

# *Sovereign*<sup>®</sup>

Diamonds Ltd. Since 1974



42<sup>nd</sup>  
ANNUAL REPORT  
2015 - 2016

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42<sup>nd</sup> ANNUAL REPORT  
2015 - 2016

## Sovereign Diamonds Limited

### BOARD OF DIRECTORS

Mr. Ramesh H. Gehani : Executive Chairman  
Mr. Ajay R. Gehani : Managing Director  
Mrs. Deepika Gehani : Director-CFO  
Mr. Mohanram Pai : Independent Director  
Mr. Rajesh Arora : Independent Director  
*\*Appointed w.e.f. 30<sup>th</sup> May, 2015*

### AUDIT COMMITTEE

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

### NOMINATION &

### REMUNERATION COMMITTEE

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

### STAKEHOLDERS RELATIONSHIP COMMITTEE

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

### BANKERS

Corporation Bank

### STATUTORY AUDITORS

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

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### REGISTERED OFFICE

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

### REGISTRAR & TRANSFER AGENTS

M/s. Universal Capital Securities  
Private Limited  
Address: 21, Shakil Niwas,  
Opp. Satya Saibaba Temple,  
Mahakali Caves Road, Mumbai: 400 093.  
Tel. No: 022 2820 7201 / 03 / 04 / 05  
Fax No: 022 2820 7207

### 42<sup>ND</sup> ANNUAL GENERAL MEETING

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

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

**NOTICE**

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

**ORDINARY BUSINESS:**

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

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

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

**NOTES:**

1. A statement giving the relevant details of the Directors seeking re-appointment under Item No. 2 of the accompanying Notice, as required by Regulation 36 (3) of the SEBI (LODR) Regulations, 2015 is annexed herewith.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

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

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



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



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

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

#### **PROCESS FOR MEMBERS OPTING FOR E-VOTING**

##### **Voting through electronic means**

##### **In case of members receiving e-mail:**

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



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

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

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



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

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

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

**(xx) Note for Non – Individual Shareholders and Custodians**

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

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

**Other Instructions:**

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



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

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

Sd/-  
**(Ajay R. Gehani)**  
Managing Director

Place: Mumbai  
Date: 27<sup>th</sup> May, 2016





## BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF  
SOVEREIGN DIAMONDS LIMITED

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

### 1. FINANCIAL RESULTS

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

(Rs. in Lacs)

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

### 2. HIGHLIGHTS OF PERFORMANCE

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

### 3. BUSINESS OPERATIONS

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

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



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

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

#### **4. DIVIDEND**

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

#### **5. TRANSFER TO RESERVES**

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

#### **6. SHARE CAPITAL**

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

#### **7. DEPOSITS**

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

#### **8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

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

#### **9. SUBSIDIARY COMPANIES**

The Company has no Subsidiary Company.

#### **10. DIRECTORS**

##### **10.1 Retirement by Rotation**

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



## 10.2 Declaration by Independent Directors

The Company has received declarations from the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both, under sub-section 6 of section 149 of the Companies Act, 2013 and under regulation 17 of the SEBI (LODR) Regulations, 2015.

## 10.3 Familiarisation Programme for Independent Directors

The Program intends to provide insights into the Company so that the Independent Directors can understand the Company's business in depth and the roles, rights, responsibility that they are expected to perform/enjoy in the Company to keep them updated on the operations and business of the Company thereby facilitating their active participation in managing the affairs of the Company. In addition to the above, Directors are periodically advised about the changes effected in the Corporate Law, SEBI (LODR) Regulations, 2015 with regards to their roles, rights and responsibilities as Directors of the Company.

## 10.4 Board Evaluation

The Board carried out an annual performance evaluation of its own performance, the individual Directors as well as the Board Committees, in due compliance with the provisions of the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015. The performance evaluation of the Independent Directors was carried by the entire Board and the performance evaluation of the Chairman and Non – Independent Directors was carried out by the Independent Directors.

The Board evaluation was carried out in accordance with the criteria laid down in the Nomination and Remuneration policy of the Company.

## 10.5 Key Managerial Personnel

The following persons have been designated as Key Managerial Personnel of the Company pursuant to Section 2(51) and Section 203 of the Act, read with Rule 8(5)(iii) of the Companies (Accounts) Rules, 2014 framed thereunder.

1. Mr. Ramesh Gehani, Executive Chairman - Whole Time Director
2. Mr. Ajay Geheni, Managing Director
3. Mrs. Deepika Gehani, Director-CFO

None of the Key Managerial Personnel have resigned during the year under review.

## 10.6 Remuneration Policy

The Board has in accordance with the provisions of sub-section (3) of Section 178 of the Companies Act, 2013, formulated the policy setting out the criteria for determining qualifications, positive attributes, independence of a Director and policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management Employees. The detail of the same has been disclosed in the Corporate Governance Report.

## 10.7 Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year the Company has held 4 (four) Board Meetings which were held on 30<sup>th</sup> May, 2015; 7<sup>th</sup> August, 2015; 6<sup>th</sup> November, 2015 and 06<sup>th</sup> February, 2016. The maximum interval between any two meetings did not exceed 120 days.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:



- a) that in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) that such accounting policies as mentioned in Note 1 of the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and of the profit of the Company for the year ended on that date;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual financial statements have been prepared on a going concern basis;
- e) that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- f) that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## **12. PLEDGE OF SHARES**

None of the equity shares of the Directors of the Company are pledged with any banks or financial institutions.

## **13. RELATED PARTY TRANSACTIONS**

All the related party transactions are entered on arm's length basis, in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015. There are no materially significant related party transactions made by the Company with Promoters, Directors or Key Managerial Personnel etc. which may have potential conflict with the interest of the Company at large or which warrants the approval of the shareholders. Accordingly, no transactions are being reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the details of the transactions with Related Party are provided in the Company's financial statements in accordance with the Accounting Standards.

All Related Party Transactions are presented to the Audit Committee and the Board. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

## **14. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

## **15. DISCLOSURES UNDER SECTION 134 (3) (I) OF THE COMPANIES ACT, 2013**

No material changes and commitments which could affect the Company's financial position have occurred between the end of the financial year of the Company and date of this report.

## **16. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been



set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2015-16:

Particulars	Number of Complaints
Number of complaints received	Nil
Number of complaints disposed off	Nil

**17. COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES**

There are no companies which have become or ceased to be its Subsidiaries, Joint Venture or Associate Companies during the financial year 2015-16.

**18. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

The criteria prescribed for the applicability of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 is not applicable to the Company.

**19. DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY**

The nature of business is manufacturing of Jewellery. The inheritant risks to the business of the company are as follows:

- a. Foreign Exchange Risk
- b. Gold Price Risk
- c. Stiff Competition
- d. Government Policy on import of gold
- e. Risk elements in business transactions
- f. Labour Risk

All the above risk has been discussed in the Management Discussion & Analysis Report. The prices of Jewellery consist of Gold, Diamonds & Labour, out of this three, Gold and diamonds consist of 90% of the price of Jewellery. The Company has no control on the price of Gold and Diamonds and the same is available through Exchanges, Market and Banks. The said risk shall results in favourable / unfavourable to the Company. The nature of risk is dynamic of business and entrepreneurship. The Company has not formed Risk Management Committee as it is not applicable under regulation 21 of the SEBI (LODR) Regulations, 2015.

**20. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit (IA) function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Company monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls.

**21. VIGIL MECHANISM / WHISTLE BLOWER POLICY**

The Company has a vigil mechanism to deal with instance of fraud and mismanagement, if any. The details of the Whistle Blower Policy are explained in the Corporate Governance Report.



## 22. AUDITORS

### 22.1 Statutory Auditors

The Company's Auditors, M/s. J. D. Zatakia & Co., Chartered Accountants, who retire at the forthcoming Annual General Meeting of the Company, are eligible for re-appointment. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for re-appointment as Auditors of the Company. As required under regulation 33 of SEBI (LODR) Regulations, 2015, the auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

### 22.2 Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s P. P. Shah & Co., Practicing Company Secretary to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit Report is annexed herewith as "Annexure A".

### 22.3 Qualifications in Secretarial Audit Report

#### a) Appointment of Company Secretary:

As per section 203 (1) (ii), the Company is required to appoint Company Secretary. *The Company has not appointed Company Secretary, consequently the annual audited financial statements are not signed by Company Secretary.* In this regard the management of the Company has provided the following reply:

- (i) The Company has appointed Mr. Ajay Gehani, Director Compliance Officer of the Company who looks after the compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (ii) The Company has availed the services of Practicing Company Secretary for advising on compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (iii) The Volume and Scope of work for the Company Secretary is less and it is not a full time work and the job of Company Secretary is not attractive commensurate with the scope of work and salary.

#### b) Website Posting:

As per the various sections of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and Secretarial Standard – 2, the Company is require to post various information / policies on the website of the Company. *The Company has not posted any information / policies on the website of the Company.* In this regard the management of the Company has provided the following reply:

- (i) The Company is filling regularly all the information with BSE and all the information is available on the website of BSE

#### c) Composition of Nomination and Remuneration Committee:

In respect of the composition of the Nomination and Remuneration Committee, we observe as follows:

As per Section 178 of the Companies Act, 2013, the composition of Nomination and Remuneration Committee shall be as follows:

178 (1): "The Board of the Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of 3 or more non-executive directors out of which not less than one half shall be independent directors:



**Provided** that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.”

The Nomination and Remuneration Committee of the Company comprises of 2 independent directors and 1 executive director. In this regard, the Management has given the following reply:

“The Company has 5 directors, out of them 3 are executive and 2 are independent directors. Accordingly the composition of the Board is such that the Nomination and Remuneration Committee cannot comprise of 3 non-executive directors. Mr. Ajay Gehani, Executive Director is 1 of the members of the Committee. However, with the present composition of Nomination and Remuneration Committee, it has been ensured that majority remains with Independent Directors and accordingly the spirit of Corporate Governance is achieved.”

### **23. CORPORATE GOVERNANCE**

A separate report on Corporate Governance and a certificate from M/s. P. P. Shah & Co., Practicing Company Secretaries regarding compliance with the conditions of Corporate Governance is given in a separate section and forms part of the Annual Report. Further, a declaration signed by the Managing Director, affirming compliance with the code of conduct by all the Board members and senior management personnel along with certificate required under Schedule V (D) of SEBI (LODR) Regulations, 2015, is also given in this Annual Report.

### **24. MANAGEMENT DISCUSSION AND ANALYSIS**

As required under the schedule V (B) of SEBI (LODR) Regulations, 2015, report on “Management Discussion and Analysis” is attached and form part of this Annual Report.

### **25. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as “Annexure B”.

### **26. EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as “Annexure C”.

### **27. PARTICULARS OF EMPLOYEES**

There is no employee in the Company drawing monthly remuneration of Rs. 5,00,000/- per month or Rs. 60,00,000/- per annum. Hence, the Company is not required to disclose any information as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

### **28. HUMAN RESOURCES**

The relations of the employees of the Company have been cordial during the year. Employees are considered to be team members being one of the most critical resources in the business which maximize the effectiveness of the Organization. Human resources build the Enterprise and the sense of belonging would inculcate the spirit of dedication and loyalty amongst them towards strengthening the Company’s Polices and Systems. The Company maintains healthy, cordial and harmonious relations with all personnel and thereby enhancing the contributory value of the Human Resources.



## 29. ENVIRONMENT AND SAFETY

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner, so as to ensure safety of all concerned, compliances of environmental regulations and preservation of natural resources.

## 30. ENHANCING SHAREHOLDERS VALUE

Your Company believes that its Members are among its most important stakeholders. Accordingly, your Company's operations are committed to the pursuit of achieving high levels of operating performance and cost competitiveness, consolidating and building for growth, enhancing the productive asset and resource base and nurturing overall corporate reputation. Your Company is also committed to creating value for its other stakeholders by ensuring that its corporate actions positively impact the socio-economic and environmental dimensions and contribute to sustainable growth and development.

## 31. GREEN INITIATIVES

Electronic copies of the Annual Report 2015-16 and Notice of the 42<sup>nd</sup> Annual General Meeting are sent to all members whose email addresses are registered with the Company/ Depository Participant(s). For members who have not registered their email addresses, physical copies of the Annual Report 2015-16 and the Notice of the 42<sup>nd</sup> Annual General Meeting under Section 101 of the Companies Act, 2013 are sent in the permitted mode. Members requiring physical copies can send a request to the Company.

Your Company provides e-voting facility to all its members to enable them to cast their votes electronically on all resolutions set forth in the Notice. This is pursuant to the Section 108 of the Companies Act 2013 and Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015.

## 32. ACKNOWLEDGEMENTS

Your Directors thank the various Central and State Government Departments, Organizations and Agencies for the continued help and co-operation extended by them. The Directors also gratefully acknowledge all stakeholders of the Company viz. customers, members, dealers, vendors, banks and other business partners for the excellent support received from them during the year. The Directors place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued contribution to the Company.

