



Sovereign
Diamonds Ltd.

35th
ANNUAL REPORT
2008 - 2009

THIRTY-FIFTH ANNUAL GENERAL MEETING

on Wednesday, 23rd September, 2009

at Sovereign House,

11-A, Mahal Industrial Estate,

Mahakali Caves Road,

Andheri (East), Mumbai – 400 093.

Time : 11.30 A.M.

REGISTERED OFFICE:

Sovereign House,

11-A Mahal Industrial Estate,

Mahakali Caves Road, Andheri (East),

Mumbai 400 093.

Ph. No.: 66923872/73.

BOARD OF DIRECTORS:

Mr. Ramesh Hotchand Gehani - Managing Director

Mr. Ajay R. Gehani - Managing Director

Mr. Vijay G. Kalantri - Director

Mr. Mohanram Pai - Director

BANKERS:

Corporation Bank

STATUTORY AUDITORS

M/s. J. D. Zatakia & Co.

306, Rupa Plaza, Jawahar Road,

Ghatkopar (E), Mumbai - 400 077.

REGISTRAR & TRANSFER AGENTS

Mondkar Computers Private Limited

21, Shakil Niwas, Opp. Satya Saibaba Temple,

Mahakali Caves Road,

Mumbai – 400 093.

Tel.No. : 28 25 76 41.

Fax No : 28 21 19 96.

NOTE : As a measure of economy the shareholders attending the Annual General Meeting are requested to bring alongwith them this copy of the Annual Report.



NOTICE

NOTICE is hereby given that the Thirty-Fifth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Wednesday, 23rd September, 2009 at the registered office of the company at Sovereign House, 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet and the Audited Profit and Loss Account for the year ended 31st March, 2009 together with Report of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. Vijay Kalantri, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To re-appoint Auditors and to fix their remuneration.

By Order of the Board of Directors
For SOVEREIGN DIAMONDS LIMITED

Registered Office :
11-A, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (East),
Mumbai - 400 093
Place: Mumbai
Date: 15th July, 2009.

sd/-
AJAY R. GEHANI
MANAGING DIRECTOR

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. 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.
4. Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956, is not required to be annexed.
5. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, 18th September, 2009 to Wednesday, 23rd September, 2009. (both days inclusive).
6. As per the provisions of the Companies Act, 1956 facility for making nominations is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from Depository Participants (DPs) in respect of their holdings in electronic form and from the company's Registrar and Transfer agent or Secretarial department of the company in respect of their holding in physical form.
7. Members are requested to notify immediately 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.
8. 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.
9. Members who hold the shares in dematerialized form are requested to bring their Client ID and DP ID numbers and Members holding shares in Physical Form are requested to quote their Folio Numbers for easy identification of attendance at the Meeting.



DIRECTORS' REPORT

To

The Members,

The Directors present their Thirty-Fifth Annual Report together with the Audited Accounts for the year ended 31st March, 2009

A. FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year Ended 31st March, 2009	Year Ended 31st March, 2008
Income from Operations	1707.30	1277.62
Other Income	4.70	19.04
Total Income	1712.00	1296.66
Expenditure	1624.67	
Interest	55.06	28.60
Depreciation	31.28	26.21
Total Expenditure	1711.01	1285.31
Profit(+)/ Loss(-)	.99	11.35
Provision for Taxation	5.75	8.00
Fringe Benefit Tax	5.50	5.50
Add : Deferred Tax	3.06	3.90
Net profit after tax	-7.2	1.75
Less : Transfer to General Reserve	-	-
Less : Prior Year Income Tax	-	-
Balance brought forward from last year	65.83	61.19
Balance carried forward to the Balance Sheet	58.63	62.94

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.1712.52 lacs as against Rs.1277.62 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. Vijay Kalantri, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Mr. Sanjay Gehani and Mr. Ramesh Sheopuri have resigned as Director's of the Company. The Board records its appreciation for the valuable contributions made by them during their tenure as Director of the Company.

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

Benefits derived as a result of above efforts

Imported Technology The Company has not imported any technology.

C. Foreign Exchange Earning and Outgo:

Foreign Exchange Earnings/Outgo:

Foreign Exchange Earned:

Foreign Exchange Outgo:

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, 2009 is not given as no employee is in receipt of remuneration in excess of Rs. 2,00,000/- p.m. or Rs. 24,00,000/- p.a.

H. COMMENTS ON AUDIT REMARKS.**Auditors Qualification**

- As regard provision for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note No. 1 (g) and 7.
- Non-provisions for doubtful debts as mentioned in note no. 18

Comments

- The company has taken a policy with Life Insurance Corporation of India to cover the gratuity liability of the employees and premium paid to the LIC is charged to Profit and Loss Account.
- The Company is in the process of working and obtaining gratuity liability certificate from LIC as required under AS 15. On determining the said liability, provision shall be made in the account of following year by adjustment from General Reserve or charge to Profit & Loss Account



iii. The Directors are hopeful to recover the amount in current year.

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, 2009, the applicable accounting standards have been followed alongwith 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, 2009 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.

By Order of the Board of Directors
For SOVEREIGN DIAMONDS LIMITED

Registered Office :
11-A, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (East),
Mumbai - 400 093
Place : Mumbai
Date : 15th July, 2009.

Sd/-
AJAY GEHANI
MANAGING DIRECTOR



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

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

II. BOARD OF DIRECTORS

i) Board Composition:

The strength of the Board was 4 Directors as on 31st March, 2009. The composition and category of Directors on the Board of the Company are:

Executive Director

Name	Executive / Non Executive	Promoter / Independent	Relationship
Mr. Ramesh Gehani	Executive -Chairman and Managing Director	Promoter	Father of Mr. Ajay Gehani and Mr. Sanjay Gehani
Mr. Ajay Gehani	Executive - Managing Director	Promoter	Son of Mr. Ramesh Gehani
Mr. Sanjay Gehani*	Non Executive	Promoter	Son of Mr. Ramesh Gehani
Mr. Ramesh Sheopuri**	Non Executive	Independent	Not Related to any Director
Mr. Vijay Kalantri	Non Executive	Independent	Not Related to any Director
Mr. Mohanram Pai	Non Executive	Independent	Not Related to any Director

*Resigned w.e.f. 20th October, 2008

**Resigned w.e.f. 24th October, 2008

ii) Number of Board Meetings held and attendance of each Director at the Board Meeting:

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	Sanjay Gehani*	Ramesh Sheopuri**	Vijay Kalantri	Mohanram Pai
26th April, 2008	Present	Present	Absent	Present	Present	Present
30th July, 2008	Present	Present	Absent	Present	Present	Present
24th October, 2008	Present	Present	Absent	Present	Present	Present
31st January, 2009	Present	Present	N.A.	NA	Present	Present
20th March, 2009	Present	Present	N.A.	NA	Absent	Present
Total Attendance out of 5 Meetings.	5	5	Nil	3	4	5
Attendance at Last AGM	Present	Present	Absent	Absent	Absent	Present

