purchases	2,660,772		4,405,394
	<u>7,066,166</u>		<u>4,405,394</u>
Less : Closing Stock	—		4,405,394
		<b>7,066,166</b>	—
<b>(Increase)/ Decrease in Finished Goods</b>			
Opening Stock of Finished Goods	913,087,228		1,024,697,014
Closing Stock of Finished Goods	534,235,421		913,087,228
( Accretion )/ Decretion in stock		<b>378,851,807</b>	<b>111,609,786</b>
<b>TOTAL</b>		<b>11,453,581,064</b>	<b>9,659,762,596</b>
<b>SCHEDULE 11 : MANUFACTURING AND OTHER EXPENSES</b>			
Salaries, Wages and Bonus	10,519,064		3,917,410
Contribution to Provident and other Funds	750,685		295,239
Workmen and Staff Welfare Expenses	1,013,776	<b>12,283,525</b>	399,201
			<u>4,611,850</u>
Directors' Remuneration		1,475,000	960,000
Labour Charges		97,869,017	92,387,997
Assortment and Valuation Charges		1,892,857	1,275,741
Packing Materials Consumed		86,588	213,365
Stores and Spare Parts Consumed		9,097,958	5,379,007
Electricity Charges		4,743,246	6,342,268
Freight and Forwarding		6,406,868	6,088,597
Postage and Telegram Charges		1,651,273	1,201,739
Telephone, Telex and Fax Charges		1,762,087	1,326,035
Advertisement and Sales Promotion Expenses		3,952,610	4,961,166
Lease Rent		3,176,362	1,311,058
Rates, Taxes and Duties (Including Rs. 88,758; Previous Year Rs. 21,27,555 towards Stamp Duty )		<b>512,328</b>	<b>3,761,353</b>
Travelling Expenses		6,317,637	5,972,636
Printing and Stationery		984,688	940,099
Licence, Registration and Other Fees		518,163	686,529
Repairs and Maintenance of :			
Buildings	256,530		555,531
Plant and Machinery	360,482		694,343
Others	2,184,903		1,200,761
		<b>2,801,915</b>	<b>2,450,635</b>
Insurance Charges ( Including Rs. 53,32,130 ; Previous Year Rs. 70,50,726 for ECGC Premium reimbursed to banks )		<b>12,615,666</b>	<b>13,707,480</b>
Legal and Professional Charges		6,325,530	6,286,860
Bank Charges		88,089,524	61,455,428
Miscellaneous Expenses		6,456,423	6,789,980
Loss on sale of Fixed Assets		673,698	—
Donations		1,055,000	1,615,100
Preliminary Expenses Written Off		3,815,978	3,815,978
		<b>274,563,941</b>	<b>233,540,901</b>



## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

### SCHEDULE 12:

#### NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT.

##### A. Significant Accounting Policies:

##### 1. Basis of Accounting and Preparation of financial Statements:

- (a) All income and expenditure items are accounted on accrual basis.
- (b) Financial statements are based on historical costs. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

##### 2. Fixed Assets:

- (a) All fixed assets are valued at cost less depreciation.
- (b) Exchange differences relating to the acquisition of fixed assets are adjusted in the cost of the assets.

##### 3. Work in Progress :

- (a) The cost of fixed assets, acquisition/construction, installations of which are not completed are included under Capital Work-in-Progress and the same are apportioned/transferred to respective fixed assets on installation/completion of the asset/project.
- (b) Expenses incurred to set up business premises/factory premises forming part of capital work-in-progress are capitalised under the head Factory Premises.
- (c) Similarly, goods, which are under production and cannot be termed as finished goods are treated as work in progress.

##### 4. Investments :

Investments are stated at Cost of acquisition.

##### 5. Depreciation :

- (a) Depreciation is provided as per the "Written Down Value" method at rates provided by Schedule XIV to the Companies Act, 1956. Leasehold Land is amortised over the period of lease.
- (b) Depreciation on additions and on sale/disposal of fixed assets is computed pro-rata on day-to-day basis from the date of purchase or up to the date of sale.
- (c) Depreciation on new unit is taken from the date of commissioning of the unit.
- (d) Depreciation is also considered on those assets (idle assets) which were not used for whole or part of the year.

##### 6. Inventories :

The Company has complied with AS-2 "Valuation of Inventories" issued by the Institute of Chartered Accountants of India, to the extent practicable keeping in mind the peculiar nature of the industry.

- (a) Raw Materials (Rough Diamonds, Precious stones, Gold, Silver, Alloys, Platinum, Pearls) are valued "At Cost"(ie cost of acquisition as on that date) or "Net Realisable Value", whichever is lower.
- (b) Closing stock of other Raw Materials is valued "At Cost " or "Net Realisable Value" whichever is lower ( cost means average cost with the proportionate value of freight and Clearing charges added to closing stock.)
- (c) Stock on hand as on the last date which is under processing and not yet converted to finished goods is considered to be a part of Stock of Raw Materials and hence is valued as Raw Materials as in (a) above
- (d) Finished Goods of Polished Diamonds are valued "At Cost or Net Realisable value", whichever is lower. Cost includes Cost of Raw Materials on Weighted Average cost basis, labour cost and proportionately allocated other costs related to converting them into finished goods which are technically evaluated keeping in view the wide variety and grades of diamonds.

- (e) Finished Goods of Jewellery are valued "At Cost or Net Realisable value", whichever is lower. Cost includes Cost of Raw Materials, labour cost and proportionately allocated other costs related to converting them into finished goods.

- (f) Finished Goods of engineering division are valued "At Cost or Net Realisable value", whichever is lower. Cost includes Cost of Raw Materials on Weighted average cost basis, labour cost and proportionately allocated other costs related to converting them into finished goods.

- (g) Goods procured for trading (Studded and plain Jewellery and Diamonds) are valued "At Cost or Net Realisable value", whichever is lower.

- (h) Semi Finished Goods of Engineering Division are valued "At Cost of Raw Materials."

- (i) Stores and Spares are valued "At Cost".

##### 7. Foreign Exchange Transactions:

- (a) Transactions in foreign currency are accounted at the exchange rate / average rate prevailing on the date of transaction. Exchange fluctuations between the transaction date and the settlement date in respect of revenue transactions are recognized in Profit and Loss Account.

- (b) All export proceeds / import payables not realised at the year-end are restated at the rate prevailing at the year end. The exchange difference arising there from has been recognised as income/ expenses in the current years Profit and Loss Account.

- (c) Monetary Assets and Liabilities denominated in Foreign Currency, are translated at year end exchange rates and the Profit/Loss so determined are recognized in the Profit and Loss Account for the year.

- (d) (i) As per the Provisions of the AS -11 of the ICAI, the Profit/Loss on derivative instruments, undertaken to hedge exchange fluctuation/price risks are recognised as income/ expenses in the Profit and Loss Account for the year.

- (ii) Profit / (loss) on the transaction outstanding on the balance sheet date, are accounted when the transactions are completed/settled.

##### 8. Preliminary Expenses :

Preliminary Expenses are treated as Deferred Revenue Expenditure and the same are written off in ten equal installments.

##### 9. Employees Retirement Benefits :

- (a) Gratuity liability due and payable on the last day of the accounting year is valued as per an Actuarial valuation in accordance with the provision of the Payment of Gratuity Act, 1972 and the provision for the liability is made in the books.

- (b) The Company has made provision for leave encashment dues as on the last date of the year.

##### 10. Taxation :

- (a) Provisions for taxation is made after considering various reliefs admissible under the provisions of the Income Tax Act.

- (b) Disputed amounts of tax are considered in contingent liabilities.

- (c) The Company has implemented 'Accounting Standard 22'- "Accounting of Taxes on Income", issued by the Institute of Chartered Accountants of India, which is mandatory in nature. The Company has recognized Deferred Taxes which results from the timing difference between the Book Profits and Tax Profits.

##### 11. Borrowing Cost :

Borrowing Costs that are attributable to the acquisition/construction of fixed assets are capitalized as part of the cost of the respective assets. Other borrowing costs are recognized as expenses in the year in which they are incurred.

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

### B. Notes forming part of the accounts:

1. Contingent Liabilities not provided for in respect of:

	Rupees	Rupees
(a) Disputed Income/ Sales Tax Liability	3,324,074	(47,88,802)
(b) Estimated amounts of contracts remaining to be executed on Capital Account.	1,75,81,895	(5,42,00,000)
(c) EPCG Benefits (Customs duties payable if export obligations not met ).	2,24,95,334	(1,94,59,656)
<b>Total</b>	<b>4,34,01,303</b>	<b>(7,84,48,458)</b>

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act	Income Tax	28,54,297	A Y 2002-03	CIT (A)
Less:	Refund Dues	1,73,574		
	<b>Net Liability</b>	<b>26,80,723</b>		
Sales Tax	Sales Tax	3,36,657	F Y 1992-93	MST (Tribunal)
Sales Tax	Sales Tax	59,642	F Y 1993-94	MST (Tribunal)
Sales Tax	Sales Tax	1,37,826	F Y 1994-95	MST (Tribunal)
Sales Tax	Sales Tax	1,09,226	F Y 1995-96	MST (Tribunal)
	<b>Total ST Liability</b>	<b>6,43,351</b>		
	<b>TOTAL LIABILITY</b>	<b>33,24,074</b>		

2. In the opinion of the Directors:

- (a) The Current Assets, Loans and Advances are approximately of the value stated, if realized in the ordinary course of business.
- (b) The provision for Depreciation and for all known liabilities are adequate and not in excess of the amounts reasonably necessary.

3. The closing stock of Raw Materials-Gold includes Gold valued at Rs.45,89,68,389/- (Rs. 10,25,52,522/-) taken on loan from Banks under the EXIM Scheme.

