



Sovereign

Diamonds Ltd.

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34th
Annual Report
2007 – 2008

THIRTY FOURTH ANNUAL GENERAL MEETING

on Tuesday, 23rd September, 2008

at Sovereign House,

11 – A, Mahal Industrial Estate,

Mahakali Caves Road,

Andheri (East), Mumbai 400 093.

Time: 11.30 A.M.

REGISTERED OFFICE:

Sovereign House,

11 – A, Mahal Industrial Estate,

Mahakali Caves Road,

Andheri (East), Mumbai 400 093.

Ph. No.: 66923872/73.

BOARD OF DIRECTORS:

Mr. Ramesh Hotchand Gehani	- Managing Director
Mr. Ajay R. Gehani	- Managing Director
Mr. Sanjay R. Gehani	- Director
Mr. Ramesh C. Sheopuri	- Director
Mr. Vijay G. Kalantri	- Director
Mr. Mohanram Pai	- Director

BANKERS:

Corporation Bank

STATUTORY AUDITORS

M/s. J. D. Zatakia & Co.

306, Rupa Plaza, Jawahar Road,

Ghatkopar (E), Mumbai 400 077.

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 Thirty-Fourth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Tuesday, 23rd September, 2008 at the registered office of the company at Sovereign House, 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai – 400 093 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet and the Audited Profit and Loss Account for the year ended 31st March, 2008 together with Report of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. Mohanram Pai, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To re-appoint Auditors and fix their remuneration.

**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

**AJAY R. GEHANI
MANAGING DIRECTOR**

Place : Mumbai
Date : 30th July, 2008.

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 Saturday, 20th September, 2008 to Tuesday, 23rd September, 2008 (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 Thirty-Fourth Annual Report together with the Audited Accounts for the year ended 31st March, 2008

A. FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year Ended 31st March, 2008	Year Ended 31st March, 2007
Income from Operations	1277.62	1486.14
Other Income	19.04	4.27
Total Income	1296.66	1490.41
Expenditure	1230.50	1405.37
Interest	28.60	16.09
Depreciation	26.21	29.42
Total Expenditure	1285.31	1450.88
Profit(+) Loss(-)	11.35	39.53
Provision for Taxation	8.00	19.00
Fringe Benefit Tax	5.50	5.00
Add : Deferred Tax	3.90	3.57
Net profit after tax	1.75	19.10
Less : Transfer to General Reserve	--	15.00
Less : Prior Year Income Tax	--	2.43
Balance brought forward from last year	61.19	59.52
Balance carried forward to the Balance Sheet	62.94	61.19

B. DIVIDEND

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

C. WORKING OF THE COMPANY

During the year the company has achieved turnover of Rs. 1277.62 lacs as against 1486.14 lacs in the previous year. The decrease in turnover is due to slow down in International market. The Company is entering into the Indian Jewellery Retail Market and supplying to big jewellery stores in Metro cities. This will results in higher turnover for the Company.

D. DIRECTORS

Mr. Mohanram Pai, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer himself 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)	
		2007 - 2008	2006 - 2007
A.	Earnings (FOB value)	8587.31	1318.43
B.	Outgo Imports (CIF)	4733.12	1.36
	Traveling / Exhibition Charges	27.91	91.86

- 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, 2008 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. COMMENTS ON AUDIT REMARKS.

The Company has taken group gratuity scheme policy with LIC. The Company is in the process of working out the details for other matters for full compliance of revised AS-15.

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;

- i) That in the preparation of the Annual Accounts for the financial year 31st March, 2008, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- ii) 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.
- iii) 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.
- iv) That the Directors have prepared the Accounts for the financial year ended 31st March, 2008 on a going concern basis.

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. CORPORATE GOVERNANCE

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

Sovereign Diamonds Limited

J. AUDITORS

M/s. J. D. Zatakia & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made would be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

**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

**AJAY R. GEHANI
MANAGING DIRECTOR**

Place : Mumbai
Date : 30th July, 2008.

**PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE
GOVERNANCE**

TO,
THE MEMBERS,
SOVEREIGN DIAMONDS LIMITED

We have examined the Compliance of conditions of Corporate Governance by **Sovereign Diamonds Limited** ("the Company") for the year ended 31st March, 2008 as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor was it conducted to express an opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the Clause 49 of the Listing Agreement and that no investor grievances is / are pending for a period exceeding one month against the Company as per the records maintained by the Registrar & Share Transfer Agents and Shareholders / Investors Grievance Committee.

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.

**For P. P. Shah & Co.
Practising Company Secretary**

Place : Mumbai
Date : 30th July, 2008

**P. C. Shah
Partner
Membership No. 1483**

Sovereign Diamonds Limited**REPORT ON CORPORATE GOVERNANCE****I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy since its inception, has always looked at good Corporate Governance as a way of life, observing the highest level of ethics in all its dealings, committing and continuing to maintain its long standing legacy of fair and transparent governance.

The Company has complied with the Corporate Governance Code, the disclosure requirements of which are given below:

II. BOARD OF DIRECTORS**i) Board Composition:**

The strength of the Board was 6 Directors as on 31st March, 2008. The composition and category of Directors on the Board of the Company are:

Executive Director

Name	Designation	Relationship
Mr. Ramesh Gehani	Chairman and Managing Director	Father of Mr. Ajay Gehani and Mr. Sanjay Gehani
Mr. Ajay Gehani	Managing Director	Son of Mr. Ramesh Gehani and Brother of Mr. Sanjay Gehani

Non-Executive Director

Mr. Sanjay Gehani (Promoter) – Son of Mr. Ramesh Gehani and Brother of Mr. Ajay Gehani

Mr. Ramesh C. Sheopuri (Independent) – Not Related to any Director

Mr. Vijay Kalantri (Independent) – Not Related to any Director

Mr. Mohanram Pai (Independent) – Not Related to any Director

The Independent Directors do not have any material or pecuniary relationship or transaction with the Company, its promoters or its management, which may affect their judgement in any manner.

ii) Other Directorship and Membership of Board Committees:

None of the Directors hold Directorship in more than the permissible no. of Company under the relevant provision. Further, none of the Directors on the Board is a member of more than Ten Committees or Chairman of more than Five Committees.

iii) Board Meetings:

The Board met 5 times during the period from April, 2007 to March, 2008, i.e. 16th April, 2007, 29th June, 2007, 25th July, 2007, 30th October, 2007 and 30th January, 2008.

Sovereign Diamonds Limited

iv) Board Meeting Attendance record of the Directors in 2007 – 2008:

Name of the Director	Category of Directorship	No. of Meetings held	Attendance particulars	
			Board Meeting	Last AGM
Mr. Ramesh Gehani	Managing Director	5	5	Yes
Mr. Ajay Gehani	Managing Director	5	5	Yes
Mr. Sanjay Gehani	Director	5	3	Yes
Mr. Ramesh Sheopuri	Independent	5	5	No
Mr. Vijay Kalantri	Independent	5	5	No
Mr. Mohanram Pai	Independent	5	5	No

v) Code of Conduct:

The Board has formulated a code of conduct for the Board members and senior management of the Company. All Board members and senior management have affirmed their compliance with the code. A declaration to this effect signed by the Managing Director of the Company is given elsewhere in the Annual Report.

III. Audit Committee

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

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

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 statutory auditors and procedures, internal control systems, etc. and also addresses the requirements of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges.

The Audit Committee of the Company meets before the finalization of accounts each year and also meets each quarter before the results of that quarter is published in the newspaper and informed to the Stock Exchanges as required under Clause 41 of the Listing Agreement.

There were 4 meetings of the Audit Committee during the year 2007 – 2008. The attendance of each member of the Committee is given below;

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

IV. REMUNERATION COMMITTEE

The Company has not constituted a separate committee to determine the terms of reference and remuneration package for its managerial personnel.