*Resigned w.e.f. 20th October, 2008

**Resigned w.e.f. 24th October, 2008



- iii) a. Number of other Companies in which Directors hold memberships on the Boards:
 b. Number and Name of Committees in which Directors 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	Nil	SIGC - SDL**	1	AC - SDL*	1
Mr. Ajay Gehani	Nil	Nil	0	Nil	0
Mr. Sanjay Gehani#	Nil	Nil	0	Nil	0
Mr. Ramesh Sheopuri##	Nil	Nil	0	SIGC - SDL**	1
Mr. Vijay Kalantri	Nil	Nil	0	AC - SDL* SIGC - SDL**	2
Mr. Mohanram Pai	Nil	AC - SDL*	1	Nil	0

#Resigned w.e.f. 20th October, 2008

##Resigned w.e.f. 24th October, 2008

AC - SDL* = Audit Committee - Sovereign Diamonds Limited.

SIGC - SDL** = Shareholders/Investors Grievance Committee - Sovereign Diamonds Limited

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

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 have affirmed their compliance with the code. 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 their attendance at the Audit Committee Meetings are as follows:

Date of Audit Committee Meeting	Mohanram Pai Chairman & Non Executive Independent Director	Vijay Kalantri Non Executive Independent Director	Ramesh Gehani Managing Director
26th April, 2008	Present	Present	Present
30th July, 2008	Present	Present	Present
24th October, 2008	Present	Present	Present
31st January, 2009	Present	Present	Present
Total (out of 4 meetings)	4	4	4

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 in accordance with its terms of reference. In addition it exercise 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 committee to determine the terms of reference and remuneration package for its managerial personnel.

The Board of Directors determines the remuneration of Managing Director within the framework as approved by the Shareholders and also decides on the sitting fees to be paid to the Non-Executive Directors for attending the Board Meetings.



The remuneration payable to Mr. Ramesh H. Gehani, Managing Director and Mr. Ajay R. Gehani, Managing Director was approved by the Board of Directors at its meeting held on 8th August, 2005 and approved by the members at the Annual General Meeting held on 24th September, 2005.

The aggregate value of remuneration and perquisites paid to the Managing and Whole - Time Directors for the year ended 31st March, 2009, were as under;

Sl. No.	Name of Director	Salary	Perquisites	Sitting Fees
1.	Mr. Ramesh Gehani	Rs. 5,67,409	Rs. 3,77,900	Rs. NIL
2.	Mr. Ajay Gehani	Rs. 5,21,857	Rs. 4,14,660	Rs. NIL
3.	Mr. Sanjay Gehani*	Rs. 69,600	Rs. NIL	Rs. NIL
4.	Mr. Ramesh Sheopuri**	Rs. NIL	Rs. NIL	Rs. NIL
5.	Mr. Vijay Kalantri	Rs. NIL	Rs. NIL	Rs. 7,200
6.	Mr. Mohanram Pai	Rs. NIL	Rs. NIL	Rs. 7,200

*Resigned w.e.f. 20th October, 2008

**Resigned w.e.f. 24th October, 2008.

NOTES:

- The Company has not paid any payments to Non Executive Directors except sitting fees.
- The Company does not pay bonus, stock options, pension and performance linked incentives or fixed component incentives to the Directors.
- Details of Service Contracts:

Name	Designation	Period	Approval of Members
Mr. Ramesh Gehani	Executive Managing Director	5 Years (01.09.2005 - 31.08.2010)	Annual General Meeting held on 24th September, 2005
Mr. Ajay Gehani	Executive Managing Director	5 Years (01.09.2005 - 31.08.2010)	Annual General Meeting held on 24th September, 2005

- Equity shares of Sovereign Diamonds Limited held by non-executive Directors are as follows:

Directors	No. of shares held as on 31st March, 2009	No. of shares held as on 31st March, 2008
Mr. Ramesh Sheopuri*	NA	NIL
Mr. Vijay Kalantri	NIL	NIL
Mr. Mohanram Pai	NIL	NIL

* Resigned w.e.f. 24th October, 2008



V. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Composition of the Shareholders/Investors Grievance Committee and their attendance at the Shareholders/Investors Grievances Committee Meetings are as follows:

Date of Shareholders Grievances Committee Meeting	Mr. Ramesh Gehani Chairman	Mr. Ramesh Sheopuri** Non Executive Independent Director	Mr. Vijay Kalantri Non Executive Independent Director
26th April, 2008	Present	Present	Present
30th July, 2008	Present	Present	Present
24th October, 2008	Present	Present	Present
31st January, 2009	Present	NA	Present
Total (out of 4 meetings)	4	3	4

**Resigned w.e.f. 24th October, 2008

The Committee has delegated the power to approve the share transfers to its Registrar & Share Transfer Agent i.e. M/s. Mondkar Computers Private Limited. The Committee monitors the redressal of investor's grievances and takes on record the physical share transfers, issue of duplicates share certificates in lieu of share certificates lost/torn/misplaced etc, split/consolidation of share certificates, etc from time to time. The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 0. There were no complaints pending as on March 31, 2009.

Complaint Status for the period 01/04/2008 to 31/03/2009

Category	No.of Compl. Received	No.of Compl Resolved	No.of Compl Pending
NON RECEIPT.OF CREDIT	-	-	-
NON RECEIPT OF DIVIDEND WARRANT	-	-	-
NON RECEIPT OF INTEREST WARRANT	-	-	-
NON RECEIPT OF ANNUAL REPORTS	1	1	1
SEBI	-	-	-
STOCK EXCHANGE	-	-	-
Total :	1	1	1

As required by the Stock Exchanges, the Company has appointed Mr. Ajay Gehani as the Compliance Officer to monitor the share transfer process and liaise with the regulatory authorities.

VI. General Body Meetings

Date time and venue for the last 3 Annual General Meetings are given below;

Financial Year	Date	Time	Venue
31-03-2006	25-08-2006	12.00 Noon	Registered Office
31-03-2007	26-09-2007	11.00 A.M.	Registered Office
31-03-2008	23-09-2008	11.30 A.M.	Registered Office

Notes:

1. There were no special resolutions passed by the Company at any of the above meetings.
2. There were no special resolutions passed through postal ballot last year.



3. At the ensuing Annual General Meeting, there are no resolutions proposed to be passed through postal ballot.

VII. DISCLOSURES

- i. The Company has not entered into any materially significant related party transaction during the year that may have potential conflict with the interests of the Company at large.
- ii. There has been no incidence of non-compliance by the Company of any statutory regulations nor any penalty or stricture imposed by the Stock Exchange or SEBI or any other statutory authority, on any matter relating to the capital market over the last three years.
- iii. The details of all transactions with related parties are placed before the Audit Committee on quarterly basis.
- iv. In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- v. The constitution of whistle blower policy is a non mandatory requirement. However the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2008- 2009.
- vi. The Company has complied with all mandatory requirements of clause 49 of Listing requirements.