## 33. CAUTIONARY STATEMENT

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

**For and on behalf of the Board of Directors**

Sd/-  
**(Ramesh Gehani)**  
Executive Chairman

Sd/-  
**(Ajay Gehani)**  
Managing Director

Place: Mumbai

Date: 27<sup>th</sup> May, 2016





## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1. Industry Structure and Developments:

- Highlights of Union Budget 2016 – 17:

Finance Minister presented Union Budget for 2016 – 17 in the Parliament on 29<sup>th</sup> February, 2016 incorporating the following changes in respect of Gem and Jewellery Industry:

- i. Basic Excise Duty of 1% (without Input Credit) or 12.5% (With Input Credit) is being levied on articles of jewellery. The levy is however exempted for jewelers falling below the turnover threshold (having a turnover of less than Rs. 6 crore (Rs. 60 Million) in a year).

- ii. PAN is compulsory on purchase of any jewellery above Rs. 200,000.

Tax Collected at Source (TCS) at 1% on sale of jewellery, if the payment is made in cash exceeding Rs. 200,000.

### 2. Opportunities:

#### India

The Indian middle class is expected to rise from 16 per cent of population to 46 per cent of population by 2023. As in the case of China, this emerging and burgeoning middle class in India will be dominated by the young and upwardly mobile population, with a substantial amount of disposable income to spend. Ensured of financial security, a major portion of their disposable income is likely to be spent on purchase of conspicuous products, including jewellery. Luxury retailing including diamond jewellery is gaining importance in India. Indian consumer is ready to splurge on luxury items and is increasingly doing so. A globally connected youth market in metropolitan cities is revolutionizing jewellery consumption in India with demand for fashion jewellery on the rise. Indian diamond industry players are taking diamonds to the mainstream, allowing people of most economic levels to purchase diamond jewellery.

Furthermore, the introduction of certified diamonds has increased trust and made diamond valuations more transparent. Jewellery manufacturers are innovating and producing fashionable and still affordable diamond jewellery targeted at the middle class where demand for such products is strong and growing by leaps and bounds. Transition from traditional retail to organised retail is taking place with sale of branded jewellery on upswing. The convenience of shopping with multiplicity of choice under one roof, innovative and trendy designs, affordable price points are some of the factors appreciated by the new generation. This change in pattern, marked by a shift away from gold, is likely to continue, driving the diamond jewellery.

#### Online Sales

In line with the overall growth in e-commerce, online sales of jewellery are also on the upswing. Coupled with international designs, aggressive pricing, easy payment options like EMI and features like 30 days no questions asked return policy, these e-retailers are providing an excellent option for customers. Online sales and e-commerce in jewellery is expected to grow strongly in the future. Sovereign plans to tie up with 1 of the big online retail portal to increase its sales.

### 3. Company Overview:

Sovereign Diamonds Ltd has been Enduring Excellence to create a distinct and differentiated edge over its competitors, which has enabled the Company to emerge as a preferred supplier for diamond jewellery to some of the leading retail brands and retail chains across the country and globe.



### **Manufacturing Facility for Jewellery**

The Company has a unit for jewellery manufacturing located at Mumbai spread over 13,500sq.ft employing approximately 100 skilled employees. This unit is equipped with advanced machinery and technology, encompassing rapid prototyping technology and the CAD/CAM software and 3D printers. Production processes are synchronised to deliver maximum flexibility and minimum production cycle times, thus maximising client value. Mass produced or customised, hand-made or machine-made, the highly skilled artisans deliver a trademark precision to detail in every jewellery piece. We are in the process of expansion in the current year and will increase our workforce to around 150 employees.

We also cater to HNI customers. From simply elegant to stunning signature pieces, the collections portray an exquisite blend of the modern and classic. Besides offering a wide range of prêt diamond jewellery, the Company also undertakes customised orders with jewellery design consultation.

#### **4. Risks, Threats and Concerns:**

The Company has comprehensive risk management system where the senior management team sets the overall tone and risk culture of the organisation through defined and communicated corporate values and a risk management model which promotes out-of-the box thinking for converting potential risk to potential business opportunities. The Company regularly scans the macro economy and industry for risks which it believes would affect its performance and prospects. The Company ensures that all such foreseeable risks are analysed in detail and appropriate measures are taken to mitigate these or limit their effect to minimal.

Some of the foreseeable risks as envisaged and their management as envisaged by the Company are:

##### **Synthetic Diamonds**

There has been an influx of Synthetic Diamonds in all the major markets. In the recent past few cases of undisclosed mixing of synthetic diamonds with natural diamonds have been reported. With improvement in technologies year over year, it is getting increasingly difficult to differentiate between the natural and artificial diamonds. The situation is evolving into a major challenge as Consumer confidence has taken a serious blow. Various initiatives are being undertaken by major diamond producers, trade bodies and retailers to increase the awareness about synthetic diamonds and its proper disclosure to boost the consumer confidence. The Gems and Jewellery Export Promotion Council has set up a Natural Diamond Monitoring Committee (NDMC) consisting of representatives from various trade bodies to address this issue. Proper disclosure of synthetic diamonds has been encouraged at all the levels in the value chain. Use of technically advanced equipment for the detection of undisclosed synthetic diamonds has also been increased.

##### **Exchange Rate Risks**

The industry is exposed to inherent risk of exchange rate fluctuations. The year 15-16 witnessed continuous weakening of rupee amidst some wild fluctuations. Rupee has depreciated over 11 per cent during last year. After breaching level of 68 per US\$, rupee stabilized around level of 65 toward the year end. The import centric nature of the trade, acts as a natural hedge for the company. The Company has a sound foreign exchange policy and experienced personnel constantly monitor the exchange rate movements. This ensures that the exchange rate fluctuations have no adverse impact on the margins of the Company.

**5. Internal control systems and their adequacy:**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit (IA) function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board. The Company monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls.

**6. Financial Overview:**

During the year 2015-16, the Company delivered outstanding results with marked improvement in diamond jewellery businesses. The Company has always focussed on improving its operational efficiency by Enduring Excellence in manufacturing to create compelling value for its customers. It has always taken a pragmatic view of markets, and ensured its presence in the key diamond markets of the world to engage closely with its customers. Based on these strengths, the Company has consistently performed well, even during difficult times when both the industry and the economy were under pressure.

For the year 15-16, some key financial highlights of the consolidated performance were:

- Crossed a milestone of Rs. 53.21 crore in turnover during the year.
- Turnover decreased by 11.52% to Rs. 53.21 crores against that of Rs. 60.14 crores in the previous year.
- PBT for the year decreased by 34.05% to Rs. 1.84 crores compared to Rs. 2.79 crores in the previous year.
- PAT for the year decreased by 34.59% to Rs. 1.21 crores compared to Rs. 1.85 crores in the previous year.

**7. Material development in Human Resources / Industrial Relations front, including number of people employed:**

The Company prides in its people-centric principle in guiding its relationship with its employees. Employees are a key facet to the Company and the Company acknowledges that their contribution has played a key role in its growth and success. The Company ensures that safe working conditions are provided both in the manufacturing plants as well as offices of the Company. The Company regularly conducts medical checkups of all the workers at the factory regularly and updates their skills with training and development programmes, which take place at all levels. The Company pursues a culture of rewarding of excellence and commitment and encouraging bonding and team work. The Company believes in creating positive, proactive and professional work environments where talents are nurtured and careers are advanced.

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

Sd/-  
**(Ajay R. Gehani)**  
Managing Director

Place: Mumbai  
Date: 27<sup>th</sup> May, 2016



**ANNEXURE 'A' TO BOARD'S REPORT**  
**SECRETARIAL AUDIT REPORT**  
**FORM NO. MR-3**

FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

To,

The Members,

Sovereign Diamonds Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Sovereign Diamonds Limited** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014; (**Not Applicable to the Company during audit period**).
  - (e) The Securities Exchange Board of India (Issue and Listing of Debt Securities), Regulations, 2008. (**Not Applicable to the Company during audit period**).



- (f) The Securities Exchange Board of India (Registrar to an Issue and Share Transfer Agent), Regulations, 1993. Regarding the Companies Act, 2013 and dealing with the clients.
- (g) The Securities Exchange Board of India (Delisting of Equity Shares), Regulations, 2009. **(Not Applicable to the Company during audit period).**
- (h) The Securities Exchange Board of India (Buyback of Securities), Regulations, 1998. **(Not Applicable to the Company during audit period).**

I have also examined compliance with the applicable clauses of the following:

- 1) Secretarial Standards issued by The Institute of Company Secretaries of India i.e. Secretarial Standards – 1 for Board Meetings and Secretarial Standards – 2 for General Meetings.
- 2) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited;
- 3) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above subject to the following qualifications / observation:

**A. Appointment of Company Secretary:**

As per section 203 (1) (ii), the Company is required to appoint Company Secretary. *The Company has not appointed Company Secretary, consequently the annual audited financial statements are not signed by Company Secretary.* In this regard the management of the Company has provided the following reply:

- (i) The Company has appointed Mr. Ajay Gehani, Director Compliance Officer of the Company who looks after the compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (ii) The Company has availed the services of Practicing Company Secretary for advising on compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (iii) The Volume and Scope of work for the Company Secretary is less and it is not a full time work and the job of Company Secretary is not attractive commensurate with the scope of work and salary.

**B. Website Posting:**

As per the various sections of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and Secretarial Standard – 2, the Company is require to post various information / policies on the website of the Company. *The Company has not posted any information / policies on the website of the Company.* In this regard the management of the Company has provided the following reply:

- (i) The Company is filling regularly all the information with BSE and all the information is available on the website of BSE

**C. Composition of Nomination and Remuneration Committee:**

In respect of the composition of the Nomination and Remuneration Committee, we observe as follows:

As per Section 178 of the Companies Act, 2013, the composition of Nomination and Remuneration Committee shall be as follows:

178 (1): "The Board of the Directors of every listed company and such other class



or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of 3 or more non-executive directors out of which not less than one half shall be independent directors:

**Provided** that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.”

The Nomination and Remuneration Committee of the Company comprises of 2 independent directors and 1 executive director. In this regard, the Management has given the following reply:

“The Company has 5 directors, out of them 3 are executive and 2 are independent directors. Accordingly the composition of the Board is such that the Nomination and Remuneration Committee cannot comprise of 3 non-executive directors. Mr. Ajay Gehani, Executive Director is 1 of the members of the Committee. However, with the present composition of Nomination and Remuneration Committee, it has been ensured that majority remains with Independent Directors and accordingly the spirit of Corporate Governance is achieved.”

#### **I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors, subject to observation in respect of composition of the Nomination and Remuneration Committee as explained above. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**I further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period, there were no instances of:

1. Public/Right/Preferential issue of shares / debentures/sweat equity, etc.
2. Redemption / buy-back of securities
3. Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013
4. Merger / amalgamation / reconstruction, etc.
5. Foreign technical collaborations

Place: Mumbai

Date: May 27, 2016

Sd/-  
Pradip Shah  
For P. P. Shah & Co.,  
Practicing Company Secretaries  
FCS No. 1483, C P No.: 436



**ANNEXURE 'B' TO BOARD'S REPORT**  
**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND**  
**FOREIGN EXCHANGE EARNINGS AND OUTGO**

*[Section 134(3)(m) of The Companies Act, 2013 read with Rule 8(3)  
of The Companies (Accounts) Rules, 2014]*

**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 collections in the country.
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:

Rs. In lacs

Foreign Exchange Earnings/Outgo	2015 – 2016	2014 – 2015
Foreign Exchange Earned	150.80	680.49
Foreign Exchange Outgo	0.00	0.00
Travelling / Exhibition Charges	22.81	23.76

## ANNEXURE 'C' TO BOARD'S REPORT

## EXTRACT OF ANNUAL RETURN

As on the financial year ended 31.03.2016

[Pursuant to Section 92(3) of the Companies Act, 2013, and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## FORM NO. MGT – 9

## I. REGISTRATION AND OTHER DETAILS:

CIN	L36912MH1974PLC017505
Registration Date	31 <sup>st</sup> May, 1974
Name of the Company	SOVEREIGN DIAMONDS LIMITED
Category / Sub-Category of the Company	Company limited by Shares / Indian Non-Government Company
Address of the Registered Office and contact details	11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (E), Mumbai – 400093 Tel. No. 022 66923871 Fax No. 022 66923880
Whether listed company	Yes
Name, address and contact details of Registrar and Transfer Agent, if any	Universal Capital Securities Private Limited. 21, Shakil Niwas, Opp. Satya Saibaba Temple, Mahakali Caves Road, Mumbai – 400 093. Tel. No. 022- 28207201 / 03 / 04 / 05

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the Business Activities contributing 10% or more of the total turnover of the Company shall be stated:

Sr. No.	Name and Description of main Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
1.	Jewellery	32111	100

