

SUNRAJ DIAMOND EXPORTS LTD.



**22ND ANNUAL REPORT
2011 - 2012**

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. Sunil C. Gandhi

Mr. Sunny S. Gandhi

Mr. Nirav K. Shah

Mr. Hargovind Shah

Mr. Jimit Shah

BANKERS

The Royal Bank of Scotland N.V.

HDFC Bank Ltd.

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. Ajel Limited

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

NOTICE

NOTICE is hereby given that the Twenty Second 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 Friday 28th September, 2012 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, 2012 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. Sunny Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jimit 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 in partial modification of the resolution passed by the shareholders in their meeting held on 30th September, 2009 and in accordance with the provisions of Section 309, 310 and other applicable provisions, if any of the Companies Act, 1956, the scale for the remuneration payable to Mr. Nirav Shah, Executive Director, be enhanced from the current scale of ₹ 20,000/- - ₹ 50,000/- to ₹ 50,000/- - ₹ 1,00,000/- with effect from 1st October, 2012 for the remaining tenure of his service with Sunraj Diamond Exports Limited, i.e. till 31st March, 2014.”

“RESOLVED FURTHER THAT the other terms and conditions of his appointment as well as the perquisites payable to him shall remain as per the resolution passed by the shareholders on 30th September, 2009.”

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

“RESOLVED THAT in terms of Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, consent of the Company be and it is hereby accorded to the Board of Directors for borrowing monies from time to time, whether in Rupees or Foreign Currency, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of its paid-up capital and free reserves which have not be set apart for any specific purpose, but such that the total amount upto which monies may be

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so borrowed shall not, at any time, exceed ₹ 20,00,00,000 (Rupees Twenty Crores) in excess of the aggregate of the paid-up capital and free reserves of the Company.

RESOLVED FURTHER THAT the Board of Directors (which shall include any Committee which the Board may constitute, or any Director/Officer authorized by the Board for this purpose) be and it is hereby authorized to settle all matters arising out of and incidental to the abovementioned borrowing; and further to take all actions as it may, in its absolute discretion, deem necessary to give full 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: 7th August, 2012

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 21st September, 2012 to 28th September, 2012 both days inclusive.
4. A Dividend of ₹ 1/- per Ordinary Share of ₹ 10/-, as recommended by the Board, if declared at the forthcoming Annual General Meeting, will be paid, subject to the provisions of Section 206A of the Act, on or after 16th October, 2012, to those Members or their mandates whose names stand registered in the Company's Register of Members.
 - (a) as Beneficial Owners as at close of Business on 29th September, 2012 as per the lists to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in electronic form, and;
 - (b) as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company or the Share Transfer Agents on or before 28th September, 2012. Instruments of Share Transfers, complete in all respects, should reach the **Share Transfer Agents i.e. Ajel Limited, Unit : Sunraj Diamond Exports Limited** 106, Oshiwara Link Plaza Commercial Complex, 2nd Floor, New Link Road, Oshiwara, Jogeshwari (West), Mumbai 400 102 will before the book closure date.
5. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.

6. (a) Members desirous of receiving Notices and/or documents from the Company through the electronic mode are urged to update their email addresses with their **Depository Participants**, where shares are held in electronic form and to the **Share Transfer Agents** where shares are held in physical form.
 - (b) Email addresses of Members as advised to the Registrar and Share Transfer Agents where shares are held in physical mode or registered with Depositories where shares are held in the electronic mode will be deemed to be the Member's registered Email address for serving Company documents/notices as per provisions of the Act and the instructions of the Ministry of Corporate Affairs. Members intending to refresh/ update their email addresses should do so as soon as possible.
 7. Members holding shares, in physical form, in identical order of names in more than one Folio, are requested to write to the Share Transfer Agents enclosing the relevant Share Certificates requesting consolidation of such folios into one Folio.
 8. As per the provisions of the Act, the facility for making nominations is available to individuals holding shares in the Company. The Nomination **Form-2B**, prescribed by the Government for the purpose, can be obtained from the **Share Transfer Agents**.
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**EXPLANATORY STATEMENT UNDER SECTION 173
OF THE COMPANIES ACT, 1956**

Item No. 6

Mr. Nirav Shah was appointed as the Whole time Director of the Company pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 for a period of 5 years with effect from 1st April, 2009 as per the resolution passed at the Annual General Meeting of the Company held on 30th September, 2009 on the terms as set out in that resolution.

Considering the inflationary trend and the substantial increase in the business activities of the Company, resulting in increase in the workload and responsibilities of the Whole time Director, as also the amount of remuneration payable to managerial personnel occupying similar positions in other comparable Companies, the Board of Directors of the Company has deemed fit to increase the remuneration payable to Mr. Shah to ₹ 75,000/- per month with effect from 1st October, 2012 for the remaining period of his current tenure. The other terms and conditions of his appointment shall remain the same as approved by the members at the Annual General Meeting held on 30th September, 2009. The resolution as set out in this item of the Notice is accordingly, commended for your acceptance.

Although not necessary, a copy of the resolution passed at the Annual General Meeting of the Company held on 30th September, 2009 is available for inspection of the members to ascertain any information that they may require, at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on any working day except Saturday.

The above may also be treated as an Abstract of the variation under section 302 of the Companies Act, 1956.

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Except Mr. Nirav Shah, none of the other Directors of the Company is, in any way concerned or interested in the Resolution.

Item No. 7

Section 293(1)(d) of the Companies Act, 1956, prescribes that the Board of Directors of a Company cannot, except with the consent of Members in General Meeting, borrow monies, (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), in excess of the aggregate paid-up capital and free reserves of the Company.