4. Legal and Professional charges include following payments to Statutory Auditors :

	Rupees	Rupees
(a) Audit Fees	210,000	(210,000)
(b) Tax Audit Fees	60,000	(60,000)
(c) As advisor or in any other capacity in respect of certification charges	142,093	(105,000)
(d) Reimbursement of expenses & Service Tax.	80,878	(40,507)
<b>Total</b>	<b>492,971</b>	<b>(415,507)</b>

5. The closing balance of Sundry Debtors and Creditors are subject to confirmation by the parties concerned.

6. Gratuity provision has been made at Rs. 12,89,967 (Rs. 1,81,453) as per the provisions of the Payment of Gratuity Act,1972. The

Company has ascertained gratuity liability on the basis of Actuarial Valuation as on 31.03.2006.

7. During the year a net loss on account of Foreign Exchange Fluctuation transactions amounting to Rs. 78,86,381 Gain (Rs. 8,94,27,326) has been recognised in the Profit and Loss Account.
8. Loans and Advances includes Lease Deposits of Rs. 1,20,00,000 (Rs. 1,20,00,000) given to various parties for taking premises on lease as on 31<sup>st</sup> March 1992. The possession of these premises has still not been received.
9. The Company has taken gold on loan from various banks. The said gold has been processed and sales of jewellery made. The value of purchase and sale is taken on the basis of the provisional sale certificate of the bank. The final value of purchase and sale is recorded on the date of repayment of the loan or on final price confirmation of gold loan on the basis of contract booked with the difference of sale and purchase amount being recorded to respective accounts.
10. During the year company has adjusted the dividends payable against the amounts due from shareholders who have not paid their call monies in respect of warrants subscribed by them. The amount of dividend adjusted against the Share premium Account is Rs. 5,63,592 (Rs. 22,68,290).
11. There are no amounts of unclaimed dividend due and outstanding to be credited to Investor Education and Protection fund.
12. During the year under review the company has entered into transactions in relation to derivative instruments. The following is the list of transactions outstanding on the Balance Sheet date as disclosed by the company :

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

1. Transactions for forward contracts for hedging foreign exchange exposure in relation to receivable and payable numbering to 50 amounting to Rs. 1061.96 crores.
2. Transactions for option contracts for hedging foreign exchange exposure in relation to receivable and payable numbering to 4 amounting to Rs. 15.62 crores.
13. The Engineering division at Jodhpur which had been manufacturing scaives and press pots for the Diamond Industry has closed its operations. The Board at its meeting has decided to merge the said division with the Bangalore Division and sell of certain unwanted assets. The company in this division has during the year incurred a loss of Rs. 26.69 lacs ( Rs. 39 lacs). The carrying value of the total assets to be disposed off at Jodhpur is Rs. 157.81 lacs and the liabilities to be settled remain at Rs. 0.29 lacs at the balance sheet date.
14. As per the provisions of Accounting Standard 17-"Segment Reporting " issued by the Institute of Chartered Accountants of India, the details of the Primary and Secondary Segment are given here below :

### SEGMENT INFORMATION FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006.

(i) Information about Primary Business Segment : (Rs.in Lacs)

	Diamond	Jewellery	Engineering	Un-allocated	Total
<b>REVENUE</b>					
Sales	56546 (54519)	65443 (48286)	01 (04)	183 (36)	122173 (102845)
<b>RESULT</b>					
Segment Result	1838 (1545)	3654 (2780)	(26) (39)	Nil (Nil)	5466 (3573)
Bank interest / charges				1511 (1037)	1511 (1037)
Profit before tax					3955 (3249)
Provision for tax					
Current					230 (173)
Deferred					(15) (8)
Profit after tax					3740 (3068)
<b>OTHER INFORMATION</b>					
Segment Assets	70524 (47578)	47802 (35575)	60 (49)	Nil (Nil)	118386 (83203)
Segment Liabilities	3930 (4120)	40589 (17223)	1 (2)	Nil (Nil)	44520 (21343)
Share Capital & Reserves					52174 (49502)
Deferred Taxation					228 (243)
Non-cash expenses other than depreciation					19 (57)

(ii) Information about Secondary Business Segment:

Statement of continent wise sale :

	Amount (Rs.)
North America	2,835,972,090 (2,700,035,885)
Europe	734,797,118 (709,532,155)
Middle East	6,302,421,566 (4,392,620,370)
Asia ( Incl. Japan and Fiji)	2,325,760,128 (2,478,822,969)
<b>Total</b>	<b>12,198,950,902</b> <b>(10,281,011,379)</b>

# ANNUAL REPORT 2005-2006

15. As per provision of Accounting Standard 18-"Related Party Transactions" issued by the Institute of Chartered Accountants of India, the details of Related Party Transaction based on disclosure certificate issued by the Directors, is enclosed herebelow :

i) List of Related Parties :	Particulars
Subsidiary	Koradlam N V
Associates	Forever Precious Jewellery & Diamonds Ltd, Forever Diamonds Private Limited, Su-Raj Jewellery (India) Limited, Su-Raj Diamond Dealers Limited
Key Management Personnel	Jatin R Mehta
Enterprise with common key management personnel	Nil
Enterprise in which key management personnel and their relatives have significant influence	Su-Raj Diamond Traders Pvt Ltd., J. R. Diamonds Pvt Ltd, Su-Raj Diamond Consultancies Pvt Ltd., Diadem Investment and Finance Pvt Ltd., Bombay Diamonds Company Pvt Ltd., Firstrate Diamonds Pvt Ltd., Euro Auto Pvt Ltd., Precious Jewels Exports Pvt. Ltd. Collection Diamond Exports Pvt. Ltd. Hira Exports Pvt Ltd. Kings Jewel Exports Pvt. Ltd. Su-Raj UK Industries Ltd
Relative of key management personnel	Jatin R.Mehta (HUF), Ms.Sonia J.Mehta , S.J.& Co.

## A. Transaction for the year ended 31-03-2006.

	Subsidiaries	Associates	Key management personnel and his Relatives have significant influence	Relative of Key Management personnel	TOTAL
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
1. Purchases	218,411,318 (170,543,181)	10,314,895 (10,380,689)	13,469,112 (41,137,863)	Nil (Nil)	242,195,325 (222,061,733)
2. Sales	1,408,503,787 (87,596,789)	150,729,947 (101,094,984)	183,653,221 (462,770)	Nil (Nil)	1,742,886,955 (189,154,543)
3. Purchase of Fixed Assets	Nil (Nil)	Nil (480,000)	Nil (Nil)	Nil (Nil)	Nil (480,000)
4. Sales of Fixed Assets	Nil (Nil)	Nil (1,500,000)	Nil (82,289)	Nil (Nil)	Nil (1,582,289)
5. Labour charges paid	Nil (Nil)	8,443,589 (12,840,983)	19,540,228 (20,157,162)	Nil (Nil)	27,983,817 (32,997,427)
6. Lease Rent	Nil (Nil)	Nil (Nil)	Nil (18,387)	Nil (Nil)	Nil (18,387)
7. Loan Given	Nil (Nil)	13,335,000 (Nil)	Nil (10,000)	Nil (Nil)	13,335,000 (10,000)
8. Loan Received	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
9. Guarantee Given	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
10. Equity contribution	Nil (Nil)	87,500,010 (33,249,230)	Nil (Nil)	Nil (Nil)	87,500,010 (33,249,230)
11. Remuneration			1,350,000 (900,000)		1,350,000 (900,000)

## B. Outstanding as on 31.03.2006

1. Debtors	576,701,784 (41,475,002)	45,281,979 (55,027,596)	1,648,730 (37,815,234)	Nil (Nil)	623,632,493 (134,317,832)
2. Creditors	102,210,858 (57,897,105)	13,239,501 (6,292,603)	5,544,646 (Nil)	Nil (Nil)	120,995,005 (64,189,708)
3. Lease Deposits	Nil (Nil)	Nil (Nil)	3,000,000 (3,000,000)	9,000,000 (9,000,000)	12,000,000 (12,000,000)

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



16. The Company has various operating leases for factory premises and office facilities that are renewable on a periodic basis and can be terminated at the option of either parties. Rental expenses for operational leases recognized in the Profit and Loss Account for the year is Rs. 16,66,873 (Rs. 13,11,058 ).

Minimum future lease rentals payable are :

	<u>Rupees</u>	<u>Rupees</u>
(a) Payable within one year	1,600,000	(280,000)
(b) Payable within one year and five years.	3,200,000	(120,000)
(c) Payable after five years.	Nil	Nil

Minimum future lease rentals receivable in respect of assets given on operating lease in the form of Plant & Machinery after 1/10/2002 and Building after 1/8/2001 are :

	<u>Rupees</u>	<u>Rupees</u>
(a) Receivable within one year	512,000	(400,000)
(b) Receivable between one year and five years	1,024,000	(800,000)
(c) Receivable after five years	(Nil)	(Nil)

17. A contractor, who was given gold amounting to Rs. 24.50 lacs, for making jewellery, failed to return the gold/jewellery. The Company has filed a criminal suit against the contractor and the matter is pending in the Court.

18. Earnings per share:

Profit computation for both Basic and Diluted earnings per share of Rs.10/-each.

	<u>Rupees</u>	<u>Rupees</u>
Net Profit as per Profit and Loss Account available to shareholders	374,033,989	(306,882,802)
Weighted average no. of Equity Shares	40,111,371	(39,987,535)
39,750,811 Equity Shares fully paid of Rs.10 each		39,998,484
225,774 Equity Shares partly paid up of Rs. 5 each = Rs. 1,128,870 Hence fully paid up Equity Shares of Rs. 10 each		112,887
Total No. of Equity Shares		40,111,371
Earnings per Share (Basic and Diluted)	9.33	(7.67)

19. The Company has implemented Accounting Standard 22 - "Accounting of Taxes on Income", issued by the Institute of Chartered Accountants of India, which is mandatory in nature. The Company has recognized Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits.

As a result the deferred tax assets for the year aggregating to Rs. 14,89,856/- has been recognized in the Profit and Loss account, the details of which are as under.

