



Sovereign®

Diamonds Ltd. Since 1974



44th
ANNUAL REPORT
2017 - 2018

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2017 - 2018

Sovereign Diamonds Limited

BOARD OF DIRECTORS

*Mr. Ramesh H. Gehani : Executive Chairman
Mr. Ajay R. Gehani : Chairman & Managing Director
Mrs. Deepika Gehani : Whole-Time Director & CFO
Mr. Mohanram Pai : Independent Director
Mr. Rajesh Arora : Independent Director
**Ceased to be a Director w.e.f. 11th July, 2017*

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. Rajesh Arora
Mr. Ajay R. Gehani

BANKERS

Corporation Bank

STATUTORY AUDITORS

M/s. Pulindra Patel & Co.
307, Gold Mohur Co-Op. Society,
174, Princess Street, Mumbai – 400002.

CONTENTS

Notice	1
Board's Report.....	7
Management Discussion and Analysis Report.....	16
Secretarial Audit Report.....	19
Corporate Governance	30
Auditor's Report.....	50
Balance Sheet	56
Statement of Profit and Loss	57
Cash Flow Statement	59
Notes to Accounts.....	61

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

44TH ANNUAL GENERAL MEETING

On Friday, 31st August, 2018 at
04.30 p.m. at The Paradise by Tunga,
Elite Hall, 6th Floor, Hegde Hotels
(India) Pvt. Ltd., MIDC, Central Road,
Andheri (E), Mumbai – 400 093.

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 – Fourth Annual General Meeting of the members of **SOVEREIGN DIAMONDS LIMITED** will be held on Friday, 31st August, 2018 at 04.30 p.m. at The Paradise by Tunga, Elite Hall, 6th Floor, Hegde Hotels (India) Pvt. Ltd., MIDC, Central Road, Andheri (E), Mumbai – 400 093, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March, 2018 and the Reports of the Board of Directors and the Auditors' thereon.
2. To appoint a Director in place of Mr. Ajay Gehani (DIN No.: 00062989), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

3. To adopt new set of Articles of Association of the Company and in this regard, to consider, and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification or re-enactment thereof for the time being in force), the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.

RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and actions as may be necessary, proper or expedient to give effect to this resolution.”

NOTES:

1. M/s. Pulindra Patel & Co, Chartered Accountants were appointed as Statutory Auditors of the Company for a period of 5 (Five) years from 2017-18 to 2021-22 at the 43rd Annual General Meeting held on 29th July, 2017. In view of the amendment to Section 139 of the Companies Act, 2013, the Company is not required to ratify the re-appointment of the Statutory Auditor at every Annual General Meeting. Hence, the item of ratification of re-appointment of Statutory Auditor is not considered in this Annual General Meeting.
2. The relative Explanatory Statement, pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Annual General Meeting (the AGM or Meeting) is annexed herewith.
3. **In terms of provisions of Section 105 of the Companies Act, 2013, A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and such proxy need not be a member of the company. The instrument appointing a proxy, in order to be effective, should be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting i.e. by 04.30 p.m. on Wednesday, 29th August, 2018. As per Secretarial Standard 2 on General Meeting, the proxy should carry a valid photo-id card to the venue to tender vote.**
4. 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.



5. 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.
6. Members are requested to bring their attendance slips duly completed and signed mentioning therein details of their DP ID and Client ID/ Folio No.
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 at the Meeting.
8. 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.
9. 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 Friday, 24th August, 2018 to Friday, 31st August, 2018 (both days inclusive).
10. 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.
11. Members desiring any relevant information on the Accounts at the Annual General Meeting 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 Gehani (agehani66@gmail.com)
12. Members holding shares in electronic form are requested to intimate immediately, any change in their address or bank mandates to their Depository Participant(s) with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company or its Registrar and Share Transfer Agent, Universal Capital Securities Private Limited.
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. Members of the Company, who have registered their e-mail ID, are entitled to receive such communications in physical form upon request.
15. The Notice of AGM, Annual Report and Attendance Slip are being sent in electronic mode to Members whose e-mail IDs are registered with the Company or the Depository Participant(s), unless the Members have registered their request for a physical copy of the same. Physical copy of the Notice of AGM, Annual Report and Attendance Slip are being sent to those Members who have not registered their e-mail IDs with the Company or Depository Participant(s). Members who have received the Notice of AGM, Annual Report and Attendance Slip in electronic mode are requested to print the Attendance Slip and submit a duly filled in Attendance Slip at the registration counter to attend the AGM.



