



SUNRAJ DIAMOND EXPORTS LTD.



Annual Report 2012-2013



SUNRAJ DIAMOND EXPORTS LTD.

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1008, Panchratna, Mama Parmanand Marg, Opera House  
Mumbai - 400 004 Maharashtra India

Change Has Got Us

Where We Are Right Now

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**“Progress is impossible without Change...”**

## CHAIRMAN'S MESSAGE

Dear Shareholders,

Change has been a predominant factor in this financial year for the world, for the economy and for Sunraj Diamond Exports Ltd. A whirlpool of events have transcended into an eventful year for everyone. If gold prices were not volatile enough, the dollar rate was and is having its own joyride.

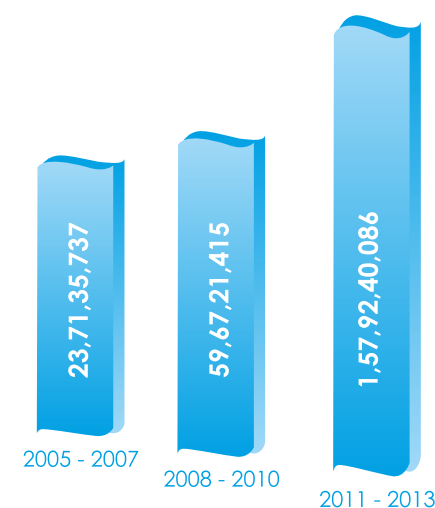
These definitely are testing times to say the least. However it is said, that we should never lose hope, and what better way to work through it then work harder. Times like these actually help us to visualize what the changes are, that are happening in the industry, identifying them and seeing how everyone is adapting to its environment and changing to help it deal with all these challenges that are happening around us.

On a positive note, things are looking bright and sparkling in Botswana's capital Gabarone. With the world's biggest diamond mining company De Beers shifting its USD 5.5 Billion Annual Rough Diamond Sales Operation there from London. According to sources, by the end of 2013, over 25-30 of the World's Leading Diamond Companies of Diamond Trading Company (DTC), a rough diamond distribution arm of De Beers, will fly to Gabarone 10 times a year to buy diamonds and participate in the annual sales held there. This gives traders a chance to buy big-sized rough diamonds from Johannesburg.

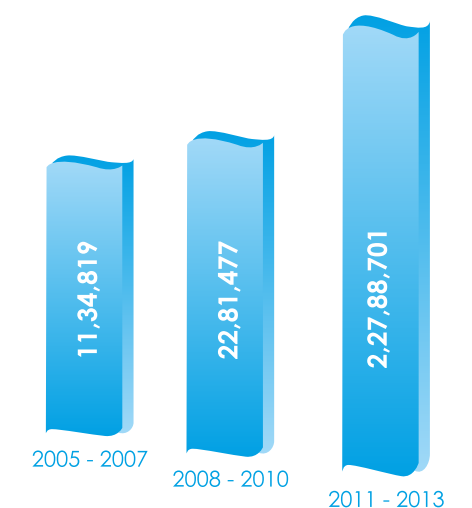
The DTC, which has an average Annual Rough Diamond Sales worth USD 5.5 Billion, organizes about 10 sales sights every year for its clients. As about 37 clients of DTC are Indians, about 55 per cent of the stock to be put up for sale throughout the year comes to India - about USD 2.8 Billion worth of goods. While the DTC sightholder companies would keep a certain amount of goods for processing and value addition, rest of the goods would be sold in the open market to the small and medium unit owners on premium price.

India is by far the largest diamond cutting centre and largest customer of rough diamonds, responsible for 72 per cent of the worldwide consumption - the annual rough diamond demand is pegged at USD 11 Billion. China and Israel are distant second and third respectively, with only 11 per cent and 7 per cent of global rough consumption, respectively.

### TURNOVER in ₹



### NET PROFIT in ₹



**“Change is an integral part of success...”**

## NEW BEGINNINGS

On the home front, Sunraj Diamond Exports Ltd. has ventured on foreign soil and we have decided to set up a subsidiary of our Indian Listed entity in Dubai. Owing to a steady increase in Client Base and Sales in the Middle East we thought it would be advantageous to have a local presence in Dubai.

The main reason for having a foothold in Dubai can be pointed out as

- ~ Easy availability of loose diamonds and jewellery
- ~ An increasing number of clients looking for a one-stop-shop wherein most materials are sought under one roof
- ~ Dubai is becoming a hub to source Diamonds and Jewellery

These reasons have pushed us in deciding to capitalize on the opportunity and commence activities immediately. We plan to trade Polished Diamonds and Gold and Diamond Jewellery in Dubai.

In our first year of functioning (2013-2014) we expect to achieve a turnover of about USD 5-7 Millions.

