

SUNRAJ DIAMOND EXPORTS LTD.



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13TH ANNUAL REPORT
2002 - 2003

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. C. D. Gandhi
Chairman & Managing Director

Mr. S. C. Gandhi

Mr. R. N. Joshi
(Part of the year)

Mrs. G. C. Gandhi

Mr. Somalal Shah

Mr. Hargovind Shah

BANKERS

State Bank of India

Bank of Baroda

AUDITORS

M/s. Bhupendra Shroff & Co.
Chartered Accountants

REGISTERED OFFICE

1008, Panchratna Building, 10th Floor,
Opera House, Mumbai - 400 004.

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Choksh Infotech Ltd.
106, Mhada Commercial Complex,
Oshivara, Jogeshwari (West),
Mumbai - 400 102.

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the shareholders of **Sunraj Diamond Exports Limited** will be held at Kshatriya Dnyati Sabha Gruha, 229-D, Raja Ram Mohan Roy Marg, Girgaum, Mumbai 400 004 on Tuesday 30th September, 2003 at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors.
2. To appoint a Director in place of Mrs. G. C. Gandhi, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Shri Somalal M. Shah, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 114 of the Articles of Association of the Company, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."
5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Hargovindbhai V. Shah, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 114 of the Articles of Association of the Company, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, as amended up to date consent of the Company be and is hereby accorded to the re-appointment and payment of remuneration and perquisites to Shri C. D. Gandhi as Managing Director of the Company for a period of five years with effect from 1st October, 2003 on the terms and conditions set out in the agreement to be entered into between the Company and Mr. C.D. Gandhi, a draft whereof is placed before the Meeting and is initialed by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorized in accordance with any provision under the Act for the time being in force, provided, however that the remuneration payable to Shri C. D. Gandhi shall be within the limits set out in the said Act including the said Schedule XIII to the said Act or any amendments thereto or any modifications or statutory re-enactments thereof and / or Rules or Regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Shri C. D. Gandhi shall be suitably modified to give effect to such variation or increase as the case may be.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office of Shri C. D. Gandhi as Managing Director, the remuneration and perquisites as set out in the aforesaid agreement shall nevertheless be paid or granted to Mr. C. D. Gandhi as minimum remuneration, provided that in any event the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling laid down in this behalf in Schedule XIII to the Companies Act, 1956 as may be amended from time to time.

SUNRAJ DIAMOND EXPORTS LTD.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution."

For and on behalf of the Board of Directors

Registered Office

1008, Panchratna,
Mama Parmanand Marg,
Opera House, Mumbai 400 004.
23rd August, 2003

C. D. GANDHI

Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement as required under Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the share transfer books will remain closed from 23rd September, 2003 to 30th September, 2003 both days inclusive.
4. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 4

Shri Somalal M. Shah was appointed Additional Director of the Company with effect from 18th March, 2003.

In terms of Section 260 of the Companies Act, 1956 Shri Somalal M. Shah will hold office only up to the conclusion of the ensuing Annual General Meeting. Notices have been received from some shareholders, proposing the candidature of Shri Somalal Shah for the office of Director in accordance with the provisions of section 257 of the Companies Act, 1956.

The Board considers it desirable that the Company continues to avail of Shri Somalal Shah's services as a Director and commends the resolution for acceptance by the Members.

None of the Directors except Shri Somalal Shah is concerned or interested in the Resolution at Item No. 4.

Item No. 5

Shri Hargovindbhai V. Shah was appointed Additional Director of the Company with effect from 18th March, 2003.

In terms of Section 260 of the Companies Act, 1956 Shri Hargovind Shah will hold office only up to the conclusion of the ensuing Annual General Meeting. Notices have been received from some shareholders, proposing the candidature of Shri Hargovind Shah for the office of Director in accordance with the provisions of Section 257 of the Companies Act, 1956.

The Board considers it desirable that the Company continues to avail of Shri Hargovind Shah's services as a Director and commends the resolution for acceptance by the Members.

None of the Directors except Shri Hargovind Shah is concerned or interested in the Resolution at item No. 5.

Item No. 6

At the Ninth Annual General Meeting of the Company held on 30th September, 1999 the members approved the re-appointment and terms of remuneration of Shri C. D. Gandhi as Managing Director of the Company for a period of 5 years with effect from 17th February, 1999. In order to enable the Company to continue to benefit from the wide and varied knowledge and experience of over 25 years in the Diamond industry possessed by Shri C. D. Gandhi, the Board of Directors have, subject to the approval of the Shareholders, re-appointed Shri C. D. Gandhi as Managing Director of the Company for a period of 5 years commencing from 1st October, 2003 to 30th September, 2008 at the remuneration and on terms and conditions specified below.

1. Salary

Rs. 20,000/- per month in the scale of 20,000 - 50,000 with authority to the Board of Directors of the Company to grant such increments within the said scale as it may determine from time to time.

