



Sovereign[®]
Diamonds Ltd. Since 1974

38th
Annual Report
2011-2012

38TH ANNUAL REPORT
2011- 2012

Sovereign Diamonds Limited

BOARD OF DIRECTORS

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

*Resigned w.e.f. 13th August, 2011

**Appointed w.e.f. 13th August, 2011

BANKERS

Corporation Bank

STATUTORY AUDITORS

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

REGISTERED OFFICE

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

Ph No: 022 66923871

Fax No: 022 66923880

REGISTRAR & TRANSFER AGENTS

M/s. Universal Capital Securities Private Limited
Address: 21, Shakil Niwas, Opp. Satya Saibaba Temple,
Mahakali Caves Road, Mumbai – 400 093.

Tel. No. 28 20 72 01 / 03 / 04 / 05

Fax No. 28 20 72 07

NOTICE

NOTICE is hereby given that the Thirty-Eighth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Tuesday, 18th September, 2012 at 10.30 a.m. at Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai: 400 093 to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012, Audited Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
- 2) To appoint a Director in place of Mr. Ajay Gehani, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To re-appoint Statutory Auditors of the Company and to fix their remuneration.

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

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

Place: Mumbai

Date: 2nd August, 2012

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IS ENCLOSED ALONG WITH THIS NOTICE.
2. The Proxy Form, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is not required to be attached to the notice.
4. For the convenience of the shareholders, Attendance Slip is annexed to this notice. Shareholders/Proxy Holders are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue.

5. The Register of Members and Share Transfer Register of the Company will remain closed from Thursday, 13th September, 2012 to Tuesday, 18th September, 2012 (both the days inclusive).
6. Corporate Members intending to send their authorized representatives at the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Members are requested to immediately notify any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Secretarial department at the Registered Office of the company or to the Registrar and Transfer Agents in respect of their holding in physical form.
9. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report.
10. All the shareholders are requested to register their E-Mail id with the Universal Capital Securities Private Limited for the purpose of service of documents under Section 53 of the Companies Act 1956 by E-mode instead of under posting certificate (UPC) in view of Circular No. 17/95/2011 CL-V.

DIRECTORS' REPORT

To
The Members,

The Directors present their Thirty- Eighth Annual Report together with the Audited Accounts for the year ended 31st March, 2012

A. FINANCIAL RESULTS

(Rs. in Lakhs)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Income from Operations	2689.93	1935.97
Other Income	1.18	2.01
Total Income	2691.11	1937.98
Expenditure	2467.75	1817.98
Interest	118.13	58.39
Depreciation	33.60	28.89
Total Expenditure	2619.48	1905.26
Profit(+) Loss(-)	71.63	32.72
Provision for Taxation	26.00	15.00
(Add) / Less : Deferred Tax	(0.83)	(1.55)
Short / (Excess) Provision of earlier Years	(0.42)	(1.71)
Net profit after tax	46.88	20.98
Balance brought forward from last year	81.91	60.93
Balance carried forward to the Balance Sheet	128.79	81.91

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.2689.93 lacs as against Rs.1935.97 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. Ajay Gehani, Director retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

E. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

The disclosures in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, (Referred to as the rules) are as follows:

A. Conservation of Energy:

The activity of the Company does not require large scale consumption of energy. Hence, the Company has not taken any energy conservation measures. There are no additional investments and proposals, for reduction of consumption of energy. The Company does not fall within the category of list of industries mentioned in Schedule forming part of the rules. Hence, no disclosures are required to be given in Form A as annexed to the rules.

B. Technology Absorption:

The Company carries out general Research and Development in the manufacture of Jewellery as per international standards, in developing new range of products, manufacturing process etc. The disclosures required to be given in Form B as annexed to the rules are as follows:

Form for Disclosure of Particulars with respect to absorption Research & Development (R & D):

Specific Areas in which R & D carried out by the Company.	Manufacture of Jewellery
Benefits derived as a result of the above R & D.	Helped in better quality output, with improved productivity.
Future Plan of Action	Development of new designs in Jewellery.
Expenditure on R & D:	The Company carries out the R & D work in-house.
(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R & D expenditure as a percentage of Total Turnover	Nil

Technology absorption, adaptation and innovation

Efforts, in brief, made towards technology absorption, adaptation & innovation	We use the latest laser technology and all automatic casting machines in order to achieve a very high level of finish and setting quality. This combined with mirror polish in our jewellery makes it one of the finest collection in the country
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Benefits derived as a result of above efforts	Due to this finish we are able to work with the leading retailers and wholesalers in India and Europe and they have achieved tremendous success with our product line
Imported Technology	The Company has not imported any technology.

C. Foreign Exchange Earning and Outgo:

	2011-2012	Rs. In lakhs 2010-2011
Foreign Exchange Earnings/Outgo:		
Foreign Exchange Earned:	185.80	197.42
Foreign Exchange Outgo:	0.0	0.0
Travelling / Exhibition Charges	23.31	16.01

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, 2012 is not given as no employee is in receipt of remuneration in excess of Rs.5,00,000/- p.m. or Rs. 60,00,000/- p.a.

H. 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, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for the year under review.
- ii) 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, 2012 on a going concern basis.

I. AUDITORS QUALIFICATION:

The qualification in auditors report has been dealt in the notes forming part of accounts which is self explanatory

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**

Sd/-	Sd/-
AJAY R. GEHANI	RAMESH GEHANI
MANAGING DIRECTOR	EXECUTIVE CHAIRMAN

Place: Mumbai

Date: 2nd August, 2012

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

***(For The Financial Year 31st March, 2012)**

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is to strive for attaining the optimum level of transparency and accountability in all facets of its operations and all dealings with shareholders, employees, lenders, creditors, customers and the government. The Board of Directors by considering itself the trustee of its Shareholders aims at maximizing shareholders value and protecting interests of other stakeholders

II. BOARD OF DIRECTORS

i) Composition and Category of Directors:

The Board consists of 4 Directors, out of which 2 are Independent Directors. Composition of the Board and category of Directors are as follows:

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

*Resigned on 13th August, 2011.