Particulars	Balance carried As at 31.03.2005 (Rs.)	Arising during the year (Rs.)	Balance carried As at 31.03.2006 (Rs.)
<b>Deferred Tax Liabilities</b>			
Depreciation	(21,721,313)	(1,742,398)	(23,463,711)
Short Term Capital Gain	(2,850,924)	2,850,924	—
<b>Total</b>	<b>(24,572,237)</b>	<b>1,108,526</b>	<b>(23,463,711)</b>
<b>Deferred Tax Assets</b>			
Provision for Gratuity	—	596,434	596,434
Short Term Capital Loss	215,104	(215,104)	—
<b>Total</b>	<b>215,104</b>	<b>381,330</b>	<b>596,434</b>
<b>Net</b>	<b>(24,357,133)</b>	<b>1,489,856</b>	<b>(22,867,277)</b>

# ANNUAL REPORT 2005-2006

20. The Company has taken into consideration the Provisions of Accounting Standard 28 – “Impairment of Assets”. The Company does not have any assets, which would require impairment and provisions other than the assets at Jodhpur Engineering Division (refer to note no. 13).

21. The Company has implemented the Provisions of Accounting Standard 29 – “Provisions, Contingent Liabilities and Contingent Assets”. The Company has recognised contingent liabilities as given in B(1) above and as such no provision is required to be made. The company does not have any contingent Assets which requires provision.

22. Payment to Directors:	<u>Rupees</u>	<u>Rupees</u>
Salaries to Managing Director	1,475,000	(900,000)
Meeting Fees	125,000	(60,000)
<b>Total</b>	<b>1,600,000</b>	<b>(960,000)</b>

23. Computation of Net Profit as per section 349 read with section 309(5) and section 198 of the Companies Act, 1956 for calculation of the remuneration of Managing Director.

	<u>Rupees</u>	<u>Rupees</u>
Profit before tax as per Profit and Loss Account	395,544,132	(324,989,955)
Add: Managerial Remuneration	1,475,000	(900,000)
Loss on sale of fixed assets	(673,698)	(Nil)
Less: Profit on sale of fixed assets	Nil	(190,254)
Profit on sale of investments	Nil	(271,520)
Profit for Director's Commission	397,692,830	(325,428,181)
Calculation of Commission @ 1% of the net profit as per schedule XIII to the Companies Act, 1956	3,976,928	(3,254,282)
Restricted to	NIL	NIL

24. Additional information required under Para 4-D of Part-II of Schedule VI to the Companies Act, 1956 as certified by a Director is as follows

	<u>Rupees</u>	<u>Rupees</u>
a) Value of Imports on CIF basis		
Raw Materials	9,572,641,856	(7,605,836,875)
Stores and Spares	2,323,814	(2,902,464)
Capital Goods	4,673,757	(27,461,882)
	<b>9,579,639,427</b>	<b>(7,636,201,221)</b>
b) Expenditure in foreign currency on account of		
Travelling Expenses	338,250	(503,546)
Others	Nil	(515,109)
	<b>338,250</b>	<b>(1,018,655)</b>
c) i) Break-up of the value of Raw Materials Consumed:	<u>Rupees</u>	<u>Percentage</u>
Imported	9,066,628,210	82
	(7,665,191,384)	(80)
Indigenous	1,995,361,749	18
	(1,871,387,512)	(20)
	<b>11,061,989,959</b>	100
	(9,536,578,896)	(100)
ii) Break-up of Stores and Spares Consumed:		
Imported	4,183,493	46
	(2,242,361)	(42)
Indigenous	4,914,465	54
	(3,136,646)	(58)
	<b>9,097,958</b>	100
	(5,379,007)	(100)

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



	Rupees	Percentage
d) Remittance of dividend in foreign currency :		
No. of Non-Resident Shareholders	22	27
No. of shares held by them	28,500	33,971
Dividend Year	2004-2005	2003-2004
Dividend Amount	Rs. 34,200	Rs. 33,971
e) Earning in Foreign Exchange :	Rupees	Rupees
i) Export of Goods on F.O.B. basis	11,604,698,473	(9,693,834,764)
ii) Recovery of Freight and Insurance	2,809,260	(6,486,565)
	<b>11,607,507,733</b>	<b>(9,700,321,329)</b>

25. Additional information pursuant to the provisions of Paragraph 3 and 4 of Part II of Schedule VI to the Companies Act, 1956 ( as certified by a Director and accepted by Auditors ) :

a. Licensed and Installed capacity and Production Information in respect of goods manufactured (i.e, fully processed polished diamonds, studded jewellery and press pots)

	Diamond Division	Jewellery Division	Engineering Division
i) Licensed Capacity :	Not-Applicable	Not-Applicable	Not-Applicable
ii) Installed Capacity :	Not-Applicable	Not-Applicable	46,00,000 pcs (Pots) 2,500 Pcs. ( Scaives)
iii) Actual Production :	16,65,734.41cts. (15,62,540.79 cts.)	85,60,997.29gms. (73,78,902.21 gms)	77,898 pcs (Pots) (5,88,870) pcs(Pots)  Nil pcs. (Scaives) (Nil) pcs. (Scaives)

b) 1. Manufacturing Goods :

DESCRIPTION	OPENING STOCK		SALES		CLOSING STOCK		
		Rs.		Rs.		Rs.	
<b>FINISHED GOODS :</b>							
FULLY PROCESSED							
POLISHED DIAMONDS	CTS.	63,430.49	907,170,108	1,665,734.31	5,646,783,981	47,354.00	528,568,178
		(110,744.77)	(1,018,429,269)	(1,613,508.21)	(5,389,565,519)	(63,430.49)	(907,170,108)
STUDED JEWELLERY	GMS.	5,014.87	3,000,462	2,202,610.43	1,544,759,483	3,598.80	5,667,243
		(8,470.64)	(5,858,523)	(609,231.28)	(364,433,582)	(5,014.87)	(3,000,462)
PLAIN JEWELLERY	GMS.	3,289.79	2,897,158	6,487,669.81	4,992,380,643	-	-
		(541.91)	(249,333)	(6,761,366.27)	(4,419,359,390)	(3,289.79)	(2,897,158)
PRESS POTS	Pcs.	30,000.00	19,500	107,898.00	80,924	-	-
		(199,861)	(159,889)	(558,870.00)	(437,951)	(30,000.00)	(19,500)
		<u>913,087,228</u>	<u>(1,024,697,014)</u>	<u>12,184,005,031</u>	<u>(10,173,796,442)</u>	<u>534,235,421</u>	<u>(913,087,228)</u>
2. Purchase and Sale of Traded Goods :							
GOLD AND PLATINUM JEWELLERY STUDED WITH DIAMOND AND							
	GMS.	1,341.00	4,405,394	5,466.71	7,066,166	-	-
OTHER STONES		-	-	-	-	(1,341)	(4,405,394)
TOTAL		-	<u>4,405,394</u>	-	<u>7,066,166</u>	-	<u>(4,405,394)</u>
GRAND TOTAL							
		<u>917,492,622</u>	<u>(1,024,697,014)</u>	<u>12,191,071,197</u>	<u>(10,173,796,442)</u>	<u>534,235,421</u>	<u>(917,492,622)</u>

# ANNUAL REPORT 2005-2006

c) Raw Material Consumed :			
I DIAMOND DIVISION :			
		Quantity (Cts.)	Value (Rupees)
	Rough Diamonds (including Rejection Diamonds)	140599	304,486,844
		(377612)	(851,351,900)
	Polished Diamonds	1600321	4,576,142,040
		(1515227)	(4,405,811,375)
	Precious, Semi Precious Stones	462	8,268,269
		(1187505)	(3,773,912)
	Total - I		4,888,897,153 <u>(5,260,937,187)</u>
II JEWELLERY DIVISION :			
	Description		
	Gold	Gms. 8463761	6,175,178,479
		(7097180)	(4,273,511,341)
	Silver	Gms. 168393	1,969,249
		(87353)	(988,027)
	Alloy	Gms. 167175	1,059,267
		(211446)	(648,867)
	Platinum	Gms. 205	486,893
		-	-
	Total - II		6,178,693,888 <u>(4,275,148,235)</u>
III ENGINEERING DIVISION :			
	Description		
	Steel Rods (Kgs)	1200	72,050
		(4400)	(209,382)
	Alluminium Pully (No.)	-	-
		(251)	(1,295)
	C. S. Blanks (No.)	-	-
		(708)	(48,192)
	Diamond Power (Cts.)	-	-
		(9580)	(9,530)
	Others	-	-
		-	(225,075)
	Total - III		72,050 <u>(493,474)</u>
	GRAND TOTAL (I+II+III)		11,067,663,091 <u>(9,536,578,896)</u>

Note : The Consumption shown above has been arrived at on the basis of Opening Stock plus Purchases minus Closing stock including wastage thereon, if any, Profit/Loss if any, on sale of Raw Materials gets adjusted in the Consumption.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



26. Capital Work-in-Progress comprises of :

	<u>Rupees</u>	<u>Rupees</u>
Plant and Machinery	<b>2,980,523</b>	(4,383,647)
Factory Building	<b>276,097,556</b>	(251,666,309)
Electrical Installation	<b>494,700</b>	(689,370)
Furniture and Fixture	<b>2,400,544</b>	(232,289)
Total	<b>281,973,323</b>	(256,971,615)

27. As per the information available with the Company, total outstanding due to small scale Industrial units at the end of the year is Rs. Nil (Nil)