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The Board of Directors determines the remuneration of Managing Director within the framework as approved by the Shareholders and also decides on the sitting fees to be paid to the Non-Executive Directors for attending the Board Meetings.

The remuneration payable to Mr. Ramesh H. Gehani, Managing Director and Mr. Ajay R. Gehani, Managing Director was approved by the Board of Directors at its meeting held on 8th August, 2005 and approved by the members at the Annual General Meeting held on 24th September, 2005.

The aggregate value of remuneration and perquisites paid to the Managing and Whole - Time Directors for the year ended 31st March, 2008, were as under;

Sl. No.	Name of Director	Salary	Perquisites	Sitting Fees
1.	Mr. Ramesh Gehani	Rs. 3,96,000	Rs. 2,77,200	Rs. NIL
2.	Mr. Ajay Gehani	Rs. 3,78,000	Rs. 2,64,600	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. 9,600
6.	Mr. Mohanram Pai	Rs. NIL	Rs. NIL	Rs. 9,600

NOTES:

1. The Company has not paid any compensation except sitting fees to the independent non-executive director.
2. The Company does not pay bonus, pension and incentives to the Managing Director. The Company so far has not issued any stock options to Executive / Non-executive / independent Director.
3. Equity shares of Sovereign Diamonds Limited held by non-executive Directors are as follows:

Directors	No. of shares held as on 31 st March, 2008	No. of shares held as on 31 st March, 2007
Mr. Ramesh Sheopuri	NIL	NIL
Mr. Vijay Kalantri	NIL	NIL
Mr. Mohanram Pai	NIL	NIL

V. SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE

The following Directors have been appointed as members of the committee.

- i. Mr. Ramesh Sheopuri - Chairman & Non Executive Independent Director
- ii. Mr. Vijay Kalantri - Member & Non Executive Independent Director
- iii. Mr. Ramesh Gehani - Member & Executive Director

The Committee has delegated the power to approve the transfer to the Registrar & Transfer Agent. The shareholders of the Company are serviced by Mondkar Computers Private Limited, the Registrar & Transfer Agent. The Committee also monitors redressal of investors' grievances. The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 3. There was no complaint pending as on March 31, 2008.

As required by the Stock Exchanges, the Company has appointed Ms. Sanjeevani J Suvarna as the Compliance Officer to monitor the share transfer process and liaise with the regulatory authorities.

Sovereign Diamonds Limited

During the year 2007 – 2008 the Shareholders / Investors' Grievances Committee has met five times and all the members of the Shareholders / Investors' Grievances Committee remain present.

VI. General Body Meetings

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

Financial Year	Date	Time	Venue
31-03-2005	24-09-2005	12.30 p.m.	Registered Office
31-03-2006	25-08-2006	12.00 Noon	Registered Office
31-03-2007	26-09-2007	11.00 A.M.	Registered Office

Notes:

1. There were no special resolutions passed by the Company at any of the above meetings except the following:

In the Annual General Meeting held on 24th September, 2005, 2 special resolutions approving the payment of Managerial Remuneration to Mr. Ramesh Gehani and Mr. Ajay Gehani were passed.

2. There were no special resolutions passed through postal ballot last year.
3. At the ensuing Annual General Meeting, there are no resolutions proposed to be passed through postal ballot.

VII. DISCLOSURES

- i. The Company has not entered into any materially significant related party transaction during the year that may have potential conflict with the interests of the Company at large.
- ii. There has been no incidence of non-compliance by the Company of any statutory regulations nor any penalty or stricture imposed by the Stock Exchange or SEBI or any other statutory authority, on any matter relating to the capital market over the last three years.
- iii. The details of all transactions with related parties are placed before the Audit Committee on quarterly basis.
- iv. In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- v. The constitution of whistle blower policy is a non mandatory requirement. However the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2007 – 2008.
- vi. The Company has complied with all mandatory requirements of Clause 49 of Listing requirements.