VIII. MEANS OF COMMUNICATIONS

Quarterly Results: The company's quarterly results in the format prescribed by the Stock Exchanges are approved and taken on record by Board within the prescribed time frame and send immediately to the Stock Exchange on which the company's shares are listed. These results are published in the News Papers, i.e., Free Press Journal in English and Navshakti in Marathi.

Annual Report: Annual Report containing inter alias Audited Annual Accounts, Directors' Report, Auditors' Report and other important, information is circulated to Members and others entitled thereto.

IX. GENERAL SHAREHOLDER INFORMATION

AGM Date

Wednesday, 23rd September, 2009

Financial Year

1st April, to 31st March.

Book Closure

Friday, 18th September, 2009 to Wednesday, 23rd September, 2009.

Dividend

No dividend has been declared for the financial year.

Listing of Shares

The Company's shares are listed at Bombay Stock Exchange. Listing fees for the same have been paid to the stock exchange.

Stock code

Bombay Stock Exchange

Physical Script Code No. - 523826

Demat Script Code No. - ISIN : INE 959 D 01013



Market Price and Volume Data

Monthly high and low quotations as also the volume of shares traded on Bombay Stock Exchange:

Month	Open	High	Low	Close	Volume
Apr-08	3.46	5.53	3.46	5.50	19136
May-08	5.25	5.50	3.81	4.00	13364
Jun-08	3.85	4.00	3.22	3.76	35984
Jul-08	3.94	6.19	3.58	6.19	47048
Aug-08	5.90	6.59	5.59	5.59	12330
Sep-08	5.59	6.80	4.82	5.82	24690
Oct-08	5.53	5.53	2.76	2.76	19483
Nov-08	2.89	3.80	2.75	3.63	21455
Dec-08	3.45	4.20	3.12	4.20	11890
Jan-09	4.38	4.38	3.81	3.81	2487
Feb-09	4.00	5.34	4.00	5.34	635
Mar-09	5.60	5.88	3.81	3.81	1929

Registrar & Transfer Agents

Share Transfers in physical and demat form is handled by the Company's Share Transfer Agents M/s. Mondkar Computers Pvt. Ltd., 21, Shakil Niwas, Opp. Satya Saibaba Temple, Mahakali Caves Road, Mumbai - 400 093.

Share Transfer System

84.02 % of the shares of the Company are dematerialized. All this shares are electronically transferred through the demat facility. 15.98 % of shares are in physical mode. The Company has assigned the job of physical transfer of shares to its Registrar and Share Transfer Agent, M/s. Mondkar Computers Pvt. Ltd. The Shareholders and Investors Grievance Committee takes on record all the physical share transfers from time to time.

Distribution of Shareholding as on 31st March, 2009:

SHARE OR DEBENTURE HOLDING NOMINAL VALUE OF	SHARE/ DEBENTURE HOLDERS		SHARES/ DEBENTURE HOLDINGS		SHARE/ DEBENTURE AMOUNT	
SHARES	SHARES NUMBER	% TO TOTAL	HOLDINGS	% TO TOTAL	RS.	% TO TOTAL
(1)	(2)	(3)	(4)	(5)	(6)	(7)
UPTO - 500	4115	89.985	689870	11.919	6898700.00	11.919
501 - 1000	233	5.095	204910	3.540	2049100.00	3.540
1001 - 2000	91	1.990	147745	2.553	1477450.00	2.553
2001 - 3000	47	1.028	125882	2.175	1258820.00	2.175
3001 - 4000	12	0.262	43080	0.744	430800.00	0.744
4001 - 5000	14	0.306	68455	1.183	684550.00	1.183
5001 - 10,000	24	0.525	187171	3.234	1871710.00	3.234
10,001 - AND ABOVE	37	0.809	4320889	74.653	43208890.00	74.653
TOTAL	4573	100.000	5788002	100.000	57880020.00	100.000



Shareholding Pattern as on 31st March, 2009

Category	No of Shares Held	% Of Share Holding
A. Promoter (S) Holding		
1. Promoter (s) - Indian Promoters - Foreign Promoters	27315490	47.190.00
2. Persons Acting In Concert	0	0.00
Sub - Total	2731549	47.19
B. Non-Promoters Holding		
3. Institutional Investors		
A. Mutual Funds & UTI		
B. Banks, Financial Inst, Insurance Company (Central/State Govt Inst/Non-Govt INST)		
C. FII (S)	01713000	0.002.960.00
Sub-total (A)	171300	2.96
4 Others		
A Private Corporate Bodies	573887	9.92
B Indian Public	2295076	39.66
C NRI/OCBS	10965	0.19
Clearing Members	5225	0.09
Sub-total (B)	3056453	52.81
GRAND TOTAL	5788002	100.00

Dematerialization of shares and liquidity

48,63,012 shares representing 84.02 % of shareholding has been dematerialized as on 31st March, 2009.

Sovereign Diamonds Limited has admitted its shares to the depository system of the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of shares. As on March 31, 2009, 84.02% of the Company's total shares representing 48,63,012 shares were held in dematerialised form and the balance 15.98% representing 9,24,790 shares were held in physical form.

Registered Office
Sovereign House,
11-A, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (E), Mumbai 400 093.
Ph. No. : 66923871
Fax No. : 66923880

X. Certificate on Corporate Governance

Practising Company Secretary's certificate on compliance of clause 49 of the Listing Agreement relating to Corporate Governance is published as an annexure to the Director's Report.

Sovereign Diamonds Limited



Management Certificate on clause 49 (1D) of the Listing Agreement

To,

The Members,

Sovereign Diamonds Limited

This is to affirm that the Board of Directors of Sovereign Diamonds Limited has adopted a Code of Conduct for its Directors and Senior Management Personnel in compliance with the provisions of Clause 49 (1D) of the Listing Agreement with the Stock Exchange and Board of Members and Senior Management Personnel of the Company have confirmed the compliance of provisions of the said code for the financial year ended 31st March, 2009.

Sd/-

Ajay Gehani

Managing Director

Place : Mumbai

Date : 15th July, 2009.



PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE

TO,
THE MEMBERS,
SOVEREIGN DIAMONDS LIMITED

We have examined the Compliance of conditions of Corporate Governance by **Sovereign Diamonds Limited** ("the Company") for the year ended 31st March, 2009 as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor was it conducted to express an opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the Clause 49 of the Listing Agreement, except Limited Review Report by the Auditors and that no investor grievances is / are pending for a period exceeding one month against the Company as per the records maintained by the Registrar & Share Transfer Agents and Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For P. P. Shah & Co.
Practising Company Secretary**

Place : Mumbai
Date : 15th July, 2009

Sd/-
P. C. Shah
Partner
Membership No. 1483
Certificate of Practice: 436



AUDITORS' REPORT

To,
The Members of
SOVEREIGN DIAMONDS LIMITED.

1. We have audited the attached Balance Sheet of sovereign diamonds limited, as at 31st March, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order 2003, issued by the Central Government of India in terms of Section 227 (4A) of The Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph (3) above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account.
 - d) In our opinion, Balance Sheet, Profit and Loss Account and Cash Flow statement comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - e) On the basis of written representations received from Directors as on 31.03.2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31.03.2009 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 except as regard provision for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note No. 1 (g) and 7, and non-provisions for doubtful debts as mentioned in note no. 18.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the accounts (together with notes there on) give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2009
 - ii. in the case of Profit and Loss Account, of the Loss of the Company for the year ended on that date and.
 - iii. in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

Place : Mumbai.
Date : 15.07.2009

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

(J.D. ZATAKIA - PROPRIETOR)
MEMBERSHIP NO. 17669

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF M/S SOVEREIGN DIAMONDS LIMITED

- 1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) As explained to us, physical verification of the fixed assets was conducted by management annually, which in our opinion, is reasonable looking to the size of the Company and nature of it's business. According to the information and explanation given to us no material discrepancies were noticed on such verification.
 - c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- 2) a) Physical verification of inventory has been conducted at reasonable intervals by the management.



- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (3) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties, covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clauses 3(b), 3(c), 3(d) are not applicable to the company.
- e) The Company had taken loans from three parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 38,34,933/- and the year end balance of loans taken were Rs. 31,68,818/-.
- f) There is no stipulation as regards payment of interest and principal amount.
- 4) In our opinion and according to the information and explanations given to us, it appears that there are adequate internal control procedures commensurate with the size of Company and the nature of its business with regard to purchase of inventories, fixed assets, sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
- 5) In our opinion, and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- 6) The Company has not accepted any deposits from the public.
- 7) The Company has no formal internal audit department as such but its control procedures ensure reasonable internal checking of its financial and other records.
- 8) We have been informed that the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of The Companies Act, 1956.
- 9) a) The Company is regular in depositing undisputed statutory dues including provident fund, income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory dues with appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory liabilities were in arrears as at the last day of the financial year for a period exceeding six months from the date they became payable.
- 10) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the year covered by our audit and the immediately preceding financial year.
- 11) In our opinion and according to information and explanations given to us the Company has not defaulted in repayment of dues to financial institutions or banks.
- 12) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund, nidhi, mutual benefit or a society.
- 14) In our opinion, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- 15) On the basis of information and explanation given to us the Company has not given any guarantee for loans taken by others from banks or financial institution.
- 16) According to information and explanation given to us the Company has not obtained term loan during the year.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- 19) The Company has no debentures.
- 20) The Company has not raised any money by public issue during the year.
- 21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

Place : Mumbai.
Date : 15.07.2009

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

(J.D. ZATAKIA - PROPRIETOR)
MEMBERSHIP NO. 17669

Sovereign Diamonds Limited



BALANCE SHEET AS ON 31.03.2009

Particulars	Sch.No.	As on	
		31.03.2009	31.03.2008
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Capital	1	57,880,020	57,880,020
Reserves & Surplus	2	10,567,282	11,281,861
		<u>68,447,302</u>	<u>69,161,881</u>
LOAN FUNDS			
Secured Loans	3	40,172,507	31,687,573
Unsecured Loans	4	3,168,818	2,734,933
		<u>43,341,325</u>	<u>34,422,506</u>
DEFERRED TAX LIABILITY		755,890	1,062,155
Total Rs.....		<u>112,544,517</u>	<u>104,646,542</u>
FIXED ASSETS			
Gross Block	5	55,966,916	52,146,079
Less : Depreciation		34,910,870	33,258,194
		<u>21,056,046</u>	<u>18,887,885</u>
CURRENT ASSETS LOANS & ADVANCES			
Inventories	6	52,912,188	44,651,623
Sundry Debtors	7	53,718,474	52,995,654
Cash & Bank Balance	8	278,721	514,772
Loans & Advances	9	5,997,038	6,810,695
		<u>112,906,421</u>	<u>104,972,744</u>
Less : CURRENT LIABILITIES & PROVISION			
Liabilities	10	16,542,950	15,464,087
Provision	11	4,875,000	3,750,000
		<u>21,417,950</u>	<u>19,214,087</u>
NET CURRENT ASSETS		<u>91,488,471</u>	<u>85,758,657</u>
Total Rs.....		<u>112,544,517</u>	<u>104,646,542</u>
NOTES ON ACCOUNTS	18		

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

MR. RAMESH H GEHANI MR. AJAY R. GEHANI
MANAGING DIRECTORS

J.D. ZATAKIA - PROPRIETOR

Membership No : 17669

PLACE : MUMBAI

DATE : 15.07.2009

PLACE : MUMBAI

DATE : 15.07.2009



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

Particulars	Sch.No.	As on 31.03.2009	As on 31.03.2008
INCOME			
Sales	12	171,251,946	127,762,212
Other Income	13	469,758	1,904,122
Increase/(Decrease) in Stock	14	(522,113)	1,344,988
		<u>171,199,591</u>	<u>131,011,322</u>
EXPENDITURE			
Raw Materials Consumed	15	116,942,972	90,426,728
Consumption of Tools & Spares	16	3,875,000	952,645
Interest		5,505,974	2,859,546
Expenses	17	41,648,593	33,015,875
Depreciation	5	3,128,047	2,621,245
		<u>171,100,587</u>	<u>129,876,039</u>
PROFIT BEFORE TAX		99,004	1,135,283
Less : Provision for Taxation		575,000	800,000
Less: Fringe Benefit Tax		550,000	550,000
Deferred Tax Liability		(306,265)	(390,403)
PROFIT (LOSS) AFTER TAX		<u>(719,731)</u>	<u>175,686</u>
Prior Year Income Tax		5,152	289,555
Less : Transferred to General Reserve		-	-
BALANCE BROUGHT FORWARD FROM LAST YEAR		6,583,481	6,118,240
<i>BALANCE CARRIED TO BALANCE SHEET</i>		<u>5,868,902</u>	<u>6,583,481</u>