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	Nil	Nil	Nil	Nil	Nil





#### IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 01.04.2015)				No. of Shares held at the end of the year (As on 31.03.2016)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	2755288	0	2755288	47.60	2755288	0	2755288	47.60	0.00
b) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt.(s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
e) Bank/FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-Total(A) (1):</b>	<b>2755288</b>	<b>0</b>	<b>2755288</b>	<b>47.60</b>	<b>2755288</b>	<b>0</b>	<b>2755288</b>	<b>47.60</b>	<b>0.00</b>
<b>(2) Foreign</b>									
a) NRIs-Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other-Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks/ FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub- Total (A) (2):</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>2755288</b>	<b>0</b>	<b>2755288</b>	<b>47.60</b>	<b>2755288</b>	<b>0</b>	<b>2755288</b>	<b>47.60</b>	<b>0.00</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds / UTI	0	0	0	0.00	0	0	0	0.00	0.00
b) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt.	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g) FIs	1	0	1	0.00	0	0	0	0.00	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-Total (B)(1):</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>



Category of Shareholders	No. of Shares held at the beginning of the year (As on 01.04.2015)				No. of Shares held at the end of the year (As on 31.03.2016)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>(2) Non-Institutions</b>									
<b>a) Bodies Corporate</b>									
i) Indian	283423	126478	409901	7.08	270268	126478	396746	6.87	-0.22
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
<b>b) Individuals'</b>									
i) Individual shareholders holding nominal share capital up to Rs. 1 Lacs	638274	566888	1205162	20.82	693661	571787	1265448	21.86	+1.04
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lacs	1394556	10699	1405255	24.28	1347650	0	1347650	23.28	-1.00
<b>c) Others (specify)</b>									
i) NRI / OCBs	10565	0	10565	0.18	10565	0	10565	0.18	0.00
ii) Clearing Members / Clearing House	1830	0	1830	0.03	12305	0	12305	0.21	+0.18
<b>Sub-Total (B)(2):</b>	<b>2328648</b>	<b>704065</b>	<b>3032713</b>	<b>52.40</b>	<b>2334449</b>	<b>698265</b>	<b>3032714</b>	<b>52.40</b>	<b>0.00</b>
<b>Total Public Shareholding Public Group (B)= (B)(1)+(B)(2)</b>	<b>2328649</b>	<b>704065</b>	<b>3032714</b>	<b>52.40</b>	<b>2334449</b>	<b>698265</b>	<b>3032714</b>	<b>52.40</b>	<b>0.00</b>
<b>Total (A) + (B)</b>	<b>5083937</b>	<b>704065</b>	<b>5788002</b>	<b>100.00</b>	<b>5089737</b>	<b>698265</b>	<b>5788002</b>	<b>100.00</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total (A+B+C)</b>	<b>5083937</b>	<b>704065</b>	<b>5788002</b>	<b>100.00</b>	<b>5089737</b>	<b>698265</b>	<b>5788002</b>	<b>100.00</b>	<b>0.00</b>

\*The Data given in B (2) (b) in above table for the financial year ended 31.03.2016 are as per the limit of Rs. 2 Lacs instead of Rs. 1 Lacs.

## ii) Shareholding of Promoters

Shareholders Name	Shareholding at the beginning of the year (As on 01.04.2015)			Shareholding at the end of the year (As on 31.03.2016)			% change in shareholding during the year
	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	
Ramesh H Gehani	1186532	20.50	0.00	1186532	20.50	0.00	0.00
Ajay R Gehani	877800	15.17	0.00	877800	15.17	0.00	0.00
Rani R Gehani	589556	10.19	0.00	589556	10.19	0.00	0.00
Deepika A Gehani	101400	1.75	0.00	101400	1.75	0.00	0.00
<b>Total</b>	<b>2755288</b>	<b>47.60</b>	<b>0.00</b>	<b>2755288</b>	<b>47.60</b>	<b>0.00</b>	<b>0.00</b>


**iii) Change in Promoters' Shareholding (Please specify, if there is no change)**

	Shareholding at the beginning of the year (As on 01.04.2015)		Cumulative Shareholding during the year (As on 31.03.2016)	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
At the beginning of the year	No change during the year			
Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	No change during the year			
At the end of the year	No change during the year			

**iv) Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)**

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (As on 01.04.2015)		Shareholding at the end of the year (As on 31.03.2016)	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Sanjay R Gehani	4,51,716	7.80	4,14,200	7.16
2.	Mohan B Chandiramani	2,69,271	4.65	2,69,271	4.65
3.	Renuka M Chandiramani	2,66,869	4.61	2,66,869	4.61
4.	Vipul R Gandhi	1,25,000	2.16	1,25,000	2.16
5.	Merrygold Investments Ltd.	1,20,000	2.07	1,19,995	2.07
6.	Imperial Consultants and Securities	54,795	0.95	91,325	1.58
7.	Nagarjuna Finance Ltd.	91,325	1.58	91,325	1.58
8.	Sanjay Mundada	0	0.00	66,962	1.16
9.	Sanjay Bansidhar Nagpal	55,100	0.95	55,100	0.95
10.	Jayesh Nathalal Bakhai	41,350	0.71	41,350	0.71
11.	Mahendra Mehta	43,763	0.76	10,150	0.18

**v) Shareholding of Directors and Key Managerial Personnel**

For each of the Directors	Shareholding at the beginning of the year (As on 01.04.2015)		Cumulative Shareholding during the year (As on 31.03.2016)	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
<b>A. DIRECTORS</b>				
At the beginning of the year	Promoter directors' shareholding and their changes has already been given in earlier table. Mr. Mohanram Pai & Mr. Rajesh Arora (Independent Directors) does not hold any shares in the company at the beginning of the year and at the end of the year.			
Date wise Increase/Decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc)				
At the end of the year				
<b>B. KEY MANAGERIAL PERSONNEL</b>				
At the beginning of the year	Not Applicable			
Date wise Increase/Decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc)				
At the end of the year				



## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	(Rs. in Lacs)			
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year (01.04.2015)</b>				
i) Principal Amount	1679.43	0.00	0.00	1679.43
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	0.00	0.00	0.00
<b>Total (i+ii+iii)</b>	<b>1679.43</b>	<b>0.00</b>	<b>0.00</b>	<b>1679.43</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	0.00	0.00	0.00	0.00
Reduction	146.15	0.00	0.00	146.15
<b>Net Change</b>	<b>(146.15)</b>	<b>0.00</b>	<b>0.00</b>	<b>(146.15)</b>
<b>Indebtedness at the end of the financial year (31.03.2016)</b>				
i) Principal Amount	1533.28	0.00	0.00	1533.28
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	0.00	0.00	0.00
<b>Total (i+ii+iii)</b>	<b>1533.28</b>	<b>0.00</b>	<b>0.00</b>	<b>1533.28</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sr. No.	Particulars of Remuneration	(Rs. in Lacs)			
		Ramesh Gehani	Ajay Gehani	Deepika Gehani	Total Amount
		Executive Chairman & WTD	MD	WTD & CFO	
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	18.50	29.98	5.00	53.48
	(b) Value of perquisites under Section 17(2) income Tax Act, 1961	0.00	0.00	0.00	0.00
	(c) Profit in lieu of salary under Section 17(3) Income Tax Act, 1961	0.00	0.00	0.00	0.00
2	Stock Options	0.00	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00	0.00
4	Commission	0.00	0.00	0.00	0.00
	- as % of profit	0.00	0.00	0.00	0.00
	- others, specify	0.00	0.00	0.00	0.00
5	Others, please specify	0.00	0.00	0.00	0.00
<b>TOTAL (A)</b>		<b>18.50</b>	<b>29.98</b>	<b>5.00</b>	<b>53.48</b>
<b>Ceiling As Per The Act</b>		<b>Minimum Remuneration upto Rs, 350,000 per month</b>	<b>Minimum Remuneration upto Rs, 350,000 per month</b>	<b>Minimum Remuneration upto Rs, 350,000 per month</b>	<b>--</b>

**B. Remuneration to other Directors:****1. Independent Directors**

Particulars of Remuneration	(Rs. in Lacs)		
	Mohanram Pai	Rajesh Arora	Total Amount
- Fee for attending Board / Committee Meetings	0.375	0.375	0.750
- Commission	0	0	0
- Others, please specify	0	0	0
<b>Total (B)(1)</b>	<b>0.375</b>	<b>0.375</b>	<b>0.750</b>

**2. Other Non Executive Directors**

	(Amount in Rs.)	
	Name of Director	Total Amount
--		
- Fee for attending Board / Committee Meetings	Nil	Nil
- Commission	Nil	Nil
- Others, please specify	Nil	Nil
<b>Total (B)(2)</b>		<b>Nil</b>
<b>Total (B)= (B)(1)+(B)(2)</b>		<b>0.750</b>
<b>Overall Ceiling as per the Act</b>		<b>Upto Rs. 100,000 per meeting</b>

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

Sr. No.	Particulars of Remuneration	(Rs. in Lacs)		
		Key Managerial Personnel		Total Amount
		Chief Executive Officer	Head Compliance	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	Nil	Nil	Nil
	(b) Value of perquisites under Section 17(2) income Tax Act, 1961	Nil	Nil	Nil
	(c) Profit in lieu of salary under Section 17(3) Income Tax Act, 1961	Nil	Nil	Nil
2.	Stock Options	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission	Nil	Nil	Nil
	- as % of profit	Nil	Nil	Nil
	- others, specify	Nil	Nil	Nil
5.	Others, please specify	Nil	Nil	Nil
	<b>TOTAL (C)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Sections of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding Fees imposed	Authority (RD/NCLT/COURT)	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty			None		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			None		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			None		
Punishment					
Compounding					



## CORPORATE GOVERNANCE REPORT

*Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015*

For The Financial Year 31<sup>st</sup> March, 2016

The Directors' Report on the compliance of the Corporate Governance Code is given below.

### 1) CORPORATE GOVERNANCE

#### 1.1 Company's Philosophy on Corporate 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 stakeholders.

The Company places great emphasis on values such as empowerment and integrity of its employees, safety of the employees & communities surrounding our place of work, transparency in decision making process, fair & ethical dealings with all, pollution free clean environment and last but not the least, accountability to all the stakeholders.

The Company believes that sound corporate governance is critical to enhance and retain investors' trust. The Company's corporate governance philosophy is based on the following principles:

1. Primary responsibility of a good corporate entity is maximizing shareholders value.
2. Be transparent and maintain a high degree of disclosures level.
3. Sound system of risk management and internal control.
4. Principles of integrity, transparency, disclosures, accountability and fairness.
5. Upholding the highest standards of professionalism.
6. Management is the trustee of the shareholders' capital and not the owner.

A Report on compliance with the principles of Corporate Governance as prescribed by The Securities and Exchange Board of India (SEBI) in Chapter IV read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI Regulations") is given below:

#### 1.2 The Governance Structure

Sovereign's Governance structure broadly comprises the Board of Directors and the Committees of the Board at the apex level and the Management structure at the operational level. This layered structure brings about a harmonious blend in governance as the Board sets the overall corporate objectives and gives direction and freedom to the Management to achieve these corporate objectives within a given framework, thereby bringing about an enabling environment for value creation through sustainable profitable growth.

- a. **Board of Directors** – The Sovereign Board plays a pivotal role in ensuring that the Company runs on sound and ethical business practices and that its resources are utilized for creating sustainable growth and societal wealth. The Board operates within the framework of a well defined responsibility matrix which enables it to discharge its fiduciary duties of safeguarding the interest of the Company; ensuring fairness in the decision making process, integrity and transparency in the Company's dealing with its Members and other stakeholders.
- b. **Committee of Directors** - With a view to have a more focused attention on various facts of business and for better accountability, the Board has constituted



the following committees viz. Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee. Each of these Committees has been mandated to operate within a given framework.

- c. **Management Structure-** Management structure for running the business as whole is in place with appropriate delegation of powers and responsibilities to the functional heads. The Chairman and Managing Director is in overall control and responsible for day-to-day working of the Company. They give strategic direction, lay down policy guidelines and ensure implementation of the Board of Directors and its various committees.

## 2) BOARD OF DIRECTORS

### 2.1 Composition and Category of Directors

The Board consists of 5 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 Director	Promoter	Son of Mr. Ramesh Gehani
Mrs. Deepika Gehani*	Executive (CFO)	Promoter	Wife of Mr. Ajay Gehani
Mr. Mohanram Pai	Non Executive	Independent	Not Related to any Director
Mr. Rajesh Arora	Non Executive	Independent	Not Related to any Director

\*Appointed from 30<sup>th</sup> May, 2015

All the independent directors of the Company furnished declarations at the time of their appointment as also annually that they qualify the conditions of their being independent. All such declarations are placed before the Board.

The Company has received declaration from independent directors that they meet the criteria of independence as provided in section 149(6) of the Companies Act, 2013.

The paid up share capital of the Company is Rs. 578.80 lacs as on 31st March, 2016. The reserve and surplus is Rs. 636.48 lacs. Accordingly the paid up capital and net worth is below the prescribed limit for mandatory applicability of Corporate Governance clause. The present composition of the Board of directors is two-third Promoter Directors and one-third is Independent Directors. The said composition is in compliance with Section 149 of the Companies Act, 2013 but under SEBI Regulations, the company is short of one Independent director. The Company has decided not to opt for appointment of one more Independent director due to the size of business, in pursuance of Non-Mandatory Requirements of SEBI Regulations.