16. Information required under Regulation 36(3) of the SEBI (LODR) Regulations, 2015 and Secretarial Standard 2 on General Meeting relating to Documents & Information to the Shareholders with respect to the Director re-appointed and Director retiring by rotation and being eligible, seeking re-appointment is as under:

Name	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	13,29,516 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

16. Route Map showing directions to reach to the venue of the 44th AGM is given at the end of this Notice as per the requirement of the Secretarial Standards 2 on General Meetings.

PROCESS FOR MEMBERS OPTING FOR E-VOTING

Voting through electronic means

In case of members receiving e-mail:

- The voting period begins on Tuesday, 28th August, 2018 at 9.00 a.m. and ends on Thursday, 30th August, 2018 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 Friday, 24th August, 2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- The shareholders should log on to the e-voting website www.evotingindia.com.
- Click on Shareholders.
- Now enter your User ID:
 - For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- Next enter the Image Verification as displayed and Click on Login.
- 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.
- If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders). <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.



	<ul style="list-style-type: none"> 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).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) 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.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant **SOVEREIGN DIAMONDS LIMITED** on which you choose to vote.
- (xii) 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.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) 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.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xvii) If a 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.
- (xviii) **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. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.**
- (xix) **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.

(xx) 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 Friday, 24th August, 2018 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 44th AGM of the Company and communicated to BSE Limited, Mumbai where the shares of the Company are listed.

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

**Place: Mumbai
Date: 30th May, 2018**

**Sd/-
Ajay Gehani
Chairman & Managing Director**



**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENTS**

PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 3 – ADOPTION OF NEW SET OF ARTICLES OF ASSOCIATION OF THE COMPANY

The existing Articles of Association (AOA) of the Company are based on the provisions of the Companies Act, 1956 and several regulations in the existing AOA contain references to specific sections of the Companies Act, 1956.

In order to make the Articles of Association of the Company in tandem with the relevant sections/provisions under the Companies Act, 2013 and rules made thereunder, it is proposed to replace the existing Articles of Association of the Company by a new set of AOA. Accordingly, in lieu of amendments to various articles in the existing Articles of Association, it is considered prudent and desirable to adopt a new set of Articles of Association of the Company, in substitution for, and to the exclusion of the existing Articles of Association of the Company. The new AOA to be substituted in place of the existing AOA are based on Table 'F' of the Act which sets out the model Articles of Association for a Company limited by shares.

Pursuant to Section 14 of the Companies Act, 2013, the consent of the members of the Company by way of a Special Resolution is required for adoption of a new set of Articles of Association of the Company. Accordingly, this matter has been placed before the members for approval.

The Board commends the Special Resolution set out at item No. 3 of the Notice for approval by the shareholders.

None of the Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution set out at item No. 3 of the Notice.

A copy of the existing as well as new Articles of Association of the Company is available for inspection at the Registered Office of the Company during working hours on any working day upto the date of the Annual General Meeting.

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

**Place: Mumbai
Date: 30th May, 2018**

**Sd/-
Ajay Gehani
Chairman & Managing Director**



BOARD'S REPORT

TO THE MEMBERS OF

SOVEREIGN DIAMONDS LIMITED

The Directors take pleasure in presenting the Forty – Forth Annual Report together with the Audited Financial Statements for the year ended 31st March, 2018. 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 2017 – 18 are tabulated below:

Particulars	(Rs. in Lakhs)	
	Year Ended 31 st March, 2018	Year Ended 31 st March, 2017
Income from Operations	3,702.21	4,519.93
Other Income	1.44	0.62
Total Income	3,703.66	4,520.55
Expenditure	3,371.18	4,135.28
Interest	174.28	185.63
Depreciation	52.86	48.48
Total Expenditure	3,598.32	4,369.38
Net Profit Before Tax	105.34	151.16
Provision for Taxation	29.05	52.07
(Add) / Less : Deferred Tax	(2.61)	(3.71)
Short / (Excess) Provision of earlier Years	0.00	0.00
Net Profit After Tax	78.90	102.80
Other Comprehensive Income	4.76	1.40
Total Comprehensive Income	83.66	104.20
Balance brought forward from last year	638.08	553.88
Transfer to General Reserve	0.00	(20.00)
Balance carried forward to the Balance Sheet	721.74	638.08