Capital will be injected into the Dubai Subsidiary under the automatic route.

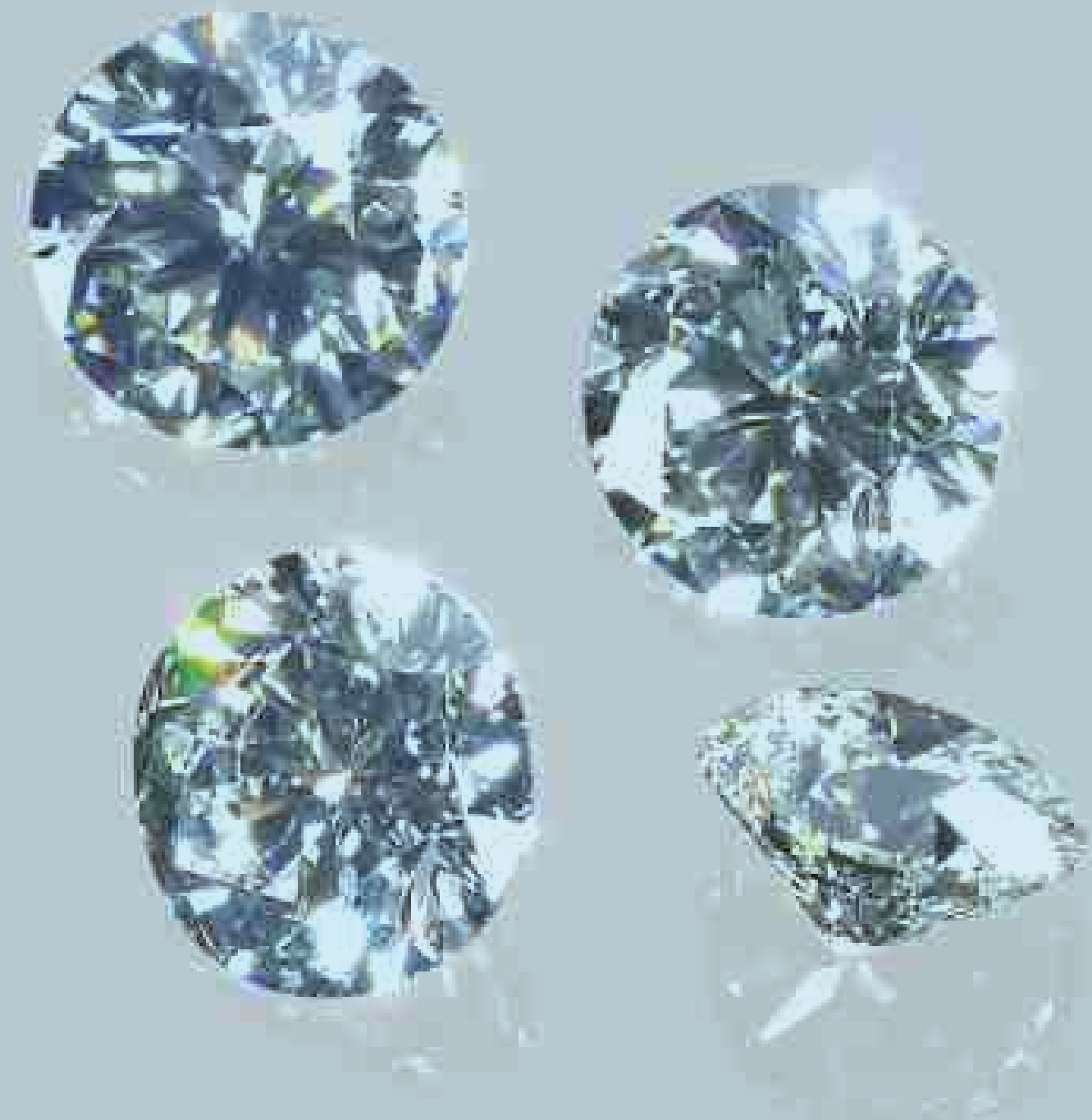
Details of the same are available below:

Investment by way of Equity – USD 110,000.00

We have to be flexible and try to provide full service to stay ahead of the up-and-coming changes in the industry.

After all, Change is always meant for the better.

**“we need to be the change we want to see in the world...”**  
**Mahatma Gandhi**



## ABOUT US

Sunraj Diamonds Exports Pvt. Ltd. was incorporated in 1990. They commenced their business in Cutting and Polishing of Rough Diamonds and have a cutting facility in Surat. They manufacture polished diamonds meant for the export market.

A family business started by, the Late Shri Chandrakant D. Gandhi along with his 2 sons Mr. Sunil Gandhi and Mr. Rajesh Gandhi. They were instrumental in increasing the business to the stage it has reached today. The journey continues with the injection of youth with Mr. Sunny Gandhi and Mr. Nirav Shah.

