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**Sovereign**  
Diamonds Ltd.

**35<sup>th</sup>**  
**ANNUAL REPORT**  
**2008 - 2009**

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**THIRTY-FIFTH ANNUAL GENERAL MEETING**

on Wednesday, 23<sup>rd</sup> September, 2009

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. 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.

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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.

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

NOTICE is hereby given that the Thirty-Fifth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Wednesday, 23rd September, 2009 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, 2009 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 re-appoint Auditors and to 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  
Place: Mumbai  
Date: 15th July, 2009.

sd/-  
**AJAY R. GEHANI**  
MANAGING DIRECTOR

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IS ENCLOSED ALONG WITH THIS NOTICE.
2. The Proxy Form, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. For the convenience of the shareholders, Attendance Slip is annexed to this notice. Shareholders/Proxy Holders are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue.
4. Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956, is not required to be annexed.
5. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, 18th September, 2009 to Wednesday, 23rd September, 2009. (both days inclusive).
6. As per the provisions of the Companies Act, 1956 facility for making nominations is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from Depository Participants (DPs) in respect of their holdings in electronic form and from the company's Registrar and Transfer agent or Secretarial department of the company in respect of their holding in physical form.
7. Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Secretarial department at the Registered Office of the company or to the Registrar and Transfer Agents in respect of their holding in physical form.
8. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report.
9. Members who hold the shares in dematerialized form are requested to bring their Client ID and DP ID numbers and Members holding shares in Physical Form are requested to quote their Folio Numbers for easy identification of attendance at the Meeting.

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

To

The Members,

The Directors present their Thirty-Fifth Annual Report together with the Audited Accounts for the year ended 31st March, 2009

**A. FINANCIAL RESULTS**

	(Rs. in Lakhs)	
	Year Ended 31st March, 2009	Year Ended 31st March, 2008
Income from Operations	1707.30	1277.62
Other Income	4.70	19.04
<b>Total Income</b>	<b>1712.00</b>	<b>1296.66</b>
Expenditure	1624.67	
Interest	55.06	28.60
Depreciation	31.28	26.21
<b>Total Expenditure</b>	<b>1711.01</b>	<b>1285.31</b>
<b>Profit(+) Loss(-)</b>	<b>.99</b>	<b>11.35</b>
Provision for Taxation	5.75	8.00
Fringe Benefit Tax	5.50	5.50
Add : Deferred Tax	3.06	3.90
<b>Net profit after tax</b>	<b>-7.2</b>	<b>1.75</b>
Less : Transfer to General Reserve	-	-
Less : Prior Year Income Tax	-	-
Balance brought forward from last year	65.83	61.19
Balance carried forward to the Balance Sheet	58.63	62.94

**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.1712.52 lacs as against Rs.1277.62 lacs in the previous year. The increase in turnover is due to fluctuation in Dollar rate. 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. Vijay Kalantri, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Mr. Sanjay Gehani and Mr. Ramesh Sheopuri have resigned as Director's of the Company. The Board records its appreciation for the valuable contributions made by them during their tenure as Director of the Company.

**E. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO**

The disclosures in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, (Referred to as the rules) are as follows:

**A. Conservation of Energy:**

The activity of the Company does not require large scale consumption of energy. Hence, the Company has not taken any energy conservation measures. There are no additional investments and proposals, for reduction of

**Sovereign Diamonds Limited**

consumption of energy. The Company does not fall within the category of list of industries mentioned in Schedule forming part of the rules. Hence, no disclosures are required to be given in Form A as annexed to the rules.

**B. Technology Absorption:**

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. The disclosures required to be given in Form B as annexed to the rules are as follows:

**Form for Disclosure of Particulars with respect to absorption Research & Development (R & D):**

Specific Areas in which R & D carried out by the Company.	Manufacture of Jewellery
Benefits derived as a result of the above R & D.	Helped in better quality output, with improved productivity.
Future Plan of Action	Development of new designs in Jewellery.
Expenditure on R & D:	The Company carries out the R & D work in-house.
(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R & D expenditure as a percentage of Total Turnover	Nil

**Technology absorption, adaptation and innovation**

Efforts, in brief, made towards technology absorption, adaptation & innovation

Benefits derived as a result of above efforts

Imported Technology The Company has not imported any technology.

**C. Foreign Exchange Earning and Outgo:**

Foreign Exchange Earnings/Outgo:

Foreign Exchange Earned:

Foreign Exchange Outgo:

**F. FIXED DEPOSITS**

The Company has not accepted any deposit from the public.

