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## **RAJESH EXPORTS LIMITED**

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### **Board of Directors.**

<b>SHRI. RAJESH MEHTA</b>	<i>Executive Chairman.</i>
<b>SHRI. PRASHANT MEHTA</b>	<i>Managing Director.</i>
<b>SHRI. P. SHIVA SHANKER</b>	<i>Director.</i>
<b>SHRI. Y. VENU MADHAVA REDDY</b>	<i>Director.</i>
<b>SHRI. G. SHANKER PRASAD</b>	<i>Director.</i>

### **Auditors**

**M/s P. K Rungta & Co.**  
*Chartered Accountants*  
Jyothi Complex  
Infantry Road  
Bangalore.

### **Bankers.**

Canara Bank  
State Bank of India  
HSBC  
UCO Bank

### **Regd Office.**

# 4, Batavia Chambers  
Kumara Krupa Road  
Kumara Park East  
Bangalore - 560 001.  
Tel: 91-80-22266735  
Fax: 91-80-22259503

### **Share Transfer Agents**

*M/s S. K. D. C Consultants Limited*  
P.B. No. 2979, 11, S. N. Layout  
Street No.1, (West Power House Road)  
Coimbatore - 641 012.  
Phone: 0422 - 6549995; 2499803  
Fax: 0422 2499574.

E-mail: [info@skdc-consultants.com](mailto:info@skdc-consultants.com)

# **RAJESH EXPORTS LIMITED**

## **NOTICE**

Notice is hereby given that the 13<sup>th</sup> Annual General Meeting of the Members of **RAJESH EXPORTS LTD** will be held **at 4.30 P.M. on 22-09-2007 at the Mini Hall, Hotel Woodlands, # 5, Raja Rammohan Roy Road, BANGALORE** to transact the following business.

### **ORDINARY BUSINESS:**

To receive, consider and adopt the Profit and Loss account for the year ended 31<sup>st</sup> March 2007 and the Balance Sheet as at that date together with the reports of the Directors and Auditors thereon.

To declare dividend.

To appoint a Director in place of Mr. Venu Madhav Reddy, who retires by rotation and being eligible, offers himself for re-appointment.

To appoint a Director in place of Mr. P. Shiva Shankar, who retires by rotation and being eligible offers himself for re-appointment.

To appoint auditors and fix their remuneration.

### **SPECIAL BUSINESS:**

To consider and if thought fit, pass with or without modification the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 269, Schedule XIII and all other applicable Provisions of the Companies Act, 1956, Mr. Rajesh J. Mehta be and is hereby re-appointed as the Executive Chairman of the Company for a further period of three years from 16-03-2007 on existing terms and conditions viz,

Remuneration:

Salary – Rs. 1, 19,988/- p.a.

Perquisites (subject to a ceiling of Rs. 60,000/- p.a.)

- a. Free use of Company's car and driver.
- b. Leave Travel Concession for self and family, once in year.
- c. Children's Education Allowance, subject to a maximum of Rs. 6,000/ - p.a.
- d. Reimbursement of medical expenses for self and family.
- e. Fees of clubs, subject to maximum of 2 clubs.
- f. Contribution to Provident Fund to the extent it is not taxable under Income Tax Act, 1961.
- g. Gratuity payable at a rate not exceeding half a month's salary, for each completed year of service.
- h. Encashment of leave at the end of the tenure.
- i. Personal Accident Insurance Premium, not exceeding Rs. 1,000/ - p.a.

To consider and if thought fit, pass with or without modification the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 269, Schedule XIII and all other applicable Provisions of the Companies Act, 1956, Mr. Prashant J. Mehta be and is hereby re-appointed as the Managing Director of the Company for a further period of three years from 16-03-2007 on existing terms and conditions viz,

Remuneration:

Salary – Rs. 1, 19,988/- p.a.

## **RAJESH EXPORTS LIMITED**

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### Perquisites

- a. Free use of Company's car and driver.
- b. Leave Travel Concession for self and family, once in year.
- c. Reimbursement of medical expenses for self and family.
- d. Fees of clubs, subject to maximum of 2 clubs.
  
- e. Contribution to Provident Fund to the extent it is not taxable under Income Tax Act, 1961.
- f. Gratuity payable at a rate not exceeding half a month's salary, for each completed year of service.
- g. Personal Accident Insurance Premium, not exceeding Rs. 1,000/- p.a.
- h. Children's Education Allowance, subject to a maximum of Rs. 6000/- p.a.
- i. Encashment of leave at the end of the tenure.

8. To consider and if thought fit to pass with or without modification the following Resolution as a Special Resolution:

RESOLVED THAT, pursuant to the Item No 20 B, Clause III of Memorandum of Association of the Company, the approval of company be given to the pursuit of the business of giving financial assistance by securing the mortgage of properties.

9. To consider and if thought fit to pass with or without modification the following resolution as a special resolution

RESOLVED THAT subject to applicable provisions if any under FEMA,1999(Foreign Exchange Management Act) and Companies Act,1956,the consent of the company be and is hereby accorded to the raising of the ceiling of acquisition of equity shares in the company by NRI's/PIO's to 24 % of the paid up capital of the company.

FURTHER RESOLVED THAT the Board of Directors of the company be and is authorised to take steps as may be necessary in this regard.

### **EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**

#### **Item No. 6 of the Agenda:**

The term of appointment of Mr. Rajesh J. Mehta as the Executive Chairman of the Company has expired on March 15, 2007.

Mr. Rajesh J. Mehta, who is known for his impeccable skills, was instrumental in the efficient management of the Company. It may not be out of place to mention here that Mr. Rajesh J Mehta, with his quest for excellence, uplifted the Company with a modest turnover to one that has entered the Billion dollar club in the last financial year, within a short span of time. In his tireless efforts and under his able Chairmanship, the Company achieved a prominent position among the Indian Corporates. The numerable Awards that the Company continues to bag both from the Centre and the State Governments are the testimony to his caliber and unequivocal etiquette coupled with his business acumen.

Therefore, your Directors consider it inevitable and most advantageous to continue to receive the benefit of the expert advice and guidance of Mr. Rajesh J. Mehta as the Executive Chairman for the efficient functioning of the Company.

Mr. Rajesh J Mehta and Mr. Prashant Mehta may be regarded as interested Directors in the aforesaid Resolution.

## **RAJESH EXPORTS LIMITED**

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### **Item No. 7 of the Agenda:**

The term of appointment of Mr. Prashant J. Mehta as the Managing Director of the Company has expired on March 15, 2007. Mr. Prashant Mehta, who is well known for his manufacturing skills, was instrumental in setting up of a modern and most integrated facility for the manufacture of gold jewellery at Whitefield. He, along with Mr. Rajesh J Mehta, paved a way for the setting up of a highly advanced Research and Development facility for the evolution of crafting of jewellery and for the development of new internationally accepted designs.

In the light of the above, your Directors consider it desirable and advantageous to continue to avail the services of Mr. Prashant J Mehta in the interest of the Company's progress.

Mr. Rajesh J Mehta and Mr. Prashant Mehta may be regarded as interested Directors in the aforesaid Resolution.

### **Item No. 8 of the Agenda:**

Pursuant to the Provisions of Section 149 (2A) of the Company's Act, 1956, it is mandatory to obtain approval of the shareholders prior to commencement of any business mentioned in Clause III (C) of the Memorandum of Association of the Company.

Since "to lend, advance or guarantee to any one with or without security, on such terms and conditions as may be deemed proper" have been included and envisaged in the Memorandum of Association. It is considered desirable to pursue the business of giving financial assistance by securing the mortgage of properties.

### **Item No. 9. of Agenda:**

The regulations under FEMA, 1999 allow NRI's/PIO's to acquire equity shares in Indian Companies to the extent of 10 % of the paid up capital of the company. However the ceiling can be raised to 24 % if the approval of the Board of Directors and the members of the company are accorded. The Board of Directors of the company have approved the proposal to raise ceiling to 24 % in view of the fact that there is a substantial and growing interest among NRI's/ PIO's to invest in the shares of the company. The matter is now placed before the members for their approval. No Director is deemed to be interested in the resolution.

By the Order of the Board

Place: Bangalore

Date: 26.07.2007

**RAJESH MEHTA**

*Chairman*

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## **RAJESH EXPORTS LIMITED**

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### **NOTES:**

A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy so appointed need not be a member of the Company.

Proxies, in order to be effective, should be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

The Register of Members and Share Transfer Books of the Company will remain closed from 18-09-2007 to 22-09-2007 (both days inclusive.) notice of which will appear in the News Paper on 10-09-2007.

It is suggested for the convenience of the Members, that they inform the Company about their Bank account Number, Name of the Bank (also address of the Bank if they desire that the warrant be mailed to the Bank directly) to enable printing of these particulars on the dividend warrants, as a measure of abundant caution to minimize loss due to warrants falling into improper hands through forgery or fraud.

Members seeking any information with regard to the accounts are requested to write to the Company early, so as to enable the Management to keep the information ready.

Members/proxies should bring the attendance slip sent herewith duly filled in, for attending the Meeting.

Members are requested to address their correspondence, including share transfer matters and change of address to:

***S. K. D. C. Consultants Limited***

P.B. No. 2979, 11, S. N. Layout

Street No.1, (West Power House Road)

Coimbatore - 641 012.

Phone: 0422 - 6549995; 2499803

Fax: 0422 2499574.

E-mail: [info@skdc-consultants.com](mailto:info@skdc-consultants.com)

### **PROFILES OF RETIRING DIRECTORS WHO OFFER THEMSELVES FOR REAPPOINTMENT:**

Mr. P. Shiva Shankar, aged about 44 years, is a tax planner and tax consultant by profession and advises the company on taxation matters. The board considers it appropriate to reappoint Mr. P. Shiva Shankar as a Director.

Mr. Venu Madhava Reddy, aged about 33 years, has an experience of over 12 years in management and administration. The Board considers it expedient to reappoint Mr. Venu Madhava Reddy as a Director.