28. Figures in brackets in notes 2 to 27 pertain to previous year.

29. Previous Year figures have been re-arranged and re-grouped wherever necessary.

As per our attached report of even date

For **R. C. RESHAMWALA & CO.**  
Chartered Accountants

**Rajnikant C. Reshamwala**  
Partner  
Membership No. 5502

**Somnath Saha**  
Company Secretary

**Mumbai, 9th May, 2006.**

For and on behalf of the Board

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**K. N. Bhandari**

**Dharmendra Bhandari**

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Directors

# ANNUAL REPORT 2005-2006

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Current Year	(Rs. in Lacs) Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	3955	3250
<b>Adjustments for :</b>		
Depreciation	306	239
Interest (Net)	630	420
Excess/short provision for Expenses/Income for earlier year (profit)/Loss on Sale of Assets (Net) and Investment	153	(61)
Preliminary Expenses written off	7	(5)
	38	38
Operating Profit before working capital changes	5089	3881
<b>Adjustments for :</b>		
Trade and Other Receivables	(22171)	(8217)
Inventories	(2364)	4385
Trade Payable	22020	5107
	2574	5156
Deferred Tax	(15)	8
Taxes paid	(258)	(200)
Cash generated from operating activities	2301	4964
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(535)	(1856)
Sale of Fixed Assets	4	15
Purchase of Investments	(875)	(2570)
Sale of Investments	-	(332)
Interest Received	792	488
Net cash from investing activities	(614)	(4255)
<b>C. CASH FLOW FROM FINANCE ACTIVITIES</b>		
Proceeds from Share Premium	1	736
Proceeds from Short Term borrowings	215	-303
Repayment of short term loans	-	-
Proceeds from Share Capital	-	120
Interest Paid	(1422)	(908)
Dividend Paid	(481)	(406)
Tax on Proposed Dividend	(68)	(52)
Net cash from financing activities	(1755)	95
Net increase/(decrease) in cash and cash equivalent (A+B+C)	(68)	(104)
Cash and Cash equivalent as at 1st April, 2004 (Opening Balance)	10691	10795
Cash and Cash equivalent as at 31st March, 2005 (Closing Balance)	10623	10691

As per our attached report of even date

For **R. C. RESHAMWALA & CO.**  
Chartered Accountants

**Rajnikant C. Reshamwala**  
Partner  
Membership No. 5502

**Jaikumar Kapoor**  
Chief Finance Officer

**Somnath Saha**  
Company Secretary

Mumbai:9th May, 2006

behalf of the Board of Directors

For and on behalf of the Board of Directors

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**K. N. Bhandari**

**Dharmendra Bhandari**

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Directors

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I Registration Details</b>			
Registration No.	15915	State Code	4
Balance Sheet Date	31/03/2006		
<b>II Capital Raised during the year ( Amount in Rupees Thousands)</b>			
Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)</b>			
Total Liabilities	11,841,011	Total Assets	11,841,011
<b>Sources of Funds</b>			
Paid up Capital	399,985	Reserves and Surplus	4,817,413
Secured Loans	2,079,966	Deferred Tax Liability	(22,867)
Unsecured Loans	-		
<b>Application of Funds</b>			
Net Fixed Assets	586,648	Investments	519,555
Net Current Assets	6,212,120	Misc. Expenditure	1,908
Accumulated Losses	NIL		
<b>IV Performance of Company ( Amount in Rs. Thousands)</b>			
Turnover	12,217,264	Total Expenditure	11,821,720
Profit Before Tax	395,544	Profit after Tax	374,034
Earnings per shares in Rs.	9.33	Dividend Rate (%)	15
<b>V Generic Name of Three Pricipal Products/Services of Company (as per monetary terms)</b>			
a) Item Code No. (ITC Code)	710239.01		
Product Description	DIAMONDS		
b) Item Code No. (ITC Code)	711319.03		
Product Description	STUDED JEWELLERY		
c) Item Code No. (ITC Code)	711319.01		
Product Description	PLAIN JEWELLERY		

For and on behalf of the Board

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**K. N. Bhandari**

**Dharmendra Bhandari**

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Directors

**Somnath Saha**  
Company Secretary

Mumbai: 9th May, 2006.

# ANNUAL REPORT 2005-2006

---

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

1	Name of the Subsidiary	<b>KORADIAM N.V</b>
2	Financial Year of the subsidiary ended on	31st March, 2006
3	Date from which it became a subsidiary	1st April ,2003
4	Shares of the Subsidiary held by the Company on the above date	
	a) Number and face value	30,088 Shares
	b) Extent of Holding	100%
5	Net aggregate amount of Profits/ (Loss) of the subsidiary for the above financial period of the subsidiary so far as they concern members of the Company	
	a) dealt with in the accounts of the Company for year ended 31st March 2006	Nil
	b) not dealt with in the accounts of the Company for the year ended 31st March 2006	Euro 38915
6	Net aggregating amount of Profits/ (Losses) for the previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company	
	a) dealt with in the accounts of the Company for the year ended 31st March 2006	Nil
	b) not dealt with in the accounts of the company for the year ended 31st March 2006	Euro 82282

---

For and on behalf of the Board

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**K. N. Bhandari**

**Dharmendra Bhandari**

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Directors

**Somnath Saha**  
Company Secretary

Mumbai, 9th May, 2006.



# SU-RAJ DIAMONDS AND JEWELLERY LIMITED

## Auditor's Report on the Consolidated Financial Statements

### The Board of Directors

#### Su-Raj Diamonds and Jewellery Limited.

We have audited the attached consolidated balance sheet of Su-Raj Diamonds Group as at 31<sup>st</sup> March, 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Su-Raj Diamond Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding its subsidiary. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. These 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, Koradiam N V, a 100 % subsidiary for the year 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006. The Audited financial statements and other financial information are awaited till date from the auditors of the subsidiary company and our opinion is based solely on the unaudited financial statements received from the management of Koradiam N V and duly incorporated in the financial statements.

We report that the consolidated financial statements have been prepared by Su-Raj Diamonds Group's management in accordance with the requirements of Accounting Standards (AS) 21-Consolidated Financial Statements, and Accounting Standard (AS) 23-Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

Based on our audit of Su-Raj Diamonds and Jewellery Ltd. and on consideration of the unaudited financial statements and on the basis of other financial information of the subsidiary, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of Su-Raj Diamond Group as at 31<sup>st</sup> March, 2006;
- (b) in the case of consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **R.C.Reshamwala & CO.**  
Chartered Accountants

**Rajnikant C. Reshamwala**  
Partner

Mumbai.

9th May, 2006

Membership No. 5502

# ANNUAL REPORT 2005-2006

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2006

	Schedules	Current Year Rupees	Current Year Rupees	Previous Year Rupees
<b>I. SOURCES OF FUNDS :</b>				
1. Shareholders' Funds :				
a) Share Capital	1	399,984,845		399,875,345
b) Reserves & Surplus	2	4,853,476,679		4,551,820,120
			5,253,461,524	4,951,695,465
2. Loan Funds :	3			
a) Secured Loans		2,079,965,626		2,057,878,588
b) Unsecured Loans		191,151,625		155,489,446
			2,271,117,251	2,213,368,034
3. Deferred Tax Liability ( Net ) :			22,867,276	24,357,133
	<b>TOTAL</b>		<b>7,547,446,051</b>	<b>7,189,420,632</b>
<b>II. APPLICATION OF FUNDS :</b>				
1. Fixed Assets :				
a) Gross Block	4	535,437,082		507,715,429
Less : Depreciation		227,894,392		207,014,529
Net Block		307,542,690		300,700,900
b) Capital Work-in-Progress		281,973,325		256,971,615
			589,516,015	557,672,515
2. Investments :	5		141,358,571	53,875,309
3. Current Assets, Loans And Advances :	6			
a) Inventories		1,884,357,654		1,721,394,521
b) Sundry Debtors		7,933,023,891		5,942,075,179
c) Cash and Bank Balances		1,075,630,192		1,144,119,203
d) Loans and Advances		149,952,180		241,202,864
		11,042,963,917		9,048,791,767
Less Current Liabilities And Provisions :	7			
a) Current Liabilities		4,116,685,469		2,387,748,297
b) Provisions		111,614,979		88,894,636
		4,228,300,448		2,476,642,933
Net Current Assets			6,814,663,469	6,572,148,834
5. Miscellaneous Expenditure : (To the extent not written off or adjusted)	8		1,907,996	5,723,974
	<b>TOTAL</b>		<b>7,547,446,051</b>	<b>7,189,420,632</b>

As per our attached report of even date

**For R. C. RESHAMWALA & CO.**  
Chartered Accountants

**Rajnikant C. Reshamwala**  
Partner  
Membership No. 5502

**Somnath Saha**  
Company Secretary

Mumbai, 9th May, 2006.

For and on behalf of the Board

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**K. N. Bhandari**

**Dharmendra Bhandari**

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Directors



# SU-RAJ DIAMONDS AND JEWELLERY LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Schedules	Current Year Rupees	Current Year Rupees	Previous Year Rupees
<b>I. INCOME</b>				
Sales		12,292,087,336		11,496,470,039
Other Income	9	19,562,128		3,537,760
			<b>12,311,649,464</b>	11,500,007,799
<b>II. EXPENDITURE</b>				
Material Cost	10	11,520,407,305		10,834,512,021
Manufacturing and other expenses	11	289,479,362		257,988,366
			<b>11,809,886,667</b>	11,092,500,387
<b>III. PROFIT</b>				
Profit before Interest and Depreciation			<b>501,762,797</b>	407,507,412
Interest		72,853,408		55,401,621
Depreciation		31,432,902		25,023,635
			<b>104,286,310</b>	80,425,256
Profit Before Tax			<b>397,476,487</b>	327,082,156
Provision for Tax				
a) Current		23,744,476		18,047,780
b) Deferred Tax		(1,489,857)		807,153
			<b>22,254,619</b>	18,854,933
Profit After Tax			<b>375,221,868</b>	308,227,223
Balance brought forward from Previous Year			<b>698,214,535</b>	577,793,135
			<b>1,073,436,403</b>	886,020,358
Add :				
Excess/ (Short) Provision for Expenses/ Income of earlier years ( Net )			<b>3,706,836</b>	(505,324)
Excess/(Short) Provision for Tax ( Net )			<b>11,563,229</b>	(5,559,733)
Profit available for appropriation	<b>Total</b>		<b>1,088,706,468</b>	879,955,301
<b>IV. APPROPRIATIONS</b>				
Proposed Dividend			<b>60,336,387</b>	48,269,110
Tax on Dividend			<b>8,462,178</b>	6,772,156
Transfer to General Reserve			<b>200,809,213</b>	101,699,500
Transfer to Exchange Fluctuation Reserve			<b>100,000,000</b>	25,000,000
Balance carried to Balance Sheet			<b>719,098,690</b>	698,214,535
	<b>Total</b>		<b>1,089,377,306</b>	879,955,301
Earnings per share(Basic & Diluted)			<b>9.35</b>	7.71

### NOTES ON ACCOUNTS

12

As per our attached report of even date

For and on behalf of the Board

**For R. C. RESHAMWALA & CO.**  
Chartered Accountants

**Jatin R. Mehta**

Chairman-cum-  
Managing Director

**Rajnikant C. Reshamwala**  
Partner  
Membership No. 5502

**K. N. Bhandari**

**Dharmendra Bhandari**

Directors

**Somnath Saha**  
Company Secretary

**G. Bharakatia**

**Atul S. Pethe**

**G. P. Gupta**

Mumbai, 9th May, 2006.

