



38th
Annual Report
2011-2012

**38TH ANNUAL REPORT
2011- 2012**

Sovereign Diamonds Limited

BOARD OF DIRECTORS

Mr. Ramesh H. Gehani	:	Executive Chairman
Mr. Ajay R. Gehani	:	Managing Director
Mr. Mohanram Pai	:	Director
*Mr. Vijay G. Kalantri	:	Director
**Mr. Rajesh Arora	:	Director

*Resigned w.e.f. 13th August, 2011

**Appointed w.e.f. 13th August, 2011

BANKERS

Corporation Bank

STATUTORY AUDITORS

M/s. J. D. Zatakia & Co.
306, Rupa Plaza, Jawahar Road,
Ghatkopar (E), Mumbai- 400077.

REGISTERED OFFICE

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

Ph No: 022 66923871

Fax No: 022 66923880

REGISTRAR & TRANSFER AGENTS

M/s. Universal Capital Securities Private Limited
Address: 21, Shakil Niwas, Opp. Satya Saibaba Temple,
Mahakali Caves Road, Mumbai – 400 093.

Tel. No. 28 20 72 01 / 03 / 04 / 05

Fax No. 28 20 72 07

NOTICE

NOTICE is hereby given that the Thirty-Eighth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Tuesday, 18th September, 2012 at 10.30 a.m. at Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai: 400 093 to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012, Audited Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
- 2) To appoint a Director in place of Mr. Ajay Gehani, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To re-appoint Statutory Auditors of the Company and to fix their remuneration.

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

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

Place: Mumbai

Date: 2nd August, 2012

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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is not required to be attached to the notice.
4. 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.

5. The Register of Members and Share Transfer Register of the Company will remain closed from Thursday, 13th September, 2012 to Tuesday, 18th September, 2012 (both the days inclusive).
6. Corporate Members intending to send their authorized representatives at the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Members are requested to immediately notify 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.
9. 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.
10. All the shareholders are requested to register their E-Mail id with the Universal Capital Securities Private Limited for the purpose of service of documents under Section 53 of the Companies Act 1956 by E-mode instead of under posting certificate (UPC) in view of Circular No. 17/95/201 CL-V.

DIRECTORS' REPORT

To
The Members,

The Directors present their Thirty- Eighth Annual Report together with the Audited Accounts for the year ended 31st March, 2012

A. FINANCIAL RESULTS

(Rs. in Lakhs)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Income from Operations	2689.93	1935.97
Other Income	1.18	2.01
Total Income	2691.11	1937.98
Expenditure	2467.75	1817.98
Interest	118.13	58.39
Depreciation	33.60	28.89
Total Expenditure	2619.48	1905.26
Profit(+) Loss(-)	71.63	32.72
Provision for Taxation	26.00	15.00
(Add) / Less : Deferred Tax	(0.83)	(1.55)
Short / (Excess) Provision of earlier Years	(0.42)	(1.71)
Net profit after tax	46.88	20.98
Balance brought forward from last year	81.91	60.93
Balance carried forward to the Balance Sheet	128.79	81.91

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.2689.93 lacs as against Rs.1935.97 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. Ajay Gehani, Director retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

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 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	We use the latest laser technology and all automatic casting machines in order to achieve a very high level of finish and setting quality. This combined with mirror polish in our jewellery makes it one of the finest collection in the country
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Benefits derived as a result of above efforts	Due to this finish we are able to work with the leading retailers and wholesalers in India and Europe and they have achieved tremendous success with our product line
Imported Technology	The Company has not imported any technology.

C. Foreign Exchange Earning and Outgo:

	2011-2012	Rs. In lakhs 2010-2011
Foreign Exchange Earnings/Outgo:		
Foreign Exchange Earned:	185.80	197.42
Foreign Exchange Outgo:	0.0	0.0
Travelling / Exhibition Charges	23.31	16.01

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, 2012 is not given as no employee is in receipt of remuneration in excess of Rs.5,00,000/- p.m. or Rs. 60,00,000/- 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;

- i) That in the preparation of the Annual Accounts for the financial year 31st March, 2012, the applicable accounting standards have been followed along with 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.
- ii) 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, 2012 on a going concern basis.