# RAJESH EXPORTS LIMITED

## DIRECTORS' REPORT

Your Directors have great pleasure in presenting their 13<sup>th</sup> annual report on the business and operations of the Company, for the financial year ended 31<sup>st</sup> March 2007.

### FINANCIAL RESULTS

	(Rs. in Crores)	
	For the year ended 31.03.2007	For the year ended 31.03.2006
Profit Before Depreciation	<b>105.70</b>	71.59
<i>Less</i> : Depreciation	<b>1.45</b>	1.40
Profit after depreciation	<b>104.24</b>	70.19
<i>Less</i> : Provision for taxation Deferred taxation for the year	<b>2.96</b>	3.64
Profit after taxation	<b>101.28</b>	66.54
<i>Add</i> : Balance as per last account	<b>11.26</b>	13.14
Profit available for appropriation	<b>112.55</b>	79.69
<i>Less</i> : transfer to general reserves	<b>75.00</b>	60.00
<i>Less</i> : Proposed dividend including tax on Dividend	<b>8.64</b>	8.42
Balance surplus transferred to Balance Sheet	<b>28.90</b>	11.27

### OPERATIONS

Your Directors are pleased to report that your Company's total income during the period under review stood at a record all time high of Rs. 6893.39 crores compared to that of Rs. 5483.67 crores during the previous year. As a result, the net profit for the year under review, after provision for depreciation and income tax was 101.28 crores which is 52.20% higher than that of the previous year. The Company has transferred an amount of Rs.75.00 crores to the general reserves. As a result, the total reserve of the Company has moved up to 255.00 crores.

### DIVIDEND

Keeping in view the profitability of the Company, your Directors have recommended a dividend of 100%. This is the third consecutive year that the Company has recommended 100% dividend to its shareholders.

Company's (Disclosure of particulars in the report of Board of Directors) Rules, 1988

#### A) Particulars of Employees

During the year under review, there were no employees who were drawing remuneration in excess of Rs. 24 Lakhs per annum or Rs. 2,00,000/- per month, if employed for a part of the year.

#### B) Research and Development and technology absorption

Your Company has the largest and one of the finest R&D units in the jewellery industry. The research and development team of the Company comprise of some of the finest designers, metallurgists, chemists and senior craftsman. The Company has been instrumental in developing and introducing several widely acclaimed jewellery designs. The Company has also developed several new systems, procedures and techniques in jewellery manufacturing.

## **RAJESH EXPORTS LIMITED**

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### **DIRECTORS**

Mr. P. Shiva Shankar and Mr. Venu Madhava Reddy, Directors of your Company, retire by rotation and being eligible; offer themselves for reappointment.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the requirement under section 217 (2AA) of the Companies Act 1956, with respect to Directors responsibility statement, it is hereby confirmed:

1. That for the compilation of the annual accounts for the financial year ended 31.03.2007, the applicable accounting standards have been followed along with proper explanation relating to the material departures.
2. 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 under review and of the profit of the Company for that period.
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.

That the Directors have compiled the accounts for the financial year ended 31.03.2007 on a “going concern” basis.

### **FOREIGN EXCHANGE EARNINGS**

During the year the Company has reported foreign exchange earnings of Rs. 63831.54 million (Previous year: Rs. 52173.90). The foreign exchange outgo on account of import of raw materials amounted to Rs. 64900.54 million (Previous year: Rs. 53070.80 million).

### **AUDITORS**

M/s. P. K. Rungta & Co, Chartered Accountants, retires at the ensuing Annual General Meeting and are eligible for reappointment. They have confirmed that their reappointment as auditors of the Company, if made, would be in accordance with the limits specified under section 224 (1B) of the Companies Act, 1956.

### **LISTING**

The shares of the Company continue to be listed at the National Stock Exchange of India Ltd, Mumbai and the Bombay Stock Exchange Ltd, Mumbai. The annual listing fees for National Stock Exchange of India Ltd and Bombay Stock Exchange have been paid.

### **ACKNOWLEDGEMENTS**

Your directors specially wish to place on record, their sincere appreciation to the people of the Company for their dedication and hard work, which has resulted in the overwhelming success of the Company during the year under report. Your directors place on record their gratitude to Canara Bank, State Bank of India, HSBC and UCO Bank for their continued support. Your Directors also thank all the Shareholders, Consultants, Customers, Vendors, Service providers and Government & Statutory authorities for their continued support.

For and on behalf of the Board

Place: Bangalore

Date: 26.07.2007

**RAJESH MEHTA**



## **RAJESH EXPORTS LIMITED**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

Our Company continues to ride on a wave of expansion and scale new heights in strengthening its position as the world's largest integrated mines-to-customer company in the world. The Company registered a 25.74% increase in its revenue for the year ended 31/3/2007, and its order book position at the end of the financial year was Rs. 1615 crores.

Our Company's innovative design and R&D divisions have continued to develop new designs and technologies to deliver cutting edge design with world class quality to support its international wholesaling and retailing operations. The total design portfolio at present comprises a staggering 29,000 designs, both plain gold and gem-set, arguably one of the largest and finest collections in the jewellery industry.

The Company's achievements earned note worthy recognition in the form of winning several awards and accolades. Our Company was ranked Number One in the Gems and Jewellery sector for the year 2006 by Dun & Bradstreet; it won the Gem and Jewellery Export Promotion Council awards for the highest export in the categories of Plain Gold Jewellery exports and Plain Precious Metal Jewellery exports for the 9th consecutive year. The company won the Gold Trophy at the 'Niryat Shree' & Niryat Bandhu' Awards instituted by the Federation of Indian Export Organization (FIEO) for outstanding performance in Gems and Jewellery sector. The company also received FKCCI's Export Excellence Award for 2006-07.

As part of the aggressive expansion plans, during the past one year, the Company launched its national retail chain "Laabh Jewellers" through 28 showrooms across the length and breadth of India. It commenced retailing of "Shubh" gold coins and medallions through its joint-venture with the Muthoot Pappachan Group and signed a Memorandum of Understanding with Fossil Inc., one of the largest and most reputed fashion retailing companies, for retailing of watches, accessories and fashion jewellery through its own stores, and eventually through Fossil's world-wide network. These initiatives, and the plans for launch, during 2007-08, of the mass-market national chain of 100 jewellery stores under the "Shubh" umbrella, are expected to provide a further impetus to growth, while improving margins, over the next few years.

The Company's enviable financial record elicited an overwhelming response to its issue of Foreign Currency Convertible Bonds, and its US \$ 150 million issue was fully subscribed by an array of blue-chip international funds within record time.

#### **MANAGEMENT**

The Board of Directors heads the Management of the Company, which also includes Whole Time Directors.

The following is the composition of the Board of Director's of the Company as on 31.03.2007.

<b>Sl. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Profession</b>
01.	Mr. Rajesh Mehta	Executive Chairman	Rich and varied experience of over two decades in functioning and management of jewellery trade.
02.	Mr. Prashant Mehta	Managing Director	Over two decades of experience in jewellery Production and Marketing.
03.	Mr. P. Shiva Shankar	Non Executive & Independent Director	Leading Tax consultant.

04.	Mr. Venu Madhava Reddy in	Non-Executive & Independent Director	Has an experience of over 12 years Management and administration.
05.	Mr. G. Shanker Prasad	Non-Executive & Independent Director	Well known practicing Company Secretary and Cost accountant.

The Board of Directors are efficiently complemented in the day to day functioning by a team of highly qualified professionals with considerable experience and expertise in their respective fields.

### HUMAN RESOURCES

Rajesh Exports realizes the importance of human resources, which it considers next only to capital in the order of importance. The Company has a pool of highly qualified and experienced professionals, who are instrumental in achieving giant strides the Company is making year after year towards progress. The Company has a HR policy which emphasizes the need for attaining organizational goals through individual growth and development. Staff audit and performance appraisal are the key areas of the Company's HR Policy.

### DISCLAIMER

Statements made in the management discussion and analysis report include forward looking statements and may differ from the actual situation. The important factors that would make a difference to the Company's operations include market factors, government regulations and policies, developments within and outside the country etc.

### ANALYSIS OF FINANCIAL PERFORMANCE

#### a) Key financial Indicators:

	2006-2007	2005-2006
Return on Net Worth	32.77%	28.17%
PAT to Sales	1.46%	1.26%
Fixed Assets Turnover (Times)	128.41	105.77
Sales / Total Assets	1.89	2.82

#### b) Revenues:

The business operations of Rajesh Exports Ltd for the year 2006-07 resulted in the Company achieving total revenue of Rs 6893.39 Crores as against Rs. 5483.67 Crores during the previous year. The operating revenue for the year (Revenue less other Income) is Rs. 6893.36 Crores.

(Rs. in Crores)

	2006-2007	2005-2006
Operating Revenue	<b>6893.36</b>	5428.83
Other Income	<b>00.03</b>	54.84
Total Revenue	<b>6893.39</b>	5483.67

#### c) Operating Income:

Operating income (excluding other income) for the year 2006-2007 is Rs. 6893.36 Crores.

#### d) Cost of Revenue:

Cost of goods sold for 2006-2007 is Rs.6542.54 crores as compared to Rs. 5360.68 Crores in the previous year.

## **RAJESH EXPORTS LIMITED**

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***e) Provision for Taxation:***

The provision for taxation for 2006-07 is Rs. 2.96 crores as compared to 3.64 during the previous year.

***f) Debt:***

The Company as at 31<sup>st</sup> March 2007 has the following term loan and working capital facilities outstanding with the consortium member Banks. *(Rs In Cores)*

Term Loan and Working Capital: 300.86

**Note:** Apart from the above credit facilities the Company has also availed overdraft facility against its own deposits for meeting short term working capital requirements.

***g) Fixed Assets:***

The book value of fixed assets for the year ended 31/3/2007 after providing for depreciation is Rs. 53.68 crores.

