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SOVEREIGN DIAMONDS LIMITED



23rd

ANNUAL REPORT

1996-97

SOVEREIGN DIAMONDS LIMITED

23rd ANNUAL REPORT 1996-97

TWENTY THIRD ANNUAL GENERAL MEETING

on 27th September 1997

at 11-A Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.
Time : 12.30 P.M.

BOARD OF DIRECTORS:

Mr. Ramesh Hotchand Gehani -Managing Director
Mr. R. C. Sheopuri
Mr. Vijay G. Kalantri
Mr. Ajay R. Gehani -Wholetime Director
Mr. Sanjay R. Gehani

BANKERS :

State Bank of India
Corporation Bank

Report  Junction.com

REGISTERED OFFICE :

117, Jolly Maker Chambers No. 2,
Nariman Point,
Mumbai - 400 021.

STATUTORY AUDITORS :

M/s. J. D. Zatakia & Co.
109, Vyapar Bhavan,
P. D'Mello Road,
Mumbai - 400 009.

NOTE: As a measure of economy the shareholders attending the Annual General Meeting are requested to bring alongwith them this copy of the Annual Report.

NOTICE



NOTICE is hereby given that the Twenty third Annual General Meeting of SOVEREIGN DIAMONDS LTD. will be held on Saturday, the 27th September 1997 at 12.30 p. m. at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093. to transact the following business:

ORDINARY BUSINESS:

- (1) To receive and adopt the audited Balance Sheet as on 31st March 1997, the Profit and Loss Account for the Year ended on that date and the report of the Directors' and Auditors thereon.
- (2) To appoint a Director in place of Mr. Vijay Kalantri who retires by rotation and being eligible offers himself for reappointment.
- (3) To appoint a Director in place of Mr. Sanjay R. Gehani who retires by rotation and being eligible offers himself for reappointment.
- (4) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

- (5) To consider, and if though fit, to pass with or without modifications, the following resolutions as on Ordinary Resolution:

"RESOLVED THAT pursuant to Articles of Association of the Company and Sections 198, 269, 309 and schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of such authorities as may be necessary Mr. Ramesh Hotchand Gehani be and is hereby reappointed as Managing Director of the Company, for a period of five years commencing from 1st September 1997, and Mr. Ramesh Hotchand Gehani shall function as Managing Director with powers of overall control of Company's Management and affairs as provided in the Articles of Association of the Company, subject to direction, superintendence and control of Board of Directors of the Company, on the remuneration and other terms and conditions, set out in the draft letter of appointment placed before this meeting and initialled by the Chairperson, for the purpose of identification, with liberty to the Board of Directors of the Company to alter or vary the terms and conditions of appointment at the discretion of the Board, in such manner as may be agreed between the Board of directors of the Company and Mr. Ramesh Hotchand Gehani.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profit in any financial year during the term of office of Mr. Ramesh Hotchand Gehani as the Managing Director, remuneration alongwith all benefits, perquisites and amenities, as mentioned in the draft letter of appointment, shall be paid or granted as the minimum remuneration as prescribed in the Schedule XIII to the Companies Act, 1956".

"RESOLVED FURTHER THAT the Directors be and are hereby authorised to do all such acts, deeds, matters and things, as may be necessary, requisite, desirable or expedient to give effect to this Resolution."

- (6) To consider, and if though fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Articles of Association of the Company and Sections 198, 269, 309 and schedule

XIII, and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of such authorities as may be necessary, Mr. Ajay Ramesh Gehani be and is hereby reappointed as Wholtime Director of the Company, for a period of five years commencing from 1st September 1997, and Mr. Ajay Ramesh Gehani shall function as Wholtime Director subject to direction, superintendence and control of Board of Directors of the Company, on the remuneration and other terms and conditions, set out in the draft letter of appointment placed before this meeting and initialled by the chairperson, for the purpose of identification, with liberty to the Board of Directors of the Company to later or vary the terms and conditions of appointment at the discretion of the Board, in such manner as may be agreed between the Board of directors of the Company an Mr. Ajay Ramesh Gehani.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profit in any financial year during the term of office of Mr. Ajay Ramesh Gehani as the Wholtime Director, remuneration alongwith all benefits, perquisites and amenities, as mentioned in the draft letter appointment, shall be paid or granted as the minimum remuneration as prescribed in the Schedule XIII to the Companies Act, 1956".

"RESOLVED FURTHER THAT the Directors be and are hereby authorised to do all such acts, deeds, matters and things, as may be necessary, requisite, desirable or expedient to give effect to this Resolution".