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>			
7,00,00,000 Equity Shares of Rs. 10/- each ( Previous Year : 7,00,00,000 Equity Shares of Rs. 10/- each )		<b>700,000,000</b>	700,000,000
<b>Issued and Subscribed</b>			
4,02,24,258 Equity Shares of Rs. 10/- each ( Previous Year : 4,02,24,258 Equity Shares of Rs. 10/- each )		<b>402,242,580</b>	402,242,580
<b>Paid-up</b>			
4,02,24,258 Equity Shares of Rs. 10/- each ( Previous Year : 4,02,24,258 Equity Shares of Rs. 10/- each )		<b>402,242,580</b>	402,242,580
Less: Calls Unpaid - Other than Directors		<b>2,257,735</b>	2,367,235
<b>TOTAL</b>		<b>399,984,845</b>	399,875,345
Note : Of the above paid-up Capital, Rs. 10,48,06,450 represents capitalisation of General Reserve by issue of 1,04,80,645 Equity Shares of Rs. 10 each fully paid up as Bonus Shares.			
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>			
<b>Capital Reserve</b>			
As per last Balance Sheet	<b>76,892,715</b>		76,892,715
Add: on consolidation	-		-
		<b>76,892,715</b>	76,892,715
<b>Share Premium Account</b>			
Premium Receivable	<b>1,716,514,830</b>		1,716,514,830
Less : Allotment Money in Arrears	<b>7,600,134</b>		8,004,832
Less : Call Money in Arrears	<b>6,027,872</b>		6,825,037
		<b>1,702,886,824</b>	1,701,684,961
<b>General Reserve</b>			
As per last Balance Sheet	<b>2,013,839,940</b>		1,912,023,890
Add: Exchange Difference	<b>195,337</b>		116,550
Add : Amount transferred from Profit and Loss Account	<b>200,809,213</b>		101,699,500
		<b>2,214,844,490</b>	2,013,839,940
<b>General Reserve - Foreign Exchange Fluctuation</b>			
As per last Balance Sheet	<b>35,000,000</b>		10,000,000
Add : Amount transferred from Profit and Loss Account	<b>100,000,000</b>		25,000,000
		<b>135,000,000</b>	35,000,000
<b>Foreign Currency Translation Reserve</b>			
As per last Balance Sheet	<b>26,187,969</b>		-
Add : Exchange Difference	<b>(21,434,009)</b>		26,187,969
		<b>4,753,960</b>	26,187,969
<b>Surplus in Profit and Loss Account</b>			
		<b>719,098,690</b>	698,214,535
<b>TOTAL</b>		<b>4,853,476,679</b>	4,551,820,120
<b>SCHEDULE 3 : LOAN FUNDS</b>			
<b>(a) Secured Loans</b>			
<b>Short Term Loans from Banks</b>			
Secured by hypothecation of stock-in-trade, book debts ( both present and future ), personal guarantee of a Director and mortgage by way of Title Deeds of the immovable properties comprising of land and other structure, fixed machinery and plant, fixtures and fittings erected or installed thereof situated at Bangalore, Jodhpur and Valsad; and Collateral Security of Land & Building offered by Bombay Diamond Company P. Ltd., Kohinoor Diamonds Pvt. Ltd. and Plant & Machinery of Forever Diamonds Pvt.Ltd. The Company also has non-fund credit facility of Rs. 487.05 Crores, with the Consortium of Bankers, secured against above Assets and Fixed Deposits.			
		<b>2,079,294,180</b>	2,057,659,032
<b>(b) Term Loans from Banks/Financial Institution</b>			
(Secured by hypothecation of Vehicle)		<b>671,446</b>	219,556
<b>TOTAL</b>		<b>2,079,965,626</b>	2,057,878,588
<b>(c) Unsecured Loans</b>			
<b>Short Term Loans from Banks</b>			
Long Term Loans		<b>35,156,706</b>	155,489,446
		<b>155,994,919</b>	155,489,446
		<b>191,151,625</b>	155,489,446



# SU-RAJ DIAMONDS AND JEWELLERY LIMITED

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

### SCHEDULE 4 : FIXED ASSETS

Description of Asset	GROSS BLOCK (At Cost)					DEPRECIATION				NET BLOCK		
	As At 1st April 2005	Additions during the year	Adjustment during the year	Sales during the year	As At 31st March, 2006	As At 1st April 2005	Sales during the year	Adjustment during the year	Provided during the year	Up to 31 March, 2006	Up to 31 March, 2006	As At 31st March 2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1 LEASEHOLD LAND	7,232,169	-	-	-	7,232,169	34,918	-	-	2,318	37,236	7,194,933	7,197,251
2 FACTORY PREMISES	72,588,204	9,184,396	-	-	81,772,600	31,025,523	-	-	4,920,884	35,946,407	45,826,193	41,562,681
3 OFFICE PREMISES	147,931,028	-	-	-	147,931,028	3,384,176	-	-	7,227,342	10,611,518	137,319,510	144,546,852
4 PLANT & MACHINERY	211,348,864	20,069,815	-	2,109,556	229,309,123	127,889,051	1,722,155	-	13,178,203	139,345,099	89,964,024	83,459,813
5 FURNITURE & FIXTURE	13,922,718	2,489,566	-	2,596,478	13,815,806	9,723,211	2,454,435	-	982,296	8,251,072	5,564,734	4,199,507
6 ELECTRICAL INST.	19,721,405	1,410,124	-	252,321	20,879,208	12,737,392	236,070	-	1,109,001	13,610,323	7,268,885	6,984,013
7 EQUIPMENTS	10,143,808	2,159,798	-	2,463,649	9,839,957	6,577,363	2,238,410	-	678,204	5,017,157	4,822,800	3,566,445
8 AIR-CONDITIONERS	7,569,523	613,264	-	1,802,925	6,379,862	5,000,634	1,534,561	-	406,640	3,872,713	2,507,149	2,568,889
9 COMPUTERS	10,992,590	3,228,888	-	1,050,425	13,171,053	7,833,701	1,047,016	-	2,077,054	8,863,739	4,307,314	3,158,889
10 VEHICLES	5,725,979	423,130	-	895,630	5,253,479	2,548,559	825,450	-	850,960	2,574,069	2,679,410	3,177,420
Difference in F.E.C	539,141	-	(686,344)	-	(147,203)	260,001	-	(494,942)	-	(234,941)	87,738	279,140
<b>CURRENT YEAR</b>	<b>507,715,429</b>	<b>39,578,981</b>	<b>(686,344)</b>	<b>11,170,984</b>	<b>535,437,082</b>	<b>207,014,529</b>	<b>10,058,097</b>	<b>(494,942)</b>	<b>31,432,902</b>	<b>227,894,392</b>	<b>307,542,690</b>	<b>300,700,900</b>
PREVIOUS YEAR	325,109,753	185,840,500	539,141	3,773,965	507,715,429	184,046,823	2,315,930	260,001	25,023,635	207,014,529	300,700,900	

#### NOTE :

The value of the capital work in progress capitalised during the year amounted to Rs. 79,59,474 (Previous year Rs. Nil.)

The various items of expenditure comprised therein are :

#### PARTICULARS

- 1) Factory Premises
- 2) Plant & Machinery
- 3) Leasehold Land
- 4) Electrical Installation
- 5) Furniture and Fixtures
- 6) Vehicles
- 7) Computers
- 8) Equipments
- 9) Pre-operative Expenses

#### Current Year Rupees

2,672,328  
4,365,487  
-  
689,370  
232,289  
-  
-  
-  
-  
7,959,474

#### Previous Year Rupees

-  
-  
-  
-  
-  
-  
-  
-  
-  
-

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 5 : INVESTMENTS : (AT COST) - UNQUOTED</b>			
<b>Long Term</b>			
<b>In Government Securities</b>			
2 ( Previous Year : 2 ) Indira Vikas Patra of Rs. 500 each National Savings Certificates	1,000 5,000		1,000 5,000
		6,000	6,000
<b>Other Companies</b>			
10 (Previous Year 10) Equity Shares of PLC Su-Raj Euro Jewel	334,331		351,079
20,00,000 (Previous Year 20,00,000) Equity Shares of Rs. 10 each of Su-Raj Diamond Dealers Limited Fully Paid-up	20,000,000		20,000,000
3,623,659 (Previous Year 9,31,351) Equity Shares of Rs.10 each of Forever Precious Jewellery & Diamonds Private Limited	120,749,240		33,249,230
6,900 ( Previous Year : 6,900) Equity Shares of Rs. 10 each of Su-Raj UK Industries Ltd., Fully paid-up	69,000		69,000
20,000 ( Previous Year : 20,000 ) Equity Shares of Rs. 10 each of Su-Raj Jewellery (India) Limited,	200,000		200,000
	141,352,571		53,869,309
<b>TOTAL</b>	<b>141,358,571</b>		<b>53,875,309</b>