### 2.2 Board Training and Induction

At the time of appointing a Director, a formal letter of appointment is given to him, which inter alia explains the role, function, duties and responsibilities expected of him as a Director of the Company. The Director is also explained in detail the compliances required from him under the Companies Act, SEBI Regulations and other relevant regulations and his affirmation taken with respect to the same. The Executive Chairman & MD also has a one-to-one discussion with the newly appointed Director. The above



initiatives help the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him to effectively fulfill his role as a Director of the Company.

### 2.3 Board Meetings held during the Year

Dates on which the Board Meetings were held	Total Strength of the Board	No of Directors Present
30 <sup>th</sup> May, 2015	04	03
07 <sup>th</sup> August, 2015	05	05
06 <sup>th</sup> November, 2015	05	05
06 <sup>th</sup> February, 2016	05	05

### Attendance of each Director at the Board Meeting and Last Annual General Meeting

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	Mohanram Pai	Rajesh Arora	Deepika Gehani
30 <sup>th</sup> May, 2015	Absent	Present	Present	Present	NA
07 <sup>th</sup> August, 2015	Present	Present	Present	Present	Present
06 <sup>th</sup> November, 2015	Present	Present	Present	Present	Present
06 <sup>th</sup> February, 2016	Present	Present	Present	Present	Present
Total Attendance (out of 4 Board Meetings)	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>
Attendance at Last AGM	<b>Present</b>	<b>Present</b>	<b>Present</b>	<b>Present</b>	<b>Present</b>

\*Appointed w.e.f. 30<sup>th</sup> May, 2015

- 2.4 a. **Number of other Companies where director (of SDL) hold memberships on the Board of Directors**
- b. **Number of Committees in which the Directors (of SDL) hold Memberships or Chairmanships**

Name of Director	No. of Directorship held in Indian public limited Companies (including SDL)	"Number of Committee Memberships / Chairmanships (including SDL)	
		Chairman	Member
Mr. Ramesh Gehani	1	0	0
Mr. Ajay Gehani	1	0	2
Mrs. Deepika Gehani	1	0	0
Mr. Mohanram Pai	2	2	2
Mr. Rajesh Arora	1	0	2

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

The Board periodically reviews the items required to be placed before it and in particular reviews and approves quarterly/half yearly unaudited financial statements and the audited annual financial statements, corporate strategies, business plans, annual budgets, projects and capital expenditure. It monitors overall operating performance, and reviews such other items which require Board's attention. It directs and guides the activities of the Management towards the set goals and seeks accountability. It also sets standards of corporate behavior, ensures





transparency in corporate dealings and compliance with laws and regulations. The Agenda for the Board Meeting covers items set out as guidelines in SEBI Regulations to the extent these are relevant and applicable. All agenda items are supported by relevant information, documents and presentations to enable the Board to take informed decisions.

### 3) COMMITTEES OF THE BOARD

With a view to have a more focused attention on business and for better governance and accountability, the Board has constituted the following *mandatory* committees viz. *Audit Committee, Stakeholders' Relationship Committee and Nomination and Remuneration Committee*. The terms of reference of these Committees are determined by the Board and their relevance reviewed from time to time. Meetings of each of these Committees are convened by the respective Chairman of the Committee, who also informs the Board about the summary of discussions held in the Committee Meetings. The Minutes of the Committee Meetings are sent to all Directors individually and tabled at the Board Meetings.

#### 3.1 Audit Committee

The Audit Committee acts as a link between the statutory and internal auditors and the Board of Directors. Its purpose is to assist the Board in fulfilling its oversight responsibilities of monitoring financial reporting processes, reviewing the Company's established systems and processes for internal financial controls, governance and reviewing the Company's statutory and internal audit activities. The Committee is governed by Terms of Reference which is in line with the regulatory requirements mandated by the Companies Act, 2013 and SEBI Regulations. Some of the important functions performed by the Committee are:

##### 3.1.1 Financial Reporting and Related Processes

- Oversight of the Company's financial reporting process and financial information submitted to the Stock Exchanges, regulatory authorities or the public.
- Reviewing with the Management the quarterly unaudited financial statements and the Auditors' Limited Review Report thereon/audited annual financial statements and Auditors' Report thereon before submission to the Board for approval. This would, inter alia, include reviewing changes in the accounting policies and reasons for the same, major accounting estimates based on exercise of judgement by the Management, significant adjustments made in the financial statements and / or recommendation, if any, made by the Statutory Auditors in this regard.
- Review the Management Discussion & Analysis of financial and operational performance.
- Discuss with the Statutory Auditor its judgement about the quality and appropriateness of the Company's accounting principles with reference to the Generally Accepted Accounting Principles in India (GAAP).
- Review the investments made by the Company.

##### 3.1.2 Internal Controls and Governance Processes

- Review the adequacy and effectiveness of the Company's system and internal controls.
- Review and discuss with the Management the Company's major financial risk exposures and steps taken by the Management to monitor and control such exposure.



- To oversee and review the functioning of a vigil mechanism (implemented in the Company as a Whistle Blower Policy) and to review the findings of investigation into cases of material nature and the actions taken in respect thereof.

### 3.1.3 Audit

- Review the scope of the Statutory Auditors, the annual audit plan and the Internal Audit Plan with a view to ensure adequate coverage.
- Review the significant audit findings from the statutory and internal audits carried out, the recommendations and Management's response thereto.
- Review and recommend to the Board the appointment/re-appointment of the Statutory Auditors considering their independence and effectiveness and their replacement and removal.
- Approve such additional services to be rendered by the Statutory Auditors except those enumerated in Section 144 of the Companies Act, 2013 and payment for such services.
- To recommend to the Board the remuneration of the Statutory Auditors.
- To discuss with the Statutory Auditors any significant difficulties encountered during the course of the Audit.

### 3.1.4 Other Duties

- To approve the appointment of the Chief Financial Officer.
- To grant omnibus approval for related party transactions which are in the ordinary course of business and on an arm's length pricing basis and to review and approve such transactions subject to the approval of the Board.

The composition of the Audit Committee as at 31<sup>st</sup> March, 2016 and details of the Members participation at the Meetings of the Committee are as under:

<b>Date of Meeting</b>	Mohanram Pai <sup>†</sup>	Ajay Gehani <sup>§</sup>	Rajesh Arora <sup>@</sup>
30 <sup>th</sup> May, 2015	Present	Present	Present
07 <sup>th</sup> August, 2015	Present	Present	Present
06 <sup>th</sup> November, 2015	Present	Present	Present
06 <sup>th</sup> February, 2016	Present	Present	Present
<b>Total Attendance (out of 4 meetings)</b>	<b>4</b>	<b>4</b>	<b>4</b>

<sup>†</sup>Chairman & Non Executive Independent Director

<sup>§</sup>Member & Managing Director

<sup>@</sup>Member & Non Executive Independent Director

The present constitution of the audit committee is compliant with section 177(2) of the Companies Act, 2013. The Company has adopted at its Board meeting held on May 26, 2014 the terms of reference of Audit Committee as prescribed under section 177(4) of the Companies Act, 2013 w.e.f. 1<sup>st</sup> April, 2014. All the Members on the Audit Committee have the requisite qualification for appointment on the Committee and possess sound knowledge of finance, accounting practices and internal controls.

During the year under review, the Audit Committee held a separate meeting with the Statutory Auditors and the Internal Auditor to get their inputs on significant matters relating to their areas of audit.



### 3.2 Stakeholders' Relationship Committee

In compliance with the provisions of Section 178 of the Companies Act, 2013 and the SEBI Regulations, The Stakeholders' Relationship Committee comprises two Members of which one Member is an Independent Director.

#### 3.2.1 Terms of Reference of the Committee

- transfer/transmission of shares/debentures and such other securities as may be issued by the Company from time to time;
- issue of duplicate share certificates for shares/debentures and other securities reported lost, defaced or destroyed, as per the laid down procedure;
- issue new certificates against subdivision of shares, renewal, split or consolidation of share certificates / certificates relating to other securities;
- issue and allot right shares / bonus shares pursuant to a Rights Issue / Bonus Issue made by the Company, subject to such approvals as may be required;
- to grant Employee Stock Options pursuant to approved Employees' Stock Option Scheme(s), if any, and to allot shares pursuant to options exercised;
- to issue and allot debentures, bonds and other securities, subject to such approvals as may be required;
- to approve and monitor dematerialization of shares / debentures / other securities and all matters incidental or related thereto;
- to authorize the Company Secretary and Head Compliance / other Officers of the Share Department to attend to matters relating to non receipt of annual reports, notices, non receipt of declared dividend / interest, change of address for correspondence etc. and to monitor action taken;
- monitoring expeditious redressal of investors/ stakeholders grievances;
- all other matters incidental or related to shares, debentures and other securities of the Company.

The composition of the Stakeholders' Relationship Committee as at 31<sup>st</sup> March, 2016 and details of the Members participation at the Meetings of the Committee are as under:

<b>Date of Meeting</b>	Mohanram Pai*	Ajay Gehani@	Rajesh Arora#
30 <sup>th</sup> May, 2015	Present	Present	Present
07 <sup>th</sup> August, 2015	Present	Present	Present
06 <sup>th</sup> November, 2015	Present	Present	Present
06 <sup>th</sup> February, 2016	Present	Present	Present
Total Attendance (out of 4 meetings)	<b>4</b>	<b>4</b>	<b>4</b>

\*Chairman & Non Executive Independent Director

@Member & Managing Director

#Member & Non Executive Independent Director

#### 3.2.2 Compliance Officer

As required by the Listing Agreement, the Company has appointed Mr. Ajay Gehani as the Compliance Officer. Email address of Compliance Officer is agehani05@gmail.com.


**Complaint Status for the year 01/04/2015 to 31/03/2016**

Category	Complaints Received	Complaints Resolved	Complaints Pending
Non receipt. of credit of dividend	0	0	0
Non receipt of dividend warrant	0	0	0
Non receipt of interest warrant	0	0	0
Non receipt of annual reports	0	0	0
SEBI	0	0	0
Stock exchange	0	0	0
Non receipt of share certificate	0	0	0
Non receipt of share transfer	0	0	0
Others	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**3.3 Nomination and Remuneration Committee (NRC)**

In compliance with Section 178 of the Companies Act, 2013 and SEBI Regulations, The Nomination and Remuneration Committee (NRC) comprise three Members of which two Members are an Independent Directors.

**3.3.1 Terms of Reference**

- The Committee shall identify the persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the board their appointment and removal and shall carry out evaluation of every directors performance.
- Lay down the criteria for determining the qualifications, positive attributes and independence of a Director and further recommend to the Board the policy for remuneration of Director, Key Managerial Personnel and Employees.

**3.3.2 Remuneration Policy**

While formulating the policy the Committee has to ensure that:

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- Remuneration to directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The composition of the Nomination and Remuneration Committee as at 31<sup>st</sup> March, 2016 and the details of Members participation at the Meetings of the Committee are as under:

Date of Meeting	Mohanram Pai <sup>†</sup>	Rajesh Arora <sup>#</sup>	Ajay Gehani <sup>§</sup>
30 <sup>th</sup> May, 2015	Present	Present	Present
Total	1	1	1

<sup>†</sup>Chairman & Non Executive Independent Director

<sup>#</sup>Member & Non- Executive Independent Director

<sup>§</sup>Member & Managing Director



### 3.4 Corporate Social Responsibility (CSR) Committee

The criteria prescribed for the applicability of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 is not applicable to the Company.

### 3.5 Risk Management Committee (Non-Mandatory)

The nature of business is manufacturing of Jewellery. The inheritant risk to the business of the company is as follows:

- a. Foreign Exchange Risk
- b. Gold Price Risk
- c. Stiff Competition
- d. Government Policy on import of gold
- e. Risk elements in business transactions
- f. Labour Risk

All the above risk has been discussed in the Management Discussion & Analysis Report. The prices of Jewellery consist of Gold, Diamonds & Labour, out of this three, Gold and diamonds consist of 90% of the price of Jewellery. The Company has no control on the price of Gold and Diamonds and the same is available through Exchanges, Market and Banks. The said risk shall results in favourable / unfavourable to the Company. The nature of risk is dynamic of business and entrepreneurship. The Company has not formed Risk Management Committee as it is not applicable under regulation 21 of the SEBI (LODR) Regulations, 2015.

### 3.6 Independent Directors' Meeting

During the year under review, the Independent Directors met on 06<sup>th</sup> February, 2016, inter alia, to discuss:

- Evaluation of the performance of Non Independent Directors and the Board of Directors and the Board of directors as a whole;
- Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non Executive Directors.
- Evaluation of the quality, content and timeline of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the Meeting.

### 3.7 Policy for Selection and Appointment of Directors and their Remuneration

The Nomination and Remuneration Committee (NRC) has adopted a Policy which, inter alia, deals with the manner of selection of Board of Directors, CEO & Managing Director, Whole-Time Director & CFO and their remuneration. The said Policy has been outlined below:

#### 3.7.1 Criteria of Selection of Non Executive Directors

- The Non Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.
- In case of appointment of Independent Directors, the NRC shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.
- The NRC shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.



