

Sovereign®
Diamonds Ltd. Since 1974

40th
ANNUAL REPORT
2013 - 2014

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2013 - 2014

Sovereign Diamonds Limited

BOARD OF DIRECTORS

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

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


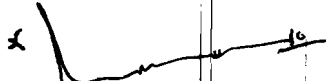
M/s. Universal Capital Securities Private Limited
Address: 21, Shakil Niwas, Opp. Satya Saibaba Temple,
Mahakali Caves Road, Mumbai – 400 093.
Tel. No. 28 36 66 20 / 28 25 76 41
Fax No. 28 20 72 07

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.

FORM A

ANNUAL AUDIT REPORT

| | | | |
|---|---|---|--|
| 1 | Name of the Company | SOVEREIGN DIAMONDS LIMITED | |
| 2 | Annual financial statement for the year ended | 31 st March, 2014 | |
| 3 | Type of Audit Observation | Un-qualified* / Matter of Emphasis *All the clauses in the Audit Report along with the annexure to the Audit Report, both, dated May 26, 2014 are un-qualified in nature. | |
| 4 | Frequency of Observation | Whether appeared first time Whether appeared repetitive Since how long (period) | Not Applicable Not Applicable Not Applicable |

| | | | |
|---|---|--|--|
| 5 | <p style="text-align: center;">FOR SOVEREIGN DIAMONDS LIMITED</p> <div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">  Ajay Gehani Managing Director </div> <div style="text-align: center;">  Mohanram Pai Audit Committee Chairman </div> </div> | | |
|---|---|--|--|

For J D Zatakia & Company
Chartered Accountants



J D Zatakia
Proprietor
Membership No. 17669
FRN: 111777W

**NOTICE**

NOTICE is hereby given that the Fortieth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Monday, 25th August, 2014 at 9.30 a.m. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, 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, 2014, 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.

SPECIAL BUSINESS

- 4) To consider and if thought fit to pass the following resolution as Special Resolution:

“RESOLVED THAT in super session of the ordinary resolution passed by the members of the Company from time to time, the Board of Directors of the Company be and is hereby authorized in accordance with the provisions of Section 180 (1) (c) and all other applicable provisions, if any, of the Companies Act, 2013, to borrow periodically from, including without limitation, any Banks and / or public financial institutions as defined under Section 2 (72) of the Companies Act, 2013 and / or any foreign financial institution(s) and / or any entity / entities or authority / authorities and / or through suppliers credit securities instruments, such as floating rate notes, fixed rate notes, syndicated loans, debentures, commercial papers, short term loans or any other instruments etc. and / or through credit from official agencies and / or by way of commercial borrowings from the private sector window of multilateral financial institution, either in rupees or in such other foreign currencies as may be permitted by law from time to time, as may be deemed appropriate by the Board for an aggregate amount not exceeding Rs. 100 Crore (Rupees One Hundred Crore only), notwithstanding that money so borrowed together with the monies already borrowed by the Company, if any (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves (Reserves not set apart for any specific purpose).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.”

- 5) To consider and if thought fit to pass the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 180 (1) (a) and all other applicable provisions, if any, of the Companies Act, 2013, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as ‘the Board’) to create / mortgages / charges / hypothecations, in addition to the mortgages / charges / hypothecations created by the Company on the immovable / movable properties, both present and future, of the Company, in respect of all or any one or more of the undertakings of the Company, on such terms and conditions and at such times and in such form and manner, as the Board may deem fit, for an amount not exceeding Rs. 100 Crore (Rupees One Hundred Crore only) in favour of Indian / Foreign Financial Institutions, Indian / Foreign Finance Companies, Nationalized / Indian / Foreign Banks, Indian / Foreign Corporate Bodies, Indian / Foreign Mutual Funds, Indian / Foreign Insurance Companies, Indian / Foreign Pension Funds, to secure Rupee Loan / Foreign Currency Loan / Debentures or Bonds, whether fully or partly convertible or non convertible and / or securities linked with the equity shares of



the Company and / or rupee / foreign currency convertible or non convertible bonds with share warrants attached or for any other facilities granted in favour of the Company collectively referred to as 'the Loans', as Security for - 'the Loans' or for any other facilities granted in favour of the Company or for the Security of any other loan / term loans raised from time to time, together with interest thereon, further interest, if any, remuneration of Trustees, costs, charges, expenses and all other moneys payable to the Trustees in terms of agreement to be entered between the Company and the Trustees.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors of the Company be and is hereby authorized to prepare, finalise and execute with the Trustees / lending institutions, such documents, deeds, writings and agreements, as may be necessary for creating mortgages and / or charges as aforesaid and to do all such acts, deeds matters and things as may be necessary and / or expedient for giving effect to this resolution."

- 6) To appoint Shri Mohanram Pai (DIN: 00007198) as an Independent Director and in this regard to consider and if thought fit to pass with or without modification the following resolution as an Special resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri Mohanram Pai (DIN: 00007198), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term up to the conclusion of the Annual General Meeting of the Company to be held in the calendar year 2019."

