



Sovereign®

Diamonds Ltd. Since 1974



46th
ANNUAL REPORT
2019 - 2020

46th ANNUAL REPORT
2019 - 2020

Sovereign Diamonds Limited

BOARD OF DIRECTORS

Mr. Ajay R. Gehani : Chairman & Managing Director
Mrs. Arundhati Mali : Director & CFO
Mr. Mohanram Pai : Independent Director
Mr. Rajesh Arora : Independent Director

AUDIT COMMITTEE

Mr. Mohanram Pai, *Chairman*
Mr. Rajesh Arora
Mr. Ajay Gehani

NOMINATION & REMUNERATION COMMITTEE

Mr. Mohanram Pai, *Chairman*
Mr. Rajesh Arora
Mr. Ajay Gehani

STAKEHOLDERS RELATIONSHIP COMMITTEE

Mr. Mohanram Pai, *Chairman*
Mr. Rajesh Arora
Mr. Ajay Gehani

BANKERS

HDFC Bank

AUDITORS:

Statutory Auditors:

M/s. Pulindra Patel & Co.
Chartered Accountants, Mumbai

Secretarial Auditors:

M/s. P. P. Shah & Co.
Practicing Company Secretaries, Mumbai

CONTENTS

Notice	1
Board's Report.....	8
Management Discussion and Analysis Report.....	18
Secretarial Audit Report.....	23
Auditor's Report.....	34
Balance Sheet	42
Statement of Profit and Loss	43
Cash Flow Statement	45
Notes to Accounts.....	46

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

46TH ANNUAL GENERAL MEETING

On Thursday, 29th October, 2020
at 11.00 a.m. through video conferencing



NOTICE

NOTICE is hereby given that the Forty – Sixth Annual General Meeting of the members of **SOVEREIGN DIAMONDS LIMITED** will be held on Thursday, 29th October, 2020 at 11.00 a.m. through Video Conferencing (VC) or Other Audio Visual Means (OAVM) to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Annual Financial Statements of the Company for the financial year ended 31st March, 2020 and the Reports of the Board of Directors and the Auditors' thereon.
2. To appoint a Director in place of Mr. Ajay Gehani (DIN No.: 00062989), who retires by rotation and being eligible, offers himself for re-appointment.

NOTES:

General Instructions for Accessing and participating in the 46th e-AGM through VC / OAVM Facility and Voting through Electronic means including Remote E- Voting.

1. The Company's Statutory Auditors, M/s. Pulindra Patel & Co, Chartered Accountants were appointed as Statutory Auditors of the Company for a period of 5 (Five) years from 2017 – 18 to 2021 – 22 at the 43rd Annual General Meeting held on 29th July, 2017 on the remuneration to be determined by the Board of Directors. Pursuant to the amendment made by the Companies (Amendment) Act, 2017, effective from 07th May, 2018, it is no longer necessary to seek the ratification of the shareholders for continuance of the above appointment. Hence, the Company is not seeking the ratification of the shareholders for the appointment of the Statutory Auditors.
2. Since, there is no special business to be transacted at the Annual General Meeting (the AGM or Meeting), the relative Explanatory Statement, pursuant to Section 102 of the Companies Act, 2013 is not annexed to the Notice.
3. In view of the prevailing lockdown situation across the country due to outbreak of the COVID-19 pandemic and restrictions on the movements apart from social distancing, Ministry of Corporate Affairs, (MCA) vide Circular No. 14/2020 dated April 8, 2020, Circular No.17/2020 dated April 13, 2020 read with Circular No. 20/2020 dated May 5, 2020, has permitted Companies to hold their Annual General Meeting (AGM) through Video Conferencing (VC) / Other Audio Visual Means (OAVM) for the calendar year 2020. In compliance with the applicable provisions of the Companies Act, 2013 (Act) read with aforesaid MCA circulars and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) the AGM of the Company is being conducted through Video Conferencing (VC) hereinafter called as "e-AGM".
4. E-AGM shall be conducted through VC / OAVM without the physical presence of the members at a common venue. Members can attend and participate at the ensuing AGM through VC / OAVM only. The venue of the e-AGM shall be deemed to be the registered office of the Company at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai: 400 093.
5. **ONLY A MEMBER IS ENTITLED TO ATTEND AND VOTE AT THE AGM THROUGH VC / OAVM.** In terms of provisions of Section 105 of the Companies Act, 2013, a Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and such proxy need not be a Member of the Company. Since, this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the e-AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.



