



Sovereign
Diamonds Ltd.

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27th
ANNUAL REPORT
2000 - 2001

SOVEREIGN DIAMONDS LIMITED

27th ANNUAL REPORT 2000-2001

TWENTY SEVENTH ANNUAL GENERAL MEETING

on 28th September 2001

at 11-A Mahal Industrial Estate,

Mahakali Caves Road,

Andheri (East), Mumbai - 400 093.

Time : 11.00 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

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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.

Sovereign Diamonds Limited**NOTICE**

NOTICE is hereby given that the Twentyseventh Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Friday, 28th September, 2001 at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai 400 093 at 11.00 a.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, 2001 together with Report of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. Vijay G. Kalantri, who retires by rotation, and being eligible offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Sanjay R. Gehani, who retires by rotation, and being eligible offers himself for re-appointment.
- 4) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- 5) To consider and if thought fit, to pass with or modification, the following resolution as SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions if any of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended in the following manner;

A. By adding the following definitions in the existing Article 2:**"Beneficial Owner"**

"Beneficial Owner" shall mean the beneficial Owner as defined in Section 2(1)(a) of the Depositories Act, 1996 and whose name is recorded as such with a Depository.

"Depositories Act"

"Depositories Act" shall mean the Depositories Act, 1996 and include any statutory modification or re-enactment thereof for the time being in force.

"Depository"

"Depository" shall mean a Depository as defined in Section 2(1)(e) of the Depositories Act, 1996.

"Member"

"Member" means duly registered holder from time to time of the shares of the Company, a person registered as beneficial owner with a Depository, in case the shares are held on a Depository and includes the subscribers to the Memorandum of Association of the Company.

"SEBI"

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Record"

"Record" includes the records maintained in the form of books or stored in computer or in such form as may be determined by regulations made by SEBI

"Securities"

"Securities" means Shares, Debentures or other securities as may be specified by Central Government, SEBI or any other concerned Authorities from time to time.

B. The following Articles 22A and 22B shall be inserted after existing Article 22:**22A. DEMATERIALISATION OF SECURITIES****i) Power of the Company to dematerialize and rematerialise**

Notwithstanding anything contained in these articles, the Company shall be entitled to dematerialize its securities, rematerialise its securities held in Depositories and/or to offer fresh securities in a dematerialised form pursuant to the Depositories Act, 1996 and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

ii) Option for investors

Every person subscribing to securities offered by the Company shall have the option to receive the security certificate or to hold the securities with a Depository. A person who is the beneficial owner of the securities can at any time opt

Sovereign Diamonds Limited

out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his securities with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information the Depository shall enter in its records the name of the allottee as the beneficial owner of the security.

iii) Securities in Depositories to be in fungible form

All securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in Section 153 and 372A of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of beneficial owners.

iv) Rights of Depositories and Beneficial Owner

- a. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner and shall not have any voting rights or any other rights in respect of the securities held by it.
- b. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

v) Service of Documents

The Depository shall furnish to the Company the information of transfer of securities and records of beneficial ownership at such intervals and in such manner as may be stipulated under the provisions of the Depositories Act.

vi) Transfer of Securities

Transfer of securities held in Depository will be governed by the provisions of Depositories Act. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

vii) Allotment Securities dealt within a Depository

Notwithstanding anything contained in the Act or these Articles, where securities are dealt in a dematerialised form with a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

viii) Distinctive numbers for Securities held in a Depository

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository.

ix) Register of beneficial Owner

The Register of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be the Register of Members for the purpose of these Articles.

x) Other matters

Notwithstanding anything contained in these Articles, the provisions of Depositories Act relating to dematerialisation of securities (including any modification or re-enactment thereof and Rules/Regulations made thereunder) shall prevail and apply accordingly.

22B. RIGHT OF NOMINATION

Every holder of shares in or debentures of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares in or debentures of the Company shall vest in the event of his death. Such nomination and right of nominee, to be registered as holder of shares/debentures as the case may be or for transfer of the shares/debentures as the case may be shall be governed by the provisions of Section 109A and 109B and other applicable provisions of the Act.

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 : 2nd August, 2001.

Sovereign Diamonds Limited**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 Register of Members and the Share Transfer Register of the Company shall remain closed from Monday, 24th September, 2001 to Friday, 28th September, 2001 (both days inclusive).
4. 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.