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 6 : CURRENT ASSETS LOANS AND ADVANCES</b>			
<b>Current Assets</b>			
<b>a) Inventories</b> (As certified by a Director)			
<b>I. Stores and Spare Parts ( At Cost )</b>		6,415,471	9,708,626
<b>II. Stock-in-Trade</b>			
<b>(i) Raw Materials</b> ( Valued " At Cost" or " Net Realisable Value" whichever is lower)			
Diamonds	698,494,271		439,998,254
Gold and Alloy	464,414,235		106,202,835
Precious, Semi-precious and Other Stones	9,142,691		3,019,392
Others	1,072,461		975,962
	<u>1,173,123,658</u>		<u>550,196,443</u>
<b>(ii) Semi Finished Goods (At Cost of Materials)</b>	1,561,002		1,561,002
<b>(iii) Finished Goods</b> (Valued " At Cost" or "Net Realisable Value" whichever is lower)			
Diamonds and Studded Jewellery	703,257,523		1,159,908,950
Press Pots and Diamond Scaives	-		19,500
	<u>703,257,523</u>		<u>1,159,928,450</u>
		<u>1,877,942,183</u>	<u>1,711,685,895</u>
		<u>1,884,357,654</u>	<u>1,721,394,521</u>
<b>b) Sundry Debtors</b> (Unsecured , considered good )			
Debts outstanding for a period exceeding six months	970,487,465		870,493,464
Other Debts	6,962,536,426		5,071,581,715
		<u>7,933,023,891</u>	<u>5,942,075,179</u>
<b>c) Cash and Bank Balances</b>			
Cash on hand	3,162,880		3,460,223
Balance with Scheduled Banks :			
In Current Account ( including cheques on hand Rs. 4,61,00,000	135,309,353		115,846,549
Previous Year Rs. 2,50,00,000 )			
In Fixed Deposit Accounts	937,157,959		1,002,969,217
In Margin Money Accounts	-		21,843,214
		<u>1,075,630,192</u>	<u>1,144,119,203</u>
	<b>TOTAL 'A'</b>	<u><b>10,893,011,737</b></u>	<u><b>8,807,588,903</b></u>
<b>d) Loans &amp; Advances</b> (Unsecured, considered good)			
Advances recoverable in cash or in kind or for value to be received	106,734,669		208,655,693
Loans and advances to Employees	-		3,557
Advance payment of Income-tax	43,217,511		32,543,614
		<u>149,952,180</u>	<u>241,202,864</u>
	<b>TOTAL 'B'</b>	<u><b>149,952,180</b></u>	<u><b>241,202,864</b></u>
	<b>TOTAL 'A' + 'B'</b>	<u><u><b>11,042,963,917</b></u></u>	<u><u><b>9,048,791,767</b></u></u>



# SU-RAJ DIAMONDS AND JEWELLERY LIMITED

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS</b>			
<b>A. Current Liabilities</b>			
a) Sundry Creditors	4,094,566,192		2,374,971,376
b) Due to Directors	307,050		307,050
c) Unclaimed Dividend	9,515,971		9,295,491
d) Other Liabilities	12,296,256		3,174,380
		<b>4,116,685,469</b>	<b>2,387,748,297</b>
<b>B. Provisions</b>			
a) Taxation	41,044,476		33,047,780
b) Provision for Gratuity	1,771,938		805,590
c) Proposed Dividend	60,336,387		48,269,110
d) Tax on Dividend	8,462,178		6,772,156
		<b>111,614,979</b>	<b>88,894,636</b>
TOTAL		<b>4,228,300,448</b>	<b>2,476,642,933</b>
<b>SCHEDULE 8 : MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted )			
a) Preliminary Expenses		<b>574,119</b>	1,722,360
b) Commission and Brokerage on subscription of shares		<b>1,333,877</b>	4,001,614
TOTAL		<b>1,907,996</b>	<b>5,723,974</b>
<b>SCHEDULE 9 : OTHER INCOME</b>			
Interest Received		<b>8,205,098</b>	1,530,865
Labour Charges Received		<b>4,436,120</b>	329,362
Profit on Sale of Assets (Net )		-	271,520
Profit on Sale of Investments		-	190,254
Dividend Received		<b>14,500</b>	8,195
Rent Received.		<b>512,000</b>	400,000
<b>Miscellaneous Receipts</b>			
Premium on Sale of Licence		<b>4,932,385</b>	
From Others		<b>1,462,025</b>	807,564
TOTAL		<b>19,562,128</b>	<b>3,537,760</b>
<b>SCHEDULE 10 : MATERIAL COST</b>			
<b>Raw Materials Consumed</b>			
Opening Stock	550,196,442		875,646,449
Add : Purchases	11,695,568,274		10,248,861,656
	12,245,764,716		11,124,508,105
Less : Closing Stock	1,173,123,658		550,196,442
		<b>11,072,641,058</b>	<b>10,574,311,663</b>
<b>(Increase)/ Decrease in Semi-Finished Goods</b>			
Opening Stock of Semi-Finished Goods	1,561,002		7,906,332
Add : Purchase	-		5,228,584
	1,561,002		13,134,916
Closing Stock of Semi-Finished Goods	1,561,002		1,561,002
		-	11,573,914
Goods Traded In			-
Opening Stock	4,405,394		-
Add : Purchases	2,660,772		4,405,394
	7,066,166		4,405,394
Less : Closing Stock	-		4,405,394
		<b>7,066,166</b>	-
<b>(Increase)/ Decrease in Finished Goods</b>			
Opening Stock of Finished Goods	1,155,523,056		1,012,587,250
Add : Adjustments	(11,565,452)		391,562,250
	1,143,957,604		1,404,149,500
Closing Stock of Finished Goods	703,257,523		1,155,523,056
		<b>440,700,081</b>	<b>248,626,444</b>
( Accretion )/ Decretion in stock		<b>11,520,407,305</b>	<b>10,834,512,021</b>

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
<b>SCHEDULE 11 : MANUFACTURING AND OTHER EXPENSES</b>			
Salaries, Wages and Bonus	15,423,593		7,264,029
Contribution to Provident and other Funds	750,685		295,239
Workmen and Staff Welfare Expenses	1,013,776		399,201
		<b>17,188,054</b>	7,958,469
Directors' Remuneration		<b>3,470,081</b>	6,755,295
Labour Charges		<b>97,869,017</b>	92,387,997
Assortment and Valuation Charges		<b>1,892,857</b>	1,275,741
Packing Materials Consumed		<b>86,588</b>	213,365
Stores and Spare Parts Consumed		<b>9,097,958</b>	5,379,007
Power and Fuel		-	3,732,442
Electricity Charges		<b>4,813,794</b>	2,752,075
Freight and Forwarding		<b>8,292,606</b>	8,332,470
Postage and Telegram Charges		<b>1,651,809</b>	1,203,821
Telephone, Telex and Fax Charges		<b>2,277,978</b>	2,675,250
Advertisement and Sales Promotion Expenses		<b>3,994,389</b>	5,000,878
Lease Rent		<b>5,589,766</b>	5,147,117
Rates, Taxes and Duties (Including Rs. 88,758 /- previous year Rs.21,27,555 /- towards Stamp Duty )		<b>528,273</b>	3,825,782
Travelling Expenses		<b>6,437,559</b>	6,550,853
Printing and Stationery		<b>984,688</b>	940,099
Licence, Registration and Other Fees		<b>518,163</b>	686,529
Repairs and Maintenance of :			
Buildings	256,530		555,531
Plant and Machinery	360,482		694,343
Others	2,298,573		1,427,775
		<b>2,915,585</b>	2,677,649
Insurance Charges ( Including Rs. 53,32,130 ; Previous Year Rs. 70,50,726 for ECGC Premium reimbursed to banks )		<b>13,200,930</b>	15,643,144
Legal and Professional Charges		<b>7,427,980</b>	7,401,002
Bank Charges		<b>88,089,524</b>	63,702,199
Miscellaneous Expenses		<b>7,607,087</b>	8,316,104
Loss on sale of Fixed Assets		<b>673,698</b>	-
Donations		<b>1,055,000</b>	1,615,100
Preliminary Expenses Written Off		<b>3,815,978</b>	3,815,978
		<b>289,479,362</b>	257,988,366



## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

### SCHEDULE 12:

#### NOTES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT.

#### A. Significant Accounting Policies :

##### 1. Basis of Accounting and Preparation of financial Statements :

- (a) The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and complying with the Accounting Standard (AS-21) – “Consolidated Financial Statements”, issued by the Institute of Chartered Accountants of India.
- (b) All income and expenditure items are accounted on accrual basis.
- (b) Financial statements are based on historical costs. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

##### 2. Principles of Consolidation:

- (a) The consolidated financial statements comprise the financial statement of Su-Raj Diamonds & Jewellery Limited (“The Company”) and its wholly owned subsidiary being a foreign company, Koradium N.V.
- (b) The financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and the unrealized profits/losses on intra-group transactions if any.
- (c) The accounts of the foreign subsidiaries have been prepared in compliance with the local laws applicable.
- (d) The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as that followed by the company in its separate financial statements.
- (e) The excess of the share of equity in the subsidiary over its cost of investment is recognized as Capital Reserve and adjusted under the head Reserves and Surplus.

##### 3. REPORTING DATES OF SUBSIDIARY FOR CONSOLIDATION.

For the purpose of preparing these statements the financials of the parent and Koradium N.V, its subsidiary for the period from 01.04.2005 to 31.03.2006 is considered.

##### 4. Fixed Assets:

- (a) All fixed assets are valued at cost less depreciation.
- (b) Exchange differences relating to the acquisition of fixed assets are adjusted in the cost of the assets.

##### 5. Work in Progress :

- (a) The cost of fixed assets, acquisition/construction, installations of which are not completed are included under Capital Work-in-Progress and the same are apportioned/transferred to respective fixed assets on installation/completion of the asset/project.
- (b) Expenses incurred during the year to set up of business premises/factory premises forming part of capital work-in-progress are capitalised under the head Factory Premises.
- (c) Similarly, goods, which are under production and cannot be termed as finished goods are treated as work in progress.

##### 6. Investments :

Investments are stated at Cost of acquisition.

##### 7. Depreciation :

###### Indian Company

- a) Depreciation is provided as per the “Written Down Value “method at rates provided by Schedule XIV to the Companies Act,1956.Leasehold Land is amortised over the period of lease.
- (b) Depreciation on additions and on sale/disposal of fixed assets is computed pro-rata on day to day basis from the date of purchase or upto the date of sale.
- (c) Depreciation on new unit is taken from the date of commissioning of the unit.
- (d) Depreciation is also considered on those assets (idle assets) which were not used for whole or part of the year.