- (7) To consider and if though fit, to pass with or without modification the following resolution as an ordinary Resolution:

(a) "RESOLVED THAT pursuant to Section 293 (1) (a) of the Companies Act, 1956, and other applicable provisions if any, of the Companies Act, 1956, consent of the shareholders be and is hereby given to the Board of Directors of the company to sell, transfer, lease or otherwise dispose of any of its undertaking alongwith movable/immovable properties which are determined to be in access of current requirements.

(b) "FURTHER RESOLVED THAT pursuant to Section 293 (1) (a) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, consent of the shareholders be and is hereby given to Board of Directors of the company to sell, transfer, lease or otherwise dispose of its office premises at 117, Jolly Maker Chambers, Nariman Point and Premises at Bharat Diamond Bourse, Bandra Kurla Complex FURTHER RESOLVED THAT Mr. Ramesh H. Gehani, Managing Director of the Company be and is hereby authorised to sign all papers, documents Memorandums of Understanding, Agreements, conveyances etc. for the purpose of giving effect to the above resolution".

Dated : 16th August, 1997

Registered Office :
117, Jolly Maker Chambers No. 2,
Nariman Point,
Mumbai - 400 021.

By order of the Board
Ramesh H. Gehani
Managing Director

**Notes :**

- (1) The relative explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of special business specified in the Notice is annexed hereto.
- (2) A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and on a poll, to vote instead of himself and a proxy need not be a member. A proxy in order to be valid has to be submitted, to the Company atleast 48 hours before the meeting.
- (3) The Register of Members and Share Transfer Books of the Company will be closed from 25th September, 1997 to 30th September, 1997, both days inclusive.
- (4) Members are requested to notify the change in address, if any, immediately to the Company quoting their folio numbers.

Explanatory Statement U/S 173 (2) of the Companies Act, 1956 in respect of the Special Business.

ITEM 5 : Mr. Ramesh H. Gehani had been appointed as Managing Director w.e.f. 1st September 1992 for a period of five years. Now the Board Directors, at its meeting held on 16th August 1997 has re-appointed Mr. Ramesh Hotchand Gehani, as managing Director of the Company on the terms and conditions as given below:-

TERMS & CONDITIONS:

1. Period :
five years with effect from 1st September 1997.
2. Remuneration :
 - (1) Salary :
Rs. 25,000/- per month in the scale of Rs. 25,000-2500-35,000.
 - (2) Perquisites.
 - (a) House Rent Allowance @ 60% per month of Basic Salary.
 - (b) The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income-Tax rules, 1962. This will, however, be subject to a ceiling of ten percent of the salary of Mr. Gehani.
 - (c) Medical Reimbursement : Expenditure incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
 - (d) Leave Travel Concession : For self and family once in a year incurred in accordance with the rules of the Company.
 - (e) Personal Accident Insurance : Premium not to exceed Rs. 1,000/- per annum.
Explanation : For the purpose of above perquisites, "family" means, the dependent children and dependent parents of Mr. Gehani.
 - (f) Contribution to Provident Fund Contribution to the Provident Fund, will not be considered or included in computation of ceiling on perquisites to the extent these either singly or put together, are not taxable under the Income-Tax Act, 1961.
 - (g) Gratuity : Gratuity payable shall not exceed on-half month's salary for each completed year of service.
 - (h) Encashment of Leave : Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

- (i) Motor Car : Provision of fully maintained car with reimbursement of driver's salary for use of Company's business (not considered as perquisites). The use of car for private purpose shall be billed by the Company to the Managing Director.
- (j) Free Use of Telephone at Residence : Provision of telephone at the residence of the Managing Director at Company's cost (not considered as perquisites). Personal long distance calls shall be billed by the Company to the managing Director.

3. OTHER TERMS AND CONDITIONS:**LEAVE :**

Annual leave on full pay in accordance with the Company's Rules, but not exceeding on a month's leave for every 11 months of service.

4. SITTING FEES :

The managing Director shall not be paid any sitting fees for attending the meeting of the Board of the Directors or Committees thereof from the date of appointment.

5. GENERAL :

- (i) the head quarter of the Managing Director shall be in Mumbai in the state of Maharashtra.
- (ii) Subject to the provisions of the Companies Act, 1956, the Managing Director shall not while he continues to hold office of the Managing Director be subject to retirement by rotation of Directors and he shall not be reckoned as a Director for the purpose of determining their rotation or retirement of Directors or in fixing the number of Directors to retire, but he shall ipso facto and immediately cease to be the Managing Director if he ceases to hold office of Director for any cause.