- 7) To appoint Shri Rajesh Sitaram Arora (DIN: 03605776) as an Independent Director and in this regard to consider and if thought fit to pass with or without modification the following resolution as an special resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri Rajesh Sitaram Arora (DIN: 03605776), who was appointed as a Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term up to the conclusion of the Annual General Meeting of the Company to be held in the calendar year 2019."

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

sd/-

AJAY R. GEHANI
MANAGING DIRECTOR

Place: Mumbai

Date: 26th May, 2014

**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 102 of the Companies Act, 2013 are attached to the notice.
4. Relevant document referred to in the accompanying notice and statement are open for inspection by the members at the registered office of the company on all working day, except Saturdays during business hours up to the date of the meeting.
5. 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.
6. The Register of Members and Share Transfer Register of the Company will remain closed from Monday, 18th August, 2014 to Monday, 25th August, 2014, (both the days inclusive).
7. 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.
8. 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.
9. 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.
10. 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.
11. 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 20 of the Companies Act, 2013 by E-mode instead of physical service of documents.
12. 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.
13. 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:

I

| Particulars | Mr. Ajay Gehani |
|---------------------|-----------------|
| Date of Birth | 18/05/1966 |
| Date of Appointment | 24/11/1984 |
| Qualifications | B.com |



| | |
|--|---|
| Expertise in specific functional areas | Jewellery designing and manufacturing of diamond jewellery, marketing of jewellery. |
| Directorships in other Public Limited Companies* | Sovereign Jewellery Limited Universal Jewellery Ltd |
| Memberships of in other Committees Public Limited Companies* | NIL |

II

| Particulars | Mr. Mohanram Pai |
|--|----------------------------|
| Date of Birth | 14/02/1937 |
| Date of Appointment | 08/08/2005 |
| Qualifications | B.com |
| Expertise in specific functional areas | Banking and Finance |
| Directorships in other Public Limited Companies* | Asian Star Company Limited |
| Memberships of Committees in other Public Limited Companies* | NIL |

III

| Particulars | Mr. Rajesh Sitaram Arora |
|--|---|
| Date of Birth | 20/11/1965 |
| Date of Appointment | 13/08/2011 |
| Qualifications | B.com |
| Expertise in specific functional areas | 20 years experience in accounts & finance |
| Directorships in other Public Limited Companies* | NIL |
| 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**.

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013****ITEM NO. 4 – Borrowing Power**

As per section 180 (1) (c) of the Companies Act, 2013, any borrowing in a Company which is beyond the paid up share capital and free reserves of the Company, requires approval of the Board of Directors in a Board Meeting and further confirmation of shareholders by special resolution passed in a shareholders meeting.

The provision is similar to section 293(1)(d) of the Companies Act, 1956 with the only difference that under section 293(1)(d) of the Companies Act, 1956, approval of the shareholders was required to be obtained by ordinary resolution. Now, under section 180 of the Companies Act, 2013, approval of shareholders is required by special resolution.

In both the laws, borrowing by raising temporary loans was exempted from the aforesaid compliance.

As per general circular no. 4/2014 dated 25th March, 2014 the present resolution under Section 293 of the Companies Act, 1956 is valid for a period of 1 year from the commencement of the Companies Act, 2013 i.e upto 12th September, 2014.

Now, due to implementation of the Companies Act, 2013, the approval of the shareholders obtained by passing ordinary resolution shall stand invalid from 12th September, 2014 and hence, a fresh approval of the shareholders by passing special resolution needs to be obtained.

In the earlier General Meeting of the Company, ordinary resolution were passed by the members from time to time, under Section 293(1)(d) of the Companies Act, 1956 thereby authorizing the Board of Directors to borrow monies for the purpose of business of the Company for an amount, not exceeding Rs. 50 Crores (Rupees Fifty Crores Only) in aggregate. Due to increase in business operations, future growth plan of the Company and increase in working capital requirements would require further borrowings. Hence it is proposed to increase the borrowing limits to Rs. 100 crores. This will enable the Board of Directors to borrow from time to time upto Rs. 100 crores.

It is necessary for the shareholders of the Company to grant their consent by passing a special resolution at their meeting under Section 180(1)(c) of the Companies Act, 2013 authorizing the Board of Directors of the Company to borrow monies in excess of the paid up capital and free reserves of the Company upto Rs. 100 crore.

ITEM NO. 5 – Creation of Mortgage / Charge On Company's assets.

In the earlier General Meeting of the Company, an ordinary resolution was passed by the members from time to time, thereby authorizing the Board of Directors of the Company to create such mortgages and charges in addition to the existing mortgages and charges and hypothecations, created by the Company as the Board may direct on all immovable properties and moveable properties of the Company, both present and future aggregating to Rs. 100 crore in favour of lending Financial Institutions / Corporate Body(s) / person(s) / Corporation(s) / Government / lender(s) / Bank(s) (together with interest) for monies borrowed or to be borrowed.