@Appointed on 13th August, 2011.

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

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	*Vijay Kalantri	Mohanram Pai	@Rajesh Arora
28/04/2011	Present	Present	Present	Present	NA
03/07/2011	Present	Present	Absent	Present	NA
13/08/2011	Present	Present	Absent	Present	Present
30/08/2011	Present	Present	NA	Present	Present
20/10/2011	Present	Present	NA	Absent	Absent
15/11/2011	Present	Present	NA	Present	Present
14/02/2012	Present	Present	NA	Present	Present
Total Attendance (Out of 7 Meetings)	7	7	1	6	4
Attendance at Last AGM	Present	Present	Absent	Present	Absent

*Resigned on 13th August, 2011

@Appointed on 13th August, 2011

- ii) a. **Number of other Companies where Director (of SDL) hold memberships on the Board of Directors:**
 b. **Number and Name of Committees in which the Directors (of SDL) 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	2	-	0	-	0
Mr. Ajay Gehani	2	SIGC - SDL	1	AC - SDL	1
*Mr. Vijay Kalantri	Nil	Nil	0	AC – SDL SIGC – SDL	1 1
Mr. Mohanram Pai	1	AC – SDL	1	AC – ASC SIGC - ASC CG - ASC	3
@Mr. Rajesh Arora	Nil	Nil	0	AC – SDL SIGC – SDL	1 1

*Resigned on 13th August, 2011

@Appointed w.e.f. 13th August, 2011

AC – SDL	Audit Committee – Sovereign Diamonds Limited
SIGC – SDL	Shareholders / Investors Grievance Committee – Sovereign Diamonds Limited
AC – ASC	Audit Committee – Asian Steel Co. Ltd.
SIGC - ASC	Shareholders / Investors Grievance Committee – Asian Steel Co. Ltd.
CG - ASC	Corporate Governance – Asian Steel Co. Ltd.

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

iv) **Code of Conduct:**

The Board has formulated a code of conduct for the Board Members and Senior Management Personnel of the Company. All Board Members and Senior Management Personnel have affirmed their compliance with the code for the financial year ended 31st March, 2012. A declaration to this effect signed by the Chairman of the Company is given elsewhere in the Annual Report.

III. **AUDIT COMMITTEE**

The Composition of the Audit Committee and the attendance of the members of Audit Committee at the meetings of the Audit Committee are as follows:

Date of Meeting	Mohanram Pai*	Vijay G. Kalantri#%	Ramesh Gehani\$	@Rajesh Arora
28/04/2011	Present	Present	Present	NA
13/08/2011	Present	Absent	Present	Present

30/08/2011	Present	NA	Present	Present
15/11/2011	Present	NA	Present	Present
14/02/2012	Present	NA	Present	Present
Total Attendance (out of 5 meetings)	5	1	5	4

* Chairman & Non Executive **Independent Director**

Member & Non - Executive **Independent Director**

\$ Member & Executive Promoter Director

% Resigned on 13th August, 2011

@ Appointed on 13th August, 2011

The Board of Directors of the Company has framed a Terms of Reference for the Audit Committee. The Terms of Reference is based on Clause 49 (II) (D) of the Listing Agreement. The Audit Committee performs its functions in accordance with its terms of reference. In addition, it exercises its powers and reviews information as specified under Clause 49 (II) (C) and (E) of the Listing Agreement.

IV. REMUNERATION COMMITTEE

The Company has not constituted a separate remuneration committee that determines the terms of reference and remuneration package for its managerial personnel.

i) Remuneration Policy

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

ii) Details of Remuneration paid to all Directors

A. The Company does not have any pecuniary relationship or transactions with the non-executive directors. During the year, the Company has paid sitting fees to non-executive directors.

B. The aggregate remuneration paid to the Directors for the year ended 31st March, 2012, is as under;

(Fgrs in Rs.)

Sl. No.	Name of Director	Salary & Perquisites	Commission	Sitting Fees
1.	Mr. Ramesh Gehani	13,15,800	Nil	Nil
2.	Mr. Ajay Gehani	14,99,400	Nil	Nil
3.	*Mr. Vijay Kalantri	Nil	Nil	Nil
4.	Mr. Mohanram Pai	Nil	Nil	15,000
5.	@Mr. Rajesh Arora	Nil	Nil	10,000

*Resigned on 13th August, 2011

@ Appointed on 13th August, 2011

The remuneration paid 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 29th July, 2010 and approved by the Shareholders at the Annual General Meeting held on 2nd September, 2010.

C. The Company has not issued any stock options or paid any performance linked incentives or fixed component incentives to the Directors.

D. DETAILS OF SERVICE CONTRACTS:

Name and Designation	Current tenure	From	To
Mr. Ramesh Gehani, Executive Chairman	5 years	01.09.2010	31.08.2015
Mr. Ajay Gehani, Managing Director	5 years	01.09.2010	31.08.2015

E. Equity Shares of Sovereign Dimaonds Limited held by the Non-Executive Directors are as follows:

Directors	No. of shares held as on 31 st March, 2012	No. of shares held as on 31 st March, 2011
*Mr. Vijay Kalantri	NIL	NIL
Mr. Mohanram Pai	NIL	NIL
@Mr. Rajesh Arora	NIL	NIL

*Resigned on 13th August, 2011

@Appointed on 13th August, 2011

V. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

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

Date of Meeting	Ramesh Gehani*	Vijay Kalantri#	@Rajesh Arora
28/04/2011	Present	Present	NA
13/08/2011	Present	Absent	Present
30/08/2011	Present	NA	Present
15/11/2011	Present	NA	Present
14/02/2012	Present	NA	Present
Total Attendance (out of 5 meetings)	5	1	4

* Chairman & Executive Promoter Director

Member & Non Executive Independent Director

\$ Resigned on 13th August, 2011

@Appointed on 13th August, 2011

B) COMPLIANCE OFFICER :

As required by the Listing Agreement, the Company has appointed Mr. Ajay Gehani, Managing Director as the Compliance Officer.