- The NRC shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.
  - Qualification, expertise and experience of the Directors in their respective fields;
  - Personal, Professional or business standing;
  - Diversity of the Board.
- In case of re-appointment of Non Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

### 3.7.2 Remuneration

The Non Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board / Committee meetings and commission as detailed hereunder:

- A Non Executive Director shall be entitled to receive sitting fees for each meeting of the Board or Committee of the Board attended by him, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014;
- The Independent Directors of the Company shall not be entitled to participate in the Stock Option Scheme of the Company, if any, introduced by the Company.

### 3.7.3 Executive Chairman, Managing Director, Whole-Time Director & Chief Financial Officer - Criteria for Selection / Appointment

For the purpose of selection of the Executive Chairman, Managing Director, Whole-Time Director & Chief Financial Officer, the NRC shall recommend the Promoter Directors as Executive Chairman & Managing Director who are persons of integrity who possess relevant expertise, experience and leadership qualities required for the position.

#### Remuneration for the Executive Chairman, Managing Director, Whole-Time Director & Chief Financial Officer

- At the time of appointment or re-appointment, the Executive Chairman, Managing Director, Whole-Time Director & Chief Financial Officer shall be paid such remuneration as may be mutually agreed between the Company (which includes the NRC and the Board of Directors) and the Executive Chairman & Managing Director within the overall limits prescribed under the Companies Act, 2013.
- The remuneration shall be subject to the approval of the Members of the Company in General Meeting.
- The remuneration of the Executive Chairman, Managing Director, Whole-Time Director & Chief Financial Officer is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, amenities and retiral benefits. The variable component comprises performance bonus.

### 3.7.4 Remuneration Policy for the Senior Management Employees

- In determining the remuneration of the Senior Management Employees (i.e. KMPs and Executive Committee Members) the NRC shall ensure / consider the following:
  - the relationship of remuneration and performance benchmark is clear;
  - the balance between fixed and incentive pay reflecting short and long term



performance objectives, appropriate to the working of the Company and its goals;

- the remuneration is divided into two components viz. fixed component comprising salaries, perquisites and retirement benefits and a variable component comprising performance bonus;
  - the remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individuals performance vis-à-vis KRAs / KPIs, industry benchmark and current compensation trends in the market.
- The Managing Director will carry out the individual performance review based on the standard appraisal matrix and shall take into account the appraisal score card and other factors mentioned herein-above, whilst recommending the annual increment and performance incentive to the NRC for its review and approval.

### 3.8 Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and SEBI Regulations, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of the Board Committees. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as Managing Relationships, Leadership, Strategy Formulation and execution, financial planning / performance, Relationships with the Board, External Relations, Human Resources Management/Relations, Succession, Product/Service Knowledge, Personal Qualities etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

### 3.9 Details of Remuneration paid to all Directors

The aggregate remuneration paid to the Directors for the year ended 31<sup>st</sup> March, 2016, is as under;

(Rs. in Lacs)

Name of Director	Designation	Salary & Perquisites	Commission	Sitting Fees	Total
Mr. Ramesh Gehani	Executive Chairman	18.50	0.00	0.00	<b>18.50</b>
Mr. Ajay Gehani	Managing Director	29.98	0.00	0.00	<b>29.98</b>
Mrs. Deepika Gehani	Director-CFO	5.00	0.00	0.00	<b>5.00</b>
Mr. Mohanram Pai	Independent Director	0.00	0.00	0.375	<b>0.375</b>
Mr. Rajesh Arora	Independent Director	0.00	0.00	0.375	<b>0.375</b>

Note: The Company does not pay any allowances, perquisites, performance bonus, sign-on amount to Executive and Non-Executive Directors.



### Details of Service Contracts

Name	Designation	Current Tenure	From	To
Mr. Ramesh Gehani	Executive Chairman	5 Years	1 <sup>st</sup> September, 2015	31 <sup>st</sup> August, 2020
Mr. Ajay Gehani	Managing Director	3 Years	1 <sup>st</sup> April, 2014	31 <sup>st</sup> March, 2017
Mrs. Deepika Gehani	Whole-Time Director (CFO)	5 Years	1 <sup>st</sup> June, 2015	30 <sup>th</sup> May, 2020

### Equity Shares of Sovereign Diamonds Limited held by Non-Executive Directors are as follows

Non Executive Directors	No. of shares held as on 31 <sup>st</sup> March, 2016	No. of shares held as on 31 <sup>st</sup> March, 2015
Mr. Mohanram Pai	Nil	Nil
Mr. Rajesh Arora	Nil	Nil

### Details of Remuneration paid to the Directors are given in Form MGT-9

#### 4) SUBSIDIARY COMPANIES

The Company does not have any Subsidiary Company.

#### 5) DISCLOSURES

##### 5.1 Related Party Transactions

Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in notes to accounts annexed to the financial statements.

There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, or their relatives or Subsidiaries that had potential conflict with the Company's interest. Suitable disclosure as required by the Accounting Standard (AS 18) has been made in the Annual Report.

The Board has approved a policy for related party transactions.

##### 5.2 Strictures and Penalties

No strictures or penalties have been imposed on the Company by the Stock Exchanges or by the Securities and Exchange Board of India (SEBI) or by any statutory authority on any matters related to capital markets during the last three years.

##### 5.3 Compliance with Accounting Standards

In the preparation of the financial statements, the Company has followed the Accounting Standards notified pursuant to Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provision of the Companies Act, 2013. The significant accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

##### 5.4 Internal Controls

The Company has a formal system of internal control testing which examines both the design effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory / regulatory compliances.

##### 5.5 Managing Director & Chief Financial Officer Certification

The MD & CFO have issued certificate pursuant to the provisions of SEBI Regulations certifying that the financial statements do not contain any untrue statement and these





statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

### **5.6 Code of Conduct for the Board Members and Senior Management**

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 31<sup>st</sup> March, 2016. A declaration to this effect signed by the Chairman of the Company is given elsewhere in the Annual Report.

### **5.7 Vigil Mechanism / Whistle Blower Policy**

During the financial year 2015 – 2016, in accordance with the regulation 22 of SEBI Regulations and pursuant to section 177 (9) read with Rule 7 of Companies (Meetings of Board and its Powers) Rules, 2014 of the Companies Act, 2013, the company has adopted a whistle blower policy. The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior. As per the whistle blower policy, the employees are free to report violations of laws, rules, regulations or un-ethical conduct to their immediate superior. The confidentiality of those reporting / violations is maintained and they are not subjected to any discriminatory practice.

### **5.8 Prevention of Insider Trading**

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Company Secretary & Head Compliance is responsible for implementation of the Code.

All Board Directors and the designated employees have confirmed compliance with the Code.

### **5.9 Communication with the Members/ Shareholders**

- The unaudited quarterly / half yearly results are announced within forty-five days of the close of the quarter. The audited annual results are announced within two months from the close of the financial year as per the requirements of the Listing Agreement with the Stock Exchanges. The aforesaid financial results are sent to BSE Limited (BSE) where the Company's securities are listed, immediately after these are approved by the Board. The results are published within forty-eight hours in leading English and Marathi daily newspapers. The audited financial statements form a part of the Annual Report which is sent to the Members well in advance of the Annual General Meeting.
- The Company also informs by way of intimation to BSE all price sensitive matters or such other matters, which in its opinion are material and of relevance to the members and subsequently issues a Press Release in regard to the same.
- In compliance with Clause 52 of the Listing Agreement, the quarterly results, shareholding pattern, quarterly compliances and all other corporate communication to the Stock Exchange viz. BSE Limited is filed electronically on BSE's on-line portal and through Corporate Filing and Dissemination System (CFDS) website [www.corpfiling.co.in](http://www.corpfiling.co.in). The Company has complied with filing submissions through BSE's BSE Online Portal.

## **6) GENERAL INFORMATION TO SHAREHOLDERS**

Financial Year Ended: 31<sup>st</sup> March, 2016



## 6.1 Investor Services

The Company has appointed Universal Capital Securities Private Limited., Registrar and Share transfer Agent which offers all share related services to its Members and Investors.

These services include transfer / transmission / dematerialization of shares, payment of dividends, sub-division / consolidation / renewal of share certificates and investor grievances.

## 6.2 Registered Office & Correspondence Address

### Sovereign Diamonds Limited

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

Ph. No: 022- 6692 3871

Fax No: 022- 6692 3880

Fax: 022 2267 1931

**Contact Person:** Mr. Ajay Gehani, Managing Director

**Email Address:** sovereigndiamonds@gmail.com

Members who hold shares in dematerialized form should correspond with the Depository Participant with whom they maintain Demat Account/s, for their queries relating to shareholding, change of address. However, queries relating to non-receipt of dividend, non-receipt of annual reports, or on matters relating to the working of the Company should be sent to the Company.

Members who hold shares in physical form should address their queries to the Company.

Members are requested to ensure that correspondence for change of address, change in bank details, subdivision of shares, renewals / split / consolidation of share certificates, issue of duplicate share certificates should be signed by the first named Member as per the specimen signature registered with the Company. The Company may also, with a view to safeguard the interest of its Members and that of the Company, request for additional supporting documents such as certified copies of PAN Cards and other proof of identity and/or address.

Members are requested to indicate their DP ID & Client ID/ Ledger Folio number in their correspondence with the Company and also to provide their Email addresses and telephone numbers/FAX numbers to facilitate prompt response from the Company.

## 6.3 Plant Location

Factory of the Company to manufacture Jewellery is located at the registered office of the Company.

## 6.4 Market Information

### Listing on Stock Exchanges

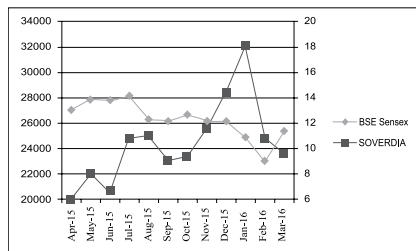
The Company's shares are listed on the following Stock Exchanges and the Listing Fees have been paid to the Exchanges:

Name & Address of the Stock Exchanges	Stock Code/ Scrip Code	ISIN Number for CDSL (Dematerialised shares)
BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	523826	INE 959D01013



**Performance of Equity Shares of the company in comparison to BSE Sensex, (Chart as per the website of Bombay Stock Exchange Limited i.e. [www.bseindia.com](http://www.bseindia.com))**

### Index Comparison



**\*Monthly High and Low Prices of the Equity Shares of the Company for the year ended 31<sup>st</sup> March, 2016:**

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-15	8.6	9	6	6	6695	49	44224	3	-2.6
May-15	5.72	8.15	5.72	8	12360	37	85283	2.43	2.28
Jun-15	7.6	8.35	5.71	6.62	5247	28	36868	2.64	-0.98
Jul-15	6.95	11.33	6.95	10.81	43000	130	399627	4.38	3.86
Aug-15	11.35	15.04	10.07	11	55807	140	695805	4.97	-0.35
Sep-15	11	11	8.25	9.04	5924	30	55369	2.75	-1.96
Oct-15	9.49	11.51	9.35	9.35	14675	45	153672	2.16	-0.14
Nov-15	9.2	12.05	8.62	11.55	13909	34	140374	3.43	2.35
Dec-15	11.55	14.4	10	14.4	44691	79	535770	4.4	2.85
Jan-16	14.46	18.08	14.46	18.03	91745	131	1560886	3.62	3.57
Feb-16	18.05	18.05	10.8	10.8	22614	76	327052	7.25	-7.25
Mar-16	10.8	10.8	8.94	9.6	22279	67	212208	1.86	-1.2

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

## 7) SHARE TRANSFER SYSTEM AND OTHER RELATED MATTERS

### 7.1 Share transfers

Share transfers in physical form are processed and the share certificates are generally returned to the transferees within a period of fifteen days from the date of receipt of transfer provided the transfer documents lodged with the Company are complete in all respects.

### 7.2 Nomination facility for shareholding

As per the provisions of the Companies Act, 2013, facility for making nomination is available for Members in respect of shares held by them. Members holding shares in physical form may obtain nomination form, from the Share Department of the Company. Members holding shares in dematerialized form should contact their Depository Participants (DP) in this regard.

### 7.3 Permanent Account Number (PAN)

Members who hold shares in physical form are advised that SEBI has made it mandatory that a copy of the PAN card of the transferee/s, members, surviving joint holders / legal heirs be furnished to the Company while obtaining the services of transfer, transposition, transmission and issue of duplicate share certificates.



#### 7.4 Transfer of 'Underlying Shares' into Investor Education and Protection Fund (IEPF) (in cases where unclaimed dividends have been transferred to IEPF for a consecutive period of seven years)

Members attention is invited to Regulation 39(4) and Schedule VI of the SEBI Regulations. As per the said Regulations, in cases where unclaimed dividends have been transferred to Investor Education and Protection Fund (IEPF) for a consecutive period of seven years, the underlying shares are also required to be transferred to IEPF. The said Regulation has come into effect from December 1, 2015.