###### Foreign Company

Depreciation has been provided on the basis of the method and rates prevailing as per the local laws.

##### 8. Inventories :

The Company has complied with AS-2 Valuation of Inventories issued by the Institute of Chartered Accounts of India, to the extent practicable keeping in mind the peculiar nature of the industry.

- (a) Raw Materials (Rough Diamonds, Precious stones, Gold, Silver, Alloys, Platinum, Pearls) are valued “At Cost”(i.e. cost of acquisition as on that date) or Net Realisable Value”, whichever is lower.

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

- (b) Closing stock of other Raw Materials is valued "At Cost" or "Net Realisable Value" whichever is lower (means average cost with the proportionate value of freight and Clearing charges added to closing stock.)
- (c) Stock on hand as on the last date which is under processing and not yet converted to finished goods is considered to be a part of Stock of Raw Materials and hence is valued as Raw Materials as in (a) above.
- (d) Finished Goods of Polished Diamonds are valued "At Cost or Net Realisable value", whichever is lower. Cost includes Cost of Raw Materials on Weighted Average cost basis, labour cost and proportionately allocated other costs related to converting them into finished goods which are technically evaluated keeping in view the wide variety and grades of diamonds.
- (e) Finished Goods of Jewellery are valued "At Cost or Net Realisable value", whichever is lower. Cost includes Cost of Raw Materials, labour cost and proportionately allocated other costs related to converting them into finished goods.
- (f) Finished Goods of Engineering Division are valued "At Cost or Net Realisable value", whichever is lower. Cost includes Cost of Raw Materials on weighted average cost basis, labour cost and proportionately allocated other costs related to converting them into finished goods.
- (g) Goods procured for trading (Studded and plain Jewellery and Diamonds) are valued "At Cost or Net Realisable value", whichever is lower.
- (h) Semi Finished Goods of Engineering Division are valued "At Cost of Raw Materials."
- (i) Stores and Spares are valued "At Cost".
- 9. Foreign Exchange Transactions :**
- (a) Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction. Exchange fluctuations between the transaction date and the settlement date in respect of revenue transactions are recognized in Profit and Loss Account.
- (b) All export proceeds not realised at the year-end are restated at the rate prevailing at the year end. The exchange difference arising there from has been recognised as income/ expenses in the current years Profit and Loss Account.
- (c) Current Assets and Current Liabilities not covered by forward exchange contracts are translated at year end exchange rates and the Profit/Loss so determined are recognized in the Profit and Loss Account for the year.
- (d) As per the provision of the AS-1 of ICAI, the Profit/Loss on derivative instruments, undertaken to hedge exchange fluctuation price risks are recognized as income/expenses in the Profit and Loss Account for the year.
- 10. Preliminary Expenses :**
- Preliminary Expenses are treated as Deferred Revenue Expenditure and the same are written off in ten equal installments.
- 11. Employees Retirement Benefits :**
- Indian Company**
- (a) Gratuity liability due and payable on the last day of the accounting year is valued as per an Actuarial valuation in accordance with the provision of the Payment of Gratuity Act, 1972 and the provision for the liability is made in the books.
- (b) The Company has made provision for leave encashment dues as on the last date of the year.
- Foreign Company**
- Employees retirement benefits are provided by the foreign company in accordance with the applicable local laws.
- 12. Taxation :**
- Indian Company**
- (a) Provisions for taxation is made after considering various reliefs admissible under the provisions of the Income Tax Act.
- (b) Disputed amounts of tax are considered in contingent liabilities.
- (c) The Company has implemented 'Accounting Standard 22'-"Accounting of Taxes on Income", issued by the Institute of Chartered Accountants of India, which is mandatory in nature. The Company has recognized Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits.
- Foreign Company**
- Provision for taxation and other tax expenses are recognized by the foreign company in accordance with the applicable local laws.
- 13. Borrowing Cost :**
- Borrowing Costs that are attributable to the acquisition/ construction of fixed assets are capitalized as part of the cost of the respective assets. Other borrowing costs are recognized as expenses in the year in which they are incurred.



## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

### B. Notes forming part of the accounts:

1. Contingent Liabilities not provided for in respect of:

	<u>Rupees</u>	<u>Rupees</u>
(a) Disputed Income/ Sales Tax Liability	<b>3,324,074</b>	(47,88,802)
(b) Estimated amount of contracts remaining to be executed on Capital Account.	<b>1,75,81,895</b>	(5,42,00,000)
(c) EPCG Benefits (Customs duties payable if export obligations not met ).	<b>2,24,95,334</b>	(1,94,59,656)
<b>Total</b>	<b>4,34,01,303</b>	<b>(7,84,48,458)</b>

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the Amount relates	Forum where dispute is pending
Income Tax Act	Income Tax	28,54,297	A Y 2002-03	CIT (A)
Less:	Refund Dues	1,73,574		
<b>Net Liability</b>		<b>26,80,723</b>		
Sales Tax	Sales Tax	3,36,657	F Y 1992-93	MST (Tribunal)
Sales Tax	Sales Tax	59,642	F Y 1993-94	MST (Tribunal)
Sales Tax	Sales Tax	1,37,826	F Y 1994-95	MST (Tribunal)
Sales Tax	Sales Tax	1,09,226	F Y 1995-96	MST (Tribunal)
	<b>Total ST Liability</b>	<b>6,43,351</b>		
	<b>TOTAL LIABILITY</b>	<b>33,24,074</b>		

2. In the opinion of the Directors:

- (a) The Current Assets, Loans and Advances are approximately of the value stated, if realized in the ordinary course of business.
- (b) The provision for Depreciation and for all known liabilities are adequate and not in excess of the amounts reasonably necessary.

3. The closing stock of Raw Materials-Gold includes Gold valued at Rs. 45,89,68,389/- (Rs.10,25,52,522 ) taken on loan from Banks under the EXIM Scheme.

4. Legal and Professional charges include payment to Statutory Auditors :

	<u>Rupees</u>	<u>Rupees</u>
(a) Audit Fees	210,000	210,000
(b) Tax Audit Fees	60,000	60,000
(c) As advisor or in any other capacity in respect of certification charges	142,093	105,000
(d) Reimbursement of expenses & Service Tax.	80,878	40,507
(e) Foreign Company Audit Fees	337,877	485,500
<b>Total</b>	<b>830,848</b>	<b>901,007</b>

5. The closing balance of Sundry Debtors and Creditors are subject to confirmation by the parties concerned.

6. Gratuity provision has been made at Rs. 12,89,967 (Rs.181,453) as per the provisions of the Payment of Gratuity Act,1972. The Company has ascertained gratuity liability on the basis of Actuarial Valuation as on 31.03.2006. Expense of Social Security by foreign company is Rs.550,000. ( Rs. 574,063.)

7. During the year a net loss on account of Foreign Exchange Fluctuation amounting to Rs.78,86,381 (Gain of Rs.8,94,27,326) has been recognized in the Profit and Loss Account.

8. Loans and Advances includes Lease Deposits of Rs. 1,20,00,000 (Rs. 1,20,00,000) given to various parties for taking premises on lease as on 31<sup>st</sup> March 1992. The possession of these premises has still not been received.

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

9. The Company has taken gold on loan from various banks. The said gold has been processed and sales of jewellery made. The value of purchase and sale is taken on the basis of the provisional sale certificate of the bank. The final value of purchase and sale is recorded on the date of repayment of the loan or on final price confirmation on gold loan with the difference of sale and purchase amount being recorded to respective accounts.

10. Earnings per share:

Profit computation for both Basic and Diluted earnings per share of Rs.10/-each.

	<u>Rupees</u>	<u>Rupees</u>
Net Profit as per Profit and Loss Account available to shareholders	375,221,868	(308,227,221)
Weighted average no. of Equity Shares	40,111,371	(39,987,535)
39,750,811 Equity Shares fully paid of Rs.10 each	39,998,484	
225,774 Equity Shares partly paid up of Rs. 5 each = Rs. 1,128,870 Hence fully paid up Equity Shares of Rs. 10 each	<u>112,887</u>	
Total No. of Equity Shares	<u>40,111,371</u>	
Earnings per Share (Basic and Diluted)	9.35	(7.71)

11. The Company has implemented 'Accounting Standard 22'-"Accounting of Taxes on Income", issued by the Institute of Chartered Accountants of India, which is mandatory in nature. The Company has recognized Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits.

As a result the deferred tax assets for the year aggregating to Rs. 14,89,856/- has been recognized in the Profit and Loss account, the details of which are as under.

Particulars	Balance carried As at 31.03.2005 (Rs.)	Arising during the year (Rs.)	Balance carried As at 31.03.2006 (Rs.)
<b>Deferred Tax Liabilities</b>			
Depreciation	(21,721,313)	(1,742,398)	(23,463,711)
Short Term Capital Gain	(2,850,924)	2,850,924	0
<b>Total</b>	<b>(24,572,237)</b>	<b>1,108,526</b>	<b>(23,463,711)</b>
<b>Deferred Tax Assets</b>			
Provision for Gratuity	0	<b>596,434</b>	596,434
Short Term Capital Loss	215,104	<b>(215,104)</b>	0
<b>Total</b>	<b>215,104</b>	<b>381,330</b>	596,434
<b>Nett</b>	<b>(24,357,133)</b>	<b>1,489,856</b>	<b>(22,867,277)</b>

12. During the year has adjusted the dividends payable against the amounts due from shareholders who have not paid their call monies in respect of warrants subscribed by them. The amount of dividend adjusted against the Share premium Account is Rs. 5,63,592 (Rs. 26,68,290)

13. There are no amounts of unclaimed dividend due and outstanding to be credited to Investor Education and Protection fund.

14. During the year under review the company has entered into transactions in relation to derivative instruments. The following is the list of transactions outstanding on the Balance Sheet date as disclosed by the company :

1. Transactions for forward contracts for hedging foreign exchange exposure in relation to receivable and payable numbering to 50 amounting to Rs. 1061.96 crores.
2. Transactions for option contracts for hedging foreign exchange exposure in relation to receivable and payable numbering to 4 amounting to Rs. 15.62 crores.