2. HIGHLIGHTS OF PERFORMANCE

- Total net sales for the year were Rs. 3,702.21 Lakhs as compared to Rs. 4,519.92 Lakhs in 2017.
- Total profit before tax for the year was Rs. 105.34 Lakhs as compared to Rs. 151.16 Lakhs in 2017.

3. MD AND CFO CERTIFICATION

Certificate from Mr. Ajay Gehani, Managing Director and Mrs. Deepika Gehani, Director & CFO, pursuant to provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the year under review was placed before the Board of Directors of your Company at its meeting held on 30th May, 2018.

4. BUSINESS OPERATIONS

The last 12 months were quite tough – especially for diamond and jewellery industry. We began with new GST of 3% on finished jewellery and 0.25% on loose diamonds. This took some time for customers to digest. This combined with pan cards requirement for any transactions over 2 lakhs added its share of problems. Most retailers preferred to wait and watch how the year progressed instead of ordering large quantities as in the past. We could foresee this problem and preferred to have a safer and a conservative approach to clients and their issues.

Even European and Middle Eastern markets were very slow due to political and economic issues everywhere. Realizing that this could be a harmful to our business



and might lead to losses, we chose to reduce our exposure to these volatile markets. Most of business in the last 12 months has been domestic sales where we feel we have a stronger hold over the clients and their preferences. We have added some private customers to the sales. This would help us very much in the long run as margins are higher and credit period given to them is almost nil.

We feel that, with the high profile banking scam in Jewellery industry in the last 12 months, banks have tighten the rules even further on our industry. Keeping this in mind, we at Sovereign have started to reduce our bank facilities. Earlier we had credit facilities of approx Rs. 17 Crores. Now we have reduced this to Rs. 14.50 Crores and we plan to reduce these even further by March 2019, by using up existing stock and selling off what is not required immediately. We are planning a lower inventory model for the next few years, thereby reducing the interest burden on your Company. This would really work to our advantage. It's a time to cut expenses as far as possible.

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

5. APPLICABILITY OF INDIAN ACCOUNTING STANDARDS

Your Company had adopted Ind-AS with effect from 01st April, 2017 pursuant to a notification dated 16th February, 2015, issued by the Ministry of Corporate Affairs, notifying the Companies (Indian Accounting Standard) Rules, 2015. Your Company has published Ind-AS Financials for the financial year ended 31st March, 2018 along with comparable as on 31st March, 2017 and Opening Statement of Assets and Liabilities as on 1st April, 2017.

Your Company has shared all four quarters re-stated Ind-AS Profit and Loss Statement with investors along with quarterly results for comparison.

6. GOODS AND SERVICES TAX (GST)

The Goods and Services Tax (GST) is a landmark reform which will have a lasting impact on the economy and on businesses. Implementation of a well-designed GST model that applies to the widest possible base at a low rate can provide stimulus to the business and contribute to the Hon'ble Prime Minister's mission of 'Make in India'.

Your Company has successfully implemented and migrated to GST with effect from 01st July, 2017 and changes across IT systems, Supply Chain and operations have been made keeping in mind the sweeping changes that GST has brought in.

7. DIVIDEND

Your Directors do not recommend any dividend for the year as the profits earned need to be ploughed back into the operations of your company and will be used for working requirements of your Company.

8. TRANSFER TO RESERVES

The Board of Directors has not recommended transfer of any amount to reserves.

9. CAPITAL EXPENDITURE

Capital Expenditure during the year, towards Tangible & Intangible Assets, amounted to Rs. 46.78 Lakhs which was spent on Plant & Machinery, Office Equipments, Vehicle and Computers.

10. SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2018 was Rs. 578.80 Lakhs. During the year under review, your Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. There was no change in your Company's share capital during the year under review. The Promoter and Promoter Group are holding 34,76,275 shares equivalent to 60.06% of the total Issued and Paid-up Share Capital.