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30th
ANNUAL REPORT
2003 - 2004

SOVEREIGN DIAMONDS LIMITED

THIRTIETH ANNUAL REPORT 2003 - 2004

THIRTIETH ANNUAL GENERAL MEETING

on Tuesday, 28th September, 2004
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 :

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 alongwith them this copy of the Annual Report.

Sovereign Diamonds Limited



NOTICE

NOTICE is hereby given that the **Thirtieth Annual General Meeting** of the Members of **SOVEREIGN DIAMONDS LIMITED** will be held on Tuesday, 28th September, 2004 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 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, 2004 together with Report of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. Ramesh Sheopuri, who retires by rotation, and being eligible offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Chandru Punjabee, who retires by rotation, and being eligible offers himself for re-appointment
- 4) To appoint Auditors and fix their remuneration.

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

RAMESH H. GEHANI
MANAGING DIRECTOR

Registered Office :

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

Place : Mumbai

Date : 23rd July 2004.

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 21st September, 2004 to 28th September, 2004 (both days inclusive).
4. 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.

Sovereign Diamonds Limited**DIRECTORS' REPORT**

To

The Members,

The Directors present their Thirtieth Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

A. FINANCIAL RESULTS

(Rs. in Lakhs)

	Year Ended 31st March, 2004	Year Ended 31st March, 2003
Income from Operations	937.40	1,184.27
Other Income	3.13	5.77
Expenditure	900.80	1,133.36
Interest	10.86	3.69
Gross Profit	28.87	52.99
Depreciation	26.80	25.75
Profit before Tax	2.07	27.24
Provision for Taxation	3.75	9.50
Add : Deferred Tax	1.38	6.47
Net profit after tax	(3.06)	24.20
Less : Transfer to General Reserve	—	15.00
Less : Prior Year Income Tax	0.14	0.03
Balance brought forward from last year	50.10	40.93
Balance carried forward to the Balance Sheet	46.90	50.10

B. DIVIDEND

Your Directors do not recommend any dividend for the year as the company has suffered loss during the year under review.

C. WORKING OF THE COMPANY

Turn over of the company for the year under review is Rs.928.85 Lacs compare to Rs.1274.56 Lacs in the previous year and the company has suffered net loss of Rs. 3.06 lacs as against net profit of Rs.24.20 lacs in the previous year. This is mainly due to crisis and competition. The Company is exploring the possibility of more sale and better results in near future. The Directors are also traveling a lot to add more customers and areas for exports. We are hopeful for better results in future.

D. DIRECTORS

Mr. Ramesh Sheopuri and Mr. Chandru Punjabee, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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)

	2003-2004	2002-2003
A. Earnings (FOB value)	910.92	1,251.52
B. Outgo Imports (CIF)	165.67	240.59
Traveling / Exhibition Charges	167.10	74.37

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, 2004 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, 2004, 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, 2004 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 & Co., Chartered Accountants retires at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. 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 :

Sovereign House,
11-A, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (East), Mumbai 400 093.
Place : Mumbai
Date : 23rd July, 2004

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) Whole-time Directors and 3 (three) Non-Executive independent 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	5	Yes
Mr. Ajay Gehani	Whole-time Director	6	Yes
Mr. Sanjay Gehani	Whole-time Director	6	Yes
Mr. Ramesh Sheopuri	Director	3	No
Mr. Vijay Kalantri	Director	3	No
*Mr. Chandru Punjabee	Director	2	No

* Mr. Chandru Punjabee was appointed as Director on 5th June, 2003.

Directors with materially peculiarly or business relationship with Company.

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
Mr. Chandru Punjabee	-	Member

The Audit Committee has met periodically during the year 2003 - 2004 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 2003 - 2004. 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
Mr. Chandru Punjabee	-	2

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 / Whole - Time 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, 2003. 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, 2003. During the year the company has reduced the remuneration payable to the Managing Director.

Details of remuneration paid to the Directors

The aggregate value of remuneration and perquisites paid to the Managing and Whole - Time Directors for the year ended 31st March, 2004, were as under;

Sl. No.	Name of Director	Salary	Perquisites	Sitting Fees
1.	Mr. Ramesh Gehani	Rs. 4,32,000	Rs. 3,02,400	Rs. NIL
2.	Mr. Ajay Gehani	Rs. 8,40,000	Rs. 5,88,000	Rs. NIL
3.	Mr. Sanjay Gehani	Rs. 1,80,000	Rs. NIL	Rs. NIL
4.	Mr. Ramesh Sheopuri	Rs. NIL	Rs. NIL	Rs. NIL
5.	Mr. Vijay Kalantri	Rs. NIL	Rs. NIL	Rs. 19,500
6.	Mr. Chandru Punjabee	Rs. NIL	Rs. NIL	Rs. NIL

IV. Shareholders

Disclosure regarding appointment and re-appointment 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. Ramesh Sheopuri and Mr. Chandru Punjabee, retires by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

Means of Communication

The Board takes on record the un-audited 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 un-audited 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. Marathi since, the place of the Registered Office of the Company is at Mumbai (Maharashtra).

Sovereign Diamonds Limited**Details of Non Compliance**

There have been no instances of Non compliances on any matter relating to the capital market during the last three years.

General Shareholder information**Investors/Shareholders Grievance cum Share Transfer Committee**

The Board has constituted an investors/shareholders Grievance cum Share Transfer Committee comprising of Mr. Ramesh Gehani, Mr. Ajay Gehani and Mr. Sanjay Gehani, Directors. The Committee looks into investors/ shareholders complaints. The Company has resolved all complaints by furnishing the requisite information/ documents. The Committee meets twice a month to look after share transfer. All share transfer work of the company is carried out by the Company's Share Transfer Agent M/s. Mondkar Computers Private Limited.

General Body Meetings

Date time and venue for the last 3 Annual General Meetings are given below ;

Financial Year	Date	Time	Venue
31-03-2001	28-09-2001	11.00 a.m.	Factory
31-03-2002	14-09-2002	12.30 p.m.	Registered Office
31-03-2003	29-09-2003	12.30 p.m.	Registered Office

Annual General Meeting

Last AGM was held on 29th September, 2003 at 12.30 p.m. at the Registered Office of the Company.

Financial Year

1st April, to 31st March.

Book Closure

21st September, 2004 to 28th September, 2004

Dividend

No dividend was declared for last financial year.

Dividend declared in earlier years

31st March, 2001	–	Nil
31st March, 2002	–	Nil
31st March, 2003	–	Nil

Listing of Shares

The Company's shares are listed at Mumbai Stock Exchange. Listing fees for the same have been paid to the stock exchange.