I. AUDITORS QUALIFICATION:

The qualification in auditors report has been dealt in the notes forming part of accounts which is self explanatory

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**

Sd/-	Sd/-
AJAY R. GEHANI	RAMESH GEHANI
MANAGING DIRECTOR	EXECUTIVE CHAIRMAN

Place: Mumbai

Date: 2nd August, 2012

CORPORATE GOVERNANCE REPORT* (under Clause 49 (VI) (i) of Listing Agreement)

***(For The Financial Year 31st March, 2012)**

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is to strive for attaining the optimum level of transparency and accountability in all facets of its operations and all dealings with 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 interests of other stakeholders

II. BOARD OF DIRECTORS

i) Composition and Category of Directors:

The Board consists of 4 Directors, out of which 2 are Independent Directors. Composition of the Board and category of Directors are as follows:

Name	Executive/ Non Executive	Promoter / Independent	Relationship with Directors
Mr. Ramesh Gehani	Executive Chairman	Promoter	Father of Mr. Ajay Gehani
Mr. Ajay Gehani	Executive - Managing Director	Promoter	Son of Mr. Ramesh Gehani
*Mr. Vijay Kalantri	Non Executive	Independent	Not Related to any Director
Mr. Mohanram Pai	Non Executive	Independent	Not Related to any Director
@Mr. Rajesh Arora	Non Executive	Independent	Not Related to any Director

*Resigned on 13th August, 2011.

@Appointed on 13th August, 2011.

ii) Attendance of each Director at the Board Meeting and Last Annual General Meeting:

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	*Vijay Kalantri	Mohanram Pai	@Rajesh Arora
28/04/2011	Present	Present	Present	Present	NA
03/07/2011	Present	Present	Absent	Present	NA
13/08/2011	Present	Present	Absent	Present	Present
30/08/2011	Present	Present	NA	Present	Present
20/10/2011	Present	Present	NA	Absent	Absent
15/11/2011	Present	Present	NA	Present	Present
14/02/2012	Present	Present	NA	Present	Present
Total Attendance (Out of 7 Meetings)	7	7	1	6	4
Attendance at Last AGM	Present	Present	Absent	Present	Absent

*Resigned on 13th August, 2011

@Appointed on 13th August, 2011

- ii) a. **Number of other Companies where Director (of SDL) hold memberships on the Board of Directors:**
b. **Number and Name of Committees in which the Directors (of SDL) 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	2	-	0	-	0
Mr. Ajay Gehani	2	SIGC - SDL	1	AC - SDL	1
*Mr. Vijay Kalantri	Nil	Nil	0	AC - SDL SIGC - SDL	1 1
Mr. Mohanram Pai	1	AC - SDL	1	AC - ASC SIGC - ASC CG - ASC	3
@Mr. Rajesh Arora	Nil	Nil	0	AC - SDL SIGC - SDL	1 1

*Resigned on 13th August, 2011

@Appointed w.e.f. 13th August, 2011

AC - SDL	Audit Committee – Sovereign Diamonds Limited
SIGC - SDL	Shareholders / Investors Grievance Committee – Sovereign Diamonds Limited
AC - ASC	Audit Committee – Asian Steel Co. Ltd.
SIGC - ASC	Shareholders / Investors Grievance Committee – Asian Steel Co. Ltd.
CG - ASC	Corporate Governance – Asian Steel Co. Ltd.

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

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 Personnel have affirmed their compliance with the code for the financial year ended 31st March, 2012. 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 the attendance of the members of Audit Committee at the meetings of the Audit Committee are as follows:

Date of Meeting	Mohanram Pai*	Vijay G. Kalantri#%	Ramesh Gehani\$	@Rajesh Arora
28/04/2011	Present	Present	Present	NA
13/08/2011	Present	Absent	Present	Present