

DIRECTORS' REPORT

The Directors present with pleasure the Seventeenth Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

	(Rs. In Million) Year Ended 31st March, 2004	(Rs. In Million) Year Ended 31st March, 2003
Operating Profit	105.27	86.88
Loss on conversion of Units of US '64	-	0.24
Depreciation	4.61	4.45
Loss on sale of Capital assets	0.06	-
Profit before Tax	100.60	82.19
Exceptional & extraordinary items one time written off	14.24	46.89
Provision for Tax - Current	0.01	0.46
- Deferred	(0.29)	0.13
Tax paid for earlier year	-	0.10
Profit after tax	86.64	34.61
Balance brought forward	2.92	5.76
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Profit available for appropriation	89.56	40.37
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APPROPRIATIONS:		
Preference Dividend	-	2.22
Proposed Final Dividend	17.55	13.50
Corporate Dividend Tax	2.25	1.73
Transfer to General Reserve	50.00	20.00
Balance carried to Balance Sheet	19.76	2.92
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	89.56	40.37
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OPERATIONS

Sales from the Indian operations have increased from Rs.1061.33 million in the previous year to Rs. 1180.61 million during the year ended 31st March, 2004. Net profits after tax were higher at Rs.100.89 million as compared to Rs.81.60 million during the previous year, registering a growth of 24%.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.1.30 (previous year Re.1/-) per Equity Share on the 1,35,00,000 Equity Shares of Rs.10/- each fully paid up for the financial year ended 31st March, 2004. The dividend is free of tax in the hands of the recipients.

FUTURE OUTLOOK

Currently exports to the US are through wholesalers, in the UK & UAE the Company has forayed into the retail market directly through its subsidiary(ies).

Your Company continues to leverage on its manufacturing skills to further penetrate the retail markets overseas. The experience gained from the Middle East operations have served as a learning curve for the UK venture.

Whilst Soft Touch Jewellers LLC. has grown at a steady pace in the Middle East, during the year under review the Company took its retail initiative further by setting up S B & T (UK) Limited as a joint venture with Gerald Ratner & Gary O'Brien. Gerald Ratner, with his immense experience since his stint with Signet, spearheads the UK operations. UK operations are expected to reap the benefits of India's manufacturing expertise and Gerald's marketing skills.

It is indeed heartening to note that the internet operations of S B & T (UK) Limited – www.geraldonline.com which commenced in November, 2003 received an overwhelming response since its launch. S B & T (UK) has also commenced wholesale operations.

All these will have a positive impact on the Company in the years to come.

The Company continues its forward march in manufacturing world class jewellery. The Directors have an overall bullish outlook on the industry in general and the Company in particular. The Company continues its commitment to match international standards in quality and designing.

Setting up of overseas ventures have helped the Company in achieving new milestones in the company's evolution from being a supplier to wholesalers since it commenced operations to foray into retailing overseas.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Virendra Kumar Sethi, Mr. Sanjiv Chainani and Mr. Sunil Talreja Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

At the Board meeting held on 28th October, 2003, Mr. Martin Feinstein, a foreign national was appointed as an Additional Director and holds office till the ensuing Annual General Meeting. The Company has received a notice from the shareholder proposing his candidature for the post of Director. The resolution for the same is placed at item no 8 of the notice.

FIXED DEPOSITS

Post the Board of Directors decision not to renew the Fixed Deposit Scheme, the Company has discontinued accepting Fixed Deposit from the public and shareholders. Of the earlier deposits, total outstanding deposits as on 31st March, 2004 were Rs. 1,31,94,000/-.

DELISTING OF EQUITY SHARES

After obtaining the consent of the shareholders at the last Annual General Meeting, in line with the SEBI (Delisting of Securities) Guidelines, 2003 the Company had applied for the delisting of equity shares from Delhi Stock Exchange Association Limited (DSE), Jaipur Stock Exchange Limited (JSE), and The Stock Exchange, Ahmedabad (ASE). While the Company's equity shares were delisted from ASE w.e.f 8th March, 2004, delisting from the other two exchanges is awaited.

CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year. From the Consolidated Profit & Loss Account, it may be observed that the net profit after tax stands at Rs.840.09 lacs (previous year Rs. 649.01 lacs)

SUBSIDIARY

In accordance with Section 212 of the Companies Act, 1956, the audited statement of accounts of the Company's subsidiary SB&T Holding Limited, Mauritius together with Reports of the Directors' and Auditors' thereon for the year ended 31st March, 2004 are annexed hereto and form part of this report.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

PARTICULARS OF EMPLOYEES

Since none of the employees of the Company was drawing remuneration in excess of the limits laid down pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, details therewith are not furnished.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956, with respect to the financial statements for the year ended 31st March, 2004, the Board of Directors confirm/state that:

- i. In the preparation of the annual accounts the applicable accounting standards have been followed and no material departures have been made from the same;
- ii. They have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;
- iii. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. They have prepared the annual accounts on a 'going concern' basis.

AUDITORS

M/s. M.M. Dubey & Co. & M/s. RSM & Co., were appointed as Joint Statutory Auditors at the last Annual General Meeting of the Company and being eligible for reappointment, offer themselves for reappointment as Joint Statutory Auditors.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is furnished as a part of the Directors Report and the certificate from the Company's Auditors regarding compliance with the said code is annexed to the said report.

APPRECIATION

Your Directors would like to place on record their sincere gratitude to the Shareholders, Bankers, Business Associates and Customers for their continued support and faith in the Company. Your Directors are also happy to place on record their appreciation for the whole hearted co-operation, commitment and contribution made by all the staff members and look forward to their continued support.

By Order of the Board of Directors

Place : Mumbai
Date : 12th August, 2004

Surendra Kumar Sethi
Chairman

Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2004.

(A) CONSERVATION OF ENERGY

(a) Energy conservation measures taken :

As the Company has always been conscious about the need for conservation of energy the Company is making all round efforts for the same.

(b) Additional investments and proposals, if any, being implemented for reduction of energy consumption:

The efforts for conservation of energy are on an ongoing basis throughout the year.

(c) The impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The measures taken have resulted in savings in the cost of production.

(B) TECHNOLOGY ABSORPTION

(a) Efforts made in technology absorption :

Research & Development (R & D)

1. Specific areas in which R & D carried out by the Company:

The Company's technical collaboration with S B & T Gem Imports Inc. USA provides for ongoing transfer of technology. Through Company's R & D emphasis has been laid on adaptation of technology to suit local conditions mainly in areas of process improvement, optimisation of material usage and development of new designs.

2. Benefits derived as a result of above R & D :

Cost reduction

Technology upgradation

Development of new designs in products and processes

3. Future plan of action :

Continuation of the present work in R & D for introduction of new products and processes, and improvement in the existing products and processes in various areas in which the Company is operating.

4. Expenditure on R & D :

As part of its development process the Company incurs ongoing expenditure of a revenue nature on developing new products. This expenditure forms part of the general factory overheads of the Company, hence the precise amount is not quantifiable.

(b) Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

Imparting training to personnel by visiting technicians of the Foreign Collaborators in various manufacturing techniques. The Company is also constantly investing in new equipments from time to time to keep abreast with international standards and technology.

2. Benefits derived as a result of above efforts:

Improvement of systems in existing products/processes in related manufacturing areas. Cost reduction.

Introduction of new products.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

(1) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;

The Company being a 100% Export oriented unit has a buy back arrangement to the extent of 75% of the Company's production with its Foreign technical collaborators.

Efforts are being made to develop new products keeping in view the international market which is sensitive to changing fashions.

The Company's forward integration plans through its wholly owned subsidiary S B & T Holding Limited will facilitate the business to grow globally and reaching the consumers directly.

(2) Total foreign exchange used and earned;

Foreign exchange used during the year is as per details given in notes 5, 6 and 7 to the Accounts.

By Order of the Board of Directors

Place : Mumbai
Date : 12th August, 2004

Surendra Kumar Sethi
Chairman