

SUNRAJ DIAMOND EXPORTS LTD.



14TH ANNUAL REPORT
2003 - 2004

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. C. D. Gandhi
Chairman & Managing Director

Mr. S. C. Gandhi

Mrs. G. C. Gandhi

Mr. Somalal Shah

Mr. Hargovind Shah

BANKERS

State Bank of India

Bank of Baroda

ABN Amro Bank N. V.

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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.

14th Annual Report 2003-2004**NOTICE**

NOTICE is hereby given that the Fourteenth 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 Thursday 30th September, 2004 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2004 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 Mr. Sunil C. Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Somalal S. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

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

30th August, 2004.

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. The Register of Members and the share transfer books will remain closed from 23rd September, 2004 to 30th September, 2004 both days inclusive.
3. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.

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

To,
The Members,
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Fourteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS :	31st March, 2004	31st March, 2003
Gross Operating Profit for the year	31,25,330	18,59,544
Less: Depreciation	5,96,440	3,51,492
Preliminary Expenses Written Off	1,76,335	1,76,335
Profit before Tax	23,52,555	13,31,717
Less: Provision for Taxation	3,00,000	2,25,000
Deferred Tax	5,01,478	4,70,055
Net Profit for the year	15,51,077	6,36,663
Add / (Less): Provision of earlier years w/off	(1,81,164)	(52,967)
	13,69,913	5,83,696
Add: Surplus brought forward from previous year	1,60,01,388	1,55,17,693
Balance Carried to Balance Sheet	1,74,71,301	1,61,01,388

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. 1146.85 Lacs as compared to Rs.608.70 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, Mr. Sunil. C. Gandhi and Mr. Somalal M. Shah retire by rotation but being eligible, offers themselves for re-appointment.

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.

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PARTICULARS OF EMPLOYEES :

The Company does not have any employee covered under the provisions of Section 217 (2A) of the Companies Act, 1956 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 March, 31, 2004 and of the Company for the period April 1, 2003 to March 31, 2004;
- 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 along with 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,
30th August, 2004.

C. D. GANDHI
Chairman

SUNRAJ DIAMOND EXPORTS LTD.**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 endeavor 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 | } | |

2. Technology Absorption, Adaptation and Innovation

The Company has no technical collaboration in respect of manufacturing 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,
30th August, 2004.

C. D. GANDHI
Chairman

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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 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 to in the emerging business scenario with a clear objective to utilize 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 it's 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, customers and employees and ensuring a long term relationship of trust by maintaining transparency and disclosures. The Company is aiming at efficient conduct of the business in meeting its obligations to the shareholders.

SUNRAJ DIAMOND EXPORTS LTD.

2. Board of Directors :

Composition and size of the Board

The present strength of the Board is 5. The composition of the Board and category of Directorship, as on 31st March, 2004 are as follows :-

Category	Name of Director	Designation
Promoter & Executive Chairman	Mr. Chandrakant D. Gandhi	Chairman & Managing Director
Promoter and Non- Executive Director	Mr. Sunil C. Gandhi	Director
Promoter and Non- Executive Director	Mrs. Gunvanti C. Gandhi	Director
Independent Non-Executive Director	Mr. Somalal M. Shah	Director
Independent Non-Executive Director	Mr. Hargovind V. Shah	Director

The Board has accordingly optimum combination of executive and non-executive Directors and independent and non-Independent Directors. The Independent Non Executive Directors of the Company do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its management or its subsidiaries, which in judgement of the Board may affect independence of judgement of the Directors. Non-Executive Directors are not paid any remuneration.

No. of Board Meetings held during the year along with the dates of meeting

In financial year 2003 - 2004, the Board met six times. The Board meetings were held on

- (1) 30th April, 2003, (2) 9th May, 2003, (3) 31st July, 2003,
(4) 23rd August, 2003, (5) 31st October, 2003, (6) 30th January, 2004

Attendance of Directors at Board Meeting and last Annual Meeting

All Directors have attended all Board Meetings except Mr. Sunil C. Gandhi who had requested leave of absence from attending five Board Meetings held on 30th April, 2003, 9th May, 2003, 31st July, 2003, 23rd August, 2003 and 30th January, 2004.

All the Directors except Mr. Sunil C. Gandhi were present at the last Annual General Meeting held on 30th September, 2003.

Details of number of Companies and Committees in which each Director is a member and/or chairman:

Name of Director	Directorship in other Companies	No. of Committees in which Chairman/Member
Mr. C. D. Gandhi	3	Nil
Mr. S.C. Gandhi	2	Nil
Mrs. G. C. Gandhi	3	1
Mr. S. M. Shah	Nil	1/1
Mr. H. V. Shah	Nil	1/1

Details of Directors being re-appointed / appointed : .

As per clause 109 of the Articles of Association of the Company Mr. Sunil C. Gandhi and Mr. Somalal M. Shah retire by rotation and being eligible has offered themselves for re-appointment.