

SUNRAJ DIAMOND EXPORTS LTD.



**19TH ANNUAL REPORT
2008 - 2009**

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. C. D. Gandhi

(upto 16-02-2009)

Mr. Hargovind Shah

Mr. Sunny S. Gandhi

Mr. Nirav K. Shah

Mr. Sunil. C. Gandhi

(w.e.f 26-02-2009)

Mr. Rishi Mehra

(w.e.f. 26-03-2009)

BANKERS

State Bank of India

Bank of Baroda

ABN Amro Bank N. V.

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,

Oshiwara, Jogeshwari (West),

Mumbai - 400 102.

SUNRAJ DIAMOND EXPORTS LTD.**NOTICE**

NOTICE is hereby given that the Nineteenth 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 Wednesday 30th September, 2009 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009 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. Hargovind Shah, who retires by rotation and being eligible, offers himself 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 Mr. Sunil Gandhi who was appointed as an Additional Director of the Company pursuant the Section 260 of the Companies Act, 1956 and Article 115 of the Article of Association of the Company, and who holds office only up to 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 candidatures 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 Mr. Rishi Mehra who was appointed as an Additional Director of the Company pursuant the Section 260 of the Companies Act, 1956 and Article 115 of the Article of Association of the Company, and who holds office only up to 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 candidatures 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 an Ordinary 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 appointment and payment of remuneration and perquisites to Mr. Nirav Shah as Whole-time Director of the Company designated as Executive Director for a period of five years with effect from 1st April, 2009 on the terms and conditions set out in the agreement to be entered into between the Company and Mr. Nirav Shah, 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 Mr. Nirav Shah shall be within the limits set out in the said Act including the said

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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 Mr. Nirav Shah 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 Mr. Nirav Shah as Executive Director, the remuneration and perquisites as set out in the aforesaid agreement shall nevertheless be paid or granted to Mr. Nirav Shah 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.

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

S. S. GANDHI
Executive Director

Registered Office

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

Dated: 17th August, 2009

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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, 2009 to 30th September, 2009 both days inclusive.
4. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.

SUNRAJ DIAMOND EXPORTS LTD.**EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956****Item No. 4**

Mr. Sunil Gandhi was appointed Additional Director of the Company with effect from 26th February, 2009.

In terms of Section 260 of the Companies Act, 1956 Mr. Gandhi 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 Mr. Gandhi 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 the services of Mr. Gandhi and commends resolution 4 for acceptance by the Members.

Mr. Sunny Gandhi and Mr. Sunil Gandhi are concerned or interested in the Resolution at item No. 4.

Item No. 5

Mr. Rishi Mehra was appointed Additional Director of the Company with effect from 26th March, 2009.

In terms of Section 260 of the Companies Act, 1956 Mr. Mehra 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 Mr. Mehra 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 the services of Mr. Mehra and commends resolution 5 for acceptance by the Members.

None of the Directors is concerned or interested in the Resolution at item No. 5

Item No. 6

Mr. Nirav Shah who joined the Board on 28th March, 2008 as Additional Director was appointed as Whole - time Director designated as Executive Director by Board at its Meeting held on 26th March, 2009 for a period of 5 years with effect from 1st April, 2009 to 31st March, 2014, subject to the approval of the Shareholders.

The gist of the material terms and conditions relating to his appointment as Executive Director are as follows:

Period of appointment: 5 years from 1st April, 2009 to 31st March, 2014.

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.

1. 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. House rent allowance as may be agreed upon between the appointee and the Company subject to a maximum of Rs. 25, 000/- per month.
- b. Medical Reimbursement: Expenses incurred for self and family.
- c. Leave Travel Concession: for self and family, once in a year in accordance with the rules of the Company.
- d. Club/Membership Fees: fees (including entrance/admission) subject to a maximum of any two clubs.
- e. 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,.

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- e. 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.

- 4. In the event of no profits or inadequacy of profits in any financial year, Mr. Shah 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. Shah 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. Shah's legal heirs his full salary and other emoluments for that month and three months thereafter.

Mr. Nirav Shah is a S.S.C and has obtained specialized training in manufacturing and assortment of Rough & Polished Diamonds. Prior to this he has experience in the field of Finance and Capital Markets. This appointment at the remuneration detailed above is subject to the approval of the Shareholders.

The Directors' are of the opinion that Mr. Shah's knowledge of new and improved techniques and innovativeness 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.

Mr. Nirav Shah is 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.

S. S. GANDHI

Executive Director

Dated: 17th August, 2009

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

To,
The Members,
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Eighteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2009.

FINANCIAL RESULTS :

	<u>31st March, 2009</u>		<u>31st March, 2008</u>	
Profit before Depreciation and Interest		20,64,862		44,16,274
Less: Depreciation	7,08,619			6,14,414
Interest & Financial Expenses	13,05,183	20,13,802	17,85,031	23,99,445
Profit before Tax		51,060		20,16,829
Less: Provision for Taxation	1,25,000		5,70,000	
Deferred Tax	37,950		2,20,790	
Fringe Benefit Tax	92,141	2,55,091	53,857	8,44,647
Profit for the year		(2,04,031)		11,72,182
Add / (Less) : Provision of earlier years w/off		1,21,342		-
Add: Surplus brought forward from previous year		1,97,78,302		1,86,06,121
Balance Carried to Balance Sheet		1,96,95,613		1,97,78,303

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. 1,262.10 Lacs during the year under review. Continued recession in the Diamond Trade has resulted into a big slump in the market. Your under Directors have therefore adopted a cautious approach and continue their endeavors to improve the situation.

DIRECTORATE:

In accordance with Article 109 of the Articles of Association of the Company, Mr. Hargovind Shah retires by rotation but being eligible, offers himself for re-appointment.

Mr. C.D. Gandhi, Managing Director expired on 16th February 2009. He was associated with the Company since its inception and was its guiding force. Your Directors wish to place on record their appreciation for the services rendered by Mr. C. D. Gandhi during his tenure as Managing Director of the Company.

Mr. Sunil Gandhi and Mr. Rishi Mehra were appointed as Additional Directors of the Company on 26th February, 2009 and 26th March, 2009 respectively. By virtue of the provisions of Section 260 of the Companies Act, 1956 they shall

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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.

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 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 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 as at March, 31st 2009 and of the Company for the period April 1, 2008 to March 31st 2009.
- 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 with the Stock Exchange a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance form 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 organization who have greatly contributed to the results.

For and on behalf of the Board of Directors

S. S. GANDHI
Executive Director

NIRAV SHAH
Executive Director

Place: Mumbai,
Dated: 17th August, 2009

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 | } NIL |
| 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 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. 13 & 14 of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place: Mumbai,
Dated: 17th August, 2009

S. S. GANDHI
Executive Director

NIRAV SHAH
Executive Director

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 modernized 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 jewelry 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.