In 1991, the company was successfully listed on the Bombay Stock Exchange and its shares are actively traded on the exchange. The company ventured into foreign markets such as Europe, the Far East and very recently Dubai and has therefore had a significant advantage in understanding the dynamics of business demands and methodologies.

In the years between 2005 to 2008, there was a fresh infusion of young blood and this bolstered the marketing and sales capacity of the company thereby increasing sales and was instrumental in forging new alliances.

As a public listed company, they are dedicated to rewarding their investors with the faith that they have reposed in them and supporting their venture in the 21st century. With 3 generations of experience they aim to adjust to the changing business attitudes and methods and continue to strive to meet their clients' demands and be a serious competitor in today's market.



## TEAM

It is said that an organization is as good as its core team. Visionaries and Key Ancillary Team Players are part of every successful organization. Sunraj Diamonds can proudly boast of an envious team with an illustrious background.

### **Mr. Sunil. C. Gandhi**

Director of Sunraj Investment and Finance Pvt. Ltd. and Gunial Investment and Trading Pvt. Ltd is a B. Com Graduate and has obtained training in manufacturing Rough and Polished Diamonds.

### **Mr. Sunny Gandhi**

Director of Sunraj Investment and Finance Pvt. Ltd. is a B. Com Graduate also trained in Manufacturing and Assortment of Rough and Polished Diamonds. He is also a director of K. D. Shah Investments Pvt. Ltd. and Gunial Investment and Trading Pvt. Ltd.

### **Mr. Nirav Shah**

Director of Sunraj Diamond Exports Ltd. is a Graduate and has trained in Manufacturing and Polishing of Rough Diamonds.

### **Mr. Jimit Shah**

Currently working as an assistant VP with Barclays International Bank is an Independent Director at Sunraj Diamond Exports Ltd. He is highly qualified with a degree in B. Com, C. A. and C. F. A. His experience in finance is an advantage to the company.

### **Mr. Hargovind Shah**

An Educationalist and Social worker has a vast knowledge in Management and Administration and accounting. He is the Chairman of Audit committee and a Member of Shareholders.

**“change is inevitable, when pursued with purpose...”**



**“change should be from within...”**



## DIAMONDS IN INDIA

India plays a pivotal role in the global market, be it in spices, IT or even diamonds. The current market scenario may not be very healthy, but the world still perceives India as one of the major player across different sectors.

And it is no surprise because India possesses the world's most competitive gems and jewellery market.

A low cost of production and a highly skilled artisan force for designing and crafting jewellery, along with strong government support in the form of incentives and establishment of special economic zones (SEZs), are various reasons the diamond industry, in India, is growing leaps and bounds.

### According to the analysis

India has the unique distinction of not only being one of the first countries to introduce diamonds to the world but also being one of the highest consumers of rough diamonds in the world.

The increase in imports of Rough Diamonds by 12.65 per cent indicates an increase in cutting, polishing and other manufacturing activities in India.

This change is welcomed as it is in perfect sync with the ever expanding development, with new technology and a healthy competition thus placing the Mumbai Diamond market on par with Antwerp recognized as a major Diamond Buying and Trading Hub.

Antwerp for Rough Diamonds and Mumbai for Polish Diamonds.

## NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of the shareholders of Sunraj Diamond Exports Limited will be held at Seva Sadan society's, Malabari Memorial Hall, Pandita Ramabai Road, opp. Telephone Exchange, Gamdevi, Mumbai - 400 007 on Monday, 30th September, 2013 at 11.30am to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2013 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.

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: 29<sup>th</sup> June, 2013

## 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 24<sup>th</sup> September, 2013 to 30<sup>th</sup> September, 2013 both days inclusive.
  3. 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 16<sup>th</sup> October, 2013, to those Members or their mandates whose names stand registered in the Company's Register of Members:
- as Beneficial Owners as at close of Business on 1<sup>st</sup> October, 2013 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;

- as Members in the Resister 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 24<sup>th</sup> September, 2013. Instruments of Share Transfers, complete in all respects, should reach the **Share Transfer Agents i.e. Ajel Infotech Limited, Unit : Sunraj Diamond Exports Limited** 106, Oshiwara Link Plaza Commercial Complex, 2nd Floor, New Link Road, Oshivara, Jogeshwari (West), Mumbai 400 102 well before the book closure date .
4. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.
  5. (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.
  6. 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.
  7. 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**.



**DIRECTOR'S REPORT**

To,  
The Members,  
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Twenty Third Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31<sup>st</sup> March, 2013.