#### 7.5 Dealing with securities which have remained unclaimed

Members are hereby informed that as per Regulation 39(4) read with Schedule VI of the SEBI Regulations, the Company is in the process of dematerializing unclaimed shares which are retained with the Company. These shares would be held by the Company on behalf of the holders of such shares in an "Unclaimed Suspense Account" to be opened with a depository. At the end of seven years, hereof, these shares shall be transferred by the Company to the IEPF. Dividends remaining unclaimed in respect of such shares shall also be held in a separate suspense account and would likewise be transferred to IEPF at the end of seven years.

The Company has sent out reminders to those Members whose share Certificate have remained unclaimed, to contact the Company immediately in the matter.

Members may note that the lawful claimant in respect of these shares will be able to claim such shares dividend from the Company till such time they remain in the Unclaimed Suspense Account as aforesaid.

#### 7.6 Pending Investors' Grievances

Any Member / Investor whose grievance has not been resolved satisfactorily may kindly write to the Company Secretary and Head Compliance at the Registered Office with a copy of the earlier correspondence.

#### 7.7 Reconciliation of Share Capital Audit

As required by the Securities & Exchange Board of India (SEBI) quarterly audit of the Company's share capital is being carried out by an independent external auditor with a view to reconcile the total share capital admitted Central Depository Services (India) Limited (CDSL) and held in physical form, with the issued and listed capital. The Auditors' Certificate in regard to the same is submitted to BSE and is also placed before Stakeholders' Relationship Committee and the Board of Directors.

##### Distribution of Shareholding as on 31<sup>st</sup> March, 2016

Range (In Shares)	No. of Shareholders	% to total holders	Total Shareholding (In Shares)	% to capital
1 – 500	3804	91.33	613813	10.61
501 - 1000	181	4.35	156520	2.70
1001 - 2000	70	1.68	110708	1.91
2001 - 3000	31	0.74	79847	1.38
3001 - 4000	14	0.34	49005	0.85
4001 - 5000	14	0.34	67366	1.16
5001 - 10000	25	0.60	193916	3.35
10001 & Above	26	0.62	4516827	78.04
<b>Total</b>	<b>4165</b>	<b>100.00</b>	<b>5788002</b>	<b>100.00</b>



The Company has entered into agreements with Central Depository Services (India) Limited (CDSL) whereby Members have an option to dematerialize their shares with either of the depositories.

### Shareholding Pattern as on 31<sup>st</sup> March, 2016 (Equity Shares)

	Category	No. of Shares Held	% Of Share Holding
<b>A.</b>	<b>Promoter (S) Holding</b>		
	Promoter (s)		
	- Indian Promoters	2755288	47.60
	- Foreign Promoters	0	0.00
	<b>Sub – Total(A)</b>	<b>2755288</b>	<b>47.60</b>
<b>B.</b>	<b>Non-Promoters Holding</b>		
	<b>Institutional Investors</b>		
i.	Mutual Funds & UTI	0	0.00
ii.	Banks, Financial Inst, Insurance Company (Central/State Govt Inst/Non-Govt Inst)	0	0.00
iii.	FIs	0	0.00
	<b>Others</b>		
i.	Private Corporate Bodies	396746	6.87
ii.	Indian Public	2198898	37.98
iii.	NRI/OCB	10565	0.18
iv.	Directors / Relatives	414200	7.16
v.	Clearing Members	12305	0.21
	<b>Sub-Total (B)</b>	<b>3032714</b>	<b>52.40</b>
	<b>GRAND TOTAL (A+B)</b>	<b>5788002</b>	<b>100.00</b>

### Statement showing Shareholding of more than 1% of the Capital as on 31<sup>st</sup> March, 2016:

Sr. No.	Names of the shareholders		Number of Shares	% of Capital
<b>1</b>	<b>Promoter</b>			
	Ramesh H Gehani	1186532	2755288	47.60
	Ajay R Gehani	877800		
	Rani R Gehani	589556		
	Deepika A Gehani	101400		
	<b>Others</b>			
<b>2</b>	Sanjay R Gehani		414200	7.16
<b>3</b>	Mohan B Chandiramani		269271	4.65
<b>4</b>	Renuka M Chandiramani		266869	4.61
<b>5</b>	Vipul R Gandhi		125000	2.16
<b>6</b>	Merrygold Investments Ltd.		119995	2.07
<b>7</b>	Nagarjuna Finance Ltd.		91325	1.58
<b>8</b>	Sanjay Mundada		66962	1.16
<b>9</b>	Imperial Consultants and Securities Pvt Ltd		91325	1.58
	<b>Total</b>		<b>4200235</b>	<b>72.57</b>



**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.

**Particulars of Past Three Annual General Meetings**

- 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 & Time	Location
31.03.13	39 <sup>th</sup> AGM	Nil	26.08.13 9.30 A.M.	Hotel Tunga Paradise, Andheri (East), Mumbai – 400093
31.03.14	40 <sup>th</sup> AGM	Nil	25.08.14 9.30 A.M.	Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400 093
	EGM	Note 1	15.03.14 10.00 A.M.	11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (E), Mumbai - 400 093
31.03.15	41 <sup>st</sup> AGM	Note 2	07.08.15 10.30 A.M.	Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400 093

**Note 1:**

- Special Resolution for Re-appointment and payment of remuneration of Mr. Ajay Gehani as Managing Director for a period of three years w.e.f 1<sup>st</sup> April, 2014.

**Note 2:**

- Special Resolution for appointment of Mrs. Deepika Gehani as Woman Director.
- 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 1<sup>st</sup> September, 2015.

**Note 3:**

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



## DECLARATIONS

### FINANCIAL CALENDAR 2016:

Board Meeting for consideration of Accounts for the financial year ended 31 <sup>st</sup> March, 2016 and recommendation of dividend	27 <sup>th</sup> May, 2016
Posting of Annual Reports	On or before Tuesday, 15 <sup>th</sup> July, 2016
Book Closure Dates	Thursday, 04 <sup>th</sup> August, 2016 to Thursday, 11 <sup>th</sup> August, 2016 (both days inclusive)
Last date for receipt of Proxy Forms	On or before Tuesday, 09 <sup>th</sup> August, 2016 by 10.30 a.m.
Date, Time & Venue of the 42 <sup>nd</sup> Annual General Meeting	On Thursday, 11 <sup>th</sup> August, 2016 at 10.30 a.m. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093.
Dividend Payment Date	Nil
Probable date of dispatch of warrants	Not Applicable
Board Meeting for consideration of unaudited quarterly results for the financial year ended 31 <sup>st</sup> March, 2016	Within Forty Five days from the end of the quarter, as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges
Audited results for the current financial year ending 31 <sup>st</sup> March, 2016	Within Sixty days from the end of the last quarter, as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges

**For and on behalf of the Board of Directors**

Sd/-

**(Ajay Gehani)**

Managing Director

Mumbai

Date: 27<sup>th</sup> May, 2016



**Declaration Regarding Code of Conduct**

I hereby declare that all the Directors and Senior Management Personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

Sd/-

**(Ajay Gehani)**

Managing Director

Mumbai

Date: 27<sup>th</sup> May, 2016

**MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER CERTIFICATION**

We the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of Sovereign Diamonds Limited ("the Company") to the best of our knowledge and belief certify that:

- A. We have reviewed financial statements and the cash flow statement for the financial year ended 31<sup>st</sup> March, 2016 and that to the best of our knowledge and belief, we state that:
  - 1. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
  - 2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- C. We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting of the Company and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- D. We have indicated, based in our most recent evaluation, wherever applicable, to the Auditors and the Audit Committee:
  - 1. significant changes, if any, in internal control over financial reporting during the year;
  - 2. significant changes, if any, in the accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
  - 3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over the financial reporting.

Yours Sincerely

Sd/-

**Ajay Gehani**

Managing Director

Sd/-

**Deepika Gehani**

Chief Financial Officer

Mumbai

Date: 27<sup>th</sup> May, 2016



**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 31<sup>st</sup> March, 2016 as stipulated in Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to 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 Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to Listing Agreement of the said Company with stock exchanges except *posting information on the Company's website* and that no investor grievance(s) is / are pending for a period exceeding one month against the Company.

We have been informed that the Company has availed the exemption under regulation 15 (2) of SEBI (LODR) Regulations, 2015 in respect of certain regulations of Corporate Governance due to its size of business.

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.,**  
Practicing Company Secretaries

Sd/-

**PRADIP C. SHAH**

Partner

Membership No. 1483

Certificate of Practice: 436

Place: Mumbai

Date: 27<sup>th</sup> May, 2016



## **INDEPENDENT AUDITOR'S REPORT**

To the Members of

**SOVEREIGN DIAMONDS LIMITED**

**Report on the Financial Statements**

1. We have audited the accompanying financial statements of **SOVEREIGN DIAMONDS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

2. The management and Board of Directors of the Company are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rule 7 of Companies (Accounts) Rules, 2014. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements, that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's management and Board of Directors, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its profit and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

7. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure "A" statement on the matters Specified in paragraphs 3 and 4 of the Order.
8. As required by section 143(3) of the Act, we further report that:
- we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - 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;
  - the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - in our opinion, the aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014
  - on the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act
  - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate in Annexure "B"; and
  - In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
    - The Company has disclosed the impact of pending litigations on its financial position in its financial statements as referred to in Note 26 to the financial statements.
    - The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise.
    - There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of delay in transferring such sums does not arise.

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

Place : Mumbai.  
Date : 27<sup>th</sup> May, 2016

Sd/-  
**J. D. ZATAKIA - PROPRIETOR**  
**MEMBERSHIP NO. 17669**

**ANNEXURE "A" TO THE AUDITORS' REPORT****Annexure referred to in paragraph 7 Our Report of even date to the members of SOVEREIGN DIAMONDS LIMITED on the accounts of the company for the year ended March 31, 2016**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- I.
  - 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) According to the information and explanation given to us and on the basis of examination of the records, the title deeds of immovable properties are held in the name of the company
- II. Inventories have been physically verified by the Management at regular intervals. In our opinion, the frequency of such verification is reasonable. We are informed that discrepancies noticed on such verification were not material as compared to the book records. The discrepancies noticed on such verification have been properly dealt with in the books of accounts.
- III. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- IV. According to the information and explanation given to us, the Company has not given any loan, guarantee, made investment, nor provided any security under of the provisions of Section 185 and 186 of the Companies Act, 2013,
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit during the year in terms of provision of section 73 to 76 or any other relevant provision of the Companies Act, 2013 and the rules framed there under, According to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- VI. The maintenance of cost records has not been prescribed by the Central Government under section 148 (1) of the Companies Act 2013.
- VII.
  - a) The Company is regular in depositing undisputed statutory dues including provident fund, income 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, 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.
- VIII. According to the records of the Company examined by us and on the basis of information and explanations given to us, the Company has not defaulted in repayment of dues



to banks during the year. The company has not taken any loans or borrowings from financial institution and government or by issue of debenture.

- IX. According to the information and explanation given to us, the term loan have been applied for the purpose for which they were obtained. No moneys are raised by way of initial public offer or further public offer.
- X. On the basis of examination of books of account and other relevant records in the course of our audit and information and explanation given to us no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
- XI. According to information and explanation given to us and based on our examination of the records of the company, the managerial remuneration has been paid / provided in accordance with the requisite approval mandated by the provisions of Section 197 read with Schedule V of the Companies Act, 2013.
- XII. The Company is not a Nidhi Company, accordingly the requirement of Clause 3 (xii) of the Order are not applicable.
- XIII. According to the information and explanations given to us, all transactions with the related parties are in compliances with section 177 and 188 of Companies Act, 2013 as applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- XIV. The Company has not raised any money by preferential allotment or private placement of Shares or by issue of fully or partly Convertible debentures during the year under review, accordingly clause 3(xiv) of the order is not applicable.
- XV. According to information and explanation given to us and based on our examination of the records of the company, the company has not entered into non-cash transactions with directors or persons connected with him, accordingly, clause 3(xv) of the Order is not applicable.
- XVI The Company is not required to be registered under section 45 - IA of the Reserve Bank of India Act, 1934.

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

Place : Mumbai.