***Loans and Advances:***

The loans and advances as on 31<sup>st</sup> March 2007 were Rs.157.54 Crores as compared to Rs.81.89 Crores during the previous year.

***i) Cash and Bank Balances:***

REL continues to be a cash positive Company. As on 31<sup>st</sup> March 2007 the Company has Rs.3256.80 Crores (Net) as cash and bank balances.

***h) Current Liabilities:***

The current liabilities as on 31.03.2007 are Rs.835.07 Crores as compared to Rs.292.78 crores during the previous year.

# RAJESH EXPORTS LIMITED

## CORPORATE GOVERNANCE

Rajesh Exports Ltd. recognises the ideals and importance of corporate governance and acknowledges its responsibilities towards all its share holders, employees, customers and regulatory authorities. The Company believes that a good corporate governance process aims to achieve a balance between the share holders' interest and corporate goals of the Company. It aims to attain the highest levels of transparency, accountability and integrity to all its share holders by implementing transparent corporate governance, thereby enhancing the value of the share holders and their Company.

Accountability improves decision-making and transparency helps to explain rationale behind decision-making and reinforces the shareholders' confidence in the company.

### BOARD OF DIRECTORS

The composition of the Board of Directors of the company is as follows

Category	Names of Directors	Number of Directors	Composition %	No of directorship in other companies	No of chairmanship in other companies	No of membership in committees of other companies
promoter Executive Chairman	1.Mr.Rajesh Mehta	2	40%	1.Rajesh Global solutions limited	Nil	1.Shareholders and investor grievance committee of Rajesh Global solutions Ltd
Manging Director	2.Mr.Prashant mehta			1.Rajesh Global solutions limited 2.Ashtalakshmi Marketing Pvt Ltd	Nil	1.Audit and compliance committee of Rajesh Global solutions Ltd
independent & non executive Directors	1.Mr.P.Shivashankar	3	60%	1.Rajesh Global solutions limited 2.SDS Futura Blocks Pvt Ltd	Nil	1.Audit and compliance committee of Rajesh Global solutions Ltd 2.Shareholders and investor grievance committee of Rajesh Global solutions Ltd
	2.Mr.Venu Madhava Reddy			1.Rajesh Global solutions limited	Nil	
	3.Mr.G.Shanker Prasad			1.Gopichand Rohra & associates Pvt Ltd 2.ABN Granites Ltd 3.SME's Development Centre	Nil	Nil

The company has not entered in to any transactions with its directors or relatives which would effect the interest of the at large.

### BOARD MEETINGS

During the year 2006-07, Ten (10) board meetings were held on the following dates:

30.05.2006, 31.07.2006, 18.09.2006, 30.10.2006, 04.12.2006, 11.12.2006, 28.12.2006, 15.01.2007, 09.02.2007 and 13.02.2007.

The details of attendance of the Directors at the Meetings is as follows.

## **RAJESH EXPORTS LIMITED**

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<b>Name of the Director</b>	<b>Attendance at the board Meetings.</b>
Mr. Rajesh Mehta Executive Chairman	10
Mr. Prashant Mehta Managing Director	10
Mr. P. Shiva Shankar Independent & Non-Executive Director	08
Mr. Venu Madhava Reddy Independent & Non-Executive Director	10
Mr. G. Shanker Prasad Independent & Non-Executive Director	09

### **COMMITTEES OF DIRECTORS**

The Board has constituted Committees of Directors to deal with matters which need quick decisions and timely monitoring of the activities falling within their terms of reference. The Board Committees are as follows

## **RAJESH EXPORTS LIMITED**

### **AUDIT COMMITTEE**

The audit committee comprises of three non-executive Directors viz Mr. P. Shiva Shankar, Mr. G. Shanker Prasad and Mr. Y. Venu Madhava Reddy. During the year under review the Committee held four meetings.

The terms of reference of the Audit Committee are in accordance with Clause 49(ii) of listing agreements entered into with the Stock Exchange's inter-alia includes the following.

- a) Overseeing the Companies financial reporting process and to ensure correct, adequate and credible disclosure of financial information.
- b) Recommending the appointment and removal of external auditors and fixing their fees.
- c) Reviewing the annual financial statements, with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.
- d) Reviewing the adequacy of the audit and compliance function, including their policies, procedures, techniques and other regulatory requirements.

### **AUDIT & COMPLIANCE COMMITTEE**

The Audit Committee of the Company met four times during the year.

<b>Members</b>	<b>Attendance</b>
Mr. Shiv Shankar <i>Chairman, Independent &amp; Non-Executive Director</i>	04
Mr. G. Shanker Prasad <i>Independent &amp; Non-Executive Director</i>	04
Mr. Y. Venu Madhava Reddy <i>Independent &amp; Non-Executive Director</i>	04

### **SHAREHOLDERS & INVESTOR GRIEVANCE COMMITTEE**

The share holders and investor grievance committee comprises of Mr. Venu Madhava Reddy, Mr. P. Shiva Shankar and Mr. Rajesh Mehta. The Committee approves and monitors transfers, transmissions, dematerialisation, splitting and consolidation of shares issued by the Company and issue of duplicate share certificates. The Committee also monitors redressal of complaints from share holders relating to transfer of shares, non-receipt of balance sheet, dividends etc. and reviewing the share transfers executed by S.K.D.C. Consultants Ltd.

No. of investor complaints received during the year	:	16
No. of complaints resolved	:	16
No. of complaints pending	:	Nil

The Committee is chaired by Mr. Venu Madhava Reddy, who is a non executive director.

The Committee has met four times during the year.

### **SHAREHOLDERS & INVESTORS GRIEVANCE COMMITTEE**

<b>Members</b>	<b>Attendance</b>
Mr. Y. Venu Madhava Reddy <i>Independent &amp; Non-Executive Director</i>	04
Mr. P. Shiva Shankar <i>Independent &amp; Non-Executive Director</i>	04
Mr. Rajesh Mehta <i>Executive Director</i>	04

## **RAJESH EXPORTS LIMITED**

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### **REMUNERATION OF DIRECTORS**

The Directors remuneration includes consolidated remuneration paid to Executive Chairman, Mr. Rajesh Mehta and Managing Director, Mr. Prashant Mehta amounting to Rs. 2,39,976/- per annum. Independent and non executive directors do not receive any remuneration or sitting fees from the Company.

### **SPECIAL RESOLUTIONS PASSED DURING LAST THREE FINANCIAL YEARS**

1. At the Annual General Meeting held on 13-08-2005, a Special Resolution was passed for splitting of shares of the Company from existing face value of Rs. 10/ share to Rs. 2/ share. With effect from 16<sup>th</sup> September 2005, the shares of the Company are traded at Rs.2/Share in the stock exchanges.
2. At the Extra Ordinary General Meeting held on 31.10.2005, a special resolution was passed for Preferential Allotment of 19,48,000 equity shares to Bennett, Coleman & Co Ltd. With effect from 21st March 2006, the additional equity has been listed on National Stock Exchange of India Ltd and from 28th March, 2006 onwards in Bombay Stock Exchange Ltd, Mumbai.
3. At the EGM held on 20.01.07 the board's proposal for raising USD 150 million in overseas markets through the issue of FCCB bonds was approved by the members of the company. The company successfully completed raising USD 150 million on 13.02.2007.

No resolutions were passed through postal ballot during the last 3 financial years.

### **INVESTOR HELPDESK**

Share transfers, dividend payments and all other investor related activities are attended to and processed at the Office of our Registrars and Transfer Agents. For lodgment of transfer deeds and any other documents for any grievances / complaints kindly contact at the following address:-

#### **M/s. S.K.D.C. CONSULTANTS LTD.**

P.B. No. 2979, No. 11, Seth Narayandoss Layout, Street No. 1, (West Power House Road), COIMBATORE-641 102.

Telephone: (0422) 6549995, FAX: (0422) 2499574. E-mail: info@skdc-consultants.com

The powers to approve share transfers and dematerialization requests have also been delegated to some of the executives of the company in order to avoid delays that may arise due to non-availability of the members of the share holders and investor Grievance Committee.

Name of the compliance officer: Mr. Venu Madhava Reddy

All the share transfers received up to 31st March 2007 have been processed.

No penalties or strictures were imposed on the Company by any of the Stock Exchange, Securities and Exchange Board of India or any statutory authority, on any matters related to capital market, during the last three years.

## **RAJESH EXPORTS LIMITED**

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### **DETAILS OF PREVIOUS AGM'S**

<b>Last 3 AGM's</b>	<b>Date/Time of AGM</b>	<b>Venue</b>
10th AGM Mohan Roy Road,	25th September 2004  @ 4.30 P.M.	Mini Hall, Hotel Wood Lands, Raja Ram  Bangalore.
11th AGM Mohan Roy Road,	13th August 2005  @ 4.30 P.M.	Mini Hall, Hotel Wood Lands, Raja Ram  Bangalore
12th AGM Mohan Roy Road,	16th September 2006  @ 4.30 P.M.	Mini Hall, Hotel Wood Lands, Raja Ram  Bangalore

### **DISCLOSURE**

Disclosures on materially significant related party transactions that may have potential conflict with the interest of the Company at large.

These disclosures have been made under related party transactions in notes (B 11) to financial statements of the Company, which form part of annual report.



## **RAJESH EXPORTS LIMITED**

### **MEANS OF COMMUNICATION**

The Company's quarterly and half yearly un-audited results and audited annual results were published in the leading print media, both in English and regional languages having nation wide circulation and also through various information notices sent to Stock Exchanges about the latest developments in the Company. Our Company's web site i.e. [www.rajeshindia.com](http://www.rajeshindia.com) is regularly updated regarding the corporate actions undertaken by the Company. The Company has been filing the information statements and reports on SEBI's Electronic Data Information Filing and Retrieval (EDIFAR) site that is accessible to public at <http://sebidifar.nic.in>.

The Management discussion and analysis also forms a part of the Directors Report.