Email address of Compliance Officer is agehani@hotmail.com

C) Complaint Status for the period 01/04/2011 to 31/03/2012

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 ANNUAL REPORTS	-	-	-
SEBI	-	-	-
STOCK EXCHANGE	-	-	-
NON RECEIPT OF SHARE CERTIFICATE	-	-	-
NON RECEIPT OF SHARE TRANSFER	-	-	-
Total:			

VI. GENERAL BODY MEETINGS

- A. Date, time and venue for the Annual General Meetings and Extra Ordinary General Meeting held during the last 3 financial years and nature of special resolutions passed thereat are given below;

Financial Year Ending	Nature of Meeting	Nature of Special Resolution Passed	Date	Location	Time
31.03.09	35 th AGM	Nil	23.09.09	Registered Office	11.30 A.M.
31.03.10	36 th AGM	Note*	02.09.10	Registered Office	11.00 A.M.
31.03.11	37 th AGM	Nil	30.09.11	Hotel Tunga Paradise, Andheri (East), Mumbai: 400 093	4.00 P.M.

- *Note 1
- Special Resolution for Re-appointment and payment of remuneration of Mr. Ramesh Gehani as Executive Chairman for a period of five years w.e.f 1st September, 2010.
 - Special Resolution for Re-appointment and payment of remuneration of Mr. Ajay Gehani as Managing Director for a period of five years w.e.f 1st September, 2010.

Notes:

- There were no resolutions passed through postal ballot last year.
- No resolutions are proposed to be passed through postal ballot.

VII. DISCLOSURES

- The Company has not entered into any materially significant related party transactions during the year that may have potential conflict with the interests of the Company at large.
- 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 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 2011 – 2012.
- vi. The Company has complied with all mandatory requirements of clause 49 of Listing Agreement.

VIII. MEANS OF COMMUNICATION

- i. **Quarterly Results:** The quarterly financial results of the company (in the format prescribed by the Listing Agreement) are reviewed by Audit Committee and then, approved and taken on record by the Board within the prescribed time frame and immediately send to the Stock Exchange where the shares of the company are listed.
- ii. The quarterly results for the financial year 2011 – 2012 were published in the News Papers. (Details given below):

Quarter	Results
June, 2011	The Free Press Journal in English and Navshakti in Marathi
September, 2011	The Free Press Journal in English and Navshakti in Marathi
December, 2011	The Free Press Journal in English and Navshakti in Marathi
March, 2012	The Free Press Journal in English and Navshakti in Marathi

- iii. **Annual Report:** Annual Report containing inter alia Audited Annual Accounts, Directors' Report, Auditors' Report and other important, information is circulated to Members and others entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report.
- iv. All the shareholders are requested to register their E-Mail id with the Universal Capital Securities Private Limited for the purpose of service of documents under Section 53 of the Companies Act, 1956 by E-mode instead of under posting certificate (UPC) in view of Circular No. 17/95/2011 CL-V.

X. GENERAL SHAREHOLDER INFORMATION

AGM Date, Time & Venue	Date: 18th September, 2012 Time: 10.30 a.m. Venue: Embassy Rooms, 6 th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai: 400 093
Financial Year:	1 st April to 31 st March
Book Closure Date:	13 th September, 2012 to 18 th September, 2012
Dividend Payment Date:	Not Applicable
Listing on Stock Exchanges:	The Bombay Stock Exchange Limited
Stock Code & Demat Scrip Code (ISIN)	Bombay Stock Exchange Stock Code: 523826 Scrip Code: INE 959D01013
Registrar & Transfer Agents	M/s. Universal Capital Securities Private Limited Address: 21, Shakil Niwas, Opp. Satya Saibaba Temple, Mahakali Caves Road, Mumbai – 400 093. Tel. No. 28 20 72 01/ 03 / 04 / 05 Fax No. 28 20 72 07 Email ID: gamare@unisec.in.com

Shareholders / investors are requested to forward share transfer documents, dematerialization request, correspondence regarding change of address, or share certificates and other related queries to the company's registrar i.e. Universal Capital Securities Private Limited at the address mentioned above.

Share Transfer System and Dematerialization of Shares:

The Company 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. International Securities Identification Number (ISIN) INE 959D01013.

As on March 31, 2012, 48,95,412 equity shares (84.57%) of the Company are dematerialized. All this shares are electronically transferred through the demat facility. Balance 892,590 equity shares (15.42%) are in physical mode. The Company has assigned the job of transfer of shares in physical mode to its Registrar and Share Transfer Agent, M/s. Mondkar Computers Private Limited. The Shareholders and Investors Grievances Committee takes on record all the physical share transfers from time to time.

Distribution of Shareholding as on 31st March, 2012:

Nominal Value of Shares (In Rs.)	No. of Shareholders	% to total holders	Total Shareholding (In Rs.)	% to capital
1 – 500	3919	90.613	6476840	11.190
501 - 1000	210	4.855	1835760	3.172
1001 - 2000	79	1.827	1258840	2.175

2001 - 3000	41	0.948	1072600	1.853
3001 - 4000	11	0.254	399740	0.691
4001 - 5000	15	0.347	718200	1.241
5001 - 10000	20	0.462	1557160	2.690
10001 & Above	30	0.694	44560880	76.988
Total	4325	100.000	57880020	100.000

Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity :

There are no outstanding GDRs/ ADRs/ Warrants or any Convertible instruments. Hence there will not be any impact on the equity of the company.