Date : 27<sup>th</sup> May, 2016

Sd/-

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



## ANNEXURE “B” TO THE AUDITORS’ REPORT

(Referred to in paragraph 8(f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of **SOVEREIGN DIAMONDS LIMITED** (“the Company”) as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable



detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Place : Mumbai.  
Date : 27<sup>th</sup> May, 2016

Sd/-  
J. D. ZATAKIA - PROPRIETOR  
MEMBERSHIP NO. 17669



## BALANCE SHEET AS AT 31ST MARCH, 2016

(₹ in Lacs)

Particulars	Note No.	As at		As at	
		31st March, 2016		31st March, 2015	
<b>I EQUITY AND LIABILITIES</b>					
<b>Shareholder's Funds</b>					
Share Capital	2	578.80		578.80	
Reserve and Surplus	3	636.48	1,215.28	515.27	1,094.07
<b>Non-Current Liabilities</b>					
Long Term Borrowings	4		11.68		30.24
<b>Current Liabilities</b>					
Short Term Borrowings	5	1,521.60		1,649.18	
Trade Payables	6	407.33		916.37	
Other Current Liabilities	7	21.28		18.35	
Short Term Provisions	8	295.00	2,245.21	232.00	2,815.90
<b>TOTAL</b>			<b>3,472.17</b>		<b>3,940.21</b>
<b>II ASSETS</b>					
<b>Non-Current Assets</b>					
<b>Fixed Assets</b>					
Tangible Assets	9	295.69		257.19	
Deferred Tax Assets (net)	10	5.51		5.77	
Long Term Loans and Advances	11	3.60	304.80	11.60	274.56
<b>Current Assets</b>					
Inventories	12	1,337.28		1,554.75	
Trade Receivables	13	1,539.60		1,904.12	
Cash and Bank Balances	14	0.57		1.05	
Short Term Loans and Advances	15	289.92	3,167.37	205.74	3,665.65
<b>TOTAL</b>			<b>3,472.17</b>		<b>3,940.21</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	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

sd/-  
J. D. ZATAKIA  
Proprietor  
Membership No. 17669

sd/-  
Ramesh H. Gehani  
Chairman  
DIN NO.: 00062969

sd/-  
Ajay R. Gehani  
Managing Director  
DIN NO. : 00062989

sd/-  
Deepika A. Gehani  
Director,C.F.O.  
DIN NO. : 00974033

Place : Mumbai  
Date : 27/05/2016





## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2016

Particulars	Note	31st March, 2016	31st March, 2015
<b>Revenue from Operations</b>			
Sale of Products	16	5,321.16	6,013.81
Other Income	17	2.29	3.45
<b>Total Revenue</b>		<b>5,323.45</b>	<b>6,017.26</b>
<b>EXPENSES</b>			
Cost of Material Consumed	18	4,355.59	4,995.34
Changes in Inventories of Finished Goods	19	(72.81)	(50.96)
Employee Benefit Expenses	20	291.55	232.30
Finance Cost	21	195.89	200.63
Depreciation and Amortisation Expenses	9	45.19	37.37
Other Expenses	22	323.60	323.25
<b>Total Expenses</b>		<b>5,139.01</b>	<b>5,737.92</b>
<b>Profit Before Tax</b>		<b>184.44</b>	<b>279.34</b>
<b>Tax Expenses</b>			
Current Tax		63.00	98.00
Deferred Tax		0.26	-3.63
<b>Profit After Tax</b>		<b>121.18</b>	<b>184.97</b>
Earnings per Equity Shares of face value of Rs. 10 each			
Basic and Diluted	23	2.09	3.20
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>AND NOTES ON ACCOUNTS</b>	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

sd/-

J. D. ZATAKIA  
Proprietor  
Membership No. 17669

sd/-

Ramesh H. Gehani  
Chairman  
DIN NO.: 00062969

sd/-

Ajay R. Gehani  
Managing Director  
DIN NO. : 00062989

sd/-

Deepika A. Gehani  
Director,C.F.O.  
DIN NO. : 00974033

Place : Mumbai

Date : 27/05/2016

**Note : 1 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016****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.

**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 /materialized.

**1.3 Fixed Assets :**

Fixed Assets are stated at cost net of recoverable taxes and includes amounts added on revaluation, less accumulates 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 capitalized.

**1.4 Depreciation & Amortisation :**

Depreciation is provided based in useful life of the assets as prescribed in schedule II in the Companies Act,2013. However in the opinion of management the useful life of machinery is expected for 8 years. Accordingly depreciation in case of machinery is worked out and provided by assuming useful life of 8 years.

**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) At the date of balance sheet, monetary items determined in foreign currencies are converted into rupee equivalents at the exchange rate prevailing at the year end.
- (c) 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.

**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.

**1.10 Borrowing Costs :**

Borrowing costs that are directly attributable to the acquisition/construction of the qualifying assets are capitalized 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. 5165.82 Lacs
- ii) Sales outside India represents sales made to customers located outside India Rs. 150.80 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.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 2

(₹ in Lacs)

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital :</b>	600.00	600.00
60,00,000( previous year 60,00,000) Equity Shares of Rs. 10/- each		
<b>Issued, Subscribed &amp; Paid up :</b>	578.80	578.80
57,88,002( previous year 57,88,002) Equity Shares of Rs. 10/- each		
	<b>578.80</b>	<b>578.80</b>
<b>Reconciliation of the number of Shares outstanding at the beginning and at the end of the reporting period:</b>		
Equity Shares at the beginning of the year	57.88	57.88
Add : Shares issued on exercise of employee stock options	0.00	0.00
Less : Shares cancelled on buy back of Equity Shares	0.00	0.00
<b>Equity Shares at the end of the year</b>	<b>57.88</b>	<b>57.88</b>
<b>The details of Shareholder holding more than 5% equity shares:</b>		

Name of the Shareholder	As on 31.03.2016		As on 31.03.2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Ramesh Hotchand Gehani	11,86,532	20.50	11,86,532.00	20.50
Ajay Ramesh Gehani	8,77,800	15.17	8,77,800.00	15.17
Rani Ramesh Gehani	5,89,556	10.19	5,89,556.00	10.19
Sanjay Ramesh Gehani	4,14,200	7.16	4,51,716.00	7.80

## NOTE : 3

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b>RESERVES AND SURPLUS</b>		
<b>GENERAL RESERVE</b>		
As per last Financial Statements	46.01	40.88
Add: Transfer from Statement of Profit & Loss	20.00	20.00
Less :Transfer from Fixed Assets (NET)	0.00	14.87
Add: Transfer to Fixed Assets	0.03	0.00
General Reserve - Closing Balance	<b>66.04</b>	<b>46.01</b>
<b>CAPITAL RESERVE</b>		
As per last Financial Statements	10.10	10.10
Add : During the year	0.00	0.00
Capital Reserve - Closing Balance	<b>10.10</b>	<b>10.10</b>
<b>SURPLUS IN STATEMENT OF PROFIT &amp; LOSS</b>		
As per last Financial Statements	459.16	294.19
Add : Profit for the year	121.19	184.97
Less : Transfer to General Reserve	-20.00	-20.00
Surplus Reserve - Closing Balance	<b>560.35</b>	<b>459.16</b>
<b>TOTAL</b>	<b>636.48</b>	<b>515.27</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 4

(₹ in Lacs)

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b>LONG TERM BORROWINGS</b>		
<b>Secured</b>		
<b>Term Loans</b>		
From Bank	8.74	13.74
<b>Vehicle Loans</b>		
From Bank	2.94	16.51
<b>TOTAL</b>	<b>11.68</b>	<b>30.25</b>
a) Nature of securities		
i) Term Loans obtained from Corporation bank is secured against specific plant and machineries.		
ii) Vehicle loans obtained from bank/financial Services are secured against hypothication of Vehicles.		
b) Terms of repayment of term loans and vehicle loans		
	As at 31.03.2016	As at 31.03.2015
<b>Term Loans</b>		
Corporation Bank (Machinery Loan)	8.74	13.74
Vehicle Loans	2.93	16.51

## NOTE : 5

<b>SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
Corporation Bank (CC A/c )	1,457.30	1,499.93
Corporation Bank (Bill discounting Agst PCL)	44.30	89.68
Corporation Bank (PCL)	20.00	59.57
<b>TOTAL</b>	<b>1,521.60</b>	<b>1,649.18</b>

**Cash credit from banks :**

Secured by first hypothecation charges on the entire stocks and book debts and all other current assets both present and future in the name of the company and personal guarantee of directors.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE :6

(₹ in Lacs)

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b>TRADE PAYABLES</b>		
Trade Payable	407.33	916.37
<b>TOTAL</b>	<b>407.33</b>	<b>916.37</b>

## NOTE : 7

OTHER CURRENT LIABILITIES		
Other Payables		
Statutory Dues	8.54	2.64
Others	12.74	15.71
<b>TOTAL</b>	<b>21.28</b>	<b>18.35</b>

## NOTE : 8

SHORT TERM PROVISIONS		
Provision for Taxation	295.00	232.00
<b>TOTAL</b>	<b>295.00</b>	<b>232.00</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 9 FIXED ASSETS

SR. NO.	PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK					
		As at 01.04.15	Additions	Deduction	Transfer from / to General Reserve	As at 31.03.16	As at 01.04.15	For the year	Adjustment / Deduction	Transfer from / to General Reserve	Upto 31.03.16	As at 31.03.2016	As at 31.3.2015
	<b>TANGIBLE ASSETS</b>												
	<b>OWN ASSETS</b>												
1	FREEHOLD LAND	48.55	0.00	0.00	0.00	48.55	0.00	0.00	0.00	0.00	0.00	48.55	48.55
2	BUILDING	218.92	10.87	0.00	0.00	229.79	6.04	0.00	0.00	0.00	185.75	44.04	39.21
3	PLANT &												
	MACHINERY	79.35	21.35	0.00	0.00	100.70	10.79	0.00	0.00	0.00	39.14	61.55	51.00
4	ELECTRIC	11.55	5.04	0.00	0.03	16.62	1.14	0.00	0.00	0.00	4.08	12.53	8.61
	INSTALLATION												
5	OFFICE EQUIPMENT	25.88	21.55	0.00	0.00	47.43	8.80	0.00	0.00	0.00	17.82	29.61	16.86
6	FURNITURE & FIXTURES	52.66	14.61	0.00	0.00	67.27	4.30	0.00	0.00	0.00	29.42	37.84	27.54
7	VEHICLES	130.99	5.35	0.00	0.00	136.34	11.21	0.00	0.00	0.00	82.45	53.89	59.76
8	COMPUTERS	6.88	3.55	0.00	0.00	10.43	4.91	1.61	0.00	0.00	6.52	3.91	1.97
9	LIFT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	AIR CONDITIONERS	5.51	1.36	0.00	0.00	6.87	1.81	1.29	0.00	0.00	3.10	3.77	3.70
<b>TOTAL</b>		<b>580.29</b>	<b>83.66</b>	<b>0.00</b>	<b>0.03</b>	<b>663.98</b>	<b>45.19</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>368.29</b>	<b>295.68</b>	<b>257.19</b>
	<b>Total Previous Year</b>	<b>729.85</b>	<b>53.14</b>	<b>0.00</b>	<b>202.70</b>	<b>580.29</b>	<b>37.37</b>	<b>0.00</b>	<b>187.83</b>	<b>323.10</b>	<b>257.19</b>		

## Note :

Depreciation is provided based on useful life of the assets as prescribed in schedule II to the Companies Act, 2013 except in Plant and Machinery



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 10

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b>DEFERRED TAX ASSETS</b>		
<b>Deferred Tax Assets</b>		
In respect of difference between book & Tax W.D.V.	<b>5.51</b>	5.77
<b>TOTAL</b>	<b>5.51</b>	5.77

## NOTE : 11

<b>LONG TERM LOANS &amp; ADVANCES</b>		
Unsecured, considered good		
Capital Advances	<b>0.00</b>	8.00
Security Deposits	<b>0.75</b>	0.75
Others (Pressman Advtg. & Mktg.)	<b>2.85</b>	2.85
<b>TOTAL</b>	<b>3.60</b>	11.60

## NOTE : 12

<b>INVENTORIES</b>		
At lower of cost or net realisable value		
Raw Material	<b>1,098.20</b>	1,388.43
Finished Goods	<b>234.26</b>	161.45
Consumable Spares & Stores	<b>4.83</b>	4.87
<b>TOTAL</b>	<b>1,337.29</b>	1,554.75

Inventories are as taken, valued and certified by the Management.