### **CEO / CFO CERTIFICATION**

The Company is fully cognizant of and committed to, adhering to the statutory requirements for the internal controls as set out by the Securities and Exchange Board of India. Accordingly, the Managing Director and the Finance Manager of the Company have duly verified and certified to the Board for Company's procedure and internal controls of the reporting as fully compliant with SEBI guidelines.

The Managing Director and Finance Manager have certified to the Board by placing a certificate thereof on the financials of the Company that they have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:

- (i) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
- (ii) 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.
- (i) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of Conduct.

### **DISTRIBUTION OF SHAREHOLDING AS ON 31st MARCH 2007**

Value (in Rs.)	No. of share holders	%	Amount (Rs)	%
Up to 5,000	10501	94.06	3350678	4.53
5,001 to 10,000	441	3.95	2958140	4.00
10,001 to 20,000	131	1.17	2093152	2.83
20,001 to 30,000	26	0.23	638530	0.86
30,001 to 40,000	18	0.16	618048	0.84
40,001 to 50,000	12	0.11	536510	0.73
50,001 to 1,00,000	8	0.07	510770	0.69
1,00,001 and above	27	0.24	63201172	85.51
<b>TOTAL</b>	<b>11164</b>	<b>100.00</b>	<b>73907000</b>	<b>100.00</b>

### **CATEGORIES OF SHAREHOLDERS AS ON 31st MARCH 2007**

Category	No of Shares	%
Indian Promoters	22715530	61.471
Foreign Institutional Investors	2894440	7.833
Private Corporate Bodies	2864381	7.751
Indian Public	5874760	15.897
NRI's /OCB's	2604389	7.048
<b>TOTAL</b>	<b>36953500</b>	<b>100</b>

## RAJESH EXPORTS LIMITED

MONTHLY HIGH AND LOW QUOTATION AND VOLUME OF SHARES TRADED FROM  
01.04.2006 TO 31.03.2007.

ON NATIONAL STOCK EXCHANGE OF INDIA LTD., MUMBAI (NSE)

Period	Highest Quotation in Rs.	Lowest Quotation in Rs.	Volume of shares Traded	Turnover in Lakhs	
<b>@ Rs. 2 / Share</b>					
April, 2006	348.40	295.15	84,06,511	27404.068	
May, 2006	338.90	237.70	15,49,055	4649.918	
June, 2006	258.85	148.10	9,57,377	1731.231	
July, 2006	198.00	121.50	9,49,395	1386.410	
August, 2006	181.40	127.05	96,14,163	14957.151	
September, 2006	217.95	155.10	61,52,185	11409.439	
October, 2006	262.40	207.20	43,87,189	10176.470	
November, 2006	246.70	204.50	47,82,145	11254.913	
December, 2006	364.35	232.00	86,61,725	26369.698	
January, 2007	502.35	351.20	39,84,706	17258.909	
February, 2007	489.90	367.35	49,46,924	21849.087	
March, 2007	419.40	330.00	26,38,455	9914.458	

ON BOMBAY STOCK EXCHANGE LTD., MUMBAI (BSE)

Period	Highest Quotation in Rs.	Lowest Quotation in Rs.	Volume of shares Traded	Turnover in Lakhs	
<b>@ Rs. 2 / Share</b>					
April, 2006	349.00	303.00	82,672	16140.77	
May, 2006	344.70	238.50	17,124	2918.44	
June, 2006	257.00	142.00	7,362	992.42	
July, 2006	196.95	120.00	7,126	689.85	
August, 2006	182.00	127.00	69,658	9539.21	
September, 2006	186.80	155.30	39,913	4873.95	
October, 2006	261.10	208.10	52,939	7534.15	
November, 2006	248.90	204.00	32,774	4130.56	
December, 2006	360.00	232.00	66,340	14583.17	
January, 2007	502.40	350.00	50,140	12688.68	
February, 2007	489.00	368.60	54,404	14553.17	
March, 2007	418.00	332.00	47,348	7615.97	

## RAJESH EXPORTS LIMITED

<b>FINANCIAL CALENDAR FOR THE YEAR 2006-07</b>		
<b>Financial Year 1st April 2006 to 31 st March 2007</b>		
Board meeting for considering audited accounts and recommendation of dividend for the year ending 31.03.2006		30.05.2006
Board meeting for considering un audited results for 1st quater		31.07.2006
Board meeting for considering un audited results for 2nd quater		30.10.2006
Board meeting for considering un audited results for 3rd quater		15.01.2007
Board meeting for considering audited results for the financial year ending 31.03.2007 and recommendation of dividend		18.06.2007
Posting of annual Reports	on or before	20.08.2007
Book closure Dates	18.09.2007 to	22.09.2007
Last date of receipt of Proxy Forms		19.09.2007
Date of AGM		22.09.2007
Probable date for dispatch of dividend warrants	ist week of	Oct-07

### DIVIDEND

The Board of Directors is pleased to recommend the payment of dividend for the year ended 31st March 2007 @ Rs. 2 per share or 100 per cent for all the share holders whose names appear on the register of members as on the book closure date i.e. 18-09-2007.

### DEMATERIALIZATION OF EQUITY SHARES

The Company's shares are under compulsory dematerialization list and can be transferred through depository system. The Company entered into tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the dematerialization of shares. As on 31.03.2007, 90.501% shares of the Company were in electronic form.

	<b>No. of shares</b>	<b>% of holding</b>	
No of shares held in CDSL	4,14,487	1.122	
No of shares held in NSDL	3,30,28,447	89.378	
Total No. of shares held in DE-Mat form	3,34,42,934	90.501	
No. of shares held in Physical form	35,10,566	9.500	
Grand Total	:	3,69,53,500	100.00

## **RAJESH EXPORTS LIMITED**

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### **AUDITOR'S CERTIFICATE**

To,

The Members,

**M/s. RAJESH EXPORTS LIMITED**

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by Rajesh Exports Ltd. for the year ended 31.03.2007, as stipulated in the Clause 49 of the listing agreement of the said Company with Stock Exchange.

The Compliance of condition of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the guidance note on certification at Corporate Governance issued by the Institute of the Chartered accounts of India and was limited to procedures and implementations thereof, adopted by the Company for ensuing compliance of the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to best of our information and according to the explanations given to us, subject to:

1. Our reliance upon the certificate received by the Company from its Registrar for the number of complaints received from the shareholders and the number of complaints resolved during the financial year and that there are no share transfers pending as at the year end as stated in Company's report on the Corporate Governance.
2. Our having relied on the representation of the management that there was no transactions of material nature with the management or their relatives that may have potential conflict with the interest of the Company at large.

We certify that the Company as complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **P. K. RUNGTA &  
CO.,**  
*Chartered Accountants*

**(P. K. RUNGTA)**  
*Proprietor*

Place: Bangalore

Date: 18.06.2007

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## RAJESH EXPORTS LIMITED

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### AUDITOR'S REPORT

To,

The Members,

M/s. RAJESH EXPORTS LIMITED

We have audited the attached balance sheet of M/S. RAJESH EXPORTS LIMITED as at 31<sup>st</sup> March 2007, and the profit and loss account and 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We report as follows.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks and verification of the books of accounts as we consider necessary and to the best of our knowledge and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in Paragraph 1 above.

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, the company has kept proper books of account as required by law so far as appears from our examination of the books.
- c) The Balance Sheet & Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

d) In our opinion, the Profit and Loss account, Cash Flow Statement and Balance Sheet comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 *except that no provision for gratuity liability is made in the accounts and the same is accounted on cash basis, liability in this regard is not ascertained*

e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31<sup>st</sup> March 2007 from being appointed as a director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;

## **RAJESH EXPORTS LIMITED**

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f) In our opinion and to the best of our Knowledge and according to the information and explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and *Subject to; (i) the fact that the price of gold imported on loan basis through certain invoices is not fixed as on 31<sup>st</sup> March 2007 and also the price of gold in the case of provisional export sales made through certain invoices is not fixed as on 31<sup>st</sup> March 2007 (as stated in Para A.6 in schedule 'S'), the effect of which is not quantified, (ii) that no provision for gratuity liability is made in the accounts and the same is accounted on cash basis, liability in this regard is not ascertained, read with other notes in Schedule 'S' annexed to the audited accounts,* give a true and fair view.

- i) In the case of the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2007 and
- ii) In the case of the profit and loss account, of the profit for the year ended on that date;
- iii) In the case of cash flow statement, of the cash flow of the company for the year ended on that date.

**For P.K. RUNGTA & CO.,  
Chartered Accountants**

Place: Bangalore  
Date: 18<sup>th</sup> e 2007

**P.K. RUNGTA  
Proprietor**

**Membership 51184**

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## **RAJESH EXPORTS LIMITED**

### **ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITOR'S TO THE MEMBERS OF M/S. RAJESH EXPORTS LIMITED, BANGALORE, ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007.**

1. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets *but identification mark on the individual assets is not displayed*. The Company has drawn up a programme of Physical verification of Fixed Assets which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Fixed assets were physically verified by the Management during the year and no material discrepancies were noticed on such verification. Substantial part of the fixed assets has not been disposed off during the year.
2. As explained to us, Inventories have been physically verified by the management at regular intervals during the year.

In our opinion and according to the information and explanations given to us, the procedures of physical verification followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

The Company has maintained proper records of inventories. As explained to us, there were no discrepancies noticed on physical verification of inventory as compared to the book records.

3. As per the information and explanations furnished by the Management, the company has not granted any loans to the companies or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

The Company has taken loan from the companies or other parties listed in the register maintained under section 301 of the Companies Act, 1956. These loans were taken from three parties and to the extent of Rs.250, 415,473/-. The rate of interest and other terms and conditions of these loans taken are not prima facie prejudicial to the interest of the company. The payment of principle amount and interest thereon are also regular wherever stipulated.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the companies Act, 1956 have been entered in the register maintained under section 301 of the companies Act, 1956. The transactions made in pursuance of such contracts or arrangements, exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has accepted deposits from Mahesh Mehta and the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act 1956 and the rules framed there under, wherever applicable, have been complied with. The Company Law Board has not passed any order with regard to public deposits.
7. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.