**FINANCIAL RESULTS:**

	STANDALONE		CONSOLIDATED	
	March 31, 2013	March 31, 2012	March 31, 2013	
Profit before depreciation and interest	18,524,293	22,031,990	29,041,819	
Less: Depreciation	11,81,120	10,49,836	11,81,120	
Interest & Financial Expenses	85,48,817	97,29,937	77,17,030	87,66,866
Profit before Tax	8,794,356	13,265,124	19,311,882	
Less: Provision for				
Taxation	2,984,000	4,366,925	2,984,000	
Deferred Tax	149,510	163,532	149,510	3,133,510
Profit for the year	5,660,846	8,734,667	16,178,372	
Add / (Less) : Appropriation				
Provision of earlier years w/off	(74,604)	-	(74,604)	
- Proposed Dividend	(5,330,400)	( 5,330,400)	(5,330,400)	
- Dividend Distribution Tax	( 864,725)	(864,725)	(864,725)	
- Trf. to Reserves	(139,656)	(218,367)	(139,656)	(6,409,385)
Add: Surplus brought forward from previous year	25,326,551	25,326,551	23,005,376	23,005,376
Balance Carried to Balance Sheet	24,578,012	25,326,551	35,095,538	

**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 2012-13 works out to ₹ 61.95 Lakhs 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 30<sup>th</sup> September, 2013.

**OPERATIONS:**

Your company has recorded a turnover of ₹ 50.73 cores during the year under review. The beginning of the financial year saw strong demand for Polished Diamonds in the local and international markets. The local market performed much better than previous years with substantial growth being recorded as opposed to exports.

The weakening currency played a major factor in determining the course of business activities through the financial year. The cost of Imports of Rough Diamonds rose substantially, as a result of which the raw material became more expensive. The effect of the currency translated into the local market seeing robust trading activity and therefore being able to procure Polished Diamonds at cheaper prices in dollar terms. This caused the company to reduce its manufacturing activity marginally and opt for local purchases towards the end of the financial year. The availability of Polished Diamonds at cheaper prices in the local market also translated in more profits being made on exports to our regular clients.

Order books being firm and growing over the years, our clients seemed to have retained faith in our abilities, and commitments to carry forward the ties have been displayed across various sizes and qualities of Polished Diamonds. The company continues to strive to move towards an in-house manufacturing base, however the current market conditions are such where the board feels that the outsourcing model still outweighs the fixed cost regime. In order to conserve resources through the difficult times ahead the board has decided to postpone the plan of setting up a manufacturing facility and try and remain as liquid as possible.

**UNCLAIMED / UNPAID DIVIDEND (TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND)**

Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, unclaimed dividend which remains unpaid for a period of seven years shall be transferred to Investor Education & Protection Fund. Accordingly, the Company is not yet required to transfer unclaimed dividend to the said fund.

It may be noted that upon the transfer of dividend to Investor Education & Protection Fund, members lose their right to claim such dividend. Therefore Members are requested to claim the amount of Unpaid/unclaimed dividend for the year 2010-2011 onwards.

**SUBSIDIARY COMPANIES**

Your Company has incorporated a wholly owned foreign subsidiary Company in Dubai at the Dubai Multi Commodities Centre (DMCC), UAE in the name of SUNRAJ DIAMONDS DMCC. The above subsidiary company has started it's business operations in the year under review.

**CONSOLIDATED FINANCIAL STATEMENT**

Sunraj group has reported a consolidated revenue of ₹ 65.82 crores for the financial year ended on 31<sup>st</sup> March, 2013, Consolidated profit before tax stood at ₹ 1.93 crores and consolidated Profit after tax stood at ₹ 1.61 Crores. There are no consolidated figures available for the previous year as the subsidiary company has started it's business operations only from January 2013. In accordance with the Accounting Standard AS-21 on Consolidated Financial Statement read with Accounting Standard AS-23 on Accounting for investment in Associates, your Directors provide the Consolidated Audited Financial Statement in the Annual Report.

However, in accordance with the general circular No. 2/2011 dated 8<sup>th</sup> Feb, 2011, issued by the Ministry of Corporate affairs, Government of India, the Balance Sheet, Profit and Loss account and other documents of the subsidiary company are not being attached with balance sheet of the Company. However the financial information of the subsidiary company is disclosed in the Annual Report in compliance with the said circular. Your Company will make available the said annual accounts and other related information of the subsidiary company upon request of any member of the Company or its subsidiary company and same will also be kept open for inspection by any member at the registered office of the Company and subsidiary company.

#### **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, 31<sup>st</sup> 2013 and of the Company for the period 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2013.
- 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

**SUNNY GANDHI**  
Executive Director

**NIRAV SHAH**  
Executive Director

Place: Mumbai,  
Dated: 29<sup>th</sup> June, 2013