Consolidation of Folios:

Shareholders are requested to INVARIABLY mention their existing folio number in the column provided in the transfer deed in case they lodge further shares for transfer in the same order of names. Shareholders are also requested to send the share certificates by registered post to the transfer agents of the Company in case they have been allotted more than one folio, in the same order of names. The shares will be consolidated into one folio and the share certificates will be returned by registered post within a week of receipt.

Nomination Facility:

Individual shareholders of physical shares can nominate any person for the shares held by them. This will save the nominee from going through the lengthy process of getting the shares later on transmitted to his name. For further details, shareholders may write to the Registrar and Share Transfer Agent of the Company.

Practising Company Secretary Certificate on Corporate Governance

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

Performance of equity scrip (Closing Price) of the company in comparison to BSE Sensex(Closing Price)(Data as per the website of Bombay Stock Exchange Limited i.e. www.bseindia.com)



Monthly High and Low Prices of the Equity Shares of the Company for the year ended 31st March, 2012(Data as per the website of Bombay Stock Exchange Limited i.e. www.bseindia.com)

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.)	
								H-L	C-O
Apr 11	4.16	5.06	4.16	4.35	13,939	59	63,666	0.9	0.19
May 11	4.15	4.15	3.8	3.8	3,569	14	14,109	0.35	-0.35
Jun 11	3.85	3.99	3.33	3.68	6,441	24	23,164	0.66	-0.17
Jul 11	3.56	4.5	3.47	4.05	12,877	49	50,300	1.03	0.49
Aug 11	3.85	3.87	3.2	3.53	7,215	29	26,032	0.67	-0.32
Sep 11	3.7	5.13	3.67	4.84	25,052	74	1,11,353	1.46	1.14
Oct 11	4.65	4.65	3.7	3.9	8,655	23	36,111	0.95	-0.75
Nov 11	4.09	4.09	3.57	3.57	2,201	6	8,395	0.52	-0.52
Dec 11	3.74	3.87	2.73	2.86	11,745	27	38,628	1.14	-0.88
Jan 12	2.95	3.02	2.6	2.6	12,149	45	35,063	0.42	-0.35
Feb 12	2.5	2.52	2.4	2.52	2,200	5	5,326	0.12	0.02
Mar 12	2.53	3.09	2.44	3.09	1,393	11	3,758	0.65	0.56

* Spread, H-L : High-Low, C-O : Close-Open

Shareholding Pattern as on 31st March, 2012

	Category	No of Shares Held	% Of Share Holding
A.	Promoter (S) Holding		
1.	Promoter (s)		
	- Indian Promoters	27,54,819	47.60
	- Foreign Promoters	0.0	0.0
	Sub – Total(A)	27,54,819	47.60
B.	Non-Promoters Holding		
	Institutional Investors		
i.	Mutual Funds & UTI	1,71,300	2.96
ii.	Banks, Financial Inst, Insurance Company, Central / State Govt Inst, Non-Govt Inst	0.0	0.0
iii.	FII (S)	0.0	0.0
	Others		
i.	Private Corporate Bodies	4,88,155	8.43
ii.	Indian Public	23,60,218	40.78
iii.	NRI/OCBS	10565	0.18
iv.	Clearing Members	2945	0.05
	Sub-total (B)	3033183	52.40
	GRAND TOTAL	57,88,002	100.00

Plant Location:

Factory of the company is located at the registered office of the company.

Registered Office Address & Correspondence:

Sovereign Diamonds Limited

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

Contact Person: Mr. Ajay Gehani, Managing Director

Email Address: agehani@hotmail.com

For Sovereign Diamonds Limited

Sd/-

**Ramesh Gehani
Executive Chairman**

Place: Mumbai

Date: 2nd August, 2012

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 (D) of the Listing Agreement with the Stock Exchange. The Board 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, 2012.

Sd/-

**Ajay Gehani
Managing Director**

Place: Mumbai

Date: 2nd August, 2012

**PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE
GOVERNANCE**

TO THE MEMBERS OF SOVEREIGN DIAMONDS LIMITED

We have examined the compliance of conditions of corporate governance by Sovereign Diamonds Limited for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the 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 conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement and that no investor grievance(s) is / are pending for a period exceeding one month against the Company.

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

**For M/s. P. P. Shah & Co.,
Practising Company Secretaries**

**Place: Mumbai
Date: 2nd August, 2012**

**sd/-
Pradip 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 2012, the Statement of Profit and Loss 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 sub-section (4A) of section 227 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, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report, are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable, *except as regard provision for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note No 1.13.*
 - e) On the basis of written representations received from Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon, 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, 2012.
- ii. in the case of the Statement of Profit and Loss, of the Profit 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.

**FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 111777W**

Place : Mumbai

Date : 02nd August, 2012

**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 its 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.
- b) 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. 30.05 Lacs and the yearend balance of loans taken were Rs. NIL.
- c) 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) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts/arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000 in respect of each party during the year have been made at prices which appear reasonable as per information available with the company.
- 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 amount 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.

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) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- 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.

**FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS
FIRM REGN. NO.**

111777W

Place : Mumbai.

