

SUNRAJ DIAMOND EXPORTS LTD.



**20TH ANNUAL REPORT
2009 - 2010**

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. Sunil C. Gandhi

Mr. Sunny S. Gandhi

Mr. Nirav K. Shah

Mr. Hargovind Shah

Mr. Jimit Shah

(w.e.f. 05-03-2010)

Mr. Rishi Mehra

(Resigned as on 05-03-2010)

BANKERS

State Bank of India

Bank of Baroda

The Royal Bank of Scotland 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. Ajel Infotech Ltd.

106, Mhada Commercial, Oshivara,
Jogeshwari (West), Mumbai - 400102.

SUNRAJ DIAMOND EXPORTS LTD.

NOTICE

NOTICE is hereby given that the Twentieth 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, 2010 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, 2010 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. Nirav 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. Jimit Shah 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 candidature for the office of Director be and is hereby appointed as a Director of the Company."

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: 19th August, 2010

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, 2010 to 30th September, 2010 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

Mr. Jimit Shah was appointed Additional Director of the Company with effect from 5th March, 2010.

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

None of the Directors except Mr. Jimit Shah is concerned or interested in the resolution at Item No. 4.

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: 19th August, 2010

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS' REPORT

To,

The Members,

SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Twentieth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS:

	31st March, 2010	31st March, 2009
Profit before Depreciation and Interest	45,53,943	20,64,862
Less: Depreciation	841,674	7,08,619
Interest & Financial Expenses	18,83,646	27,25,320
Profit before Tax	18,28,623	51,060
Less: Provision for Taxation	375,000	1,25,000
Deferred Tax	140,297	37,950
Fringe Benefit Tax	—	515,297
Profit for the year	13,13,326	(2,04,031)
Add/(Less): Provision of earlier years w/off	(23,360)	1,21,342
Add: Surplus brought forward from previous year	1,96,95,613	1,97,78,302
Balance Carried to Balance Sheet	2,09,85,580	1,96,95,613

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. 3,430.01 Lacs. Due to resurgence in Demand for Diamonds, the company has managed to capitalize on the opportunities available during the financial year. Reviving old accounts of Clients who were cautious during the recession, company has seen Sales increase substantially as prices were extremely competitive and trade was robust. The company is continuing its aggressive approach towards maintaining a steady level of growth for the year ahead.

DIRECTORATE:

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

Mr. Jimit Shah was appointed as Additional Director of the Company on 5th March, 2010. By virtue of the provisions of Section 260 of the Companies Act, 1956 he 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 his candidature for the office of Director in accordance with Section 257 of the Companies Act, 1956.

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

Mr. Rishi Mehra, Director resigned from the Board on 5th March, 2010. Your Directors wish to place on record their appreciation for the services rendered by Mr. Rishi Mehra during his tenure as Director of the Company.

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 2010 and of the Company for the period 1st April, 2009 to 31st March, 2010.
- 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 organizations who have greatly contributed to the results.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated : 19th August, 2010

S. S. GANDHI
Executive Director

NIRAV SHAH
Executive Director

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: 19th August, 2010.

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 company proposes to engage in Manufacturing as there is a period of stability in prices and opportunity to increase profitability. The company plans to source the raw material directly from a mining company in order to gain access to the raw materials at competitive prices. The market sentiment having revived itself is expected to bring a strong demand for Polished Diamonds globally and successfully sustain organic growth for the Company.

B) Opportunities and Threats :

The Indian Diamond Industry 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 engage in the manufacturing of rough diamonds and capitalize on the prices of raw materials which are attractively priced, which will in turn enable it 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 currently 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 in spite of continued economic slowdown in the US & European Markets. 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 some parts of 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 a 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.

The Company has adopted a Code of Conduct as required under clause 49 of the listing Agreement with the Stock Exchanges. The Directors have confirmed compliance with the code of conduct for the year ended 31st March, 2010.

The relevant standards of Corporate Governance have been fully complied with by the Company.

2. Board of Directors :

Composition and size of the Board

The present strength of the Board is 5. The Board comprises of two Executive Directors. The rest are Non - Executive Directors.

The size and composition of the Board conforms with the requirements of Corporate Governance under the Listing Agreement with the Stock Exchange and applicable laws. 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 the judgment of the Board may affect independence of judgment 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 the financial year 2009-2010, the Board met six times. The Board meetings were held on

- | | | |
|-------------------------|------------------------------|-------------------------|
| (1) 29th April, 2009, | (2) 29th July, 2009, | (3) 17th August, 2009, |
| (4) 31st October, 2009, | (5) 26th December, 2009, and | (6) 30th January, 2010. |

SUNRAJ DIAMOND EXPORTS LTD.

The composition of Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorship, committee memberships and chairmanships held by them, are given below:

Directors	Category	Shares held	Attendance Particulars		No. of other Directorship and Committee Membership/Chairmanship held		
			Board Meeting	Last AGM	Director-Ships	Committee Memberships	Committee Chairmanships
Mr. Sunny S. Gandhi	WTD	679500	6	Yes	3	1	Nil
Mr. Hargovind Shah	NED	Nil	5	No	Nil	1	1
Mr. Nirav Kumar Shah	WTD	70992	6	Yes	Nil	1	1
Mr. Sunil Gandhi	NED	115000	2	No	2	Nil	Nil
Mr. Rishi Mehra	NED	Nil	Nil	Yes	3	Nil	Nil
Mr. Jimit Shah w.e.f. 05-03-2010	NED	Nil	Nil	No	Nil	Nil	Nil

C: Chairman; **MD:** Managing Director; **WTD:** Whole time Director; **NED:** Non Executive Director

Directors who are Chairpersons of Committee have been included in the list of members as well.

The Board periodically reviews compliance Reports of all laws applicable to the company as well as steps taken by the Company to rectify instances of non-compliances, if any.

None of the Directors is a Member of more than 10 Board - level Committees or Chairman of more than 5 such Committees, as required under clause 49 of the listing agreement, across all Companies in which they are Directors.

The Brief Profile of Director being appointed/re-appointed (pursuant to Clause 49 of the Listing Agreement):

1. Name of Director	Mr. Nirav Kumar Shah	Mr. Jimit Shah
2. Date of Birth	16.07.1980	09.02.1983
3. Date of Appointment	28.03.2008	05.03.2010
4. Experience in specific areas	Mr. Nirav Shah has obtained training in manufacturing and assortment of rough & polished diamonds. Prior to this he has experience in the field of finance and capital markets.	Mr. Jimit Shah is currently working as a Assistant VP with Barclays Bank International Tax, Structured Products Dept. His educational qualification and experience in the finance field is of great help to the company.
5. Qualifications	S.S.C.	B.Com, C.A., C.F.A.
6. Directorships in other Companies	Nil	Nil
7. Membership of Committees	Nil	Nil

3. Audit Committee:

Terms of reference, Composition:

The terms of reference of this committee covers the matters specified for Audit committee under Clause 49 of the Listing Agreement. The Chairman of the Audit committee is Mr. Hargovind Shah, an Independent Director.

Audit Committee meetings were held on

- | | | |
|----------------------------|-------------------------|------------------------|
| (1) 29th April, 2009, | (2) 29th July, 2009, | (3) 17th August, 2009, |
| (4) 31st October, 2009 and | (5) 30th January, 2010. | |