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*Sovereign*

Diamonds Ltd.

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28<sup>th</sup>  
ANNUAL REPORT  
2001 - 2002

# SOVEREIGN DIAMONDS LIMITED

## TWENTY EIGHTH ANNUAL REPORT 2001 - 2002

### TWENTYEIGHTH ANNUAL GENERAL MEETING

on 14th September, 2002  
at Sovereign House,  
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. Ramesh C. Sheopuri	-	Director
Mr. Vijay G. Kalantri	-	Director
Mr. Ajay R. Gehani	-	Wholetime Director
Mr. Sanjay R. Gehani	-	Wholetime Director

### DEMAT REGISTRARS

**R & D Consultants Private Limited**  
610, Dalamal Towers,  
211, Nariman Point,  
Mumbai 400 021.  
Tel.No. 2834374, 2834347, 2884668.

### BANKERS:

State Bank of India  
Corporation Bank  
Syndicate Bank

### REGISTERED OFFICE:

Sovereign House,  
11-A, Mahal Industrial Estate,  
Mahakali Caves Road,  
Andheri (East),  
Mumbai 400 093.  
Ph.No.: 6923872/73  
Fax No. : 692 3880

### 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 Twentyeighth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Saturday, 14th September, 2002 at the registered office of the company situated at Sovereign House, 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, 2002 together with Report of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. Ramesh C. Sheopuri, who retires by rotation, and being eligible offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Ajay 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 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 appointment of and the remuneration and perquisites being paid or provided to Mr. Sanjay R. Gehani as the Whole time Director of the Company for a period of five years with effect from 1st April, 2002 at a remuneration of Rs. 15,000/- per month and other perquisites as per Annexure and with increment of Rs. 3,000/- per month every year in remuneration and perquisites as may be decided by the Board of Directors from time to time and on the terms and conditions set out in draft Letter of Appointment 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 Letter of Appointment 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 Letter of Appointment 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. Sanjay 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 Letter between the Company and Mr. Sanjay R. 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. Sanjay R. Gehani's office as Whole time Director, the remuneration and perquisites set out in the aforesaid draft Letter of Appointment be paid or granted to Mr. Sanjay 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."

By Order of the Board of Directors  
For SOVEREIGN DIAMONDS LIMITED

**Registered Office :**

Sovereign House,  
11-A, Mahal Industrial Estate,  
Mahakali Caves Road,  
Andheri (East),  
Mumbai 400 093.

**RAMESH H. GEHANI**  
MANAGING DIRECTOR

Place : Mumbai

Date : 31st July, 2002.

**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, 9th September, 2002 to Saturday, 14th September, 2002 (both days inclusive).



4. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, for item No. 5 of the Notice is attached and forms part of this Notice.
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.

### **ANNEXURE TO THE NOTICE**

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

#### **ITEM NO. 5**

Mr. Sanjay Gehani is associated with the Company as Director of the company since 1987. He is Gemologist from U.S.A. and has got rich experience in Diamond Industry. He has in the past contributed towards functioning of the company by giving various suggestions. By appointing him as Wholetime Director of the company, the company will be benefited not only by his experience but also the dedication of work put in by him in the Industry over the years. In view of this the Board of Directors of the company has appointed him as Wholetime Directors at the Board Meeting held on 26th April, 2002 for a period of 5 years with effect from 1st April, 2002.

Details of Remuneration to be paid to Mr. Sanjay R. Gehani as Whole time Director of the company.

#### **SALARY :**

Monthly salary of Rs. 15,000/- with increment of Rs. 3,000/- per month every year.

#### **PERQUISITES:**

##### **Category A**

##### **i. Medical Reimbursement:**

Expenses incurred for self and his family subject to ceiling of Rs. 10,000/- per annum.

##### **Category - B**

##### **i. Provident Fund:**

The Company's contribution to Provident Fund, as per the rules of the Company.

Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent it is not taxable under the Income Tax Act, 1961.

##### **ii. Gratuity :**

Gratuity not exceeding one-half months' salary for each completed year of service.

##### **iii. Leave Encashment**

Leave encashment as per the rules of the company.

This appointment has been made under Schedule XIII in part II in Section II (1)(A) of the Companies Act, 1956.

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 Directors of the Company except Mr. Sanjay Gehani and Mr. Ramesh Gehani, Mr. Ajay Gehani, who are relatives of Mr. Sanjay Gehani shall be concerned or interested in the resolution.

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

#### **Registered Office :**

Sovereign House,  
11-A, Mahal Industrial Estate,  
Mahakali Caves Road,  
Andheri (East),  
Mumbai 400 093.

**RAMESH H. GEHANI**  
MANAGING DIRECTOR

Place : Mumbai

Date : 31st July, 2002.



## DIRECTORS' REPORT

To  
The Members,  
The Directors present their Twentyeighth Annual Report together with the Audited Accounts for the year ended 31st March, 2002.

### A. FINANCIAL RESULTS

(Rs. in Lakhs)

	Year ended 31st March, 2002	Year ended 31st March, 2001
Income from Operations :	1400.99	1090.88
Other Income :	186.87	52.50
Expenditure :	1468.00	1078.26
Interest :	10.67	1.42
Gross Profit :	109.19	61.50
Depreciation :	25.43	22.21
Profit before Tax :	83.76	41.49
Provision for Taxation :	7.00	-
Differed Tax :	20.92	-
Net Profit after Tax :	55.84	41.49
Balance brought forward from last year :	(14.91)	(56.41)
Balance Carried Forward to the Balance Sheet :	40.93	(14.91)

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.1268.44 lacs from Rs.1090.83 lacs in the previous year. The margins on sales have not been improved which is due to economic crisis and competition especially after incident of happening in New York in the month of September 2001. The Company is exploring the possibility of more sale in the near future due to participation in the more international jewellery fare.

