



Sovereign®
Diamonds Ltd. Since 1974



42nd
ANNUAL REPORT
2015 - 2016

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2015 - 2016

Sovereign Diamonds Limited

BOARD OF DIRECTORS

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

**Appointed w.e.f. 30th May, 2015*

AUDIT COMMITTEE

Mr. Mohanram Pai
Mr. Rajesh Arora
Mr. Ajay R. Gehani

NOMINATION &

REMUNERATION COMMITTEE

Mr. Mohanram Pai
Mr. Rajesh Arora
Mr. Ajay R. Gehani

STAKEHOLDERS RELATIONSHIP COMMITTEE

Mr. Mohanram Pai
Mr. Ajay R. Gehani
Mr. Rajesh Arora

BANKERS

Corporation Bank

STATUTORY AUDITORS

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

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REGISTERED OFFICE

Sovereign House,
11-A, Mahal Industrial Estate,
Mahakali Caves Road, Andheri (East)
Mumbai: 400 093
Ph No: 022 6692 3871
Fax No: 022 6692 3880

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: 022 2820 7201 / 03 / 04 / 05
Fax No: 022 2820 7207

42ND ANNUAL GENERAL MEETING

On Thursday, 11th August, 2016
at 10.30 a.m. at
Utsav 2, Sai Palace Hotel,
Mahakali Caves Road, Chakala,
Andheri (East), Mumbai – 400093.

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 Forty Second Annual General Meeting of the members of **Sovereign Diamonds Limited** will be held on Thursday, 11th August, 2016 at 10.30 A.M. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093, to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March, 2016 and the Reports of the Board of Directors and the Auditors' thereon.
2. To appoint a Director in place of Mr. Ajay R. Gehani, who retires by rotation and being eligible, offers himself for re-appointment.
3. Appointment of Statutory Auditors

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Companies (Audit and Auditors) Rules, 2014, (the Rules), (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), M/s. J. D. Zatakia & Co., Chartered Accountants, Mumbai having ICAI Firm Registration No.111777W, who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Auditors, in terms of provisions of Section 141 of the Act, and Rule 4 of the Rules, be and are hereby re-appointed as Statutory Auditors of the Company for the Company's financial year 2016-17, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be agreed upon by the Board of Directors and the Auditors, in addition to service tax and re-imbursement of out of pocket expenses incurred by them in connection with the audit of Accounts of the Company."

NOTES:

1. A statement giving the relevant details of the Directors seeking re-appointment under Item No. 2 of the accompanying Notice, as required by Regulation 36 (3) of the SEBI (LODR) Regulations, 2015 is annexed herewith.
2. **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.**

THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING i.e. by 10.30 a.m. on Tuesday, 09th August, 2016.

3. A person can act as a proxy on behalf of Members not exceeding fifty in number and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as proxy for any other person or shareholder.



4. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board Resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the Meeting.
5. Members are requested to bring their attendance slips duly completed and signed mentioning therein details of their DP ID and Client ID/ Folio No.
6. 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 at the Meeting.
7. Relevant documents referred to in the accompanying Notice and in the Explanatory Statements are open for inspection by the Members at the Company's Registered Office on all working days of the Company, during business hours up to the date of the Meeting.
8. Pursuant to the provisions of Section 91 of the Act, the Register of Members and Share Transfer Books of the Company shall remain closed on all days from Thursday, 04th August, 2016 to Thursday, 11th August, 2016 (both days inclusive).
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form should submit their PAN to the Company.
10. Members desiring any relevant information on the Accounts at the Annual General Meetings are requested to write to the Company at least seven days in advance, so as to enable the company to keep the information ready. Members can also email their queries at the email address of the Managing Director, Mr. Ajay R. Gehani (agehani05@gmail.com)
11. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Transfer Agents to facilitate better service:
 - i. Any change in their address and
 - ii. Share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of the names for consolidation of such holdings into one account.
12. Members holding shares in electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL and CDSL will be printed on the dividend warrants. Members are requested to inform the concerned Depository Participants of any change in address, etc.
13. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Act, are requested to submit details to the Registrar and Transfer Agents of the Company, in the prescribed Form SH. 13 for this purpose.
14. Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses with the Company's Registrar and Transfer Agents for receiving communication from the Company in electronic form.



15. Information required under Regulation 36 (3) of the SEBI (LODR) Regulations, 2015 relating to Documents & Information to Shareholders with respect to the Director being appointed and Directors retiring by rotation and being eligible, seeking re-appointment are as under:

Particulars	Mr. Ajay R. Gehani
Director Identification Number(DIN)	00062989
Date of Birth	18/05/1966
Nationality	Indian
Date of Appointment on Board	24/11/1984
Qualifications	B.com
Shareholding in Sovereign Diamonds Limited	8,77,800 shares
Expertise in specific functional areas	Jewellery designing and manufacturing of diamond jewellery, marketing of jewellery
Directorships in other Public Limited Companies	Universal Jewellery Limited
Memberships of Committees in other Public Limited Companies (includes only Audit & Shareholders / Investors Grievances Committee)	Nil

PROCESS FOR MEMBERS OPTING FOR E-VOTING

Voting through electronic means

In case of members receiving e-mail:

- (i) The voting period begins on Monday, 08th August, 2016 at 9.00 a.m. and ends on Wednesday, 10th August, 2016 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (Record Date) of Thursday, 04th August, 2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iv) Click on Shareholders.
- (v) Now enter your User ID:
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.



(viii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders).</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant **Sovereign Diamonds Limited** on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.