## NOTE : 13

<b>TRADE RECEIVABLES</b>		
Unsecured, considered good		
Outstanding for a period exceeding six month from the Due date	<b>0.00</b>	0.00
Others	<b>1,539.60</b>	1,904.12
<b>TOTAL</b>	<b>1,539.60</b>	1,904.12

## NOTE : 14

<b>CASH AND BANK BALANCES</b>		
<b>Cash and Cash Equivalents</b>		
Balance with Banks	<b>0.46</b>	0.70
- In Current Accounts		
Cash on Hand	<b>0.10</b>	0.35
<b>TOTAL</b>	<b>0.56</b>	1.05





## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 15

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b>SHORT TERM LOANS &amp; ADVANCES</b>		
Unsecured, considered good		
Loans to Employees	1.83	1.40
Prepaid Expenses	5.65	5.89
Advance Income Tax	275.31	191.32
Balance with Government Authorities		
Vat Receivable	7.13	7.13
<b>TOTAL</b>	<b>289.92</b>	<b>205.74</b>

## NOTE : 16

REVENUE FROM OPERATIONS		
Sale of Products		
Export Sale (C.I.F.)	150.80	680.49
Local Sales	5,165.83	5,320.33
Difference in Rates	4.54	13.00
<b>TOTAL</b>	<b>5,321.17</b>	<b>6,013.82</b>

Note : The sales are shown net of Vat / CST

## NOTE : 16.1

EARNING IN FOREIGN EXCHANGE		
FOB Value of Exports	148.34	676.12
Freight and Insurance	2.46	4.37
<b>TOTAL</b>	<b>150.80</b>	<b>680.49</b>

## NOTE : 17

OTHER INCOME		
Amount Written Back	0.00	0.04
Interest on Bank account	0.00	0.01
Interest on Sales Tax Refund	0.00	0.65
Interest Subvention	2.29	0.00
Miscellaneous Income	0.00	0.00
Profit on Sale of Assets	0.00	2.67
Interest on Electricity Deposit	0.00	0.08
<b>TOTAL</b>	<b>2.29</b>	<b>3.45</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 18

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b>COST OF MATERIALS CONSUMED</b>		
Opening Stock of Raw Materials	1,388.43	1,007.99
Add : Purchases	4,065.36	5,375.79
	5,453.79	6,383.78
Less : Closing stock of Raw Materials	1,098.20	1,388.43
<b>TOTAL</b>	<b>4,355.59</b>	<b>4,995.35</b>

## Value of Indigenous and Imported Raw materials Consumed during the year :

	Amount	% of Consumption	Amount	% of Consumption
Imported	0.00	0.00	6.70	0.13
Indigenous	4,355.59	100.00	4,988.64	99.87
<b>TOTAL</b>	<b>4,355.59</b>	<b>100.00</b>	<b>4,995.34</b>	<b>100.00</b>

## NOTE : 19

<b>CHANGES IN INVENTORIES OF FINISHED GOODS, Finished Goods</b>		
Opening Stock	161.44	110.49
Less : Closing Stock	234.26	161.45
<b>TOTAL</b>	<b>(72.82)</b>	<b>(50.96)</b>

## NOTE : 20

<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries and Wages	227.83	174.05
Directors Remuneration	48.49	44.98
Contribution to Gratuity & Other Fund	5.06	4.65
Staff Welfare Expenses	10.17	8.63
<b>TOTAL</b>	<b>291.55</b>	<b>232.31</b>

## NOTE : 21

<b>FINANCE COST</b>		
Interest Expenses on C.C. A/c	183.77	182.24
Interest Expenses on PCL A/c	4.17	5.53
Interest Expenses on Bill Discounting	5.82	7.66
Interest Expenses on Term Loan A/c	1.22	2.38
Interest on Car Loan	0.91	2.82
<b>TOTAL</b>	<b>195.89</b>	<b>200.63</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 22

	As at 31st March, 2016	As at 31st March, 2015
<b>OTHER EXPENSES</b>		
<b><u>Manufacturing Expenses</u></b>		
Consumption of Tools	32.85	38.23
Assortment, Rhodium Charges, Refining Charges	0.81	6.83
Certification Charges	0.87	4.67
Designing Charges	0.39	1.92
Electricity Charges	19.25	20.82
Labour Charges	43.85	35.91
Repairs to Building & Machinery	8.87	0.08
<b><u>Selling &amp; Distribution Expenses</u></b>		
Advertisement Expenses	0.85	0.72
Clearing & Forwarding Charges	1.96	3.90
Exhibition Expenses	27.81	30.32
<b><u>Establishment Expenses</u></b>		
Bank Charges	9.30	12.88
Professional Charges	21.04	11.59
General Expenses	8.53	8.14
Rent	1.44	1.44
Insurance	16.64	14.43
Rates & Taxes	5.48	3.56
Travelling Expenses	31.80	30.57
Payment to Auditors	1.72	1.46
Donation	2.83	1.84
Conveyance	1.46	2.18
Sales Promotion	36.41	44.09
Export Goods Expenses	0.05	0.12
Postage, Telegram & Courier Charges	0.55	0.11
Printing & Stationery	3.05	3.12
Repairs & Maintenance (Others)	4.23	6.82
Security Expenses	22.13	17.73
Software Charges	1.11	0.10
Subscription & Membership Fees	1.18	0.87
Telephone Expenses	3.53	4.46
Vehicle Expenses	11.43	12.21
Water Charges	1.67	1.67
<b><u>Statutory Expenses</u></b>		
Profession Tax	0.03	0.03
Sales Tax Payments	0.00	0.04
Service Tax Payments	0.33	0.02
TDS Assessment Dues	0.00	0.07
Late Fees on Profession Tax Return	0.00	0.16
Interest on Late Pymt of TDS & Service Tax	0.10	0.00
Late Payment on Listing Fees	0.00	0.01
Sundry Bal. write off	0.06	0.12
<b>TOTAL</b>	<b>323.61</b>	<b>323.25</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

## NOTE : 22.1

PARTICULARS	As at 31st March,2016	As at 31st March,2015
<b><u>PAYMENT TO AUDITORS</u></b>		
As Auditors	0.57	0.49
For Tax Audit	0.57	0.49
For Taxation	0.58	0.49
<b>TOTAL</b>	<b>1.72</b>	<b>1.46</b>

## NOTE : 22.2

<b><u>EXPENDITURE IN FOREIGN CURRENCY</u></b>		
Foreign Travels (Including Air Ticket & Other Ancillary Services Charges)	22.82	23.76
<b>TOTAL</b>	<b>22.82</b>	<b>23.76</b>

## NOTE : 23

<b><u>EARNING PER SHARES</u></b>		
Net Profit after tax as per Statement of Profit & Loss attributable to Equity Shareholders	1,21,18,729.00	1,84,96,505.00
Number of Equity Shares used as denominator for calculating EPS	57,88,002.00	57,88,002.00
Basic and Diluted Earning per Shares	2.09	3.20
Face Value per Equity Shares	10.00	10.00

## NOTE : 24

**RELATED PARTY DISCLOSURES**

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below :

- i) List of related parties where control exists and related parties with whom transactions have taken place and relationships :

Sr. No.	Name of the Related Party		Relationship
1	Universal Jewellery Ltd.		Associates
2	Sovereign Jewellery Pvt. Ltd.		
3	Ras Family Trust		
4	R. B. Hotchand Hiranand Foundation		
5	Mr. Ramesh H. Gehani	Executive Chairman	Key Managerial Personnel and their relatives
6	Mr. Ajay R. Gehani	Managing Director	
7	Mrs. Deepika A. Gehani	Chief Financial Officer	
8	Mr. Sanjay R. Gehani	Relative	
9	Mrs. Rani R. Gehani	Relative	


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016**

ii) Transactions during the year with related parties :

Sr. No.	Nature of Transactions	Associates	Key Managerial Personnel	Total
1	Temporary Amount Received	0.00	0.71	0.71
2	Temporary Amount Repaid	0.00	0.00	0.00
3	Amount (Receivable) / Payable	0.00	0.00	0.00
4	Remuneration Paid	0.00	48.48	48.48
5	Salary Paid	0.00	5.00	5.00
6	Purchase	1.09	0.00	1.09
7	Sales	0.00	0.00	0.00

\*Keyman Insurance Premium of Rs.8 Lacs paid for a Director is not included in above.

**NOTE : 25** The company have deposited a sum of Rs. 5.60 Lacs with Bombay High Court towards the recovery suit pending against the company. The Company have provided a sum of Rs. 2.75 Lacs in the account & balance amount of Rs. 2.84 Lacs is kept as deposit with Honourable High Court. This is pending since year 1993.

**NOTE : 26 DISCLOSURE SPECIFIED BY THE MSMED ACT**

The Company has not received any intimation from Suppliers regarding their status under Micro, Small and Medium Enterprise Development Act, 2006 and hence disclosure ,if any, relating to amounts unpaid as at year end together with interest paid /payable as required under the said Act have not been given.

**NOTE : 27** The figures of previous year have been regrouped/rearranged wherever considered necessary.

**NOTE : 28 Notes 1 to 27 form an integral part of the Financial Statement.**

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

sd/-  
J. D. ZATAKIA  
Proprietor  
Membership No. 17669

sd/-  
Ramesh H. Gehani  
Chairman  
DIN NO.: 00062969

sd/-  
Ajay R. Gehani  
Managing Director  
DIN NO. : 00062989

sd/-  
Deepika A. Gehani  
Director,C.F.O.  
DIN NO. : 00974033

Place : Mumbai  
Date : 27/05/2016


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

PARTICULARS	As at 31st March, 2016	As at 31st March, 2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit (Loss) Before Tax and Extraordinary Items :	184.44	279.34
Adjustment for		
Depreciation	45.19	37.37
Interest Paid	195.89	200.63
Interest Received	(2.29)	(0.75)
Miscellaneous Income	0.00	0.00
Profit on Sale of Fixed Assets	0.00	(2.67)
	<u>238.79</u>	<u>234.58</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>423.23</b>	<b>513.92</b>
Adjustment for		
Trade and Other Receivable	372.34	(656.03)
Inventories	217.47	(430.80)
Trade Payable	(506.13)	659.42
	<u>83.68</u>	<u>(427.41)</u>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>506.91</b>	<b>86.51</b>
Direct Taxes Paid	(83.99)	(86.25)
Income Tax Adjustments		
	<u>(83.99)</u>	<u>(86.25)</u>
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>	<b>422.92</b>	<b>0.26</b>
Extra Ordinary Items	0.00	0.00
Net Cash from operating activities	<u>422.92</u>	<u>0.26</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(83.66)	(53.14)
Sale of Fixed Assets	0.00	2.67
Interest Received	2.29	0.75
	<u>(81.37)</u>	<u>(49.73)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(81.37)</b>	<b>(49.73)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Short Term of Borrowings	(127.58)	265.75
Proceeds from Long Term of Borrowings	(18.56)	(16.30)
Interest Paid	(195.89)	(200.63)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>-342.03</b>	<b>48.82</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)</b>	<b>(0.48)</b>	<b>(0.65)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>1.05</b>	<b>1.70</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>0.56</b>	<b>1.05</b>

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

sd/-

J. D. ZATAKIA  
Proprietor  
Membership No. 17669

sd/-

Ramesh H. Gehani  
Chairman  
DIN NO.: 00062969

sd/-

Ajay R. Gehani  
Managing Director  
DIN NO. : 00062989

sd/-

Deepika A. Gehani  
Director, C.F.O.  
DIN NO. : 00974033

Place : Mumbai  
Date : 27/05/2016

# THE ROUTE MAP OF THE VENUE OF THE AGM

**Andheri Railway Station, Andheri to Sai Palace Hotel Drive 1.7 km, 9 min**



## Andheri

- ↑ 1. Head west towards Sahar Rd  
3 m
- ➡ 2. Turn right onto Sahar Rd  
250 m
- ↑ 3. Sahar Rd turns right and becomes Andheri Station Rd/Sir Mathuradas Vasanji Rd  
① Continue to follow Sir Mathuradas Vasanji Rd  
1.4 km
- ↙ 4. Turn left onto Mahakali Caves Rd  
① Destination will be on the left  
59 m

**Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri East**  
Mumbai, Maharashtra 400093





**SOVEREIGN DIAMONDS LIMITED**

L17110MH1983PLC030117

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

**ATTENDANCE SLIP**

(To be presented at the Entrance)

Forty Second Annual General Meeting of the Company held on Thursday, 11th August, 2016 at 10.30 a.m. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093.

<b>Folio No.:</b>		<b>DP ID No.:</b>	
<b>Client ID No.:</b>			

Name of the Member: ..... Signature: .....

Name of the Proxyholder: ..... Signature: .....

- Only Member/Proxyholder can attend the Meeting.
- Member/Proxyholder should bring his/her copy of the Annual Report for reference at the Meeting.

**SOVEREIGN DIAMONDS LIMITED**

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

**FORM NO. MGT – 11****PROXY FORM**

[Pursuant to section 105 (6) of the Companies Act, 2013 and rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

CIN:	L36912MH1974PLC017505
Name of the Company:	SOVEREIGN DIAMONDS LIMITED
Registered Office:	11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai: 400 093.
Email ID:	agehani05@gmail.com
Folio No / Client ID / DP ID:	

I/We, being the member (s) of \_\_\_\_\_ shares of the above named company, hereby appoint:

1.	Name		
	Address		
	Email Id		
	Signature	Or failing him	
2.	Name		
	Address		
	Email Id		
	Signature	Or failing him	
3.	Name		
	Address		
	Email Id		
	Signature	Or failing him	

as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 42nd Annual General Meeting of the Company, to be held on Thursday, 11th August, 2016 at 10.30 A.M. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093 and at any adjournment thereof in respect of such resolutions as indicated below:

Sr. No.	Resolution	For	Against
1.	Adoption of Financial Statements for the year ended 31st March, 2016		
2.	Re-appointment of Mr. Ajay R. Gehani, who retires by rotation.		
3.	Re-Appointment M/s. J. D. Zatakia & Co., Chartered Accountants as Statutory Auditors and to fix their remuneration.		

Signed this ____ day of _____ 2016.	Affix revenue stamp
Signature of shareholder : _____	
Signature of Proxy Holder (s): _____	

**NOTE:** The Proxy Form in order to be effective should be completed and deposited at the Registered Office of the Company not less than 48 before the commencement of the Meeting.

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To,

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*If undelivered please return to :*

**SOVEREIGN DIAMONDS LIMITED**

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