NOTES ON ACCOUNTS 18

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

MR. RAMESH H GEHANI MR. AJAY R. GEHANI
MANAGING DIRECTORS

J.D. ZATAKIA - PROPRIETOR
Membership No : 17669
PLACE : MUMBAI
DATE : 15.07.2009

PLACE : MUMBAI
DATE : 15.07.2009

Sovereign Diamonds Limited



SCHEDULES FORMING PART OF BALANCE SHEET

Particulars	As on 31.3.2009	As on 31.3.2008
SCHEDULE - 1		
SHARE CAPITAL		
Authorised :		
60,00,000 Equity Shares of Rs.10/- Each	60,000,000	60,000,000
Total Rs.	60,000,000	60,000,000
Issued, Subscribed and Paid up		
57,88,002 Equity Shares of Rs.10/-each (Out of which 3,00,000 Equity Shares of Rs.10/- each issued as fully paid up by way of Bonus shares capitalised from General Reserve)	57,880,020	57,880,020
Total Rs.	57,880,020	57,880,020
SCHEDULE - 2		
RESERVES & SURPLUS :		
(i) General Reserve	3,688,390	3,688,390
(ii) Capital Reserve	1,009,990	1,009,990
(iii) Profit & Loss Account	5,868,902	6,583,481
Total Rs.	10,567,282	11,281,861
SCHEDULE - 3		
SECURED LOANS		
1 Advances from Corporation Bank	(475,082)	9,333,116
2 Packing Credit Corporation Bank	9,993,274	19,397,583
3 Kotak Mahindra Primus	2,299,227	2,253,291
4 Bank Overdraft	742,542	703,583
5 Corporation Bank C C	27,612,546	-
Total Rs.	40,172,507	31,687,573
Notes :		
1 Item no. (1) is secured against Export Bills & Personal guarantee of Directors and their relative.		
2 Packing credit against inventories & Personal guarantee of Directors and their relative.		
3 Item no.(3) against Motor Car.		
4 Item no.(4) against Book Debts & Stock.		
5 Item no.(5) against inventories and book debts.		
SCHEDULE - 4		
UNSECURED LOANS		
1 From Directors	1,902,605	2,018,719
2 From Others	1,266,214	716,214
Total Rs.	3,168,818	2,734,933

SCHEDULE - 5
Statement of Fixed Assets

Sr. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As on 1.4.2008	Additions	Deduction	Total	As on 1.4.2008	For the year	Adjustment of Deduction	Total	As on 31.3.2009	As on 31.3.2008
1	LAND	4,854,597	-	-	4,854,597	-	-	-	-	4,854,597	4,854,597
2	BUILDING	18,605,120	691,249	-	19,296,370	14,897,489	386,861	-	15,284,350	4,012,020	3,707,631
3	FURNITURE & FIXTURES	3,196,157	629,423	75,692	3,749,888	1,676,692	348,763	74,674	1,950,781	1,799,107	1,519,465
4	VEHICLES	8,462,033	3,670,866	2,227,783	9,905,116	3,384,575	1,577,903	1,322,450	3,640,028	6,265,088	5,077,458
5	COMPUTERS	2,317,937	366,179	-	2,684,116	2,023,801	212,274	-	2,236,075	448,042	294,136
6	LIFT	155,350	-	-	155,350	140,475	2,069	-	142,544	12,806	14,875
7	ELECTRIC INSTALLATION	981,985	-	9,322	972,663	872,821	25,188	9,165	888,844	83,819	109,164
8	PLANT & MACHINERY	11,466,825	433,271	-	11,900,096	8,963,109	428,980	-	9,392,089	2,508,007	2,503,716
9	AIR CONDITIONERS	841,078	185,790	41,579	985,289	583,647	52,529	41,059	595,117	390,172	257,431
10	OFFICE EQUIPMENT	1,264,995	227,348	28,913	1,463,430	715,585	93,481	28,024	781,042	682,388	549,410
	Total Rs.	52,146,079	6,204,127	2,383,291	55,966,916	33,258,194	3,128,047	1,475,372	34,910,870	21,056,047	18,887,883
	Figures of Previous Years Rs.	50,288,911	3,016,600.00	1,159,432	52,146,079	31,512,326	2,621,245	875,377	33,258,194	18,887,885	



Sovereign Diamonds Limited



Particulars	As on 31.3.2009	As on 31.3.2008
SCHEDULE - 6		
INVENTORIES		
(As valued & certified by the Management)		
1 Stock in Trade		
(a) Raw Materials	32,032,177	21,707,338
(b) Finished Goods	17,841,481	18,363,594
2 Consumable Spares & Stores	3,038,530	4,580,691
Total Rs.	52,912,188	44,651,623
SCHEDULE - 7		
SUNDRY DEBTORS		
(Unsecured Considered good)		
1 Debts Outstanding for Period exceeding six months	21,187,487	21,793,581
2 Other Debts	32,530,987	31,202,073
Total Rs.	53,718,474	52,995,654
SCHEDULE - 8		
CASH & BANK BALANCES		
1 Cash on Hand	73,843	177,082
2 With Scheduled Bank in Current Account	204,878	337,690
Total Rs.	278,721	514,772
SCHEDULE - 9		
LOANS & ADVANCES		
(Unsecured considered good value to be receivable in cash or kind)		
1 Loan to Staff	97,608	55,400
2 Advances & Deposits	5,522,620	6,566,158
3 Others	189,137	376,810
Total Rs.	5,997,038	6,810,695
SCHEDULE - 10		
CURRENT LIABILITIES & PROVISIONS		
A. LIABILITIES		
1 Sundry Creditors	12,929,812	10,948,114
2 Advance from Customers	1,555,830	2,119,229
3 Outstanding Expenses	2,057,308	2,391,744
4 Others	5,000	
Total Rs.	16,542,950	15,464,087
SCHEDULE - 11		
PROVISIONS		
1 For Taxation	4,875,000	3,750,000
Total Rs.	4,875,000	3,750,000



Particulars	As on 31.3.2009	As on 31.3.2008
SCHEDULE - 12		
SALES		
Export Sales (C.I.F.)	45,783,899	86,813,266
Difference in Rates	1,700,762	(1,501,414)
Local Sales	123,767,285	42,450,360
Total Rs.	<u>171,251,946</u>	<u>127,762,212</u>
SCHEDULE - 13		
OTHER INCOME		
Rent/Misc. income	-	23,264
Sales Tax Refund	-	1,694,913
Profit on sale of Assets Jaipur	108,328	185,945
Insurance Claim	79,979	-
Amount Written Back	281,451	-
Total Rs.	<u>469,758</u>	<u>1,904,122</u>
SCHEDULE - 14		
INCREASE/(DECREASE) IN STOCKS		
Finished Goods		
Opening Stock	18,363,594	17,018,606
Less : Closing Stock	17,841,481	18,363,594
Total Rs.	<u>(522,113)</u>	<u>1,344,988</u>
SCHEDULE - 15		
RAW MATERIALS CONSUMED		
Opening Stock	21,707,338	22,158,486
Purchase	127,267,811	89,975,580
	<u>148,975,149</u>	<u>112,134,066</u>
Less : Closing Stock	32,032,177	21,707,338
Total Rs.	<u>116,942,972</u>	<u>90,426,728</u>
SCHEDULE - 16		
CONSUMPTIN OF TOOLS		
Opening Stock	4,580,691	4,117,735
Add : Purchases	2,332,839	1,415,601
	<u>6,913,530</u>	<u>5,533,336</u>
Less : Closing Stock	3,038,530	4,580,691
Total Rs.	<u>3,875,000</u>	<u>952,645</u>