15. The Engineering division at Jodhpur which had been manufacturing scaives and presspots for the Diamond Industry has suspended its operations and is undergoing the process of restructuring. The board at its meeting has decided to merge the said division with the Bangalore Division and sell of certain unwanted assets. The company in this division has incurred a loss of Rs. 26.69 lacs ( Rs. 39 lacs). The carrying value of the total assets to be disposed off a Jodhpur is Rs. 157.81 lacs and the liabilities to be settled remain at Rs. 0.29 lacs at the balance sheet date.

16. As per the provisions of Accounting Standard 17-"Segment Reporting " issued by the Institute of Chartered Accountants of India, the details of the Primary and Secondary Segment are given here below :



# SU-RAJ DIAMONDS AND JEWELLERY LIMITED

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

### SEGMENT INFORMATION FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006.

(i) Information about Primary Business Segment : (Rs.in Lacs)

	Diamond	Jewellery	Engineering	Un-allocated	Total
<b>REVENUE</b>					
Sales	57489	65443	1	183	123116
	(66674)	(48286)	(04)	(36)	(115000)
<b>RESULT</b> Segment Result	1955	3654	(26)	Nil	5583
	(1721)	(2780)	(-39)	(Nil)	(4462)
Bank interest / charges				1609	1609
				(1191)	(1191)
Profit before tax					3974
					(3271)
Provision for tax					
Current					237
					(181)
Deferred					(15)
					(8)
Profit after tax					3752
					(3082)
<b>OTHER INFORMATION</b>					
Segment Assets	69875	47802	60	Nil	117,737
	(60,976)	(35,575)	(49)	(Nil)	(96,600)
Segment Liabilities	1,694	40589	1	Nil	42,283
	(6,993)	(17223)	(2)	(Nil)	(24,216)
Share Capital & Reserves					52,535
					(50,065)
Deferred Taxation					229
					(243)
Non-cash expenses other than depreciation					19
					(57)

(ii) Information about Secondary Business Segment:  
Statement of continent wise sale :

	Amount (Rs.)
North America	2,194,733,756
	(3,137,894,387)
Europe	740,519,638
	(1,025,763,295)
Middle East	6,374,581,601
	(4,562,898,676)
Asia (Incl. Japan and Fiji)	2,982,252,341
	(2,769,913,681)
Total	12,292,087,336
	(11,496,470,039)

17. As per provision of Accounting Standard 18-"Related Party Transactions" issued by the Institute of Chartered Accountants of India, the details of Related Party Transaction based on disclosure certificate issued by the Directors, is enclosed herebelow:

i) **List of Related Parties :**

Associates

**Particulars**

Forever Precious Jewellery & Diamonds Ltd,  
Forever Diamonds Private Limited,  
Su-Raj Jewellery (India) Limited,  
Su-Raj Diamond Dealers Limited

Key Management Personnel

Enterprise with common key management personnel  
Enterprise in which key management personnel and their relatives have significant influence

Jatin R Mehta  
Nil  
Su-Raj Diamond Traders Pvt Ltd.,  
J. R. Diamonds Pvt Ltd,  
Su-Raj Diamond Consultancies Pvt Ltd.,  
Diadem Investment and Finance Pvt Ltd.,  
Bombay Diamonds Company Pvt Ltd.,  
Firstrate Diamonds Pvt Ltd.,Euro Auto Pvt Ltd.,  
Precious Jewels Exports Pvt. Ltd.  
Collection Diamond Exports Pvt. Ltd  
Hira Exports Pvt Ltd.  
Kings Jewel Exports Pvt. Ltd.  
Su-Raj UK Industries Ltd  
Jatin R.Mehta (HUF),  
Ms.Sonia J.Mehta , S.J.& Co.

Relative of key management personnel

# ANNUAL REPORT 2005-2006

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

### A. Transaction for the year ended 31-03-2006.

	Associates (Rs.)	Enterprise in which key management personnel have significant influence (Rs.)	Key Management personnel and his Relatives (Rs.)	TOTAL (Rs.)
1. Purchases	10,314,895 (10,380,689)	13,469,112 (41,137,863)	Nil (Nil)	23,784,007 (51,518,552)
2. Sales	150,729,947 (101,094,984)	183,653,221 (462,770)	Nil (Nil)	334,383,168 (101,557,754)
3. Purchase of Fixed Assets	Nil (480,000)	Nil (Nil)	Nil (Nil)	Nil (480,000)
4. Sales of Fixed Assets	Nil (1,500,000)	Nil (82,289)	Nil (Nil)	Nil (1,582,289)
5. Labour charges paid	8,443,589 (12,840,265)	19,540,228 (20,157,162)	Nil (Nil)	27,983,817 (32,997,427)
6. Lease Rent	Nil (Nil)	Nil (18,387)	Nil (Nil)	Nil (18,387)
7. Loan Given	13,335,000 (Nil)	Nil (10,000)	Nil (Nil)	13,335,000 (10,000)
8. Loan Received	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
9. Guarantee Given	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
10. Equity contribution	87,500,010 (33,249,230)	Nil (Nil)	Nil (Nil)	87,500,010 (33,249,230)
11. Remuneration	-	-	3,345,081 (6,695,295)	3,345,081 (6,695,295)

### B. Outstanding as on 31.03.2006

1. Debtors	45,281,979 (55,027,596)	1,648,730 (37,815,234)	Nil (Nil)	46,930,709 (92,842,830)
2. Creditors	13,239,501 (6,292,603)	5,544,646 (Nil)	Nil (Nil)	18,784,147 (62,92,603)
3. Lease Deposits	Nil (Nil)	3,000,000 (3,000,000)	9,000,000 (9,000,000)	12,000,000 (12,000,000)

18. The Company has various operating leases for factory premises and office facilities that are renewable on a periodic basis and can be terminated at the option of either parties. Rental expenses for operational leases recognized in the Profit and Loss Account for the year is Rs. 16,66,873 (Rs. 13,11,058).  
Minimum future lease rentals payable are :

	Rupees	Rupees
(a) Payable within one year	1,600,000	(280,000)
(b) Payable within one year and five years.	3,200,000	(120,000)
(c) Payable after five years.	Nil	Nil

Minimum future lease rentals receivable in respect of assets given on operating lease in the form of Plant & Machinery after 1/10/2002 and Building after 1/8/2001 are :

	Rupees	Rupees
(a) Receivable within one year	512,000	(400,000)
(b) Receivable between one year and five years	1,024,000	(800,000)
(c) Receivable after five years	(Nil)	(Nil)

19. Previous Year figures have been re-arranged and re-grouped wherever necessary.

As per our attached report of even date

For and on behalf of the Board

**For R. C. RESHAMWALA & CO.**

Chartered Accountants

**Rajnikant C. Reshamwala**

Partner

Membership No. 5502

**Somnath Saha**  
Company Secretary

**Jatin R. Mehta**

**K. N. Bhandari**  
**Dharmendra Bhandari**  
**G. Bharakatia**  
**Atul S. Pethe**  
**G. P. Gupta**

Chairman-cum-  
Managing Director

Directors

Mumbai, 9th May, 2006.

# SU-RAJ DIAMONDS AND JEWELLERY LIMITED



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

	Current Year	(Rs. In Lacs) Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	3974	3271
Adjustment for :		
Depreciation	314	250
Bank Interest (Net)	729	554
Excess / short provision for Expenses/ Income for earlier year	153	(61.00)
(Profit)/ Loss on Sale of Assets (Net) and investments	7	(5.00)
Preliminary expenses written off	38	38
	<u>5215</u>	<u>4047</u>
Operating Profit before working capital changes		
Adjustment for :		
Trade and Other Receivables	(18983)	(8531)
Inventories	(1630)	5532
Trade Payable	17299	5136
	<u>1901</u>	<u>6184</u>
Deferred Tax	(15)	8
Taxes Paid	(257)	(251)
	<u>1629</u>	<u>5941</u>
Cash generated from operating activities		
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(527)	(4428)
Sale of Fixed Assets	4	21
Purchase of Investments	(875)	(332)
Interest Received	792	488
	<u>(606)</u>	<u>(4251)</u>
Net cash from investing activities		
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from unpaid Share Premium / Capital	1	856
(Repayments) / Proceeds of Short Term Loans	577	(1741)
Proceeds from Parent Company Reserves	(214)	258
Interest Paid	(1521)	(1,042)
Dividend Paid	(483)	(406)
Tax on Proposed Dividend	(68)	(52)
	<u>(1708)</u>	<u>(2127)</u>
Net cash from financing activities		
Net increase/ (decrease) in cash and cash equivalent (A+B+C+)	(685)	(437)
Cash and Cash Equivalent as at 1st April, 2005 (Opening Balance)	11441	11878
Cash and Cash Equivalent as at 31st March, 2006 (Closing Balance)	10756	11441

As per our attached report of even date

**For R. C. RESHAMWALA & CO.**  
Chartered Accountants

**Rajnikant C. Reshamwala**  
Partner  
Membership No. 5502

Mumbai, 9th May, 2006.

**Jaikumar Kapoor**  
Chief Finance Officer

**Somnath Saha**  
Company Secretary

For and on behalf of the Board

**Jatin R. Mehta**

**K. N. Bhandari**  
**Dharmendra Bhandari**  
**G. Bharakatia**  
**Atul S. Pethe**  
**G. P. Gupta**

Chairman-cum-  
Managing Director

Directors

# ANNUAL REPORT 2005-2006

---

## Details of Subsidiary Company

Name of Subsidiary	Koradium N.V. Amount in Rs.
1. Capital	402,556,245
2. Reserve & Surplus	12,709,403
3. Total Assets (Fixed Assets + Current Assets)	784,167,507
4. Total Liabilities (Debts + Current Liabilities)	369,236,190
5. Investments	334,331
6. Total Income	1,063,912,120
7. Profit Before Tax	1,728,380
8. Provision for Tax	744,476
9. Profit After Tax	983,904

The financial statements of the subsidiary in Euro is converted into Indian Rupees on the basis of appropriate exchange rate as on 31st March, 2006.