Date : 02nd August, 2012

**J. D. ZATAKIA – PROPRIETOR
MEMBERSHIP NO. 17669**

SOVEREIGN DIAMONDS LTD.**BALANCE SHEET AS AT 31ST MARCH, 2012**

Particulars	Note No.			(in Lacs)	
		As at 31st March, 2012		As at 31st March, 2011	
I EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital	2	578.80		578.80	
Reserve and Surplus	3	169.78	748.58	128.90	707.70
Non-Current Liabilities					
Long Term Borrowings	4	872.25		577.14	
Deferred Tax Liability (net)	5	2.22	874.47	3.05	580.19
Current Liabilities					
Short Term Borrowings	6	-		20.06	
Trade Payables	7	37.91		99.13	
Other Current Liabilities	8	22.80		43.92	
Short Term Provisions	9	41.00	101.72	29.25	192.36
TOTAL			1,724.77		1,480.25
II ASSETS					
Non-Current Assets					
Fixed Assets					
Tangible Assets	10	254.49		187.77	
Long Term Loans and Advances	11	11.13	265.62	9.93	197.70
Current Assets					
Inventories	12	528.66		577.72	
Trade Receivables	13	889.96		669.86	
Cash and Bank Balances	14	3.93		3.42	
Short Term Loans and Advances	15	36.60	1,459.15	31.55	1,282.56
TOTAL			1,724.77		1,480.26

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1 to 28

As per our report of even date attached

For J. D. ZATAKIA & CO.
Chartered accountants
Firm Reg. No.111777W

For and on behalf of Board of Directors

J. D. ZATAKIA
Proprietor
Membership No. 17669

Ramesh H. Gehani
Chairman

Ajay R. Gehani
Managing Director

Place : Mumbai
Date : 02nd August, 2012

SOVEREIGN DIAMONDS LTD.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Note No.	(in Lacs)	
		As at 31st March, 2012	As at 31st March, 2011
Revenue from Operations			
Sale of Products	16	2,689.93	1,935.97
Other Income	17	1.18	2.01
Total Revenue		2,691.11	1,937.98
EXPENSES			
Cost of Material Consumed	18	2,123.11	1,492.01
Changes in Inventories of Finished Goods	19	28.90	3.21
Employee Benefit Expenses	20	145.65	135.35
Finance Cost	21	118.14	58.39
Depreciation and Amortisation Expenses	10	33.60	28.89
Other Expenses	22	170.08	187.41
Total Expenses		2,619.48	1,905
Profit Before Tax		71.63	32.72
Tax Expenses			
Current Tax		26.00	15.00
Deferred Tax		(0.83)	(1.56)
Short/(Excess) provision of earlier years		(0.42)	(1.71)
Profit After Tax		46.88	20.99
Earnings per Equity Shares of face value of Rs. 10 each			
Basic and Diluted	23	0.81	0.36

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1 to 28

As per our report of even date attached

For J. D. ZATAKIA & CO.
Chartered accountants
Firm Reg. No.111777W

For and on behalf of Board of Directors

J. D. ZATAKIA
Proprietor
Membership No. 17669

Ramesh H. Gehani
Chairman

Ajay R. Gehani
Managing Director

Place : Mumbai
Date : 02nd August, 2012

SOVEREIGN DIAMONDS LTD.

Note : 1 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

1.1 Basis of Preparation of Financial Statements :

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.

During the year ended March 31st 2012, the revised schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

1.2 Use of Estimates :

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the result are known / materialised.

1.3 Fixed Assets :

Fixed Assets are stated at cost net of recoverable taxes and includes amounts added on revaluation, less accumulated depreciation and impairment loss, if any. All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variation attributable to the fixed assets are capitalised.

1.4 Depreciation & Amortisation :

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

1.5 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.

1.6 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 realization are credited or debited to the exchange rate difference Account.

1.7 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"

1.8 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 dispatched to the customers with Sales Invoice.
- ii) Refund of sales Tax/VAT is accounted in the year of receipt.

**Note : 1 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH, 2012**

1.9 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 when the premium is paid to the LIC the same 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.

1.10 Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition/construction of the qualifying assets are capitalised as part of the cost of the assets, up to the date of acquisition/completion of construction. All other borrowing costs are charged to revenue.

1.11 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.25.04/- Lacs
- ii) Sales outside India represents sales made to customers located outside India Rs.185.80/- Lacs

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

1.12 Accounting for Tax :

- a) Current Tax is accounted on the basis of estimated taxable income for the current accounting year and in accordance with the provisions of the Income Tax Act, 1961.
- b) Deferred Tax resulting from "timing differences" between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that can be realized in future. Net deferred tax liability is arrived at after setting off deferred tax assets.

1.13 Gratuity :

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.

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011																													
NOTE : 2	SHARE CAPITAL																															
	Authorised Share Capital : 60,00,000(previous year 60,00,000) Equity Shares of Rs. 10/- each	600.00	600.00																													
	Issued, Subscribed & Paid up : 57,88,002(previous year 57,88,002) Equity Shares of Rs. 10/- each	578.80	578.80																													
		578.80	578.80																													
	Reconciliation of the number of Shares outstanding at the beginning and at the end of the reporting period:	No. of Shares	No. of Shares																													
	Equity Shares at the beginning of the year	5788020	5788020																													
	Add : Shares issued on exercise of employee stock options	-	-																													
	Less : Shares cancelled on buy back of Equity Shares	-	-																													
	Equity Shares at the end of the year	5788020	5788020																													
	The details of Shareholder holding more than 5% equity shares:																															
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Name of the Shareholder</th> <th colspan="2" style="text-align: center;">As on 31.03.2012</th> <th colspan="2" style="text-align: center;">As on 31.03.2011</th> </tr> <tr> <th style="text-align: center;">No. of Shares</th> <th style="text-align: center;">% of Holding</th> <th style="text-align: center;">No. of Shares</th> <th style="text-align: center;">% of Holding</th> </tr> </thead> <tbody> <tr> <td>Ramesh Hotchand Gehani</td> <td style="text-align: right;">1,186,532</td> <td style="text-align: right;">20.50</td> <td style="text-align: right;">1,186,532</td> <td style="text-align: right;">20.50</td> </tr> <tr> <td>Ajay Ramesh Gehani</td> <td style="text-align: right;">877,800</td> <td style="text-align: right;">15.17</td> <td style="text-align: right;">877,800</td> <td style="text-align: right;">15.17</td> </tr> <tr> <td>Rani Ramesh Gehani</td> <td style="text-align: right;">589,087</td> <td style="text-align: right;">10.18</td> <td style="text-align: right;">584,313</td> <td style="text-align: right;">10.10</td> </tr> <tr> <td>Sanjay Ramesh Gehani</td> <td style="text-align: right;">451,716</td> <td style="text-align: right;">7.80</td> <td style="text-align: right;">451,716</td> <td style="text-align: right;">7.80</td> </tr> </tbody> </table>	Name of the Shareholder	As on 31.03.2012		As on 31.03.2011		No. of Shares	% of Holding	No. of Shares	% of Holding	Ramesh Hotchand Gehani	1,186,532	20.50	1,186,532	20.50	Ajay Ramesh Gehani	877,800	15.17	877,800	15.17	Rani Ramesh Gehani	589,087	10.18	584,313	10.10	Sanjay Ramesh Gehani	451,716	7.80	451,716	7.80		
Name of the Shareholder	As on 31.03.2012		As on 31.03.2011																													
	No. of Shares	% of Holding	No. of Shares	% of Holding																												
Ramesh Hotchand Gehani	1,186,532	20.50	1,186,532	20.50																												
Ajay Ramesh Gehani	877,800	15.17	877,800	15.17																												
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Sanjay Ramesh Gehani	451,716	7.80	451,716	7.80																												