SCHEDULE - 17

List of Expenses

Sr.No.	Particulars	FOR THE YEAR ENDED	
		As on 31.03.2009	As on 31.03.2008
1	Advertisement	89,822	74,552
2	Air Freight Charges	444,268	878,428
3	Assortment/Rhodium Charges/Refining Charges	481,318	456,954
4	Bank charges	1,051,558	568,541
5	Certification Charges	305,173	-
6	Clearing & Forwarding Charges	423,951	302,315
7	Conveyance	152,172	108,586
8	Directors Remuneration	1,951,426	1,495,800
9	Donation	35,350	83,000
10	Electricity	1,315,998	954,065
11	Employees Provident Fund	735,333	515,919
12	Entertainment Expenditures	1,260,418	756,208
13	Exhibition Expenses	9,436,834	9,396,702
14	Export Goods Expenses	262,349	226,135
15	Grauity Scheme Contribution	-	9,609
16	Insurance	601,187	419,660
17	Labour Charges	987,611	6,700
18	Loss on Sale of Motor Car	105,135	-
19	Miscellaneous Expenses	2,140,591	1,743,327
20	Postage & Telegram	38,391	41,970
21	Printing & Stationery	381,249	392,934
22	Profession Tax	-	2,500
23	Professional Charges	453,791	-
24	Rates, Taxes & Fees	462,201	601,904
25	Remuneration to Auditors	77,210	78,652
26	Rent	61,914	67,656
27	Repairs & Maintenance	459,672	385,067
28	Salary & Bonus	10,191,657	6,117,440
29	Sales Tax/VAT	124,612	11,595
30	Security Expenses	1,199,222	894,030
31	Sitting Fees	14,400	19,200
32	Software Charges	72,821	3,120
33	Subscription & Membership Fees	130,379	145,317
34	Travelling Expenses Including Foreign Travel	4,158,497	4,262,361
35	Telephone Expenses	910,470	686,486
36	Vehicle Expenses	1,047,194	1,288,658
37	Water Charges	84,420	20,485
	Total Rs.	41,648,593	33,015,875

**(SCHEDULE -18)****1. Significant Accounting Policies :****(a) System of Accounting :**

The accounts are prepared under the historical cost convention and on the basis of going concern.

All expenses and income to the extent considered payable and receivable respectively, unless stated otherwise, have been accounted for on accrual basis.

(b) Fixed Assets :

Fixed Assets stated at cost of acquisition or construction. (Including expenses incurred before commencement of production). They are stated at historical cost less accumulated depreciation.

(c) Depreciation :

Depreciation on Fixed Assets is provided on written down value method, and at the rate prescribed in schedule XIV of the Companies Act, 1956.

(d) Inventories :

(i) Raw Material and trading goods are valued at lower of cost or net realisable value.

(ii) Finished Goods are valued "At Cost + Direct and Variable over heads".

(iii) Consumable stores and spares are valued "At Cost"

(e) Revenue Recognition :

(i) Revenue from Export Sales is recognised when delivery of goods is physically given to custom authorities. Revenue from Domestic Sales is generally recognised when goods are despatched to the customers with Sales Invoice.

(ii) Refund of sales Tax/VAT is accounted in the year of receipt.

(f) Foreign Currency Transaction :

(a) Foreign currency transactions are accounted at the rate of exchange prevailing on the date of the transactions.

(b) Any gain or loss arising at the time of actual realisation are credited or debited to the exchange rate difference Account.

(g) Employee Benefits :

(i) Retirement benefit in the form of Provident Fund is charged to the Profit & Loss Account of the year when the contributions to the fund are made.

(ii) The company has taken a policy with Life Insurance Corporation of India to cover the gratuity liability of the employees and premium paid to the LIC is charged to Profit and Loss Account.

(iii) Liability for encashment of leave is recognised and charged to profit and loss account in the year in which it is encashed and paid to the employees.

(h) Borrowing Cost :

Borrowing costs on specific borrowing relatable to qualifying assets are capitalized. All other borrowing costs are charged to revenue.

2. Segment Reporting :**a) Business Segment :**

The Company's main business is manufacturing of Jewellery. All other activities of the company revolve around this main business. There are no separate segments within the company as defined by AS 17 (Segment Reporting) issued by The Institute of Chartered Accountants of India.

b) Geographical Segment :

The geographical segments considered for disclosures are :

(i) Sales within India made to Customers located within India Rs. 12,37,67,285/-.

(ii) Sales outside India represents sales made to customers located outside India Rs. 4,57,83,899/-.

The entire activity pertaining to sales outside India is carried out from India.



3. Disclosure in respect of Related Parties pursuant to Accounting Standard 18 : .:

- (a) Associate : Hotchand Hiranand
 Universal Jewellery Ltd.
 Sovereign Jewellery Ltd.
 Bombay Textiles
 Ras Family Trust
 R. B. Hotchand Hiranand Foundation

- (b) Key Management Personnel and their Relatives : Mr. Ramesh H. Gehani - Managing Director
 Mr. Ajay R. Gehani - Wholetime Director
 Mr. Sanjay R. Gehani - Wholetime Director
 Mrs. Rani R. Gehani - Relative
 Mr. Rajender R. Gehani - Relative

- (c) During the year, the following transactions were carried out with the related parties in the ordinary course of the business.

Sr.No.	Nature of Transaction	Associate	Key Management Personnel and their relatives	Total
1	Temporary Amount Received		1,773,400	1,773,400
2	Temporary Amount Repaid		589,141	589,141
3	Remuneration Paid		1,951,426	1,951,426
4	Sitting Fees		14,400	14,400
5	Amount (Receivable)/Payable	(27,520)		(27,520)

4. Earnings Per Share (EPS) :

	31.03.2009	31.03.2008
Profit/(Loss) after tax	(719,731)	175,686
Number of Equity Shares	5,788,002	5,788,002
Earning Per Share (basic/diluted)	(0.12)	0.03

5. Accounting for Taxes on Income

The significant component and classification of deferred tax assets and liabilities on account of timing differences are :

	As at 31st March 2009 (Rs.)	As at 31st March 2008 (Rs.)
Deferred Tax Liability		
On account of depreciation	(1,062,155.00)	(1,452,558.00)
Less:(Decrease) increase in deferred tax liability	(306,264.52)	(390,403.00)
Net Deferred Tax (liability)/asset on account of timing difference	(755,890.48)	(1,062,155.00)

6. Impairment of assets :

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired.