## RAJESH EXPORTS LIMITED

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8. The company has maintained cost records and accounts as prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956. We have broadly reviewed the accounts and records of the company in this connection and are of the opinion that prima facie the prescribed
9. accounts and records have been made and maintained. However, we have not made a detailed examination of the same.
10. According to the records of the Company, the Company is generally regular in depositing 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 statutory dues, as applicable to it, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were outstanding at the year end for a period of more than six months from the date they became payable *except transfer of unpaid dividend of Rs 39,400 for the year 1998-99 to Investor Education and Protection Fund.* Based on information and explanations given to us, we furnish hereunder the particulars of disputed aforesaid dues which have not been deposited: -

Name of the Statute	Nature of the dues	Amount in Rs.	Period to which the amount relates	Forum where dispute is pending
Income Tax Act	Income Tax	9,99,60,890	2003-04	The Commissioner of Income Tax (Appeals)
Entry Tax Act	Entry Tax	3,52,844	2001-02	The Joint Commissioner of Commercial Taxes (Appeals)
Karnataka Sales Tax Act	Sales Tax	1,54,702	2001-02	--Do--
--Do--	--Do--	1,00,000	2002-03	--Do--
--Do--	--Do--	2,24,355	2003-04	--Do--

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

11. As per information furnished by the management, the company has not defaulted in repayment of dues to banks, financial institutions and debenture holders.

12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The company is not a chit fund or a nidhi/mutual benefit fund/society and hence clause 4 (xiii) of Companies (Auditor's Report) Order 2003 is not applicable to the company.

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## **RAJESH EXPORTS LIMITED**

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14. In our opinion, the Company is not a dealer or a trader in shares, securities, debentures and other investments.

15. The company has not given guarantees for loans taken by others from banks or financial institutions.

16. The term loans raised by the company were applied for the purpose for which they were raised. However, the amount raised by the company by way of FCCB issue is parked abroad with banks for future utilization.

17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the company.

18. During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

19. The company has not created any security or charge in respect of debentures/bonds issued.

20. The Company has not raised any money through a public issue during the year.

21. In our opinion and according to the information and explanations given to us, no fraud by or against the Company has been noticed or reported during the year

**For P.K. RUNGTA & CO.,**  
*Chartered Accountants*

Place: Bangalore

**P.K. RUNGTA**

Date: 18th June 2007

*Proprietor*  
Membership No 051184

# RAJESH EXPORTS LIMITED

BALANCE SHEET AS AT 31st MARCH 2007

(Amounts in Indian Rupees)

	Schedule	As on 31.03.2007	As at 31.03.2006
<b>I.SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS FUNDS</b>			
Share Capital			
	A	73,907,000	73,907,000
Reserves & surplus	B	<u>3,016,789,267</u>	<u>2,288,827,561</u>
		3,090,696,267	2,362,734,561
<b>2. LOAN FUNDS:</b>			
Secured Loans			
Term Loan and Working Capital	C	2,287,468,450	2,388,536,180
Loans from Banks			
Against fixed deposits	D	24,046,012,201	10,740,780,040
Unsecured Loans			
From directors and others	E	<u>6,900,310,482</u>	<u>313,600,210</u>
		<u>33,233,791,133</u>	<u>13,442,916,430</u>
		<u><u>36,324,487,400</u></u>	<u><u>15,805,650,991</u></u>
<b>II APPLICATION OF FUNDS</b>			
<b>1.FIXED ASSETS</b>			
Gross block		596,233,549	548,502,293
Less depreciation		<u>78,725,532</u>	<u>64,282,761</u>
Net block	F	517,498,017	484,219,532
Work in Progress		19,339,894	15,282,123
<b>2.INVESTMENTS</b>			
	G	63,027,800	49,116,800
<b>3.CURRENT ASSETS,LOANS &amp; ADVANCES</b>			
Inventories	H	956,633,515	1,480,952,744
Sundry debtors	I	8,966,953,376	3,768,690,271
Cash & bank balances	J	57,646,708,469	34,103,862,853
Loans and advances	K	<u>1,575,444,845</u>	<u>818,909,015</u>
		<u>69,145,741,205</u>	<u>40,172,414,883</u>
Less: Current Liabilities & Provisions	L	<u>33,429,454,528</u>	<u>24,923,605,732</u>
		35,716,286,678	
<b>4.DEFERRED TAX ASSET</b>			
		8,223,385	8,223,385
<b>5.MISCELLANEOUS EXPENDITURE M</b>			
		<u>111,626</u>	<u>-</u>
		<u>36,324,487,400</u>	<u>15,805,650,991</u>

Schedule 'A' to S enclosed herewith form the integral parts of the accounts.

For and on behalf of the Board

As per our Report of even date  
For P.K.Rungta & co,

Chartered Accountants

Place : Bangalore  
18.06.1007

Chairman

Managing Director

Director

P.K.Rungta

## RAJESH EXPORTS LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Amounts in Indian Rupees)

	Schedule	2006-2007	2005-2006
<b>INCOME</b>			
Income from operations *(Refer Note B8 in Schedule 'S')	N	68,933,653,822	54,818,818,018
Other income	O	275,068	17,866,884
		<b>68,933,928,890</b>	<b>54,836,684,902</b>
<b>EXPENDITURE</b>			
Cost of goods sold	p	65,425,407,300	53,606,829,697
Administrative and Selling expenses	Q	1,365,816,614	97,088,483
Interest and bank charges	R	1,085,642,803	416,874,750
Depreciation		14,583,736	14,004,507
Preliminary, preoperative & public			
Issue expenses written off		27,907	-
		<b>67,891,478,360</b>	<b>54,134,797,437</b>
Profit for the year before tax		<b>1,042,450,530</b>	<b>701,887,465</b>
Provision for taxation for the year		<b>29,414,901</b>	<b>35,909,694</b>
Income tax for earlier years		-	242,384
Fringe benefit tax for the year		<b>199,479</b>	<b>263,050</b>
Profit for the year after tax		<b>1,012,836,150</b>	<b>665,472,337</b>
Balance as per last account		<b>112,687,561</b>	<b>131,487,681</b>
		<b>1,125,523,711</b>	<b>796,960,018</b>
Profit available for appropriation		<b>73,907,000</b>	<b>73,907,000</b>
Less: Proposed dividend		<b>12,560,495</b>	<b>10,365,457</b>
Tax on dividend			
Transferred to general reserve		<b>750,000,000</b>	<b>600,000,000</b>
Balance carried to balance sheet		<b>289,056,217</b>	<b>112,687,561</b>
Earning per share (Per Equity share of Rs 2/- each)			
Basic		<b>27.41</b>	<b>18.62</b>
Diluted		<b>20.90</b>	<b>18.62</b>

(Refer Note 13 of Schedule S)

Schedule 'A' to S enclosed herewith form the integral parts of the accounts

For and on behalf of the Board

As per our Report of even date

For P.K.Rungta & CO  
Chartered accountants,

Place : Bangalore  
Date : 18.06.2007

Chairman

Managing Director

Director

P.K.Rungta

**SCHEDULE ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR  
THE YEAR ENDED 31 st MARCH 2007**

Amount in Indian Rupees)

	As AT 31.3.2007	AS AT 31.3.2006
<b>SCHEDULE "A"</b>		
<b>SHARE CAPITAL</b>		
Authorised:		
5, 00, 00,000 Equity share of Rs2/-each		
(Previous Year 3, 75, 00,000 Equity shares of Rs2/- each)	<b>100,000,000</b>	75,000,000
Issued, subscribed and paid up:		
3,69,53,500 equity shares of Rs2/- each fully paid		
up ( Previous year 3,69,53,500 equity shares of Rs2/- each fully paid up)	<b>73,907,000</b>	73,907,000
	<b>73,907,000</b>	73,907,000
<b>SCHEDULE "B"</b>		
<b>RESERVES AND SURPLUS</b>		
Share premium account		
As per last account	<b>376,140,000</b>	80,044,000
Add: Additions during the year	—	296,096,000
	<b>376, 140,000</b>	376,140,000
Less: F C C Bonds issue expenses	<b>198,406,950</b>	—
	<b>177,733,050</b>	376,140,000
<b>General reserve</b>		
As per last account	1,800,000,000	1,200,000,000
Add: Additions during the year	750,000,000	600,000,000
	<b>2,550,000,000</b>	1,800,000,000
Surplus as per the Profit and Loss account	<b>289,056,217</b>	112,687,561
	<b>3,016,789,267</b>	2,288,827,561
<b>SCHEDULE " C "</b>		
<b>SECURED LOANS :</b>		
A.Term Loan:		
Uco bank	<b>16,728,250</b>	34,357,400
Canara bank	—	34,473,412
B.Working Capital:		
Uco bank	<b>572,500,000</b>	521,876,240
Canara bank	<b>569,135,300</b>	568,965,478
HSBC	<b>559,104,900</b>	506,884,360
State bank of India	<b>570,000,000</b>	721,979,290
Loans mentioned under A and B above are secured by Hypothecation of stocks and book debts and mortgage Of office building at Batavia Chambers and land, building & plant & machineries situated at Export Promotion Park, Whitefield. Further the above loans are secured by personal guarantee of directors.		