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011
NOTE : 3	RESERVES AND SURPLUS		
	GENERAL RESERVE		
	As per last Financial Statements	36.88	36.88
	Less :Transfer during the year	6.00	-
	General Reserve - Closing Balance	30.88	36.88
	CAPITAL RESERVE		
	As per last Financial Statements	10.10	10.10
	Add : During the year	-	-
	Capital Reserve - Closing Balance	10.10	10.10
	SURPLUS IN STATEMENT OF PROFIT & LOSS		
	As per last Financial Statements	81.91	60.93
	Add : Profit for the year	46.88	20.99
	Surplus Reserve - Closing Balance	128.80	81.92
	TOTAL	169.78	128.90

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011
NOTE : 4	LONG TERM BORROWINGS		
	Secured		
	Term Loans		
	From Bank	2.88	6.18
		-	-
	Corporate Loans		
	From Bank	816.13	558.90
		-	-
	Vehicle Loans		
	From Bank	53.24	12.06
	TOTAL	872.25	577.14
	a) Nature of securities		
	i) Term Loans obtained from Corporation bank is secured against specific machineries.		
	ii) Corporate Loans obtained from Corporation bank is secured against Export bills, inventories, book debts, current assets, equitable mortgage of factory land and building situated at Andheri (E) Mumbai. and personal guarantee of directors.		
	iii) Vehicle loans aquired from bank/financial Services are secured against hypothication of Vehicles.		
b) Terms of repayment of term loans and vehicle loans			
	As at 31.03.2012	As at 31.03.2011	
Term Loans			
Corporation Bank (Machinery Loan)	2.88	6.18	Repayable in monthly instalment of Rs.0.23 Lacs
	-	-	
Corporate Loans			
Corporation Bank (CC A/c)	832.68	555.27	
Corporation Bank (Advance)	(16.55)	(16.55)	
Corporation Bank (Packing Credit)	-	20.18	
	816.13	558.90	
Vehicle Loans			
Kotak Mahindra Prime Ltd. - 8287	4.39	6.93	Repayable in monthly instalment of Rs.0.27 Lacs
Kotak Mahindra Prime Ltd. - MH-06-AN-1691	-	3.69	Repayable in monthly instalment of Rs.0.15 Lacs
Kotak Mahindra Prime Ltd. - MH-02-JP-2685	-	1.44	Repayable in monthly instalment of Rs.0.49 Lacs
Axis Bank Ltd. - MH-04-FA-3678	12.69	-	Repayable in monthly instalment of Rs.0.35 Lacs
Axis Bank Ltd. - MH-02-CH-4966	3.69	-	Repayable in monthly instalment of Rs.0.10 Lacs
BMW India Financial Services Pvt. Ltd. - MP-09-CK-1583	32.47	-	Repayable in monthly instalment of Rs.0.79 Lacs
	53.24	12.06	
NOTE : 5	DEFERRED TAX LIABILITY		
	Deferred Tax Liability		
	In respect of difference between book & Tax W.D.V.	2.22	3.05
TOTAL		2.22	3.05

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(` in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011
NOTE : 6	SHORT TERM BORROWINGS		
	Unsecured, considered good		
	From Directors	-	8.39
	From Others	-	11.66
	TOTAL	-	20.06
NOTE :7	TRADE PAYABLES		
	Trade Payable	37.91	99.13
	TOTAL	37.91	99.13
NOTE : 8	OTHER CURRENT LIABILITIES		
	Other Payables		
	Advance from Customers	15.20	18.53
	Statutory Dues	6.31	4.31
	Others	1.30	21.08
	TOTAL	22.80	43.92
NOTE : 9	SHORT TERM PROVISIONS		
	Provision for Taxation	41.00	29.25
	TOTAL	41.00	29.25

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

NOTE : 10 FIXED ASSETS

(` in Lacs)