13th Annual Report 2002-2003

2. Perquisites will be in addition to salary and will be within the overall ceiling prescribed under Schedule XIII to the Companies Act, 1956. They are classified into three categories viz "A", "B" and "C" as follows:

CATEGORY A

- a. Medical Reimbursement: Expenses incurred for self and family.
- b. Leave Travel Concession: for self and family, once in a year in accordance with the rules of the Company.
- c. Club/Membership Fees: fees (including entrance/admission) subject to a maximum of any two clubs.
- d. Personal Accident Insurance: Premium on Personal Accident Policy.

CATEGORY B

- a. Contribution to Provident Fund/ Superannuation Fund/ Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.
- b. Gratuity payable shall be calculated as per the provisions of the 'Payment of Gratuity Act, 1972'.
- c. Encashment of Leave at the end of tenure will not be included in the computation of ceiling on perquisites.

CATEGORY C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites.

3. In the event of no profits or inadequacy of profits in any financial year, Mr. Gandhi shall be paid remuneration and perquisites in accordance with Section II of part II of Schedule XIII of the said Act, as may be amended from time to time.

The Board of Directors of the Company including any committee thereof has the discretion and authority to alter and vary the foregoing terms and conditions of re-appointment (including remuneration to be paid in the event of loss or inadequacy of profit in any financial year or otherwise) subject to the overall ceiling specified in Schedule XIII to the Act, or any amendment thereto or re-enactment thereof, in such manner as it may deem fit.

Other Terms

- a) Reimbursement of expenses: Reimbursement of travelling, entertainment and other expenses incurred by him during the course of the business of the Company as per the rules of the Company.
- b) He shall not be paid any sitting fees for attending Board/Committee Meetings.
- c) He shall not become interested or otherwise be connected directly or through his wife and /or dependent children in any selling agency of the Company without prior approval of the Central Government.
- d) The appointment may be terminated by the Company or by Mr. Gandhi by giving not less than three months' prior notice in writing.
- e) In the event of death during the term of his office, the Company shall pay to Mr. Gandhi's legal heirs his full salary and other emoluments for that month and three months thereafter.

Shri C. D. Gandhi has been associated with the Company since its inception and he brings with him rich experience in the Diamond Industry. This re-appointment at the remuneration detailed above is subject to the approval of the Shareholders.

The Directors are of the opinion that Mr. Gandhi's knowledge and experience will be of immense value to the Company. The Directors therefore recommend the resolution for approval of Members.

A copy of the draft agreement referred to in the resolution at Item No. 6 will be available at the Registered Office of the Company and are open for inspection by the members between 10.00 a.m. to 1.00 p.m. on any working day except Saturday.

Shri C. D. Gandhi, Shri S. C. Gandhi and Mrs. G. C. Gandhi are concerned or interested in the Resolution at Item No. 6.

The Explanatory Statement together with the Notice should be treated as an abstract of the terms of the Agreement and Memorandum of Concern or Interest under Section 302 of the Companies Act, 1956.

For and on behalf of the Board of Directors

Registered Office

1008, Panchratna,
Mama Parmanand Marg,
Opera House, Mumbai 400 004.

C. D. GANDHI
Chairman

23rd August, 2003

SUNRAJ DIAMOND EXPORTS LTD.**DIRECTORS' REPORT**

To,
The Members,
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Thirteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS :

	<u>31st March, 2003</u>	<u>31st March, 2002</u>
Gross Operating Profit for the year	18,59,544	43,08,004
Less: Depreciation	3,51,492	2,07,140
Preliminary Expenses Written Off	1,76,335	1,76,335
Profit before Tax	5,27,827	3,83,475
Less: Provision for Taxation	13,31,717	39,24,529
Net Profit for the year	2,25,000	4,75,000
Add / (Less) : Provision of earlier years w/off	6,36,663	34,49,529
	(52,967)	(3,78,473)
	5,83,696	30,71,056
Add: Surplus brought forward from previous year	1,55,17,693	1,24,46,637
Balance Carried to Balance Sheet	1,61,01,388	1,55,17,693

DIVIDEND :

With a view to conserving the resources, your Directors have decided not to recommend Dividend for the year.

OPERATIONS :

During the year under review the Company has recorded a Turnover of Rs. 608.70 Lacs as compared to Rs. 158.00 Lacs in the previous year. This increased turnover is a reflection of the slightly improving market conditions and also indicative of your Company's strength and competitiveness in the market place. Your Directors look forward positively and hope to continue and sustain the organic growth of the Company.

DIRECTORS :

In accordance with Article 109 of the Articles of Association of the Company, Mrs. G. C. Gandhi retires by rotation but being eligible, offers herself for re-appointment.

Mr. Somalal M. Shah and Mr. Hargovindbhai V. Shah were appointed on 18th March, 2003 as Additional Directors of the Company. By virtue of the provisions of Section 260 of the Companies Act, 1956 they shall hold office only upto the conclusion of this Annual General Meeting. The Company has received Notices in writing from members of the Company proposing their candidature for the office of Director in accordance with Section 257 of the Companies Act, 1956.