The remuneration as per the details given above, payable to Mr. Ramesh Hotchand Gehani is in accordance with schedule XIII to the Companies Act, 1956 and it is subject to the approval of the Share Holders.

Mr. Ramesh Hotchand Gehani is on the Board of Director of Company since 1974. He has been actively participating in the Company's business since then and has good experience of the business and industry.

Your directors are of the view that it would be advantageous for the company to reappoint Mr. Ramesh Hotchand Gehani as Managing Director of the Company.

The draft letter of appointment of Mr. Gehani is available for inspection on any working day of the Company between 10.00 a. m. to 12 noon till the date of the Annual General Meeting.

None of the Director, except Mr. Ramesh Hotchand Gehani and Mr. Ajay Ramesh Gehani & Mr. Sanjay Ramesh Gehani are concerned or interested in this resolution.

Your Directors commend the resolution for approval.

ITEM 6 :

The Board Directors, at its meeting held on 16th August 1997 has reappointed Mr. Ajay Ramesh Gehani, as Wholetime Director of the Company on the terms and conditions as given below:-

**TERMS & CONDITIONS:**

1. Period :
five years with effect from 1st September 1997.
 2. Remuneration :
 - (1) Salary :
Rs. 22,000/- per month in the scale of Rs. 22,000-2000-32,000.
 - (2) Perquisite.
 - (a) House Rent Allowance @ 60% per month of Basic Salary.
 - (b) The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income-Tax rules, 1962. this will however, be subject to a ceiling of ten per cent of the salary of Mr. Gehani.
 - (c) Medical Reimbursement : Expenditure incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
 - (d) Leave Travel Concession : for self and family once in a year incurred in accordance with the rules of the Company.
 - (e) Personal Accident Insurance : Premium not to exceed Rs. 1,000/- per annual.

Explanation : For the purpose of above perquisites, "Family" means, the dependent children and dependent parents of Mr. Gehani.

 - (f) Contribution to Provident Fund Contribution to the Provident Fund, will not be considered or included in computation of ceiling on perquisite to the extent these either singly or put together, are not taxable under the Income-Tax Act, 1961.
 - (g) Gratuity : Gratuity payable shall not exceed one-half month's salary for each complete year of service.
 - (h) Encashment of Leave : Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
 - (i) Motor Car : Provision of fully maintained car with reimbursement of driver's salary for use on Company's business (not considered as perquisites). The use of car for private purpose shall be billed by the Company to the Managing Director.
 - (j) Free Use of Telephone at Residence : Provision of telephone at the residence of the Wholetime Director at Company's cost (not considered as perquisites). Personal long distance calls shall be billed by the Company to the Wholetime Director.
3. **OTHER TERMS AND CONDITIONS :**
LEAVE :
Annual leave on full pay in accordance with the Company's Rules, but not exceeding one month's leave for every 11 months of service.
4. **SITTING FEES :**
The managing Director shall not be paid any sitting fees for attending the meeting of the Board of the Directors or Committees thereof from the date of appointment.

5. GENERAL :

- (i) The head quarter of the Wholetime Director shall be in Mumbai in the state of Maharashtra.
- (ii) Subject to the provisions of the Companies Act, 1956, the Wholetime Director shall not while he continues to hold office of the Wholetime Director be subject to retirement by rotation of Directors and he shall not be reckoned as a Director for the purpose of determining their rotation or retirement of Directors or in fixing the number of Directors to retire, but he shall ipso facto and immediately cease to be the Wholetime Director if he ceases to hold office of Director for any cause.

The remuneration as per the details given above, payable to Mr. Ajay Ramesh Gehani is in accordance with schedule XIII to the Companies Act, 1956 and it is subject to the approval of the Share Holders.

Mr. Ajay Ramesh Gehani is an Geomological Graduate from Geomological Institute of America (U.S.A.) and has been on the Board of Director's of Company since 1984. He has been actively participating in the Company's business since then and has good experience of the business and industry.

Your directors are of the view that it would be advantageous for the company to appoint Mr. Ajay Ramesh Gehani as Wholetime Director of the Company.

The draft letter of appointment of Mr. Gehani is available for inspection on any working day of the Company between 10.00 a. m. to 12 noon till the date of the Annual General Meeting.

