



# **Sovereign**

Diamonds Ltd.

**39<sup>th</sup>**  
**ANNUAL REPORT**  
**2012 - 2013**

---

**39<sup>th</sup> ANNUAL REPORT  
2012 - 2013**

**Sovereign Diamonds Limited**

**BOARD OF DIRECTORS:**

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

**BANKERS:**

Corporation Bank

**STATUTORY AUDITORS**

M/s. J. D. Zatakia & Co.  
306, Rupa Plaza, Jawahar Road,  
Ghatkopar (E), Mumbai - 400 077.

**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

---

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.

---

**NOTICE**

**NOTICE** is hereby given that the Thirty-Ninth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Monday, 26th, August, 2013 at 9.30 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, 2013, 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. Ramesh 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: 25th May, 2013

**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 Monday, 19th August, 2013 to Monday, 26th August, 2013 (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. 17/95/2011 CL-V.
11. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
12. Information required under Clause 49 IV G of the Listing Agreement (relating to Corporate Governance) with respect to the Director being appointed and Directors retiring by rotation and being eligible seeking re-appointment is as under:

Particulars	Mr. Ramesh Gehani
Date of Birth	14.02.1933
Date of Appointment	05.06.1974
Qualifications	F.Y. Arts
Expertise in specific functional areas	Wide experience in diamond / stone / jewellery industry since last 40 years.
Directorships in other Public Limited Companies*	Sovereign Jewellery Limited
Memberships of Committees in other Public Limited Companies*	Nil

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



## DIRECTORS' REPORT

To

The Members,

The Directors present their Thirty- Ninth Annual Report together with the Audited Accounts for the year ended 31st March, 2013.

**A. FINANCIAL RESULTS****(Rs. in Lakhs)**

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
Income from Operations	3417.54	2689.93
Other Income	0.33	1.18
<b>Total Income</b>	<b>3417.86</b>	<b>2691.11</b>
Expenditure	3113.04	2467.75
Interest	141.57	118.13
Depreciation	43.11	33.60
<b>Total Expenditure</b>	<b>3297.72</b>	<b>2619.48</b>
<b>Profit(+) Loss(-)</b>	<b>120.14</b>	<b>71.63</b>
Provision for Taxation	50.00	26.00
(Add) / Less : Deferred Tax	(3.52)	(0.83)
Short / (Excess) Provision of earlier Years	0.0	(0.42)
<b>Net profit after tax</b>	<b>73.66</b>	<b>46.88</b>
Balance brought forward from last year	128.80	81.91
Balance carried forward to the Balance Sheet	202.46	128.80

**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. 3417.54 lacs as against Rs.2689.93 lacs in the previous year. The increase in turnover is due to increase in domestic sales. The Company has already started selling jewellery in the Indian Jewellery Retail Market and is supplying to big jewellery stores in Metro cities. This has resulted in higher turnover for the Company and in the current year the Company is looking forward to maintain the growth momentum.

**D. DIRECTORS**

Mr. Ramesh 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.
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:**

**Rs. In lakhs**

2012-2013      2011-2012

Foreign Exchange Earnings/Outgo:

Foreign Exchange Earned:      42.17      185.80

Foreign Exchange Outgo:      0.00      0.0

Travelling / Exhibition Charges      9.14      23.31

**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, 2013 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. COMMENTS ON AUDIT REMARKS.**

Company has taken group gratuity scheme policy with LIC. The Company is in the process of obtaining certificate for determining gratuity liability from Acturian.

**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, 2013, 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.
- 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, 2013 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.

**M. MANAGEMENT DISCUSSIONS AND ANALYSIS****Forward looking statement**

The Statements made in this report describe the Company's objectives and projections that may be forward looking statements which are based on certain assumptions and expectations of future events. The Company's actual results, may differ materially from those projected in any such forward looking statements depending on economic conditions, government policies and decisions which are beyond the control of the Company.

**Segment-wise or product-wise performance**

The Company falls within a single business segment viz. 'diamond jewellery'. The sales are substantially in the domestic market, and the said financial statements are reflective of the information required by Accounting Standard 17 "Segment Reporting", notified under the Companies (Accounting Standards) Rules, 2006.