The Directors recommend their appointment as Director liable to retire by rotation.

Mr. R. N. Joshi, Director expired in March 2003. He was associated with the Company since its inception. Your Directors wish to place on record their appreciation for the services rendered by Mr. Joshi during his tenure as Director of the Company.

REGISTERED OFFICE :

During the year under review the Directors have shifted the registered office of the Company to 1008, Panchratna, Mama Parmanand Marg, Opera House, Mumbai 400 004.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS 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 Board of Directors) Rules, 1988 is given in the annexure to the Report.

PARTICULARS OF EMPLOYEES :

The Company does not have any employee covered under the provisions of Section 217 (2A) of the Companies Act, 1956

13th Annual Report 2002-2003

read with the Companies (Particulars of Employees) Rules, 1975 and therefore, this information has not been furnished as part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) Appropriate accounting policies have been selected and applied consistently, and 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 31st March, 2003 and of the Company for the period 1st April, 2002 to 31st March, 2003;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounts 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) The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE :

Pursuant to Clause 49 to the listing Agreement the mandatory requirements relating to Corporate Governance are applicable to the Company from the current financial year. Accordingly your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of the aforesaid clause 49 are complied with. The report on Corporate Governance alongwith a Certificate of compliance from the Auditors and the Management Discussion and Analysis Report forms part of this Report.

AUDITORS :

Shareholders are requested to appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting. The retiring Auditors, M/s Bhupendra Shroff & Co., being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS :

The Directors acknowledge the co-operation and assistance received from the Banks and various Government agencies both Central and State.

The Directors wish to place on record their sincere appreciation of the contribution made by the employees at all levels of the organisation who have greatly contributed to the results.

For and on behalf of the Board of Directors

Mumbai,
23rd August, 2003.

C. D. GANDHI
Chairman

ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A) CONSERVATION OF ENERGY :

During the year under review, the energy consumption was maintained at a very minimum level and the Company continues to endeavour that the consumption does not rise. The particulars of total energy consumption and energy consumption per unit of production are not applicable.

B) TECHNOLOGY ABSORPTION - FORM 'B' :**1. Research & Development**

- | | | |
|---|---|-----|
| i) Specific areas in which Research and Development is carried out by the Company | } | |
| ii) Benefit derived as a result of the above Research & Development | } | NIL |
| iii) Future plan of action | } | |
| iv) Expenditure on Research & Development | } | |

SUNRAJ DIAMOND EXPORTS LTD.

2. Technology Absorption, Adaptation and Innovation

The Company has no technical collaboration in respect of manufacture of Diamonds which includes cutting, polishing and finishing.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

Particulars with regard to foreign exchange expenditure and earnings are given in Note No. 14 & 15 of the Notes to the Accounts.

For and on behalf of the Board of Directors

Mumbai,
23rd August, 2003.

C. D. GANDHI
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure and Development :

The Diamond Industry is going through a period of rapid vertical integration. The Company is engaged in the business of trading in cut and polished diamonds. The reduction in the duty on the import of cut and polished diamonds will prove beneficial to the Company and enable the Company to remain competitive in an environment of decreasing margins and depressed market sentiment and successfully sustain organic growth.

B) Opportunities and Threats

The Indian Diamond Industry is fast changing its structure and is poised for growth with the introduction of modernised factories and latest automated machines and tools. The Company is well positioned in the emerging business scenario with a clear objective to utilise the opportunities available in terms of amalgamating the manufacturing and the retail segments of the industry. The Company also intends to expand its product range to include exports of rough diamonds and manufacturing of rough diamonds and /or jewellery and to enhance its market share in the international and domestic markets.

The major risks are evident in the form of client's failure to meet their payment deadlines and also the environment of adverse exchange rates.

C) Segment-wise Performance

The Company has only one business segment viz trading in cut and polished diamonds and hence product-wise performance is not provided.

D) Outlook

The Indian Diamond Industry is expected to grow inspite of continued economic slowdown in the US Market. The outlook for the Company is positive in the face of a decreasing financial atmosphere. The Company intends to improve its market share by increasing current volumes and diversifying the product range to remain competitive in the international market.

E) Risk and Concerns

The general downturn in the world economy, acute competition and the dangers of failure of the client's to meet payment deadlines are some of the major areas of concern.

F) Internal Control Systems and their Adequacy

The Company has satisfactory internal control system, the adequacy of which has been mentioned in the Auditors' Report.

G) Human Resources

There has been no material development on the Human Resource / Industrial relations front during the year.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of Listing Agreement)

1. Company's Philosophy on code of Governance :

The Company is committed to benchmarking itself with the best in all areas including Corporate Governance. The Company's philosophy of Corporate Governance is aimed at strengthening the confidence among shareholders,