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 01.04.11	Additions	Deduction	As at 31.03.12	As at 01.04.11	For the year	Adjustment / Deduction	Upto 31.03.12	As at 31.03.2012	As at 31.3.2011
	TANGIBLE ASSETS										
	OWN ASSETS										
1	FREEHOLD LAND	48.55	-	-	48.55	-	-	-	-	48.55	48.55
2	BUILDING	196.36	12.80	-	209.16	161.03	3.56	-	164.59	44.57	35.33
3	PLANT & MACHINERY	135.35	1.66	7.40	129.61	103.69	4.74	6.03	102.41	27.20	31.65
4	ELECTRIC INSTALLATION	9.73	-	-	9.73	9.11	0.09	-	9.20	0.53	0.62
5	OFFICE EQUIPMENT	16.52	3.00	-	19.52	9.80	1.08	-	10.88	8.64	6.72
6	FURNITURE & FIXTURES	40.06	5.77	-	45.83	25.78	2.61	-	28.39	17.44	14.28
7	VEHICLES	109.67	100.05	74.01	135.71	65.91	18.76	46.91	37.76	97.96	43.76
8	COMPUTERS	29.36	3.93	-	33.29	25.90	2.22	-	28.12	5.17	3.46
9	LIFT	1.55	-	-	1.55	1.46	0.01	-	1.47	0.08	0.09
10	AIR CONDITIONERS	10.31	1.59	-	11.90	7.01	0.54	-	7.55	4.36	3.31
	TOTAL	597.45	128.79	81.41	644.84	409.68	33.60	52.94	390.35	254.49	187.77
	Total Previous Year	570.43	27.02	-	597.45	380.78	28.89	-	409.68	187.77	

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(C in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011
NOTE : 11	LONG TERM LOANS & ADVANCES		
	Unsecured, considered good		
	Capital Advances	1.50	-
	Security Deposits	3.35	3.65
	Advances to Suppliers	3.43	3.43
	Others	2.85	2.85
	TOTAL	11.13	9.93
NOTE : 12	INVENTORIES		
	At lower of cost or net realisable value		
	Raw Material	444.77	452.39
	Finished Goods	83.29	112.19
	Consumable Spares & Stores	0.60	13.14
	TOTAL	528.66	577.72
	Inventories are as taken, valued and certified by the Management.		

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(` in Lacs)

PARTICULARS		As at 31st March, 2012	As at 31st March, 2011
NOTE : 13	TRADE RECEIVABLES		
	Unsecured, considered good Outstanding for a period exceeding six month from the Due date	407.33	188.77
	Others	482.63	481.09
	TOTAL	889.96	669.86
NOTE : 14	CASH AND BANK BALANCES		
	Cash and Cash Equivalents		
	Balance with Banks		
	- In Current Accounts	3.01	1.45
	- In EEFC Account	0.11	0.11
	Cash on Hand	0.81	1.85
	TOTAL	3.93	3.42
NOTE : 15	SHORT TERM LOANS & ADVANCES		
	Unsecured, considered good Loans to Employees	1.40	0.78
	Prepaid Expenses	4.84	2.59
	Advance Income Tax	28.03	25.85
	Balance with Government Authorities Vat Receivable	2.33	2.33
	TOTAL	36.60	31.55

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011
NOTE : 16	REVENUE FROM OPERATIONS		
	Sale of Products		
	Export Sale (C.I.F.)	185.80	197.42
	Local Sales	2,504.71	1,739.30
	Difference in Rates	(0.58)	(0.75)
	TOTAL	2,689.93	1,935.97
	The sales are shown net of Vat / CST		
NOTE : 16.1	EARNING IN FOREIGN EXCHANGE		
	FOB Value of Exports	183.50	192.48
	Freight and Insurance	2.31	4.93
	TOTAL	185.80	197.42
NOTE : 17	OTHER INCOME		
	Amount Written Back	0.36	2.01
	Interest on Group Gratuity A/c	0.06	-
	Profit on Sale of Assets	0.76	-
	TOTAL	1.18	2.01

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(in Lacs)

PARTICULARS	As at 31st March,2012	As at 31st March,2011		
NOTE : 18 COST OF MATERIALS CONSUMED				
Opening Stock of Raw Materails	452.39	280.78		
Add : Purchases	2,115.49	1,663.62		
	2,567.88	1,944.40		
Less : Closing stock of Raw Materails	444.77	452.39		
TOTAL	2,123.11	1,492.01		
Value of Indigenous and Imported Raw materails Consumed during the year :				
	<u>Amount</u>	<u>% of Consumption</u>	<u>Amount</u>	<u>% of Consumption</u>
Imported	-	-	-	-
Indigenous	2,123.11	100	1,492.01	100
TOTAL	2,123.11	100	1,492.01	100
NOTE : 19 CHANGES IN INVENTORIES OF FINISHED GOODS,				
Finished Goods				
Opening Stock	112.19	115.40		
Less : Closing Stock	83.29	112.19		
TOTAL	28.90	3.21		
NOTE : 20 EMPLOYEE BENEFIT EXPENSES				
Salaries and Wages	111.16	100.39		
Directors Remuneration	28.15	28.05		
Contribution to Provident Fund & Other Fund	1.46	1.52		
Staff Welfare Expenses	4.88	5.39		
TOTAL	145.65	135.35		
NOTE : 21 FINANCE COST				
Interest Expenses twds. C.C. A/c	111.95	44.23		
Interest Expenses twds. PCL A/c	2.12	11.56		
Interest Expenses twds. Term Loan A/c	0.56	0.85		
Interest on Car Loan	3.50	1.75		
TOTAL	118.13	58.39		

