



*Sovereign*  
Diamonds Ltd.

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29<sup>th</sup>

**ANNUAL REPORT**  
**2002 - 2003**

## **SOVEREIGN DIAMONDS LIMITED**

### **TWENTYNINTH ANNUAL REPORT 2002-2003**

#### **TWENTYNINTH ANNUAL GENERAL MEETING**

on 29th September, 2003  
at Sovereign House,  
11-A Mahal Industrial Estate,  
Mahakali Caves Road,  
Andheri (East), Mumbai 400 093.  
Time: 12.30 noon.

#### **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
Mr. Chandru Punjabee	- Director

#### **REGISTERED OFFICE :**

Sovereign House,  
11-A Mahal Industrial Estate,  
Mahakali Caves Road,  
Andheri (East),  
Mumbai 400 093.  
Ph.No.: 56923872/73.

#### **STATUTORY AUDITORS**

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

#### **BANKERS :**

State Bank of India  
Corporation Bank  
Syndicate Bank

#### **REGISTRAR & TRANSFER AGENTS**

Mondkar Computers Private Limited  
21, Shakil Niwas, Opp. Satya Saibaba Temple,  
Mahakali Caves Road,  
Mumbai - 400 093.  
Tel.No. : 28 25 76 41.  
Fax No : 28 21 19 96

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

**Sovereign Diamonds Limited****NOTICE**

NOTICE is hereby given that the Twentyninth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Monday, 29th September, 2003 at the registered office of the company at Sovereign House, 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai 400 093 at 12.30 noon 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, 2003 together with Report of 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 re-appointment.
- 3) To appoint a Director in place of Mr. Sanjay 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 without modification, the following resolution as an Ordinary Resolution.

To appoint a Director in place of Mr. Chandru J. Punjabee, who was appointed as an Additional Director under Article 116 of Articles of Association of the Company and who by virtue of Section 260 of the Companies Act, 1956, holds office upto the date of this Annual General Meeting, but being eligible, offers himself for re-appointment and in respect of whom the Company has received Notice in writing under Section 257 of the Companies Act, 1956 from certain members proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.

By Order of the Board of Directors  
For SOVEREIGN DIAMONDS LIMITED

**Registered Office :**

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

**RAMESH H. GEHANI**  
MANAGING DIRECTOR

Place : Mumbai  
Date : 30th June, 2003.

**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 20th September, 2003 to 27th September, 2003 (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 annexed.



5. The members are requested to :

- a) Intimate changes, if any, in their Registered address to the Registrar and Share Transfer Agents 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. Chandru J. Punjabee was appointed as an Additional Directors under Article 116 of the Articles of Association of the Company on 5th June, 2003, pursuant to Section 260 of the Companies Act, 1956. As per his term of appointment, his term as Director expires at the forthcoming Annual General Meeting. The Company in turn has received notice from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to appoint him as Director. The Directors recommend his appointment in the best interest of the Company.

None of the Directors except Mr. Chandru J. Punjabee is considered to be interested in the passing of these resolution.

**By Order of the Board of Directors**

**For SOVEREIGN DIAMONDS LIMITED**

#### **Registered Office :**

11-A, Mahal Industrial Estate,

Mahakali Caves Road,

Andheri (East),

Mumbai 400 093.

**RAMESH H. GEHANI**

**MANAGING DIRECTOR**

Place : Mumbai

Date : 30th June, 2003.

**Sovereign Diamonds Limited****DIRECTORS' REPORT**

To

The Members,

The Directors present their Twentyninth Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

**A. FINANCIAL RESULT**

(Rs. in Lakhs)

	Year ended 31st March, 2003	Year ended 31st March, 2002
Income from Operations:	1184.27	1400.99
Other Income:	5.77	186.87
Expenditure:	1133.36	1468.00
Interest	3.69	10.67
Gross Profit:	52.99	109.19
Depreciation:	25.75	25.43
Profit before Tax:	27.24	83.76
Provision for Taxation:	9.50	7.00
Add : Differed Tax:	6.47	20.92
Net profit after tax:	24.20	55.84
Less Transfer to General Reserve	15.00	0.00
Less Prior year Income Tax	00.03	0.00
Balance brought forward from last year:	40.93	(14.91)
Balance Carried Forward to the Balance Sheet	50.10	40.93

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

**B. DIVIDEND**

Your Directors do not recommend any dividend for the year as the Profit earned need to be ploughed back into the operations of the Company

**C. WORKING OF THE COMPANY**

Turnover of the Company for the year under review is Rs.1274.56 lacs compare to Rs. 1400.99 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. 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.

