

SUNRAJ DIAMOND EXPORTS LTD.



**21ST ANNUAL REPORT
2010 - 2011**

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. Sunil C. Gandhi

Mr. Sunny S. Gandhi

Mr. Nirav K. Shah

Mr. Hargovind Shah

Mr. Jimit Shah

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 Limited

106, Oshiwara Link Plaza Commercial Complex, 2nd Floor,
New Link Road, Oshivara, Jogeshwari (West),
Mumbai - 400 102.

SUNRAJ DIAMOND EXPORTS LTD.

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the shareholders of **Sunraj Diamond Exports Limited** will be held at Dadoba Jagannath Religious Trust, 21-A, Gamdevi Road, Mumbai 400 007 on Tuesday 27th September, 2011 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, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sunil Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hargovind Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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 :

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 reappointment and payment of remuneration and perquisites to Mr. Sunny S. Gandhi as Wholetime Director of the Company designated as Executive Director for a period of five years with effect from 1st October, 2011 on the terms and conditions set out in the agreement to be entered into between the Company and Mr. Sunny 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 Mr. Sunny 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 Mr. Sunny 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 Mr. Sunny Gandhi as Executive Director, the remuneration and perquisites as set out in the aforesaid agreement shall nevertheless be paid or granted to Mr. Sunny Gandhi as minimum remuneration, provided that in any event the total remuneration by way of salary, perquisites and other allowances shall not

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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

SUNNY GANDHI
Executive Director

Registered Office

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

Dated: 11th August, 2011

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 22nd September, 2011 to 27th September, 2011 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. 6

At the Sixteenth Annual General meeting of the Company held on 30th September, 2006 the members approved the appointment and terms of remuneration of Mr. Sunny Gandhi as Whole - time Director designated as Executive Director for a period of 5 years with effect from 1st October, 2006. In order to enable the Company to continue to benefit from the wide and varied knowledge and experience of the Diamond industry possessed by Mr. Sunny Gandhi, the Board of Directors have, subject to the approval of the Shareholders re-appointed Mr. Sunny Gandhi as Executive Director of the Company for a further period of 5 years commencing from 1st October, 2011 to 30th September, 2016 at the remuneration and on terms and conditions specified below.

Period of appointment : 5 years from 1st October, 2011 to 30th September, 2016.

Salary

Rs. 50,000/- per month in the scale of 50,000 – 1,00,000 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.

Perquisites:

- 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. He shall be covered under Personal Accident Insurance policy as per the rules of the Company.
- d. 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.
- e. Gratuity payable shall be calculated as per the provisions of the 'Payment of Gratuity Act, 1972.
- f. He shall be entitled to Encashment of Leave at the end of tenure in accordance with the rules of the Company.
- g. Provision for use on Company's Cars and telephone and mobile at Residence (not to be considered as perquisite).
- h. The Company shall pay fee of clubs as per rules of the Company, subject to a maximum of two clubs.

The perquisites wherever applicable, shall be valued as per the Income Tax Rules, 1962.

Where in any financial year during the currency of the terms of Mr. Sunny Gandhi as Executive Director the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Gandhi, remuneration and perquisites within limits specified in part II of Schedule XIII of the said Act, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

Other Terms

- i) 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.
- ii) He shall not be paid any sitting fees for attending Board/Committee Meetings.
- iii) 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.
- iv) The appointment may be terminated by the Company or by Mr. Gandhi by giving not less than three months' prior notice in writing.
- v) 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.

Mr. Sunny Gandhi is a Commerce graduate and has obtained specialized training in manufacturing and assortment of rough and polished diamonds. This 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 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. Sunil Gandhi and Mr. Sunny 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

SUNNY GANDHI
Executive Director

Registered Office

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

Dated: 11th August, 2011

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS' REPORT

To,
The Members,
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Twenty First Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS:

	31st March, 2011		(Amount in ₹)	
	31st March, 2011		31st March, 2010	
Profit before Depreciation and Interest	1,75,05,407		45,53,943	
Less: Depreciation	11,64,757		841,674	
Interest & Financial Expenses	40,80,209	52,44,966	18,83,646	27,25,320
Profit before Tax	1,22,60,441		18,28,623	
Less: Provision for Taxation	37,50,000		375,000	
Deferred Tax	42,650	37,92,650	140,297	515,297
Profit for the year	84,67,791		13,13,326	
Add/(Less): Appropriation				
– Provision of earlier years w/off	–		(23,360)	
– Proposed Dividend	53,30,400		–	
– Dividend Distribution Tax	9,05,901		–	
– Trf. to Reserves	2,11,695		–	
Add: Surplus brought forward from previous year	2,09,85,580		1,96,95,613	
Balance Carried to Balance Sheet	2,30,05,375		2,09,85,580	

OPERATIONS:

Your Company has recorded a turnover of ₹ 5,450.10 lacs during the year under review as compared to ₹ 3430.01 lacs in the previous year. There has been a robust increase in the demand for polished diamonds during the year under review. Due to a limited supply of raw material of rough diamonds and with the global markets still reeling from the after effects of the recession, we have witnessed a strong inclination towards the procurement of Gold/Silver/Diamond Jewelry in order to safeguard capital and ensure a secure investment climate. This has caused a steady rise in prices and has enabled us to record an increase in turnover with new buyers showing strong intention to purchase. Your Company hopes to maintain its good performance during the current financial year.

DIVIDEND:

Considering the Company's performance, your Directors have recommended for approval of the shareholders a dividend of ₹ 1/- per Equity Share. This proposed dividend would amount to ₹ 53,30,400. The dividend subject to its declaration will be distributed to the shareholders, whose names appear on the Register of Members as on 27th September, 2011.

FORFEITURE OF SHARES:

In the public issue made by your company in May 1991, some of the shareholders had not paid allotment money on the shares allotted to them inspite of several reminders from the company.

After following the due procedure, your Board of Directors at their meeting held on 24.03.2011 forfeited 1,19,600 Equity Shares for non-payment of allotment money arrears. The Stock Exchange and the defaulting shareholders were advised on the forfeiture of the shares. The forfeited shares have been cancelled and accordingly the paid-up equity capital of the company as on 31.03.2011 stands revised at ₹ 5,33,04,000.

DIRECTORATE:

In accordance with Article 109 of the Articles of Association of the Company, Mr. Sunil Gandhi and Mr. Hargovind 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.

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 2011 and of the Company for the period 1st April, 2010 to 31st March, 2011.
- 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.

SUNRAJ DIAMOND EXPORTS LTD.

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 : 11th August, 2011

SUNNY GANDHI
Executive Director

NIRAV SHAH
Executive Director

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. 14 & 15 of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated: 11th August, 2011.

SUNNY 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 has commenced Manufacturing by outsourcing the labour, 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 being favorable 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 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 increase 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.