The aggregate of the paid-up capital and free reserves of the Company is ₹ 796.59 Lacs. However, in view of the Company's proposed expansion and its enhanced working capital needs, it may be necessary for the Company to borrow monies, by way of Rupees and Foreign Currency Loans from Financial Institutions, bankers as well as loans and deposits from Companies and other lenders, It is anticipated that these borrowing would be in excess of the Company's paid -up capital and free reserves.

The resolution at Item No. 8 of the Notice which is an enabling resolution is necessary in view of the said section 293(1) (d) of the Companies Act, 1956.

None of the Directors is concerned or interested in the said resolution.

For and on behalf of the Board of Directors

Registered Office

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

SUNNY GANDHI
Executive Director

Dated: 7th August, 2012

DIRECTORS' REPORT

To,
The Members,
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Twenty Second Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS:

| | 31st March, 2012 | | (Amount in ₹) | |
|---|--------------------------------|--|--------------------------------|--|
| | <u>31st March, 2012</u> | | <u>31st March, 2011</u> | |
| Profit before Depreciation and Interest | 2,20,31,990 | | 1,75,05,407 | |
| Less: Depreciation | 10,49,836 | | 11,64,757 | |
| Interest & Financial Expenses | 77,17,030 | | 40,80,209 | |
| | 87,66,866 | | 52,44,966 | |
| Profit before Tax | 1,32,65,124 | | 1,22,60,441 | |
| Less: Provision for Taxation | 43,66,925 | | 37,50,000 | |
| Deferred Tax | 1,63,532 | | 42,650 | |
| | 45,30,457 | | 37,92,650 | |
| Profit for the year | 87,34,667 | | 84,67,791 | |
| Add/(Less): Appropriation | | | | |
| – Provision of earlier years w/off | – | | – | |
| – Proposed Dividend | 53,30,400 | | 53,30,400 | |
| – Dividend Distribution Tax | 8,64,725 | | 9,05,901 | |
| – Trf. to Reserves | 2,18,367 | | 2,11,695 | |
| Add: Surplus brought forward from previous year | 2,30,05,377 | | 2,09,85,580 | |
| Balance Carried to Balance Sheet | 2,53,26,552 | | 2,30,05,377 | |

DIVIDEND:

Considering the Company's performance, your Directors have recommended for approval of the shareholders a dividend of ₹ 1/- per Equity Share. (Previous Year ₹ 1/- per Equity Share). The total cash outgo on account of dividend for the year 2011-12 works out to ₹ 61.95 lacs, including the Dividend Distribution Tax. The dividend subject to its declaration will be distributed to the shareholders whose names appear on the Register of Members as on 28th September, 2012.

OPERATIONS:

Your Company has recorded a turnover of ₹ 5355.45 lacs during the year under review as opposed to ₹ 5450.10 lacs in the previous year. With the market reaching a phase of stability we saw a continuation of orders being placed with most clients placing orders at regular intervals and similar quantities, prices being constant, as compared to the previous year. GOLD, SILVER and prices of diamonds did not see much fluctuation, as a result of which we were able to match our order book and deliver timely results.

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DIRECTORATE:

In accordance with Article 109 of the Articles of Association of the Company, Mr. Sunny Gandhi and Mr. Jimit 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 2012 and of the Company for the period 1st April, 2011 to 31st March, 2012.
- 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 : 7th August, 2012

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.9 & 10 of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated: 7th August, 2012.

| | |
|---------------------|--------------------|
| SUNNY GANDHI | NIRAV SHAH |
| Executive Director | Executive Director |

MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure and Development :

The Diamond Industry has seen a steady period of consolidation in prices during the FY 2011-2012. Manufacturing Activity had peaked during the year and prices were very stable with room to make profit. However, the global weakness in the financial markets will have an impact going forward. The instability and budgetary concerns of various governments will affect the downward flow of money and ultimately affect the spending power of the consumer. As a result of this, the luxury market is at great risk of being affected. This will affect our trade adversely for the high end goods. A period of sustained development and growth would be a huge boost for our industry in the long run; however the risk of another global meltdown looms large as of today.

B) Opportunities and Threats :

The Industry has benefitted from state of the art factories being installed at different manufacturing centres. As a result of this the quality of the product keeps getting better and therefore justifying the price of diamonds in the global market. There is more accuracy and clarity in price, which in turn makes it comfortable for the consumer to make a purchase.

The global financial markets are still a huge threat and will continue to be so for the next 12 months. Until and unless there is a revival in the Euro zone and strong purchases made in the US festive season, the chances of the market remaining strong look slim.

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 still in a relatively strong position as there is considerable spending power and greater awareness and confidence in the product. The wedding season being

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spread across the year has also resulted in a steady movement in the smaller goods. The larger sized goods have also gained prominence and there should be good demand for the year ahead. Your company has a diversified product range and trades a good proportion of Large as well as small sized goods.

E) Risk and Concerns :

The company identifies a slowdown of EXPORTS as its biggest risk. A global meltdown will severely affect export sales. A heavy inventory spread across the trade could also affect prices in the event of oversupply of goods. This could result in a slight fall / correction in prices.

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, 2012.

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 2011-2012, the Board met Eight times. The Board meetings were held on

- | | | |
|-------------------------|------------------------|----------------------------|
| (1) 29th April, 2011 | (2) 24th June, 2011 | (3) 28th July, 2011 |
| (4) 11th August, 2011 | (5) 18th October, 2011 | (6) 23rd January, 2012 and |
| (7) 1 st February, 2012 | (8) 29th March, 2012. | |