2,287,468,450

2,388,536,180

**SCHEDULE “D”  
OVERDRAFT ON PLEDGE OF FIXED DEPOSITS**

State Bank of India-Bills	721,157,400	—
Bank of India	136,429,401	123,577,647
Canara Bank	11,313,046,255	4,735,055,119
HDFC bank Limited	2,694,807	134,018,064
HSBC	—	1,959
IDBI Bank	2,606,612,791	—
Indus Ind bank Limited	114,392,766	466,736
Karnataka bank Limited	857,726,588	21,547,527
State bank of Hyderabad	4,548,243	2,589,600,141
State bank of India-OD	1,910,361,566	827,843,942
State bank of Indore	2,736,121,122	1,774,020,900
State bank of Mysore	33,429,614	53,345,392
Tamil Nadu Mercantile bank Limited	755,718,150	—
Uco bank	2,105,419,260	481,302,613
Yes Bank	748,354,238	—
	<u>24,046,012,201</u>	<u>10,740,780,040</u>

**SCHEDULE ‘E’  
UNSECURED LOANS**

From Directors	79,315,473	37,315,473
From others	171,100,000	172,600,000
FCCB issue	6,517,500,000	—
From Banks	132,395,009	103,684,737
	<u>6,900,310,482</u>	<u>313,600,210</u>

SCHEDULE "F"										
SCHEDULE OF FIXED ASSETS AS AT 31ST MARCH 2007										
particulars	Gross Block				Depreciation				Net Block	
	As on	Additions	Sales	Total	As on	For the	withdrawn	Total	As on	As on
	01.04.2006				01.04.2006	year			31.03.07	31.03.2006
<b>A.Business Assets</b>										
Land	36,924,097	.....	.....	<b>36,924,097</b>	.....	.....	.....	.....	<b>36,924,097</b>	36,924,097
Building	293,973,894	....	.....	<b>293,973,894</b>	48,366,149	9,818,728	.....	58,184,877	<b>235,789,017</b>	245,607,745
Plant & Machinery	55,316,432	15,301,015	.....	<b>70,617,447</b>	9,636,506	3,203,884	.....	12,840,390	<b>57,777,057</b>	45,679,926
Furniture & Fixture	7,032,717	999,431	.....	<b>8,032,148</b>	2,804,527	500,413	.....	3,304,940	<b>4,727,208</b>	4,228,190
Office Equipments	2,079,928	179,172	.....	<b>2,259,100</b>	613,484	149,170	.....	762,654	<b>1,496,446</b>	1,466,444
Computers	1452,542	278,101	.....	<b>1,730,643</b>	833,777	252,985	.....	1,086,762	<b>643,881</b>	618,765
Weighing Scales	977,403	130,235	.....	<b>1,107,638</b>	337,336	56,149	.....	393,485	<b>714,153</b>	640,067
Motor Vehicles	6,806,000	1,031,000	640,000	<b>7,197,000</b>	1,690,982	602,407	140,965	2,152,424	<b>5,044,576</b>	5,115,018
<b>Sub Total</b>	<b>404,563,013</b>	<b>17,918,954</b>	<b>640,000</b>	<b>421,841,967</b>	<b>64,282,761</b>	<b>14,583,736</b>	<b>140,965</b>	<b>78,725,532</b>	<b>343,116,435</b>	<b>340,280,252</b>
<b>B.Other immovable properties</b>										
Sujatha complex	20,428,360	76,797	.....	<b>20,505,157</b>	.....	.....	.....	.....	<b>20,505,157</b>	20,428,360
Mohan Building	96,371,800	1,199,061	.....	<b>97,570,861</b>	.....	.....	.....	.....	<b>97,570,861</b>	96,371,800
Volga Hotel Bldg	2,608,855	.....	.....	<b>2,608,855</b>	.....	.....	.....	.....	<b>2,608,855</b>	2,608,855
Land at Kumbalgod	13,435,200	.....	.....	<b>13,435,200</b>	.....	.....	.....	.....	<b>13,435,200</b>	13,435,200
Land at Akupette	11,095,065	.....	.....	<b>11,095,065</b>	.....	.....	.....	.....	<b>11,095,065</b>	11,095,065
Property in Kerala	.....	27,798,944	.....	<b>27,798,944</b>	.....	.....	.....	.....	<b>27,798,944</b>	.....
Land at Peenya	.....	1,367,500	.....	<b>1,367,500</b>	.....	.....	.....	.....	<b>1,367,500</b>	.....
<b>Sub Total</b>	<b>143,939,280</b>	<b>30,442,302</b>	.....	<b>174,381,582</b>	.....	.....	.....	.....	<b>174,381,582</b>	<b>143,939,280</b>
<b>Grand Total</b>	<b>548,502,293</b>	<b>48,361,256</b>	<b>640,000</b>	<b>596,223,549</b>	<b>64,282,761</b>	<b>14,583,736</b>	<b>140,965</b>	<b>78,725,532</b>	<b>517,498,017</b>	<b>484,219,532</b>
Previous Year	530,145,001	19,291,792	934,500	<b>548,502,293</b>	50,486,394	14,004,507	208,140	64,282,761	<b>484,219,532</b>	479,658,607

## RAJESH EXPORTS LIMITED

### SCHEDULE "G"

#### INVESTMENTS

Long term investments- At cost

A. Quoted : 48,99,980 (48,99,980) equity shares of Rs 10/- each fully paid up in Rajesh Global

Solutions Ltd

**48,999,800**

48,999,800

B. Non Quoted: shares in

1. Sri Ashtalakshmi Marketing Pvt Ltd

a. 180 equity shares of Rs 200 each fully paid up

**23,400**

23,400

b. 144 equity shares of Rs 1000 each fully paid up

**93,600**

93,600

2. Laabh jewel Gold Pvt Ltd

a. 3,099,000 equity shares of Rs 1 each fully paid up

**3,099,000**

-

b. 8,802,000 convertible Preference Shares of Rs 1

each fully paid up

**8,802,000**

-

3. Oyzterbay Pvt Ltd

a. 1,09,600 equity shares of Rs 10/ each fully paid up

**1,523,180**

-

b. 48,682 Preference share of Rs 1000/ each fully

paid up

**486,820**

-

**63,027,800**

**49,116,800**

#### Quoted Investment

#### Cost

#### Market Value

Rajesh Global Solution Ltd.

**48,999,800**

Not Traded

### SCHEDULE "H"

#### INVENTORIES

Stock in trade of gold & gold ornaments	<b>954,133,515</b>	1,478,452,744
Stock in trade of Diamond	<b>2,500,000</b>	2,500,000
	<b><u>956,633,515</u></b>	<b><u>1,480,952,744</u></b>
<b>SCHEDULE "T"</b>		
<b>SUNDRY DEBTORS*</b>		
(Unsecured)		
Due for more than 6 months – Considered good	<b>2,623,507,872</b>	112,852,469
Due for more than 6 months – Considered doubtful	<b>6,703,155</b>	-
Other debts	<b>6,343,445,504</b>	3,655,837,802
	<b><u>8,973,656,531</u></b>	<b><u>3,768,690,271</u></b>
Less: Provision for doubtful debts	<b>6,703,155</b>	-
* Note Refer Para B4 of Schedule 'S' annexed herewith	<b><u>8,966,953,376</u></b>	<b><u>3,768,690,271</u></b>

**SCHEDULE "J"**  
**CASH AND BANK BALANCES**

Cash in hand	<b>250,000</b>	---
- Balances with scheduled banks	<b>2,975,874</b>	193,735
In current accounts	<b>57,642,224,553</b>	34,102,791,632
In fixed deposits	<b>1,258,042</b>	877,486
	<b><u>57,646,708,469</u></b>	<b><u>34,103,862,853</u></b>
In unclaimed dividend accounts		

**RAJESH EXPORTS LIMITED**

**SCHEDULE "K"**

**LOANS AND ADVANCES**

(Unsecured considered good)

Advance recoverable in cash or in kind or for

Value to be received or adjusted

Deposits

\*Note Refer para B4 of Schedule 'S' annexed herewith

<b>1,569,755,789</b>	813,223,459
<b><u>5,690,056</u></b>	<b><u>5,685,556</u></b>
<b><u>1,575,445,845</u></b>	<b><u>818,909,015</u></b>

**SCHEDULE "L"**

**CURRENT LIABILITIES & PROVISIONS**

Current liabilities:

Sundry creditors	<b>33,316,867,529</b>	24,797,133,845
Advance received from customers	<b>5,124,706</b>	1,455,000
Unclaimed dividend	<b>1,282,361</b>	879,948
Book overdraft from bank	-	19,958,370
Rent advance	<b>19,700,000</b>	19,700,000
Statutory liabilities	<b>2,214</b>	175,582
'A'	<b><u>3,342,976,810</u></b>	<b><u>24,839,302,745</u></b>

A. Provision:

Proposed dividend	<b>73,907,000</b>	73,907,000
Provision for taxation net of payments Including Fringe benefit tax	<b>12,570,718</b>	10,395,987

'B'

<b><u>86,477,718</u></b>	<b><u>84,302,987</u></b>
--------------------------	--------------------------

TOTAL 'A' + 'B'

**33,429,454,528**

24,923,605,732

**SCHEDULE "M"**

**MISCELLANEOUS EXPENDITURE**

Preliminary Expenses

**111,626**

-

**111,626**

-

**SCHEDULE "N"****INCOME FROM OPERATIONS**

Sales

**65,988,102,211**

52,830,953,509

Bank Interest Received (Tax deducted at Source Rs. 484,785,306; Previous Year Rs. 218,999,699)