ANNEXURE TO THE NOTICE**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.****ITEM NO. 5**

Consequent to the passing of the Depositories Act, 1996 and the introduction of the Depository system, some of the provisions of the Companies Act, 1956 relating to issue, holding, transfer, transmission of shares and other securities have been amended so as to facilitate the implementation of the new system. The Depository system of holding Securities in an electronic form is a far safer and more convenient method of holding and trading in Securities of a Company. The Company has also joined the Depository system and in terms of SEBI Press Release, all the listed companies has been made compulsorily in the dematerialised form. It is therefore proposed to insert Article 22A in the Articles of Association, as set out at item No. 5 of the Notice to incorporate the provisions introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the securities in such a system.

The Companies (Amendment) Act, 1999 has provided for nomination facility for Shareholders and Debentureholders. The introduction of Nomination facility will enable Shareholders and Debentureholders to nominate any person to whom the shares/ debentures and/or interest of Member/ Debentureholder in the shares/debentures shall be transferred in the even of death of the Shareholder(s)/ Debentureholder(s). Consequent upon the introduction of Nomination facility, it is proposed to insert Article 22B in the Articles of Association of the Company in line with the provisions of Section 109A of the Companies Act, 1956.

The Directors recommend the Resolution at item No. 5 for your approval.

Non of the Directors of the Company is in any way concerned or interested in this Resolution.

A copy of the Memorandum and Articles of Association of the Company together with the proposed amendments/ additions is available for inspection by the Members of the Company at Registered Office of the Company between 11.00 a.m. on any working day till the date of Annual General Meeting.

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 : 2nd August 2001.

Sovereign Diamonds Limited**DIRECTORS' REPORT**

To

The Members,

The Directors present their Twenty seventh Annual Report together with the Audited Accounts for the year ended 31st March, 2001.

A. FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year ended 31st March, 2001	Year ended 31st March, 2000
Income from Operations	1090.88	1055.59
Other Income	52.50	22.69
Expenditure	1078.26	1005.11
Interest	1.42	36.64
Gross Profit	61.50	36.53
Depreciation	22.21	19.36
Profit before Tax	41.49	17.17
Provision for Taxation	—	—
Net Profit after Tax	41.49	17.17
Balance brought forward from last year	(56.41)	(73.58)
Balance Carried Forward to the Balance Sheet	(14.91)	(56.41)

The performance of the Company during the year under review was satisfactory.

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. 1092.75 lacs from Rs.978.71 lacs last year. The Margins on sales have improved which is reflected in higher operational net profit of Rs.41.49 lacs as against Rs.17.17 lacs in the previous year.

Due to Economic slowdown and recession in the world market, the profitability in the current year will be affected.

D. DIRECTORS

Mr. Vijay Kalantri and Mr. Sanjay Gehani, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

E. CONSERVATION OF ENERGY, TECHNOLOGY 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.

TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION

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.

This has helped in better quality output, with improved productivity.

The Company has not imported any technology.

Sovereign Diamonds Limited**FOREIGN EXCHANGE: EARNINGS AND OUTGO**

	(Rs. IN LACS)	
	2000-2001	1999-2000
A. Earnings (FOB value)	1064.74	949.08
B. Outgo Imports (CIF)	138.64	141.84
Traveling	44.10	32.93

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 Director's Report for the year ended 31st March, 2001 is not given as no employee is in receipt of remuneration in excess of Rs. 1,00,000/- p.m. or Rs. 12,00,000/- p.a.

G. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement Under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors Responsibilities Statement, it is hereby confirmed;

- That in the preparation of the Annual Accounts for the financial year 31st March, 2001, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for the year under review.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting 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.
- That the Directors have prepared the Accounts for the financial year ended 31st March, 2001 on a going concern basis.

H. DEMATERIALISATION OF SHARES:

Your company has decided to go into the dematerialisation of the shares of the company, looking at the present need of investor convenience and is going to execute Tripartite Agreement with National Securities Depositories Ltd. and Central Depositories Securities Ltd.

I. LISTING OF SHARES

The company's shares are listed on Mumbai Stock Exchange and the Company has paid the listing fees for the same.

J. AUDIT COMMITTEE

The following Directors have been appointed as Members of the Audit Committee;

Mr. Sanjay Gehani	-	Chairman
Mr. R.C. Sheopuri	-	Member
Mr. V.G. Kalantri	-	Member
Mr. Ramesh Gehani	-	Permanent Invitee

Mr. Sanjay Gehani is Non-Executive Promoter Director and Mr. R. C. Sheopuri and Mr. V. G. Kalantri are Independent Non-Executive Directors of the Company. Mr. Ramesh Gehani is Managing Director of the Company who looks after the finance portfolio and all activities of the company, would be a permanent invitee to this committee.

The Audit Committee would meet periodically during the year 2001-2002 and give its reports and recommendations to the Board of Directors for Corporate Governance and overall improvement in the functioning of the Company.

K. 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 of their re-appointment.

For and on behalf 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 : 2nd August, 2001.