**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, 2009 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.

**H. COMMENTS ON AUDIT REMARKS.****Auditors Qualification**

- i. As regard provision for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note No. 1 (g) and 7.
- ii. Non-provisions for doubtful debts as mentioned in note no. 18

**Comments**

- i. The company has taken a policy with Life Insurance Corporation of India to cover the gratuity liability of the employees and premium paid to the LIC is charged to Profit and Loss Account.
- ii. The Company is in the process of working and obtaining gratuity liability certificate from LIC as required under AS 15. On determining the said liability, provision shall be made in the account of following year by adjustment from General Reserve or charge to Profit & Loss Account

## Sovereign Diamonds Limited



iii. The Directors are hopeful to recover the amount in current year.

### I. 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, 2009, 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, 2009 on a going concern basis.

### J. LISTING OF SHARES

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

### K. 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.

### L. 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  
Place : Mumbai  
Date : 15th July, 2009.

Sd/-  
**AJAY GEHANI**  
MANAGING DIRECTOR

**Sovereign Diamonds Limited****CORPORATE GOVERNANCE REPORT (under Clause 49 (VI) (i) of Listing Agreement)****I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company's philosophy on Corporate Governance strives for attaining the optimum level of transparency and accountability in all facets of its operations and all dealings with its shareholders, employees, lenders, creditors, customers and the government. The Board of Directors by considering itself the trustee of its Shareholders aims at maximizing shareholders value and protecting the interest of other stakeholders

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

The strength of the Board was 4 Directors as on 31st March, 2009. The composition and category of Directors on the Board of the Company are:

**Executive Director**

Name	Executive / Non Executive	Promoter / Independent	Relationship
Mr. Ramesh Gehani	Executive -Chairman and Managing Director	Promoter	Father of Mr. Ajay Gehani and Mr. Sanjay Gehani
Mr. Ajay Gehani	Executive - Managing Director	Promoter	Son of Mr. Ramesh Gehani
Mr. Sanjay Gehani*	Non Executive	Promoter	Son of Mr. Ramesh Gehani
Mr. Ramesh Sheopuri**	Non Executive	Independent	Not Related to any Director
Mr. Vijay Kalantri	Non Executive	Independent	Not Related to any Director
Mr. Mohanram Pai	Non Executive	Independent	Not Related to any Director

\*Resigned w.e.f. 20th October, 2008

\*\*Resigned w.e.f. 24th October, 2008

**ii) Number of Board Meetings held and attendance of each Director at the Board Meeting:**

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	Sanjay Gehani*	Ramesh Sheopuri**	Vijay Kalantri	Mohanram Pai
26th April, 2008	Present	Present	Absent	Present	Present	Present
30th July, 2008	Present	Present	Absent	Present	Present	Present
24th October, 2008	Present	Present	Absent	Present	Present	Present
31st January, 2009	Present	Present	N.A.	NA	Present	Present
20th March, 2009	Present	Present	N.A.	NA	Absent	Present
Total Attendance out of 5 Meetings.	5	5	Nil	3	4	5
Attendance at Last AGM	Present	Present	Absent	Absent	Absent	Present

\*Resigned w.e.f. 20th October, 2008

\*\*Resigned w.e.f. 24th October, 2008

## Sovereign Diamonds Limited



- iii) a. Number of other Companies in which Directors hold memberships on the Boards:  
 b. Number and Name of Committees in which Directors hold Memberships or Chairmanships:

Name of Director	No. of Other Co.s where Dir	Number & Name of Committee Memberships / Chairmanships			
		Chairman	No.	Member	No.
Mr. Ramesh Gehani	Nil	SIGC - SDL**	1	AC - SDL*	1
Mr. Ajay Gehani	Nil	Nil	0	Nil	0
Mr. Sanjay Gehani#	Nil	Nil	0	Nil	0
Mr. Ramesh Sheopuri##	Nil	Nil	0	SIGC - SDL**	1
Mr. Vijay Kalantri	Nil	Nil	0	AC - SDL* SIGC - SDL**	2
Mr. Mohanram Pai	Nil	AC - SDL*	1	Nil	0

#Resigned w.e.f. 20th October, 2008

##Resigned w.e.f. 24th October, 2008

AC - SDL\* = Audit Committee - Sovereign Diamonds Limited.

SIGC - SDL\*\* = Shareholders/Investors Grievance Committee - Sovereign Diamonds Limited

**Note:** Only Public Limited Companies (Listed and Unlisted) have been taken into consideration while calculating the Committee Chairmanships and Memberships.