**2,944,584,028**

1,457,373,218

Receipt on maturity/cancellation of foreign exchange option contracts

-

291,163,700

Fluctuation in foreign currency

-

68,370,258

Making charges received

**967,583**

153,907

Profit from trading at commodities exchange

-

170,803,426

**68,933,653,822**

54,818,818,018

**RAJESH EXPORTS LIMITED****SCHEDULE "O"****OTHER INCOME**

Dividend

-

104,200

Rent

**275,068**

268,655

Bad debts recovered

-

4,483,005

Other Interest

-

3,867,334

Profit on sale of investments

-

5,873,690

Miscellaneous income

-

3,270,000

**275,068**

17,866,884

**SCHEDULE "P"****COST OF GOODS SOLD**

Gold jewellery, bullion, medallions, and diamond

Opening stocks

**1,480,952,744**

565,621,781

Less: VAT credit on opening stock

-

2,092,183

**1,480,952,744**

563,529,598

Add: Purchases

**64,893,773,159**

54,516,433,499

Add: Consumption of consumables

**5,276,366**

6,384,499

Add: Making charges

**1,502,666**

841,009

Add: Production expenses

**535,880**

593,836

**66,382,040,815**

55,087,782,441

Less: Closing stocks

**956,633,515**

1,480,952,744

**65,425,407,300**

53,606,829,697



**SCHEDULE "Q"****ADMINISTRATIVE AND SELLING EXPENSES**

Salaries and wages	<b>36,159,097</b>	44,449,712
Asset maintenance expenses	<b>2,180,808</b>	3,493,773
Electricity charges	<b>2,661,351</b>	2,370,524
Director's remuneration	<b>239,976</b>	239,976
Professional charges	<b>476,252</b>	5,766,958
Postage, Telegram and telephone	<b>1,112,461</b>	1,186,870
Insurance premium	<b>13,926,892</b>	13,822,394
Staff welfare expenses	<b>3,796,275</b>	3,566,693
Travelling and conveyance	<b>1,378,878</b>	1,171,331
Miscellaneous expenses	<b>2,393,324</b>	2,413,164
Bad debts	<b>3,200,000</b>	-
Provision for doubtful debts	<b>6,703,155</b>	-

**RAJESH EXPORTS LIMITED****AUDITORS REMUNERATION**

As audit fees	<b>300,000</b>	300,000
Rates & taxes	<b>1,232,467</b>	3,755,699
Loss on sale of fixed assets	<b>277,035</b>	466,360
Loss on MCX trading	<b>3,625,917</b>	-
Freight charges (net)	<b>11,948,862</b>	13,542,246
Advertisement expenses	<b>581,283</b>	476,783
Rent paid	<b>99,000</b>	66,000
Fluctuation in foreign currency	<b>1,273,523,581</b>	-
	<b>1,365,816,614</b>	97,088,483

**SCHEDULE 'R'****INTEREST & BANK CHARGES**

Interest on Term loans	<b>3,042,836</b>	4,958,814
Interest on other loans	<b>933,369,590</b>	391,198,865
Bank Charges	<b>16,862,877</b>	20,717,071
Export Finance option Premium	<b>132,367,500</b>	-

**1,085,642,803****416,874,750****Schedule 'S'****Annexed to and forming part of the accounts for the year ended 31<sup>st</sup> March 2007**

Significant accounting policies and notes on accounts:

**A. Significant accounting policies:**

### **1. Accounting convention:**

- a. The annual accounts have been prepared on the historical cost basis and confirms to the statutory provisions of the Companies Act, 1956, the General accounting practices prevailing in the country and applicable accounting standards.
- b. The Accounts have been prepared on accrual basis.

### **2. Fixed assets:**

- a. Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation/amortization. All Costs relating to the acquisition, construction and installation of Fixed Assets are capitalized and include financing costs, if any, relating to borrowed funds attributable to construction or acquisition of Fixed Assets, up to the date the assets is ready for intended use, net of adjustments arising from exchange rate differences relating to specific borrowings, wherever applicable, attributable to those Fixed Assets.
- b. Depreciation on fixed assets is provided on straight-line method basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on additions made during the year is provided for the period the assets were in use.

### **3. Borrowing cost:**

Borrowing costs attributable to acquisition and construction of qualifying asset are capitalised as a part of the cost of such asset up to the date when such assets is ready for its intended use.

Other borrowing costs are charged to the Profit & Loss Account.

## **RAJESH EXPORTS LIMITED**

### **4. Foreign currency transactions including futures and option contracts thereon:**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Foreign currency monetary assets and liabilities without forward foreign exchange contract are translated at year-end exchange rates. The resulting exchange gain/loss on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise in the profit and loss account. Exchange differences attributable to the acquisition of the fixed assets, if any, are adjusted to the cost of the respective assets. Premium in respect of forward foreign exchange contract is charged to the Profit & Loss Account. Premium in respect of foreign exchange option contracts is charged to the Profit & Loss Account as and when the contracts are entered into but the gain on such option contracts, if any, is recognised on maturity/cancellation of such option contracts.

### **5. Investments:**

Long-term investments are stated at cost after deducting provision, if any, made for permanent diminution in the values.

Current investments are stated at lower of cost and market/fair value.

### **6. Revenue recognition:**

Sales are recorded net of trade discounts, rebates and sales tax, if any and is inclusive of foreign currency fluctuation. Some of the goods have been imported on provisional basis without fixing the gold price. Some of the goods have also been exported on provisional basis without fixing the price of gold. All the provisional exports and imports have been accounted for as per the customs assessment of the goods. When the price of the import shipment is fixed or when the price of the export shipment is fixed, the final

invoice is submitted to the customs and the differential is accounted for as sales or purchase..Dividend income on investments is accounted for when the right to receive the payment is established

**7. Retirement benefits:**

Retirement benefits in the form of Provident Fund and Superannuation Schemes are not applicable to the company at present.

Gratuity liability under the Payment of Gratuity Act is accounted on cash basis and liability for gratuity is not ascertained.

The company does not provide leave encashment to its employees and carry forward of accumulated leave to next year.

**8. Taxation:**

Provision for current tax is made on the basis of taxable income for the current accounting year determined in accordance with the Income Tax Act, 1961.

Deferred tax is recognized; on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only if there is virtual certainty that such deferred tax asset can be realised against future taxable profits.

## **RAJESH EXPORTS LIMITED**

**9. Valuation of inventories:**

Stock in trade is valued at cost or net realisable value (International standard rate as on 31.03.2007), whichever is less for E.O.U unit and in respect of other units at cost or net realisable value (Rate prevailing at Bangalore as on 31.03.2007), whichever is lower.

**10. Book debts and advances:**

Write-off of doubtful and unrecoverable book debts and advances have been made, wherever found necessary by the Management.

**11. Cash flow statement:**

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statement.

**12. Business segments**

The company is mainly engaged in the business of gold and gold products. These, in the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, are considered to constitute one single primary segment.

### **B. NOTES ON ACCOUNTS**

**1.** Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for is nil ((Previous year - Nil)

**2.Contingent liabilities not provided for:**

- (a) Sales tax and entry tax demands & interest to ICICI Bank disputed by the Company Rs.43,06,868/- (Previous year – 8,31,901/-)

- (b) The Company had received an order from the tax authorities dated December 27, 2006 for the period April 1, 2003 to March 31, 2004 demanding a tax payment of Rs 9,99,60,890 mainly on account of disallowance of company's claim of exemption under Section 10B of the Income-tax Act, 1961. The Company has appealed against the said order and firmly believes that the issue will be settled in its favour. It can be noted that here that the company's claims for refund of much larger amount is pending with income tax department in respect of subsequent years.

3. Certain balances under the heads "Debtors, creditors, advance from customers, advances and deposits" are subject to confirmation.

## **RAJESH EXPORTS LIMITED**

4. Sundry debtors includes Rs.26,08,457 (Previous year Rs. 13,31,962) and loans and advances includes Rs.33,86,36,185 (Previous year Rs. 6,64,26,534) due from the companies under the same management within the meaning of sub-section (1-B) of section 370 of the Companies Act. The particulars of the same is furnished hereunder:

<b>Sundry Debtors</b>	<b>Current Year</b>	<b>Previous Year</b>
Laabh Jewels Gold Pvt Ltd	12,76,495	Nil
Oyztarbay Pvt Ltd	13,31,962	13,31,962
<b>Loans and advances</b>	<b>Current Year</b>	<b>Previous Year</b>
Rajesh Global Solution Ltd	23,43,04,586	1,52,759
Laabh Jewels Gold Pvt Ltd	10,34,50,500	18,700
Oyztarbay Pvt Ltd	8,81,099	6,62,55,075

5. Directors remuneration includes remuneration payable to Executive chairman and Managing director Rs.2,39,976/- ( Previous Year Rs.2,39,976/- )

6. Brief particulars of Employees who were entitled to receive or were in receipt of emoluments aggregating to Rs.24,00,000/- or more per annum and/or Rs.200,000/- or more per month, if employed, for a part of the year is Nil.

7. The company has taken a key man's insurance policy from Life Insurance Corporation of India on the life of Mr. Rajesh Mehta, Executive chairman for a sum assured of Rs 300 lakhs with ten year term and paid annual premium of Rs.30,29,175/- during the year which has been accounted under administrative & selling expenses. Amount receivable on maturity or otherwise shall be accounted as income in the year of receipt.

Income from operations includes bank interest earned Rs. 294,45,84,028; previous year Rs. 145,73,73,218  
Interest earned on fixed deposits with banks is recognised as income from operations since these deposits are utilised for the business of the company.

In accordance with the Accounting Standard `22' on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has not recognised the Deferred tax assets on account of unabsorbed depreciation and unabsorbed losses on account of timing differences of Rs 11,03,84,646 as on 31st March 2007, previous year 19,69,12,401 as there is no virtual certainty that such deferred tax assets can be realised against future taxable profits.

