



S O V E R E I G N
D I A M O N D S L I M I T E D

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26th

ANNUAL REPORT
1999-2000



SOVEREIGN DIAMONDS LIMITED

26th ANNUAL REPORT 1999 - 2000

TWENTY SIXTH ANNUAL GENERAL MEETING

on 30th September 2000

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

Mr. Sanjay R. Gehani

-Wholetime Director

BANKERS :

State Bank of India

Corporation Bank

Syndicate Bank

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 Twentysixth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Saturday, 30th September, 2000 at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai 400 093 at 12.30 p.m. to transact the following business :

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2000 together with Report of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. R.C. Sheopuri, who retires by rotation, and being eligible offers himself for re-appointment.
- 3) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- 4) To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the said Act as amended up-to-date, consent and approval be and is hereby accorded to the re-appointment of and the remuneration and perquisites being paid or provided to Mr. Ramesh H. Gehani as Managing Director of the Company for a period of five years with effect from 1st September, 2000 on the terms and conditions set out in draft Agreement to be entered into between the Company and Mr. Ramesh H. Gehani, a copy whereof initialed by Mr. Ajay Gehani, Whole-time Director of the Company, for the purpose of identification has been placed before this Meeting, which draft Agreement is hereby specifically approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the said draft Agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorised in accordance with any provision under the Act for the time being in force provided, however, that the remuneration payable to Mr. Ramesh H. Gehani shall be within the limits set out in the said Act including the said Schedule XIII to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and/or any rules or regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Mr. Ramesh H. Gehani 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 Mr. Ramesh Gehani's office as Managing Director, the remuneration and perquisites set out in the aforesaid draft Agreement be paid or granted to Mr. Ramesh H. Gehani as minimum remuneration provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Section II of Part II of Schedule XIII to the said Act or such other amount and perquisites as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

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

- 5) To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the said Act as amended up-to-date, consent and approval be and is hereby accorded to the re-appointment of and the remuneration and perquisites being paid or provided to Mr. Ajay R. Gehani as Whole-time Director of the Company for a period of five years with effect from 1st September, 2000 on the terms and conditions set out in draft Agreement to be entered into between the Company and Mr. Ajay R. Gehani, a copy whereof initialed by Mr. Ramesh H. Gehani, Managing Director of the Company, for the purpose of identification has been placed before this Meeting, which draft Agreement is hereby specifically approved.



RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the said draft Agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorised in accordance with any provision under the Act for the time being in force provided, however, that the remuneration payable to Mr. Ajay R. Gehani shall be within the limits set out in the said Act including the said Schedule XIII to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and/or any rules or regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Mr. Ajay Gehani 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 Mr. Ajay Gehani's office as Whole-time Director, the remuneration and perquisites set out in the aforesaid draft Agreement be paid or granted to Mr. Ajay R. Gehani as minimum remuneration provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Section II of Part II of Schedule XIII to the said Act or such other amount and perquisites as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

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

By Order of the Board of Directors
For **SOVEREIGN DIAMONDS LIMITED**

Registered Office :
117, Jolly Marker Chambers No. II,
Nariman Point,
Mumbai 400 021.

RAMESH H. GEHANI
Managing Director

Place : Mumbai
Date : 3-8-2000

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Explanatory Statement, pursuant to section 173 of the Companies Act, 1956 for item No. 4 & 5 is annexed and forms part of this Notice.
4. The Register of Members and the Share Transfer Register of the Company shall remain closed from 26th September, 2000 to 30th September, 2000 (both days inclusive).
5. The members are requested to :
 - a) Intimate changes, if any, in their Registered address to the Registered Office of the Company.
 - b) Quote ledger folio numbers in all their correspondence.
 - c) Get the multiple folios consolidated and also get the shares transferred in joint names if they are held in single name to avoid inconvenience in future and
 - d) Bring their copies of the Annual Report and the Attendance Slips with them at the Annual General Meeting.
 - e) Write atleast 10 days prior to the date of Meeting, any information which they desire on the accounts, to enable the management to keep the information ready.
6. The documents referred to in the Notice are available for inspection to the Members at the Registered Office of the Company on all working days between 11 a.m. to 5 p.m. except during lunch hours.



ANNEXURE TO THE NOTICE

Explanatory Statement, Pursuant to Section 173 (2) of the Companies Act, 1956

ITEM NO.4 & 5

Mr. Ramesh H. Gehani and Mr. Ajay R. Gehani were appointed as Managing Director and Wholetime Director of the Company respectively with effect from 1st September, 1997 by the Members at the Twentythird Annual General Meeting held on 27th September, 1997 approved their appointment and payment of remuneration and other terms and conditions.

The Board of Directors at its Meeting held on 3rd August, 2000 has reappointed Mr. Ramesh H. Gehani and Mr. Ajay R. Gehani as Managing Director and Whole-time Director respectively for a period of 5 years with effect from 1st September, 2000. The Board of Directors is of the opinion that in view of the revised Schedule XIII and the better performance and profitability of the Company, the Company has decided to revise the remuneration and the period of appointment of Mr. Ramesh H. Gehani and Mr. Ajay R. Gehani. Mr. Ramesh H. Gehani and Mr. Ajay R. Gehani are having vast experience and knowledge of the diamond market. It is advisable to increase the remuneration payable to Managing Director and Wholetime Director of the Company respectively and re-appoint them for a period of 5 years. The terms and conditions on which their appointment is specified and as set out below and is in accordance with Schedule XIII of the Companies Act, 1956.