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011
NOTE : 22	OTHER EXPENSES		
	<u>Manufacturing Expenses</u>		
	Consumption of Tools	25.50	8.89
	Assortment, Rhodium Charges, Refining Charges	1.25	1.94
	Electricity Charges	10.79	13.89
	Labour Charges	0.50	0.22
	Repairs to Building & Machinery	1.91	2.64
	<u>Selling & Distribution Expenses</u>		
	Advertisement Expenses	0.75	0.76
	Air Freight Charges	0.42	0.60
	Clearing & Forwarding Charges	3.06	7.51
	Exhibition Expenses	1.45	56.81
	<u>Establishment Expenses</u>		
	Bank Charges	12.54	10.25
	Certification Charges	0.40	0.24
	Professional Charges	7.42	3.02
	General Expenses	8.65	7.30
	Rent	1.44	1.44
	Insurance	5.36	4.18
	Rates & Taxes	0.59	1.92
	Travelling Expenses	25.60	18.20
	Payment to Auditors	1.12	0.99
	Donation	0.76	0.61
	Conveyance	1.13	1.21
	Entertainment Expenses	17.80	10.32
	Export Goods Expenses	0.67	0.73
	Postage, Telegram & Courier Charges	0.31	0.96
	Printing & Stationery	2.80	3.54
	Profession Tax	0.03	0.03
	Repairs & Maintenance (Others)	7.95	0.64
	Sales Tax / Vat	-	2.54
	Security Expenses	14.55	11.46
	Software Charges	0.08	0.34
	Subscription & Membership Fees	1.17	1.39
	Telephone Expenses	4.66	5.14
	Vehicle Expenses	9.26	7.50
	Water Charges	0.17	0.21
	TOTAL	170.08	187.41

SOVEREIGN DIAMONDS LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(in Lacs)

PARTICULARS		As at 31st March,2012	As at 31st March,2011
NOTE : 22.1	<u>PAYMENT TO AUDITORS</u>		
	As Auditors	0.34	0.28
	For Tax Audit	0.34	0.28
	For Taxation	0.45	0.43
	TOTAL	1.12	0.99
NOTE : 22.2	<u>EXPENDITURE IN FOREIGN CURRENCY</u>		
	Foreign Travels / Exhibition Charges (Including Air Ticket & Other Ancillary Services Charges)	23.31	16.01
	TOTAL	23.31	16.01
NOTE : 23	<u>EARNING PER SHARES</u>		
	Net Profit after tax as per Statement of Profit & Loss attributable to Equity Shareholders	4,688,190	2,098,356
	Number of Equity Shares used as denominator for calculating EPS	5,788,002	5,788,002
	Basic and Diluted Earning per Shares	0.81	0.36
	Face Value per Equity Shares	10.00	10.00

PARTICULARS

NOTE : 24	RELATED PARTY DISCLOSURES																																																																																																																													
	As per Accounting Standard 18, the disclosures of transactions with the related parties are given below:																																																																																																																													
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Signature to Balance Sheet and Statement of Profit and Loss and notes 1 to 28.

As per our report of even date attached

For J. D. ZATAKIA & CO.
Chartered accountants
Firm Reg. No.111777W

For and on behalf of Board of Directors

J. D. ZATAKIA
Proprietor
Membership No. 17669

Ramesh H. Gehani
Chairman

Ajay R. Gehani
Managing Director

Place : Mumbai
Date : 2nd August, 2012

SOVEREIGN DIAMONDS LTD.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012
(` in Lacs)

PARTICULARS	As at 31st March,2012	As at 31st March,2011
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit (Loss) Before Tax and Extraordinary Items :	71.63	32.72
Adjustment for		
Depreciation	33.60	28.89
Interest	118.13	56.64
Profit on Sale of Fixed Assets	(0.76)	-
Miscellaneous Expenses Written off	-	-
	150.97	85.54
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	222.60	118.25
Adjustment for		
Trade and Other Receivable	(248.35)	(56.72)
Inventories	49.05	(175.11)
Trade Payable	(102.59)	(35.85)
	(301.88)	(267.68)
CASH GENERATED FROM OPERATIONS	(79.27)	(149.43)
Interest paid	(118.13)	(56.64)
Direct Taxes Paid	22.01	8.79
Income Tax Adjustments	0.42	1.71
	(95.70)	(46.14)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	(174.98)	(195.57)
Extra Ordinary Items	-	-
Net Cash from operating activities	(174.98)	(195.57)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(128.79)	(27.02)
Sale of Fixed Assets	29.23	-
	(99.56)	(27.02)
NET CASH USED IN INVESTING ACTIVITIES	(99.56)	(27.02)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issued of Share Capital :		
Proceeds from Short Term of Borrowings	(20.06)	(0.73)
Proceeds from Long Term of Borrowings	295.11	223.56
CASH USED IN FINANCING ACTIVITIES	275.06	222.84
NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)	0.51	0.25
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	3.42	3.16
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	3.92	3.42

As per our report of even date attached

For J. D. ZATAKIA & CO.
Chartered accountants
Firm Reg. No.111777W

For and on behalf of Board of Directors

J. D. ZATAKIA
Proprietor
Membership No. 17669

Ramesh H. Gehani
Chairman

Ajay R. Gehani
Managing Director

Place : Mumbai
Date : 02nd August, 2012

SOVEREIGN DIAMONDS LIMITED

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

ATTENDANCE SLIP

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

*DP ID :		*CLIENT ID:	
NAME AND ADDRESS OF SHAREHOLDER (IN BLOCK CAPITALS)		**FOLIO NO:	
		No of Shares held:	

*To be filled by Shareholders holding shares in dematerialised form

**To be filled by shareholder holding shares in physical form.

I, hereby record my attendance at the Thirty- Eighth Annual General Meeting to be held on Tuesday, 18th September, 2012 at 10.30 a.m. at Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai: 400 093.

SIGNATURE OF THE SHARE HOLDER OR PROXY _____

SOVEREIGN DIAMONDS LIMITED

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

PROXY FORM

*DP ID :		*CLIENT ID :	
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I / Weof.....
.....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- Eighth Annual General Meeting to be held on, Tuesday,
18th September, 2012 at 10.30 a.m. at Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central
Road, MIDC, Andheri (East), Mumbai: 400 093 at any adjournment thereof.

AS WITNESS my hand/our hands this _____ day of _____ 2012.

SIGNATURE OF THE SHAREHOLDER OR PROXY:

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

Affix a
100
paise
revenue
stamp

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.
Ph. No. : 66923872 / 73