The break up of deferred tax assets not recognised is furnished hereunder

	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
( a ) Deferred tax assets		
Unabsorbed business loss	<b>13,08,54,025</b>	21,35,12,116
Unabsorbed depreciation	<b>1,92,36,984</b>	1,92,36,985
Unabsorbed long term capital loss	<b>77,346</b>	77,346
Total	<b>15,01,68,355</b>	23,28,26,447
( b ) Deferred tax liability		
Timing difference on account of depreciation	<b>( 3,15,60,324 )</b>	( 2,76,90,661 )
( c ) Net deferred tax assets	<b>11,86,08,031</b>	20,51,35,786
Less: already accounted	<b>82,23,385</b>	82,23,385
Balance not recognized	<b>11,03,84,648</b>	19,69,12,401

## **RAJESH EXPORTS LIMITED**

The company is registered under Chapter IX of the companies Act, 1956 and the Registrar of Companies has issued certificate of incorporation and commencement of business on 1st of February 1995. Before the registration of the company, "M/s. Rajesh Exports" carried on the business in partnership as Joint Stock Company. After registration under chapter IX of the Companies Act, 1956, "Rajesh Exports" is converted into this company

**11.** Zero coupon FCCB were issued on 17<sup>th</sup> February 2007 for US \$ 150 millions (Rs. 661.35 crores at issue time). The Bond holders have an option to convert FCCB into Equity shares at a conversion price of Rs.575/- per equity share of Rs.2/- each of the company at a fixed exchange rate of conversion at Rs.44.09 equal to US\$ 1, between 19.02.2007 to 10.02.2012. The conversion price is subject to adjustment in circumstances as described in the offering letter. The company may redeem the bonds in whole, but not in part, at any time at the accreted principle amount in the event of certain changes relating to taxation in India, and subject to the receipt of regulatory approval. Unless previously converted redeemed or re-purchased and cancelled, the bonds will mature on 21.02.2012 @ 148.22% of their principle amount subject to the receipt of regulatory approval, the company will, at the option of bond hold, redeem any outstanding bonds upon their occurrence of a de-listing of the shares from the NSE or BSE, at the accreted principle amount.

## **12. Related party disclosures**

(In terms of Accounting Standard- 18)

### **A. Relationships:**

- a) Related parties where control exists:
  - Rajesh Global Solutions Limited
  - Rajesh Jewels
  - Laabh Jewel Gold Pvt Ltd
  - Oyzerbay Pvt Ltd

- b) Directors and their relatives:  
 Mr. Rajesh Mehta – Executive Chairman  
 Mr. Prashant Mehta – Managing Director  
 Mr. Mahesh Mehta
- c) Key Management Personnel:  
 Mr. Rajesh Mehta – Executive Chairman  
 Mr. Prashant Mehta – Managing Director  
 Mr. Bhavesh Mehta – Executive officer
- d) Transactions with related parties:  
 i) Transactions carried out with related parties referred to in (a) & (c) above in ordinary course of business:

Nature of Transactions	Related Parties	Key Management Personnel
Sales	8,07,21,570	----
	(31,68,825)	(----
Expenses -Remuneration	----	3, 00,802
	(----	(3, 05,842)
Income – Rent & Electricity charges	4,14,586	----
	(4, 61,386)	(----
Out standings - Debit	25, 62, 44,642	----
	(1, 52,759)	(----

(ii) Transactions carried out with related parties referred to in (b) above:

Unsecured Loans taken	Rs.	4, 05, 00,000/-
Balance outstanding	Rs.	25, 04, 15,473/-
Interest paid	Rs.	NIL

## **RAJESH EXPORTS LIMITED**

### **13.Accounting Standard 19- Leases:**

The company has let out and taken premises under cancelable operating lease agreements, which the company intends to renew in the normal course of its business. The Lessees cannot sublease these properties. Total lease rentals recognized as income in the Profit & Loss Account for the year with respect to above is Rs.2,75,068/- ( Previous Year Rs.2,68,655/-) and total Lease rentals recognized as expenditure is Rs 99,000/- (Previous Year Rs 66,000/-)

**14.**Basic earning per share has been calculated by dividing profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Description	Year ended 31.03.2007	year ended 31.03.2006
Profit after Taxation	1,01,28,36,150	66,54,72,337
Weighted average number of shares for basic EPS	3,69,53,500	3,57,36,667
Weighted average number of shares for diluted EPS	4,84,55,239	3,57,36,667
Earning Per share Rs 2 each per equity share		
Basic	27.41	18.82
Diluted	20.9	18.62

13. Company has identified that there is no material impairment of assets and as such no provision is required as per As-28 issued by the ICAI.
14. In the opinion of the management, no provision is required against contingent liabilities referred to Schedule R Para B Point 2.
15. Based on the information/documents available with the Company, the amount due to small-scale industries is nil.

## **RAJESH EXPORTS LIMITED**

16. Unclaimed dividend accounts are subject to reconciliation.
17. Additional information required in pursuant to paragraph 3 and 4 of the Part II of Schedule VI of the Companies Act 1956.
18. Unclaimed dividend accounts are subject to reconciliation.
19. Additional information required in pursuant to paragraph 3 and 4 of the Part II of Schedule VI of the Companies Act 1956.

Description	Unit	Quantity	Amount
<b>A. Opening Stock</b>			
Gold and Gold Products	Kgs	1996.777 (1008.339)	1478452744 (56,31,21,781)
Diamond	Cts	91.9 (91.9)	25,00,000 (25,00,000)
<b>B. PURCHASES</b>			
Gold	Kgs	66,848.297* (77,689.476*)	64893773159 (54516433499)
Diamond	Cts	-- (--)	-- (--)
Alloys	Kgs	153.499 (167.363)	2,01,581 (13,92,734)
<b>C. SALES TURNOVER</b>			
Gold and Gold Products	Kgs	67,849.829* (76,866.003*)	65987879439 (52830953509)
Diamond	Cts	1.35 (--)	2,22,772 (--)
*Purchases and Sales figures includes Rs.Nil(Previous Year Rs.646,41,074) Inter Unit Transfers.			

Previous year's figures are furnished in brackets and are regrouped / rearranged wherever deemed necessary.

For and on behalf of the Board

As per our Report of even date  
For P.K. Rungta & co.,

Chartered accountants,

Place : Bangalore

Date : 18.06.2007

Chairman

Managing Director

Director

P.K.Rungta

## RAJESH EXPORTS LIMITED CASH FLOW STATEMENT

( Amounts in Indian Rupees)

	2006-2007	2005-2006
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before tax and Extra ordinary items	1,042,450,530	701,887,465
Depreciation	14,583,736	14,004,507
Finance Cost	1,085,642,803	416,874,750
Bank Interest received	(2,944,584,028)	(1,457,373,218)



Rent Received	(275,068)	(268,655)
Other Interest and dividend	-	(3,971,534)
Loss on Sale of Fixed Assets	277,035	466,360
Profit on sale of Investment	-	(5,873,690)
Operational Profit before working Capital changes	(801,904,992)	(1,036,141,480)
Adjustments for Decrease (Increase) in Trade and		
Other receivables including Loans & Advances	(5,499,439,753)	(2,991,655,078)
Decrease (Increase) in Inventories	524,319,229	(915,330,963)
Increase (Decrease) in Current Liabilities	8,505,848,796	5,133,452,563
Cash generated from operations	2,728,823,279	892,212,507
Direct Taxes paid	(484,974,562)	(219,422,580)
Net cash from Operating Activities	2,243,848,717	672,789,927
<b>B.Cash Flow from Investing Activities</b>		
Increase in fixed assets	(48,361,256)	(19,291,792)
Sale Proceeds of Fixed Asset	222,000	260,000
Investment in Capital WIP	(4,057,771)	(12,424,144)
Increase in Miscellaneous Expenditure	(111,626)	-
(Purchase)/Sale proceeds of Investments	(13,911,000)	7,102,290
Bank Interest and dividend received	2,944,584,028	1,457,373,218
Other interest and dividend received	-	3,971,534
Rent Received	275,068	268,655
Net cash from Investing Activities	2,878,639,443	1,437,259,761
<b>B.Cash Flow from Financing Activities</b>		
Increase in Share Capital and Share Premium	-	299,992,000
Finance Cost	(1,085,642,803)	(416,874,750)
F C C bond issue expenses	(198,406,950)	-
Increase/ (Decrease) in Secured Loan	13,204,164,431	6,897,933,831
Increase/(Decrease) in Unsecured Loan	6,586,710,272	123,484,310
Dividend paid and tax on Dividend	(86,467,495)	(51,889,528)
Net cash from Financing Activities	18,420,357,455	6,852,645,863
Net increase (decrease) in cash & cash		
Equivalents(A+B+C)	23,542,845,616	8,962,695,551
Opening cash and cash equivalents	34,103,862,853	25,141,167,302
Closing cash and cash equivalents	57,676,708,469	34,103,862,853

For and on behalf of the Board

As per our Report of even date  
**For P.K.Rungta & Co**

Chartered Accountants

Place :Bangalore

Date :18.06.2007

Chairman

Managing Director

Director

(P.K.Rungta)

Proprietor

Membership No 51184

**AUDITORS REPORT**

We have examined the attached Cash Flow Statement of Rajesh Exports Limited for the year ended 31<sup>st</sup> March 2007.The statement has been prepared by the company based on and is in agreement with the Profit and Loss Account and Balance Sheet of the Company covered by our report of even date.

As per our Report of even date  
**For P.K.Rungta & Co**

Chartered Accountants

**RAJESH EXPORTS LIMITED**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. REGISTRATION DETAILS:**

Registration No.  
Balance sheet date

17077  
31.03.2007

State Code

08

**II. CAPITAL RAISED DURING THE YEAR:**

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
		Share Premium	NIL

**III. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS:** (Rs. in Thousand)

<b>Total liabilities</b>	36250579	<b>Total Assets</b>	36250579
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	73907	Net Fixed Assets	536838
Unsecured Loans	6900310	Net Current Assets	35716286
Secured Loans	26333280	Investments	63028
Reserves and surplus	3016789	Misc. Expenditure	1116
Deferred Taxation	NIL	Differed Tax Asset	8223

**IV. PERFORMANCE OF THE COMPANY:** (Rs. in Thousands)

Total Income	68933928	Total Expenditure	67891478
Profit before tax	1042450	Profit after tax	1012836
Earning Per share in Rs.	18.62	Dividend Rate	100%
Basic	27.41		
Diluted	20.90		

**V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY:**

(As per monitory terms)

Item Code No. (ITC Code)	71131901
Product Description	GOLD JEWELLERY AND MEDALLIONS

For and on behalf of the Board

Place: Bangalore  
Date: 18.06.2007

Chairman

Managing Director

Director