

# SHANTIVIJAY JEWELS LIMITED

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE:

To the Members of  
Shantivijay Jewels Limited  
Mumbai

We have examined the compliance of conditions of corporate governance by Shantivijay Jewels Limited for the year ended on 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company

has taken steps to comply with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

For B.F. CHORDIA & CO.  
Chartered Accountants

Place: Mumbai.  
Date: June 24, 2005.

Sd/-  
(B.F. Chordia)  
Proprietor

## ANNEXURE TO DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### Industry Structure and Developments

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

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

Besides the fiscal packages, the Government has decided to allow IT concessions to units in SEZ, exemption from CST to supplies from DTA to SEZ, drawback/DEPB to DTA suppliers, transactions from DTA to SEZ to be treated as exports under

Income Tax Act and Customs Act, exemption to SEZ units from External Commercial Borrowings restrictions, freedom to make overseas investment and carry out commodity hedging etc.

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

#### Opportunities and Threats/Risks and Concerns

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

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

**Segment-Wise Performance**

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

	Rs. in Lakhs
<b>EXPORTS to :</b>	
U.S.A.	2699.32
EUROPE	1184.24
MIDDLE EAST	892.17
OTHERS	44.68
LOCAL SALES	60.00
<b>Total</b>	<b>4880.41</b>

**Internal Control Systems and their Adequacy**

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

**Financial and Operational Performance**

Sales have been Rs. 48.82 crores as compared to Rs.43.48 crores in the previous year. The Company has earned net profit of Rs. 115.17 lakhs as against net profit of Rs.176.70 lakhs.

**Human Resource Development and Research Activities**

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

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

**Outlook**

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