To meet the increasing requirements of the funds, the Board of Directors are required to borrow monies from time to time for which mortgages / charges / hypothecations are to be created on the moveable and immovable properties of the Company, present and future and hence it is considered necessary to enhance the said limit to Rs. 100 crore (Rupees One Hundred Crore Only). The resolution has accordingly been proposed for approval of the members pursuant to section 180 (1) (a) of the Companies Act, 2013.

The Board recommends the resolution in the best interest of the company.

All the Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of their shareholdings in the Company.

ITEM NO. 6 & 7 – Appointment of Mr. Mohanram Pai & Mr. Rajesh Sitaram Arora as an Independent Director.



Shri Mohanram Pai is Independent Director of the Company and have held the positions as such for more than 5 (five) years. Mr. Rajesh Arora is Independent Director of the Company for 3 years. The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement inter alia stipulating the conditions for the appointment of independent directors by a listed company.

It is proposed to appoint Shri Mohanram Pai and Shri Rajesh Sitaram Arora as Independent Directors under Section 149 of the Act and Clause 49 of the Listing Agreement to hold office for 5 (five) consecutive years for a term up to the conclusion of the Annual General Meeting of the Company to be held in the calendar year 2019.

Shri Mohanram Pai and Shri Rajesh Sitaram Arora are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors.

The Company has received notices in writing from members alongwith the deposit of requisite amount under Section 160 of the Act proposing the candidatures of each of Shri Mohanram Pai and Shri Rajesh Sitaram Arora for the office of Directors of the Company.

The Company has also received declarations from Shri Mohanram Pai and Shri Rajesh Sitaram Arora that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

In the opinion of the Board, Shri Mohanram Pai and Shri Rajesh Sitaram Arora fulfill the conditions for appointment as Independent Directors as specified in the Act and the Listing Agreement. Shri Mohanram Pai and Shri Rajesh Sitaram Arora are independent of the management.

Brief resume of Shri Mohanram Pai and Shri Rajesh Sitaram Arora, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the notice of the Annual General Meeting and Corporate Governance Report forming part of the Annual Report.

Copy of the draft letters for respective appointments of Shri Mohanram Pai and Shri Rajesh Sitaram Arora as Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Shri Mohanram Pai and Shri Rajesh Sitaram Arora are interested in the resolutions set out respectively at Item Nos. 6 and 7 of the Notice with regard to their respective appointments.

The relatives of Shri Mohanram Pai and Shri Rajesh Sitaram Arora may be deemed to be interested in the resolutions set out respectively at Item Nos. 6 and 7 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board commends the Special Resolutions set out at Item Nos. 6 and 7 of the Notice for approval by the shareholders.

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

sd/-
AJAY R. GEHANI
MANAGING DIRECTOR

Place: Mumbai

Date: 26th May, 2014



DIRECTORS' REPORT

To

The Members,

Your Directors are pleased to present the Fortieth Annual Report and the Company's audited accounts for the financial year ended 31st March, 2014.

A. FINANCIAL RESULTS

(Rs. in Lakhs)

| | Year Ended 31 st March, 2014 | Year Ended 31 st March, 2013 |
|--|---|---|
| Income from Operations | 4000.48 | 3417.54 |
| Other Income | 18.95 | 0.33 |
| Total Income | 4019.43 | 3417.86 |
| Expenditure | 3649.58 | 3113.04 |
| Interest | 169.10 | 141.57 |
| Depreciation | 43.91 | 43.11 |
| Total Expenditure | 3862.59 | 3297.72 |
| Profit(+) Loss(-) | 156.84 | 120.14 |
| Provision for Taxation | 58.00 | 50.00 |
| (Add) / Less : Deferred Tax | (0.85) | (3.52) |
| Short / (Excess) Provision of earlier Years | (2.04) | 0.0 |
| Net profit after tax | 101.73 | 73.66 |
| Balance brought forward from last year | 202.46 | 128.80 |
| Balance carried forward to the Balance Sheet | 304.19 | 202.46 |

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. 4000.48 lacs as against Rs.3417.54 lacs in the previous year. The increase in turnover is due to increase in domestic sales and export sales of Rs. 219.23 lacs. The Company has already started selling jewellery in the Indian Jewellery Retail Market and is supplying to big jewellery stores in Metro cities. The Company has also started exporting to Middle East countries. This has resulted in higher turnover for the Company and in the current year is looking forward to maintain the growth momentum.

D. DIRECTORS

Mr. Ajay Gehani, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Ajay Gehani has been re-appointed as the Managing Director of the Company w.e.f 1st April, 2014 for a period of 3 years vide special resolution passed in the Extra Ordinary General Meeting of the Company held on 15th March, 2014.

In terms of the articles of association of the Company, section 149 (10) of the Companies Act, 2013 and revised clause 49 of Listing Agreement dealing with Corporate Governance norms, Mr. Mohanram Pai has completed 5 years term as Independent Directors as on 1st April, 2014. Mr. Rajesh Arora has completed 3 years as Independent Directors as on 1st April, 2014. The Company proposes to re-appoint them, as Independent Directors for a further period of 5 years till 2019. The Company has received requisite notices in