None of the Director, except Mr. Ramesh Hotchand Gehani and Mr. Ajay Ramesh Gehani, Mr. Sanjay Ramesh Gehani are is concerned or interested in this resolution.

Your Directors commend the resolution for approval

ITEM NO 7

Your Company has specious Factory Premises at Andheri. The manufacturing, setting and other departments are housed there still there is lot of space lying unutilised. It has Administrative Office to Factory Premises and sell or lease out the Office Premises at Nariman Point and / or Premises (under construction) at Bharat Diamond Bourse provided Company receives good offer.

The Resolution has set out in Item No. 7 is an enabling resolution conferring authority by the General Body on the Board on the Board of Directors.

Your Directors comment adoption of the Proposed Resolution.

All the Directors of the Company are concerned or interested in this resolution to the extend of their shareholding if any in the Company.

Dated : 16th August, 1997

Registered Office :
117, Jolly Maker Chambers No. 2,
Nariman Point,
Mumbai - 400 021.

By order of the Board

Ramesh H. Gehani
Managing Director

DIRECTORS' REPORT



To,
The Members,
The Directors present their Twenty Third Annual Report together with audited accounts of the Company for the year ended 31st March, 1997.

A. FINANCIAL RESULTS :

	Amount (in Rs.)	Previous year (in Rs.)
Net Profit (Loss) Before Taxation (After providing depreciation of Rs. 25,09,902/- P. Y. Rs. 26,62,913/-) Less: Provision for Taxes	2,62,771	(64,76,904)
PROFIT/(LOSS) AFTER TAX	2,62,771	(64,76,904)
b) Balance brought forward from last year	(1,33,87,665)	(69,10,701)
c) Balance carried over to Balance Sheet	(1,31,24,834)	(1,33,87,605)

B. DIVIDEND

In view of carried over losses, Your Directors regret their inability to declare any dividend.

C. WORKING OF THE COMPANY:

Your Directors are pleased to report that the sales Turnover have increased from Rs. 343 Lacs to Rs. 640 Lacs during the year. The Company's products are well accepted in the market due to better finishing and craftsmanship. The Company has also achieved a marginal operational profit during the year and your Directors are hopeful to report higher sales turnover with better profits during the current year.

D. DIRECTORS

Mr. Vijay Kalantri and Mr. Sanjay R. Gehani, directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Mr. Rajender R. Gehani resigned from the board due to his preoccupation.

E. CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO:

Information in accordance with the Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (disclosure of particulars in report of Board of Directors) Rules, 1988 is not given as it is not applicable to the Company.

FOREIGN EXCHANGE - EARNINGS AND OUTGO		(Rs. in Lacs)	
		1996-97	1995-96
A. Earnings	(FOB Value)	465.58	258.20
B. Outgo	Imports (CIF)	85.12	15.97
	Travelling	12.23	5.28

F. INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956.

Information in accordance with the section 217(2A) of the Companies Act, 1956 read with the Companies (disclosure of particulars in report of Board of Directors) Rules, 1988 and forming parts of the Directors' Report for the year ended 31st March, 1997 is given in an Annexure of this Report.

G. AUDITORS :

Members are requested to appoint Auditors for the current year and to fix their remuneration Messers J. D. Zatakia & Co. Chartered Accountants, the retiring auditors have under Section 224 (1) of the Companies Act, 1956 indicated their eligibility for their re-appointment.

For and on behalf of
the Board of Directors

Ramesh H. Gehani
Managing Director.

Date : 16th August 1997.
117, J. M. Chambers No. 2,
Nariman Point, Mumbai - 400 021.

ANNEXURE TO THE DIRECTORS' REPORT 1997



Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 1997

Sr. No.	Name	Designation	Remuneration Received Gross	Qualification	Experience (Yrs.)	Age (Yrs.)	Date of Commencement	Previous Employment of
1.	Shri Ramesh H. Gehani	Managing Director	Rs. 2,77,100	First Year Arts	29	64	05/06/1974	--
2.	Shri Ajay R. Gehani	Wholetime Director	Rs. 2,56,700	B. Com Graduate Gemologist from U.S.A.	13	31	24/11/1984	--

Notes :

- Gross remuneration comprises Salary, Allowances and Value of Perquisites.
- Nature of employment is contractual.
- Shri Ajay R. Gehani is related to Shri Ramesh H. Gehani as a son.

For and on behalf of
the Board of Directors

Date : 16th August 1997.
117, J. M. Chambers No. 2,
Nariman Point, Mumbai - 400 021.

Ramesh H. Gehani
Managing Director.