### D. FINANCE

Your Directors are pleased to state that during the year under review, the company has paid the full outstanding amount due to the State Bank of India, Diamond Branch, Mumbai, as per the settlement arrived with the Bank.

### E. DIRECTORS

Mr. Ramesh C. Sheopuri and Mr. Ajay Gehani, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Mr. Sanjay Gehani was appointed as Wholetime Director of the Company w.e.f. 1st April, 2002 for a period of 5 years. The detailed terms of his appointment and remuneration are given at item No. 5 of the Notice and Explanatory Statement to the Notice. Members are requested to approve the same.

### F. 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.

**Sovereign Diamonds Limited**

This has helped in better quality output, with improved productivity.  
The Company has not imported any technology.

**FOREIGN EXCHANGE: EARNINGS AND OUTGO**

(Rs. IN LACS)

	2001-2002	2000-2001
A. Earnings (FOB value)	1155.82	1064.74
B. Outgo Imports (CIF)	207.39	138.64
Traveling	49.10	44.10

**G. 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, 2002 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.

**H. 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, 2002, 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, 2002 on a going concern basis.

**I. CORPORATE GOVERNANCE**

As per the requirements of Listing Agreement with Stock Exchange, a report on Corporate Governance is made a part of the Annual Report.

**J. LISTING OF SHARES**

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

**K. AUDITORS**

Members are requested to re-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 :**

Sovereign House,  
11-A, Mahal Industrial Estate,  
Mahakali Caves Road,  
Andheri (East),  
Mumbai 400 093.  
Ph.No.: 6923872/73  
Fax No. : 692 3880

**RAMESH H. GEHANI**  
MANAGING DIRECTOR

Place : Mumbai  
Date : 31st July, 2002.

**Sovereign Diamonds Limited****TO THE MEMBERS OF SOVEREIGN DIAMONDS LIMITED ON COMPLIANCE OF THE CONDITIONS OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31ST MARCH, 2002 UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH RELEVANT STOCK EXCHANGE**

We have read the Report of the Board of Directors on Corporate Governance and have explained the relevant records relating to compliance of conditions of corporate governance by Sovereign Diamonds Limited ("the Company") for the year ended 31st March, 2002 as stipulated in Clause 49 of Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the "Guidance Note on Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India, was limited to procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**J.D. Zatakia & Co.**  
*Chartered Accountants*

Place: Mumbai  
Date : 31st July, 2002

**J. D. Zatakia**  
*Proprietor*





## REPORT ON CORPORATE GOVERNANCE

### Company's Philosophy on Corporate Governance

The Company's philosophy on corporate governance is aimed at assisting the top management of the company in efficient conduct of its business, transparency in management and in meeting its obligations towards shareholders.

### I. Board of Directors

The present strength of the Board is 5 (five) Directors. The Board comprises of 1 (one) Managing Director, 2 (two) Wholetime Director and 2 (two) Non-Executive Directors. The Board's role, functions, responsibility and accountability are clearly defined. The company has appointed Mr. Ramesh Gehani, Director as Chairman of the Board of Directors of the company.

The Meeting of the Board of Directors are chaired by Mr. Ramesh Gehani or in his absence Mr. Ajay Gehani.

The attendance of each Directors at the Board Meetings and the last AGM is given below;

Name of the Director	Category of Directorship	Attendance particulars	
		Board Meeting	Last AGM.
Mr. Ramesh Gehani	Managing Director	6	Yes
Mr. Ajay Gehani	Wholetime Director	6	Yes
Mr. Sanjay Gehani	Wholetime Director	6	Yes
Mr. Ramesh Sheopuri	Director	4	No
Mr. Vijay Kalantri	Director	4	No

### Directors with materially peculiarly or business relationship with Co.

There has been no material relevant peculiarly transaction or relationships between the Company and its non-executive director.

### II. Audit Committee

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

Mr. Sanjay Gehani	-	Chairman
Mr. Ramesh Sheopuri	-	Member
Mr. Vijay Kalantri	-	Member

Mr. Ramesh Gehani, a Managing Director of the Company would attend the meeting on the invitation of the Chairman.

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.

There were 4 meetings of the Audit Committee during the year 2001-2002. The attendance of each member of the Committee is given below;

Name of the Director	No. of Meetings attended
Mr. Sanjay Gehani	4
Mr. Ramesh Sheopuri	4
Mr. Vijay Kalantri	4
Mr. Ramesh Gehani	4

As per the terms of reference prescribed by the Board as stipulated in Clause 49(II)(d) of the Listing Agreement, the committee performs such duties and tasks as are assigned to it by the Board. The Committee has access to all records of the Company. The committee reviews the report of the internal and statutory auditors, internal audit systems and procedures, internal control systems, etc. and also addresses the requirements of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges.

### III. Remuneration Committee

The company does not have a remuneration committee, however the Board determines and recommend the remuneration package/ commission on profits payable to the Managing/Wholetime Directors subject to approval by members in the General Meeting. Mr. Ramesh Gehani, Mr. Ajay Gehani and Mr. Sanjay Gehani are related to each other and none of the employees are related to any of the Directors of the company.