**Internal Control Systems**

The Company has in place an adequate and effective internal audit and control systems which ensures efficiency in operations, and optimum use of resources. Internal Control weaknesses are reported regularly and timely steps are taken as and when required. The effectiveness of the internal control systems is constantly monitored by the Audit Committee set up by the Board and the required changes are introduced as and when necessary.

**Outlook**

Any downturn in the Indian economy as well as global economy will adversely affect the price of gold and foreign exchange rate and in turn the company's business. However, the Company hopes that the price of gold and foreign exchange rate will stabilize and which in turn will help the Company in increase in volume of sales.



**Risk Management**

Your Company's risk management system comprises of prudential norms, timely reporting and stringent controls.

**Human resources**

Your company has been able to employ and retain qualified professionals by offering the challenging work environment and compensation. The Company provides in house training to its employees.

**Insurance**

The Company has insured its assets and operations against all insurable risks including fire, earthquake, flood, and etc. as part of its overall risk management strategies

**N. ACKNOWLEDGMENT**

The Board wishes to place on records its appreciation to all its Shareholders, Customers, Bankers, and Employees for the co-operation and contributions made by them at all levels .

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

Place: Mumbai  
Date: 25th May, 2013

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

sd/-  
**RAMESH GEHANI**  
EXECUTIVE CHAIRMAN





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

**\*(For The Financial Year 31st March, 2013)**

**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:

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

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

<b>Date of Board Meetings</b>	<b>Ramesh Gehani</b>	<b>Ajay Gehani</b>	<b>Mohanram Pai</b>	<b>Rajesh Arora</b>
28/04/2012	Present	Present	Present	Present
02/08/2012	Present	Present	Present	Present
14/08/2012	Present	Present	Present	Present
10/11/2012	Present	Present	Present	Present
04/01/2013	Present	Present	Present	Present
12/02/2013	Present	Present	Present	Present
Total Attendance out of 6 Meetings.	6	6	6	6
Attendance at Last AGM	Present	Present	Absent	Absent

- iii)
- Number of other Companies where Director (of SDL) hold memberships on the Board of Directors:
  - Number and Name of Committees in which the Directors (of SDL) hold Memberships or Chairmanships:

<b>Name of Director</b>	<b>No. of Other Co.s where Dir</b>	<b>Number &amp; Name of Committee Memberships / Chairmanships</b>			
		Chairman	No.	Member	No.
Mr. Ramesh Gehani	2	-	0	-	0
Mr. Ajay Gehani	2	SIGC - SDL	1	AC - SDL	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



AC - SDL	Audit Committee - Sovereign Diamonds Limited
SIGC - SDL	Shareholders / Investors Grievance Committee - Sovereign Diamonds Limited
AC - ASC	Audit Committee - Asian Star Co. Ltd.
SIGC - ASC	Shareholders / Investors Grievance Committee - Asian Star Co. Ltd.
CG - ASC	Corporate Governance - Asian Star 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, 2013. 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 *	Ajay Gehani \$	Rajesh Arora @
28/04/2012	Present	Present	Present
02/08/2012	Present	Present	Present
14/08/2012	Present	Present	Present
10/11/2012	Present	Present	Present
12/02/2013	Present	Present	Present
Total Attendance (out of 5 meetings)	5	5	5

\* Chairman & Non Executive Independent Director

\$ Managing Director

@ Non Executive Independent Director

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 its functions in accordance with its terms of reference. In addition, it exercises its 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 remuneration committee that determines the terms of reference and remuneration package for its managerial personnel.

#### i) Remuneration Policy

The Board of Directors determines the remuneration payable to Managing Director. The same is within the limits approved by the shareholders of the company at the General Meetings.

#### ii) Details of Remuneration paid to all Directors

- A. The Company does not have any pecuniary relationship or transactions with the non-executive directors. During the year, the Company has paid sitting fees to non-executive directors.
- B. The aggregate remuneration paid to the Directors for the year ended 31st March, 2013, is as under;