7. The Company is in the process of working and obtaining gratuity liability certificate from LIC as required under AS 15. On determining the said liability, provision shall be made in the account of following year by adjustment from General Reserve or charge to Profit & Loss Account.
8. Particulars in respect of Licensed and installed capacities.

Class of Goods Manufactured	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		31.3.2009	31.3.2008	31.3.2009	31.3.2008	31.3.2009	31.3.2008
(i) Gold Jewellery studded with Diamonds/Stones	Pieces	Not Applicable		Not Applicable		3,344	2,881

9. (a) Particulars in respect of purchase (including imports)

Sr.No.	Particulars	Unit	Purchases/Imports	
			Quantity	Value in Rs.
(i)	Diamonds	Carat	6,206.93 (4,547.97)	92,907,528.00 (74,087,378.00)
(ii)	Semi Precious Stone	Carat	427.47 (-)	190,504.00 (-)
(iii)	Gold	Grams	27,896.44 (15,079.94)	33,831,308.00 (15,747,765.00)
(iv)	Precious Stone	Carat	41.09 (25.62)	126,914.00 (103,136.00)
(v)	Silver	Grams	9,362.00 (2,034.80)	211,557.00 (37,301.00)
Total Rs.				127,267,811.00 (89,975,580.00)

- (b) Particulars in respect of Sales (including Export)

Sr.No.	Particulars	Unit	Sales		Export	
			Quantity	Value in Rs.	Quantity	FOB Value in Rs.
(i)	Gold Jewellery Studded with Diamonds	Pieces	2,045 (408)	83,659,463 (30,048,566)	1,097 (1,857)	45,391,222 (85,873,061)
(ii)	Diamonds	Carat	2,097.82 (1,617.32)	30,975,447 (11,314,493)	- -	- -
(iii)	Precious Stones	Carat	0 (103.46)	- (214,214)	- -	- -
(iv)	Gold	Gms	6,342.10 (800.00)	9,132,375 (858,500.00)	- -	- -
(v)	Pearls	Carat	- (320.96)	- (14,587)	- -	- -
Total Rs.				123,767,285 (41,577,273)		45,391,222 (85,873,061)

Sovereign Diamonds Limited



(c) Raw Materials Consumed/used for direct sales

Sr.No.	Description	Unit	Quantity	Value in Rupees.
(i)	Diamonds	Carat	5,579.480 (4,519.560)	84,773,129 (73,483,108)
(ii)	Gold	Grams	26,354.999 (16,292.733)	31,825,309 (16,558,758)
(iii)	Silver	Grams	9,362.000 (2,034.800)	211,557 (37,301)
(iv)	Precious Stones	Carat	27.740 (236.280)	105,030 (347,561)
(v)	Semi Precious Stone	Carat	58.330 (-)	27,947 (-)
Total Rs.				116,942,972 <u>(90,426,728)</u>

(d) Particulars in respect of Opening Stock & Closing Stock.

Opening Stock		Closing Stock				
Sr.No.	Particulars	Units	Quantity	Value in Rs.	Quantity	Value in Rs.
(i)	Diamonds	Carat	1,198.61 (1,170.20)	18,791,828 (18,187,558)	1,826.06 (1,198.61)	26,926,227 (18,791,828)
(ii)	Precious Stones	Carat	1,797.99 (2,008.65)	1,183,473 (1,427,898)	1,811.34 (1,797.99)	1,205,357 (1,183,473)
(iii)	Semi Precious Stones	Carat	59.79 (59.79)	3,451 (3,451)	428.93 (59.79)	166,008 (3,451)
(iv)	Gold	Grams	1,468.20 (2,680.99)	1,693,229 (2,504,222)	3,009.64 (1,468.20)	3,699,228 (1,693,229)
(v)	Gold Jewellery Studded with diamonds/stones	Pieces	348 (292)	18,363,594 (17,018,606)	550 (348)	17,841,481 (18,363,594)
(vi)	Pearls	Carat	320.96 (320.96)	14,097 (14,097)	320.96 (320.96)	14,097 (14,097)
(vii)	Tsavourites	Carat	21.26 (21.26)	21,260 (21,260)	21.26 (21.26)	21,260 (21,260)
				40,070,933 (39,177,092)	49,873,658 (40,070,932)	

10. Value of Imports on C.I.F. basis

	31.03.2009	31.03.2008
(i) Raw Materials	1,977,534	4,733,122
(ii) Capital Goods/Stores/Spares	NIL	NIL



11. Expenditure in Foreign currency

	31.03.2009	31.03.2008
1. Foreign Travel/Exhibition Charges (Including Air Ticket & other ancilliary Services charges)	4,559,989	2,790,769

12. Earnings in Foreign Exchange

	31.03.2009		31.03.2008	
(i) Export of Goods on F.O.B. Basis		45,391,222		85,873,061
(ii) Freight and Insurance	392,677	45,783,899	940,205	86,813,266

13. Value of imported Raw Materials and the value of all indigenous raw Materials and the percentage of each of the total purchase.

	Amount		Percentage	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
(i) Raw Materials : Imported	1,977,534	4,733,122	1.55	5.26
(ii) Raw Materials : Indigenous	125,290,277	85,242,458	98.45	94.74
Total Rs.	127,267,811	89,975,580	100.00	100.00

14. Remuneration to Auditors

	31.03.2009	31.03.2008
(i) As Auditors	22,060.00	22,472.00
(ii) For Tax Audit	22,060.00	22,472.00
(iii) For Taxation	33,090.00	33,708.00
Total Rs.	77,210.00	78,652.00

15. Payment to Directors

	Managing Director		Whole Time Director	
	31.3.2009	31.3.2008	31.3.2009	31.3.2008
Remuneration	567,409.00	396,000.00	591,457.00	558,000.00
House Rent Allowance	324,620.00	237,600.00	354,660.00	226,800.00
Other Benefits	53,280.00	39,600.00	60,000.00	37,800.00
Total Rs.	945,309.00	673,200.00	1,006,117.00	822,600.00

* Keyman Insurance Premium of Rs.NIL/- (Rs. 3,04,248/-) paid for a Director is not included in above.

16. The Company have obtained interest free loan from directors and their relatives. Accordingly interest is not provided on the said loans.