The Board of Directors at its meeting held on 5th June, 2003 appointed Mr. Chandru J. Punjabee as an additional Director of the Company. As per Section 260 of the Companies Act, 1956 his term as Director expires at the forthcoming Annual General Meeting. The Company in turn has received notice from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to appoint him as Director. The Directors recommend his appointment in the best interest of the Company.

**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.

**Sovereign Diamonds Limited****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.

**FOREIGN EXCHANGE: EARNINGS AND OUTGO**

(Rs. IN LACS)

	2002-2003	2001-2002
A. Earnings (FOB value)	1251.52	1155.82
B. Outgo Imports (CIF)	240.59	207.39
Traveling	73.37	53.17

**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, 2003 is not given as no employee is in receipt of remuneration in excess of Rs. 2,00,000/- p.m. or Rs. 24,00,000/- 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, 2003, 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, 2003 on a going concern basis.

**H. LISTING OF SHARES**

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

**I. CORPORATE GOVERNANCE**

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto.

**J. AUDITORS**

M/s. J.D.Zatakia and Co. Chartered Accountants retires in the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. You are requested to appoint them and fix their remuneration

For and on behalf of the Board of Directors  
For **SOVEREIGN DIAMONDS LIMITED**

**Registered Office :**

11-A, Mahal Industrial Estate,  
Mahakali Caves Road,  
Andheri (East), Mumbai 400 093  
Place : Mumbai  
Date : 30th June, 2003.

**RAMESH H. GEHANI**  
MANAGING DIRECTOR

**Sovereign Diamonds Limited****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 6 (six) Directors. The Board comprises of 1 (one) Managing Director, 2 (two) Wholetime Director and 3 (three) 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	8	Y e s
Mr. Ajay Gehani	Wholetime Director	8	Y e s
Mr. Sanjay Gehani	Wholetime Director	8	Y e s
Mr. Ramesh Sheopuri	Director	6	No
Mr. Vijay Kalantri	Director	6	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. Ramesh Gehani	-	Chairman
Mr. Ramesh Sheopuri	-	Member
Mr. Vijay Kalantri	-	Member

The Audit Committee has met periodically during the year 2002-2003 and gave its reports and recommendations to the Board of Directors for Corporate Governance and overall improvement in the functioning of the Company.

There were 3 meetings of the Audit Committee during the year 2002-2003. The attendance of each member of the Committee is given below;

Name of the Director	No. of Meetings attended
Mr. Ramesh Gehani	3
Mr. Ramesh Sheopuri	3
Mr. Vijay Kalantri	3

## **Sovereign Diamonds Limited**



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/Wholtime 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.

### **Remuneration of Directors**

The remuneration of Directors has been fixed and approved by the Members at the 26th Annual General Meeting held on 30th September, 2000 and at the 28th Annual General Meeting held on 14th September, 2002. During the year the Board of Directors of the Company has revised the remuneration payable to Mr. Ramesh Gehani, Managing Director and Mr. Ajay Gehani, Whole-Time Director of the Company pursuant to the amendment in the Schedule XIII to the Companies Act, 1956 notified by the Government of India on 16th January, 2002.

### **Details of remuneration paid to the Directors**

The aggregate value of remuneration and perquisites paid to the Managing and Wholtime Directors for the year ended 31st March, 2003, were as under;

Sl. No.	Name of Director	Salary	Perquisites
1.	Mr. Ramesh Gehani	Rs. 6,48,000/-	Rs. 4,53,600/-
2.	Mr. Ajay Gehani	Rs. 6,00,000/-	Rs. 4,20,000/-
3.	Mr. Sanjay Gehani	Rs. 1,80,000/-	N.A.

### **IV. Shareholders**

#### **Disclosure regarding appointment and reappointment of Directors**

As per the statute two thirds of the directors should be retiring directors. One third of the directors are required to retire every year and if eligible, these directors qualify for re-appointment.

Mr. Vijay Kalnatri and Mr. Sanjay Gehani, retires by rotation at the ensuing Annual General Meeting. They are eligible for reappointment.

### **Means of Communication**

The Board takes on record the unaudited financial results in the prescribed proforma of the stock exchanges within a month of closure of the quarter and announces forthwith the results to all the stock exchanges where the company's shares are listed. Further, the highlights of quarterly unaudited financial results are also published at least in two newspapers within 48 hours of the conclusion of the meeting of the Board in which they are taken on record. This is published at least in one English daily news paper circulating in the whole or substantially the whole of India and in one news paper published in the language of the region, i.e. Maharashtra since, the place of the Registered Office of the Company is at Mumbai (Maharashtra).