### iv) Code of Conduct:

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

### III. AUDIT COMMITTEE

The Composition of the Audit Committee and their attendance at the Audit Committee Meetings are as follows:

Date of Audit Committee Meeting	Mohanram Pai Chairman & Non Executive Independent Director	Vijay Kalantri Non Executive Independent Director	Ramesh Gehani Managing Director
26th April, 2008	Present	Present	Present
30th July, 2008	Present	Present	Present
24th October, 2008	Present	Present	Present
31st January, 2009	Present	Present	Present
Total (out of 4 meetings)	4	4	4

The Board of Directors of the Company has framed a Terms of Reference for the Audit Committee. The Terms of Reference is based on Clause 49 (II) (D) of the Listing Agreement. The Audit Committee performs in accordance with its terms of reference. In addition it exercise powers and reviews information as specified under Clause 49 (II) (C) and (E) of the Listing Agreement.

### IV. REMUNERATION COMMITTEE

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

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.



**Sovereign Diamonds Limited**

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, 2009, were as under;

Sl. No.	Name of Director	Salary	Perquisites	Sitting Fees
1.	Mr. Ramesh Gehani	Rs. 5,67,409	Rs. 3,77,900	Rs. NIL
2.	Mr. Ajay Gehani	Rs. 5,21,857	Rs. 4,14,660	Rs. NIL
3.	Mr. Sanjay Gehani*	Rs. 69,600	Rs. NIL	Rs. NIL
4.	Mr. Ramesh Sheopuri**	Rs. NIL	Rs. NIL	Rs. NIL
5.	Mr. Vijay Kalantri	Rs. NIL	Rs. NIL	Rs. 7,200
6.	Mr. Mohanram Pai	Rs. NIL	Rs. NIL	Rs. 7,200

\*Resigned w.e.f. 20th October, 2008

\*\*Resigned w.e.f. 24th October, 2008.

**NOTES:**

- The Company has not paid any payments to Non Executive Directors except sitting fees.
- The Company does not pay bonus, stock options, pension and performance linked incentives or fixed component incentives to the Directors.
- Details of Service Contracts:

Name	Designation	Period	Approval of Members
Mr. Ramesh Gehani	Executive Managing Director	5 Years (01.09.2005 - 31.08.2010)	Annual General Meeting held on 24th September, 2005
Mr. Ajay Gehani	Executive Managing Director	5 Years (01.09.2005 - 31.08.2010)	Annual General Meeting held on 24th September, 2005

- Equity shares of Sovereign Diamonds Limited held by non-executive Directors are as follows:

Directors	No. of shares held as on 31st March, 2009	No. of shares held as on 31st March, 2008
Mr. Ramesh Sheopuri*	NA	NIL
Mr. Vijay Kalantri	NIL	NIL
Mr. Mohanram Pai	NIL	NIL

\* Resigned w.e.f. 24th October, 2008



## Sovereign Diamonds Limited

### V. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Composition of the Shareholders/Investors Grievance Committee and their attendance at the Shareholders/Investors Grievances Committee Meetings are as follows:

Date of Shareholders Grievances Committee Meeting	Mr. Ramesh Gehani Chairman	Mr. Ramesh Sheopuri** Non Executive Independent Director	Mr. Vijay Kalantri Non Executive Independent Director
26th April, 2008	Present	Present	Present
30th July, 2008	Present	Present	Present
24th October, 2008	Present	Present	Present
31st January, 2009	Present	NA	Present
Total (out of 4 meetings)	4	3	4

\*\*Resigned w.e.f. 24th October, 2008

The Committee has delegated the power to approve the share transfers to its Registrar & Share Transfer Agent i.e. M/s. Mondkar Computers Private Limited. The Committee monitors the redressal of investor's grievances and takes on record the physical share transfers, issue of duplicates share certificates in lieu of share certificates lost/torn/misplaced etc, split/consolidation of share certificates, etc from time to time. The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 0. There were no complaints pending as on March 31, 2009.

Complaint Status for the period 01/04/2008 to 31/03/2009

Category	No. of Compl. Received	No. of Compl Resolved	No. of Compl Pending
NON RECEIPT.OF CREDIT	-	-	-
NON RECEIPT OF DIVIDEND WARRANT	-	-	-
NON RECEIPT OF INTEREST WARRANT	-	-	-
NON RECEIPT OF ANNUAL REPORTS	1	1	1
SEBI	-	-	-
STOCK EXCHANGE	-	-	-
Total :	1	1	1

As required by the Stock Exchanges, the Company has appointed Mr. Ajay Gehani as the Compliance Officer to monitor the share transfer process and liaise with the regulatory authorities.

### VI. General Body Meetings

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

Financial Year	Date	Time	Venue
31-03-2006	25-08-2006	12.00 Noon	Registered Office
31-03-2007	26-09-2007	11.00 A.M.	Registered Office
31-03-2008	23-09-2008	11.30 A.M.	Registered Office

Notes:

1. There were no special resolutions passed by the Company at any of the above meetings.
2. There were no special resolutions passed through postal ballot last year.