Sovereign Diamonds Limited



17. Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force on 2nd October, 2006, certain disclosures are required to be made relating to dues payable to Micro, Small and Medium Enterprises. The Company is in the process of compiling relevant information from the suppliers regarding their coverage under the said Act. Since the relevant information is not readily available, no disclosure have been made in the Accounts.
- 18 The Company has not made provision for doubtful debts of Rs. 99.30 lakhs recoverable from foreign customer, as the directors are hopeful to recover the amount in current year.
- 19 The Company is in process of reconciling the Packing Credit loan and Advance account with Corporation Bank.
- 20 The company have deposited a sum of Rs. 5,59,591.66 with Bombay High Court towards the recovery suit pending against the company. The Company have provided a sum of Rs. 2,75,000/- in the account and balance amount of Rs. 2,84,591.66 is kept as deposit with Honourable High Court.
- 21 The figures of previous year have been regrouped/rearranged wherever considered necessary.
- 22 Figure shown in brackets are of previous year.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

J.D. ZATAKIA - PROPRIETOR

Membership No : 17669

PLACE : MUMBAI

DATE : 15.07.2009

MR. RAMESH H GEHANI MR. AJAY R. GEHANI
MANAGING DIRECTORS

PLACE : MUMBAI

DATE : 15.07.2009



Cash Flow Statement for the year ended 31st March 2009 (Pursuant to the listing agreement with Stock Exchange)

PARTICULARS	31.3.2009		31.3.2008	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit (Loss) Before Tax and Extraordinary Items :		99,004		1,135,283
Adjustment for				
Depreciation	3,128,047		2,621,245	
Loss on Sale of Assets	105,135		-	
Profit on Sale of Assets	(108,328)		(185,945)	
Interest	5,505,974		2,859,546	
Miscellaneous Expenses Written off	-		-	
		<u>8,630,828</u>		<u>5,294,846</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		<u>8,729,833</u>		<u>6,430,131</u>
Adjustment for				
Trade and Other Receivable	90,837		(17,513,973)	
Inventories	(8,260,565)		(1,356,797)	
Trade Payable	1,078,863		7,427,187	
		<u>(7,090,865)</u>		<u>(11,443,583)</u>
CASH GENERATED FROM OPERATIONS		<u>1,638,968</u>		<u>(5,013,452)</u>
Interest paid	(5,505,974)		(2,859,546)	
Direct Taxes Paid			1,041,488	
Income Tax Refund	5,152		-	
Income Tax Adjustments			(2,130,445)	
		<u>(5,500,822)</u>		<u>(3,948,503)</u>
CASH FLOW BEFORE EXTRAORDINARY ITEMS		<u>(3,861,855)</u>		<u>(8,961,955)</u>
Extra Ordinary Items		-		-
Net Cash from operating activities		<u>(3,861,855)</u>		<u>(8,961,955)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(6,204,127)		(3,016,600)	
Sale of Fixed Assets	911,112		470,000	
		<u>(5,293,015)</u>		<u>(2,546,600)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(5,293,015)</u>		<u>(2,546,600)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issued of Share Capital :				
Proceeds from Short Term of Borrowings	433,885		2,365,616	
Proceeds from Long Term of Borrowings	8,484,934		8,176,668	
CASH USED IN FINANCING ACTIVITIES		<u>8,918,819</u>		<u>10,542,284</u>
NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)		<u>(236,051)</u>		<u>(966,271)</u>
OPENING BALANCE OF CASH AND CASH EQUIVALENTS		<u>514,772</u>		<u>1,481,043</u>
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		<u>278,721</u>		<u>514,772</u>

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

MR. RAMESH H GEHANI MR. AJAY R. GEHANI
MANAGING DIRECTORS

J.D. ZATAKIA - PROPRIETOR
Membership No : 17669
PLACE : MUMBAI
DATE : 15.07.2009

PLACE : MUMBAI
DATE : 15.07.2009



Balance Sheet abstract and Company's General Business Profile

I.	Registration Details	:		
	Registration No	:	11-17505	
	State Code	:	11	
	Balance Sheet Date	:	31.03.2009	
II.	Capital raised during the year (amount Rs. in thousands)		Public Issue NIL Bonus Issue NIL	Rights Issue NIL Private Placement NIL
III.	Position of Mobilisation and Deployment of Funds, (amount in thousands)	:	Total Liabilities 112,544,517	Total Assets 112,544,517
	Sources of Funds	:	Paid up Capital 57,880,020	Reserves & Surplus 10,567,282
		:	Secured Loans 40,172,507	Unsecured Loans 3,168,818
		:	Deferred Tax Liability (Net) 755,890	
	Application of Funds	:	Net Fixed Assets 21,056,046	Investment -
		:	Net Current Assets 91,488,471	Misc. Expenditure -
		:	Accumulated Losses -	
IV.	Performance of the Company (Amounts Rs. in thousands)	:	Turn over (Gross Revenue) 171,199,591	Total Expenditure 171,100,587
		:	Profit/Loss before Tax 99,004	Profit/Loss after Tax -719,731
		:	Earning per share in Rs. -0.12	Dividend Rate (%) -
V.	Generic names of principal products/ Services of the company (as per monetary terms)		Item Code No. -	Product Description -

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

MR. RAMESH H GEHANI MR. AJAY R. GEHANI
MANAGING DIRECTORS

J.D. ZATAKIA - PROPRIETOR

Membership No : 17669

PLACE : MUMBAI

DATE : 15.07.2009

PLACE : MUMBAI

DATE : 15.07.2009

**ATTENDANCE SLIP
SOVEREIGN DIAMONDS LIMITED**

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

Please complete this attendance slip and hand it over at the entrance of the Registered Office.

DP ID*		FOLIO NO.	
CLIENT ID*		NO. OF SHARES	
NAME AND ADDRESS OF SHAREHOLDER (IN BLOCK CAPITALS)			

I, hereby record my attendance at the Thirty-Fifth Annual General Meeting to be held on Wednesday, 23rd September, 2009 at 11 - A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093 at 11.30 A.M.

SIGNATURE OF THE SHARE HOLDER OR PROXY _____

* Applicable for investor holding shares in electronic form.

PROXY

SOVEREIGN DIAMONDS LIMITED

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

DP ID*		FOLIO NO.	
CLIENT ID*		NO. OF SHARES	

* Applicable for investor holding shares in electronic form.

I/We of.....
..... Being a Member/Members of SOVEREIGN DIAMONDS LIMITED hereby appoint
..... of.....
(or failing him) of.....

as my/our Proxy to attend and vote for me/us and on my/our behalf at the Thirty-Fifth Annual General Meeting to be held on, Wednesday, 23rd September, 2009 at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093 at 11.30 A.M. and at any adjournment thereof.

AS WITNESS my hand/our hands this _____ day of _____ 2009.

Signature _____

100 P. S.
Revenue
Stamp

NOTE: The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting. The Proxy need not be a member of the Company.

Reference Folio _____

Name of the Shareholder(s): _____

BOOK- POST

If undelivered please return to :

SOVEREIGN DIAMONDS LIMITED

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

CRYSTAL (022) 2382 3151