(xvii) You can also take out print of the votes cast by clicking on “Click here to print” option on the Voting page.

(xviii) If Demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xix) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. iPhone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xx) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be emailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Other Instructions:

1. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
2. The voting rights of Members shall be in proportion to the shares held by them on the paid up equity share capital of the Company as on Thursday, 04th August, 2016 and as per the Register of Members of the Company.
3. M/s P. P. Shah & Co., Practicing Company Secretaries, has been appointed as the Scrutinizer to scrutinize the e-voting process (including the Ballot Form received from the Members who do not have access to the e-voting process) in a fair and transparent manner.
4. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses (not in the employment of the Company) and make out a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.



5. The Chairman shall, at the general meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting, as provided in clauses (a) to (h) of sub-rule (1) of rule 21 of the Companies (Management and Administration) Rules, 2014, as applicable, with the assistance of scrutinizer, by use of postal ballot or polling paper for all those members who are present at the general meeting but have not cast their votes by availing the remote e-voting facility.
6. A Member can opt for only one mode of voting i.e. either through e-voting or in physical form. If a Member casts his / her vote by both modes, then voting done through e-voting shall prevail and the vote by ballot shall be treated as invalid.
7. The results declared along with the Scrutinizer's Report shall be placed on the BSE's website and on the website of CDSL www.evotingindia.com within two days of the passing of the Resolutions at the 42nd AGM of the Company and communicated to BSE Limited, where the shares of the Company are listed.

By order of the Board
For **Sovereign Diamonds Limited**

Sd/-
(Ajay R. Gehani)
Managing Director

Place: Mumbai
Date: 27th May, 2016



BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF

SOVEREIGN DIAMONDS LIMITED

The Directors take pleasure in presenting the Forty Second Annual Report together with the audited financial statements for the year ended 31st March, 2016. The Management Discussion and Analysis has also been incorporated into this report.

1. FINANCIAL RESULTS

Key highlights of financial results for Sovereign Diamonds Limited for the financial year 2015-16 are tabulated below:

(Rs. in Lacs)

	Year Ended 31 st March, 2016	Year Ended 31 st March, 2015
Income from Operations	5,321.16	6,013.81
Other Income	2.29	3.44
Total Income	5,323.45	6,017.26
Expenditure	4,897.94	5,499.94
Interest	195.88	200.62
Depreciation	45.19	37.36
Total Expenditure	5,139.01	5,737.92
Profit(+) Loss(-)	184.44	279.33
Provision for Taxation	63.00	98.00
(Add) / Less : Deferred Tax	0.25	(3.62)
Short / (Excess) Provision of earlier Years	-----	-----
Net profit after tax	121.18	184.96
Balance brought forward from last year	459.15	294.19
Balance carried forward to the Balance Sheet	580.33	479.15

2. HIGHLIGHTS OF PERFORMANCE

- Total net sales for the year were Rs. 5,321.16 lacs as compared to Rs. 6,013.81 lacs in 2015.
- Total profit before tax for the year was Rs. 184.44 lacs as compared to Rs. 279.33 lacs in 2015.

3. BUSINESS OPERATIONS

During the last 12 months, the Company has made a great deal of changes.

- The total work force of the Company is 100 people. Some of these are contract workers and some them are fixed workers. The Company is controlling the output per worker and has almost cut any overtime expenses which otherwise puts any unnecessary load on the Company. After the Balance sheet date, the Company has let go of 15 manual workers, some production supervisors and manager in order to restructure further and reduce fixed costs. These will be replaced if and when required – on a need basis only.
- The Company has worked in depth to cut its gold losses and has been very successful in bringing this loss down by almost 1.50 % using better suction machines, complete vacuum cleaning of all carpets twice in a day in gold dust areas and increasing hand washing to collect the gold dust in central setting tanks.



- With the use of laser maker, there is saving in costs and enhances security of diamonds as no piece has to leave factory for any reason. This will satisfy the requirement of clients for engraving diamond weights inside the pieces. The use of 2 laser welders has increased the production and improves the quality of our product.
- With the use of these 3D printers, all its designs and models are made in-house. This again leads to saving in costs and faster processing. Earlier this was also outsourced which used to result in leakage of designs.
- The Company has concentrated mainly on the domestic market and increased our sales considerably working with safe clients. The Company has increased its business marginally in the Middle East and some African countries after exercising due caution by providing on time deliveries and receiving payments.
- The Company's cautious and hands on approach combined with its high quality products has helped us to grow well during this year and the Company is hopeful to continue this trend in the years to come.

There was no change in nature of business of the Company, during the year under review.

4. 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 and will be used for working requirements of the Company.

5. TRANSFER TO RESERVES

The Company proposes to transfer an amount of Rs. 20.00 Lacs to the General Reserves.

6. SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2016 was Rs. 578.80 Lacs. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. There was no change in the Company's share capital during the year under review.

7. DEPOSITS

The Company has not accepted deposit from the public and shareholders falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014. Hence, the requirement for furnishing details of deposits which are not in compliance with the Chapter V of the Act is not applicable.

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

9. SUBSIDIARY COMPANIES

The Company has no Subsidiary Company.

10. DIRECTORS

10.1 Retirement by Rotation

Pursuant to Section 152 (6) of the Companies Act, 2013 and in terms of the Articles of Association of the Company, Mr. Ajay Gehani, Managing Director, retires by rotation at the forthcoming Annual General Meeting. Being eligible, he offers himself for re-appointment.