TERMS & CONDITIONS

1. Period :

Five years with effect from 1st September, 2000.

2. Remuneration :

(a) Ramesh H. Gehani :- Rs.50,000/- per month with increment of Rs. 4000/- per month year after year.

(b) Ajay R. Gehani :- Rs. 45,000/- per month with increment of Rs. 5000/- per month year after year.

(i) Perquisite :

(a) House Rent Allowance @ 60% per month of the 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.10,000/-.

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 months' 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 and Whole-time Director.

(j) Free Use of Telephone at Residence: Provision of telephone at the residence of the Managing Director and Wholetime Director at Company's cost (not considered as perquisites). Personal long distance calls shall be billed by the Company to the Managing Director and 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 and Wholtime 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 and Wholtime Director shall be in Mumbai in the state of Maharashtra.
- (ii) Subject to the provisions of the Companies Act, 1956, the Managing Director and Wholtime Director shall not while they continue to hold office of the Managing Director and Wholtime Director be subject to retirement by rotation of Directors and they shall not be reckoned as Directors for the purpose of determining their rotation or retirement of Directors or in fixing the number of Directors to retire, but they shall ipso facto and immediately cease to be the Managing Director and Wholtime Director if they cease to hold office of Directors for any cause.
- (iii) For all other terms and conditions not specifically spelt out above, the Rules and Order of the Company shall apply.
- (iv) The Managing Director and Wholtime Director shall hold office as such, subject to the provisions of Section 283(1) of the Companies Act, 1956.

The remuneration as per the details given above, payable to Mr. Ramesh H. Gehani and Mr. Ajay R. 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 Directors of the Company since 1974. He has been actively participating in the Companies business since then and as a good experience of the business and industry.

Mr. Ajay R. Gehani is a 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 Companies business since then and has good experience of the business and industry.

Your directors are of the view that it is advisable to increase the remuneration payable to Managing Director and Wholtime Director of the Company respectively and re-appoint them for a period of 5 years.

The draft of agreement to be executed with Mr. Ramesh Gehani ad Mr. Ajay Gehani is available for inspection on any working day of the Company between 10.00 a.m. to 2.00 p.m. at the Registered office of the Company.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of the Agreement of concern or interest under Section 302 of the Companies Act, 1956.

The Resolution is recommended for approval of the Members.

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

By Order of the Board of Directors
For **SOVEREIGN DIAMONDS LIMITED**

Registered Office :
117, Jolly Marker Chambers No. II,
Nariman Point,
Mumbai 400 021.

RAMESH H. GEHANI
Managing Director

Place : Mumbai
Date : 3-8-2000



DIRECTORS REPORT

To

The Members,

The Directors present their Twenty Sixth Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

A. FINANCIAL RESULTS

	Amount (in Rs.)	Previous Year (in Rs.)
Net Profit (Loss)	17,16,865	35,87,017
Before Taxation	—	—
(After providing depreciation of Rs.19,36,292/- (P.Y. 20,47,531/-)	—	—
Less: Provision of Taxes	—	—
PROFIT/(LOSS) AFTER TAX	17,16,865	35,87,017
(a) Prior Years Income Tax	—	—
(b) Balance b/f from last year	(73,57,540)	(1,09,44,557)
(c) Balance carried over to Balance Sheet	(56,40,675)	(73,57,540)
	=====	=====

B. DIVIDEND

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

C. WORKING OF THE COMPANY

The turnover of the Company, for the year under review, increased to Rs.978.71 lacs from Rs.882.91 lacs last year. The Margins on sales have improved which is reflected in higher operational net profit of Rs.35.87 lacs against Rs.17.16 lacs in the previous year.

Your Directors are hopeful to present better results during their current year as evident from the sales turnover of Rs.295.67 lacs for the quarter ended 30th June, 2000.

D. DIRECTORS

Mr. R.C. Sheopuri, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

The Company in its 23rd Annual General Meeting held on 1st September, 1997 has reappointed Mr. Ramesh H. Gehani and Mr. Ajay R. Gehani, as Managing Director and Whole-time Director respectively for a period of 5 years. In view of the revised Schedule XIII and the better performance and profitability of the Company, the Company has decided to revise the remuneration and the period of appointment of Mr. Ramesh H. Gehani and Mr. Ajay R. Gehani. The Company has incorporated the necessary resolutions at item No.4 and 5 of Notice and recommend the passing of the said resolutions.

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

CONSERVATION OF ENERGY

The activity of the Company does not require large scale consumption of energy & the Company is not covered in the list of Industries required to furnish information in Form A relating to conservation of Energy.

TECHNOLOGICAL ABSORPTION

Research and Development: The Company carries out general Research and Development in the manufacture of Jewellery as per international standards, in developing new range of products, manufacturing process etc.