6. The Company has appointed M/s. Central Depository Services (India) Limited to provide Video Conferencing facility for the Annual General Meeting and the attendant enablers for conducting of the e-AGM. The proceedings of the e-AGM will be web-casted live for all the members who hold shares as on cut-off date i.e. Thursday, 22nd October, 2020. The shareholders can visit <https://www.evotingindia.com> and login through user id and password to watch the live proceedings of the e-AGM on Thursday, 29th October, 2020 from 11.00 a.m. onwards.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the e-AGM.
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, 22nd October, 2020 to Thursday, 29th October, 2020 (both days inclusive).
9. The members can join the e-AGM 15 minutes before and after the scheduled time of the commencement of the e-AGM by following the procedure mentioned in this Notice. The facility to join the e-AGM will be made available for 1,000 members on first come first served basis. This will not include Large Shareholders (holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship Committee, Auditors etc. who are allowed to attend the e-AGM without restriction on account of first come first served basis.
10. The attendance of the Members attending the e-AGM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
11. The scanned copies of Register of Directors' and Key Managerial Personnel and their Shareholding maintained under Section 170 and Register of Contracts or Arrangements in which Directors are interested under Section 189 of the Companies Act, 2013 will be available electronically for inspection by the members during the e-AGM.
12. Relevant documents referred to in the accompanying Notice are open for inspection by the Members through electronic mode, basis on the request being sent at agehani66@gmail.com.
13. Members desiring any relevant information about the financial statements and/or operations of the Company 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 Mr. Ajay Gehani, Chairman and Managing Director at agehani66@gmail.com.
14. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company / RTA / Depositories. In line with the MCA Circular No. 17/2020 dated April 13, 2020, the Notice calling the e-AGM has been uploaded on the website of the Stock Exchange i.e. BSE Limited at www.bseindia.com or will be made available if a request is sent to the Company at agehani66@gmail.com.
15. Members can register their email with the Company / Registrar and Share Transfer Agent (RTA) by following the steps as mentioned below at instructions for Members for remote e-voting & voting at E-AGM.
16. 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 Registrar and Share Transfer Agent of the Company i.e. M/s. Universal Capital Securities Private Limited.



Members may please note that SEBI has also made it mandatory for submission of PAN in the following cases, viz. (i) Deletion of name of the deceased shareholder(s), (ii) Transmission of shares to the legal heir(s) and (iii) Transposition of shares.

17. As per Regulation 40 of the SEBI (LODR) Regulations, 2015, as amended, securities of listed companies can only be transferred in demat form with effect from 01st April, 2019, except in case of request for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, Members holding shares in physical form are requested to consider converting their holding to demat form. Members can contact the Company or its RTA.
18. Members holding shares in electronic form are requested to intimate immediately, any change in their address or bank mandates to their Depository Participant(s) with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company or its RRA.
19. 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 RRA of the Company, in the prescribed Form SH – 13 for this purpose.
20. Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses with the Company's RTA for receiving communication from the Company in electronic form. Members of the Company, who have registered their e-mail ID, are entitled to receive such communications in physical form upon request.
21. Information required under Regulation 36(3) of the SEBI (LODR) Regulations, 2015 and Secretarial Standard 2 on General Meeting relating to Documents & Information to the Shareholders with respect to the Director re-appointed and Director retiring by rotation and being eligible, seeking re-appointment is as under:

Name	Mr. Ajay R. Gehani
Director Identification Number(DIN)	00062989
Date of Birth	18/05/1966
Nationality	Indian
Date of Appointment on Board	24/11/1984
Qualifications	B. Com, G.G.(GIA)
Shareholding in Sovereign Diamonds Limited	34,76,275 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

22. Route Map showing directions to reach to the venue of the 46th AGM is given at the end of this Notice as per the requirement of the Secretarial Standards 2 on General Meetings.



INSTRUCTIONS FOR MEMBERS OPTING FOR REMOTE E-VOTING

In case of members receiving e-mail:

- (i) The remote e-voting period begins on Monday, 26th October, 2020 at 9.00 a.m. and ends on Wednesday, 28th October, 2020 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, 22nd October, 2020, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) 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.

OR

Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at <https://www.cdslindia.com> from **Login - Myeasi** using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-Voting** option and proceed directly to cast your vote electronically.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10-digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders). <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/ Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	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. <ul style="list-style-type: none"> • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.



- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the “**SOVEREIGN DIAMONDS LIMITED**” on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the login password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL’s mobile app “m-Voting”. The m-Voting app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.

PROCESS FOR MEMBERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:

1. For Physical shareholders- please provide necessary details like Folio No., Name of member, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to **Company/RTA email id**.
2. For Demat shareholders - please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to **Company/RTA email id**

INSTRUCTIONS FOR MEMBERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Members will be provided with a facility to attend the EGM/AGM through VC/OAVM through the CDSL e-Voting system. Members may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in members login where the EVSN of Company will be displayed.
2. Members are encouraged to join the Meeting through Laptops / IPads for better experience.
3. Further members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.



4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. Members who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast **2 days prior to meeting** i.e. before 27th October, 2020 mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The members who do not wish to speak during the AGM but have queries may send their queries in advance atleast **2 days prior to meeting** i.e. before 27th October, 2020 mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.
6. Those members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

INSTRUCTIONS FOR MEMBERS FOR E-VOTING DURING THE AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
2. Only those members, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
3. If any Votes are cast by the members through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.
4. Members who have voted through Remote e-Voting will also be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

(xix) Note for Non – Individual Shareholders and Custodians

- Non-Individual Members (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves in the 'Corporate' module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be emailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution under Section 113 of the Companies Act, 2013 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.



- Alternatively Non Individual members are required to send the relevant Board Resolution under Section 113 of the Companies Act, 2013 / Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; agehani66@gmail.com (designated email address by company), if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.
- (xx) If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or contact Mr. Nitin Kunder (022- 23058738) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).
- (xxi) All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.
- (xxii) 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 Wednesday, October 14, 2020 and as per the Register of Members of the Company.
 3. The Board of Directors has appointed Mr. Pradip Shah, Partner, failing him, Mr. Punit Shah, Partner of M/s P. P. Shah & Co., Practicing Company Secretaries as a Scrutinizer to scrutinize the voting process in a fair and transparent manner.
 4. The Scrutinizer shall, after the conclusion of e-Voting at the e-AGM, first download the votes cast at the e-AGM and then unblock the votes cast through remote e-Voting and shall make, a consolidated Scrutinizer’s Report. The results of the e-Voting will be declared by the Chairman or a person authorised by him in writing within 48 hours from the conclusion of the e-AGM.
 5. The results shall be declared not later than 48 hours from conclusion of the AGM and the resolutions will be deemed to be passed on the e-AGM date subject to receipt of the requisite number of votes in favor of the Resolutions. The results declared along with the Scrutinizer’s Report will be placed on the website of CDSL at www.evotingindia.com within 48 hours from the conclusion of the AGM and the same shall also be simultaneously communicated to BSE Limited, where the Equity Shares of the Company are listed and shall be displayed at the Registered Office of the Company.

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

Sd/-

Ajay Gehani

Chairman & Managing Director

DIN: 00062989

Place: Mumbai

Date: 5th September, 2020



BOARD'S REPORT

TO THE MEMBERS OF
SOVEREIGN DIAMONDS LIMITED

The Directors take pleasure in presenting the Forty – Sixth Annual Report together with the Audited Financial Statements for the year ended 31st March, 2020. 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 2019 – 20 are tabulated below:

(Rs. in Lakhs)

Particulars	Year Ended 31 st March, 2020	Year Ended 31 st March, 2019
Income from Operations	3243.68	4025.38
Other Income	47.95	0.11
Total Income	3291.63	4025.49
Expenditure	3118.78	3776.77
Interest	119.53	158.04
Depreciation	45.92	50.28
Total Expenditure	3284.22	3985.09
Net Profit Before Tax	7.40	40.40
Provision for Taxation	2.96	14.37
(Add) / Less : Deferred Tax	0.87	(1.76)
Short / (Excess) Provision of earlier Years	0.00	0.00
Net Profit After Tax	3.57	27.79
Other Comprehensive Income	0.48	(1.90)
Total Comprehensive Income	4.05	25.89
Balance brought forward from last year	747.63	721.74
Transfer to General Reserve	0.00	0.00
Balance carried forward to the Balance Sheet	751.69	747.63

There was no revision in the Financial Statements.

2. HIGHLIGHTS OF PERFORMANCE

- Total net sales for the year were Rs. 3243.68 Lakhs as compared to Rs. 4,025.38 Lakhs in 2018-19.
- Total profit before tax for the year was Rs. 7.40 Lakhs as compared to Rs. 40.40 Lakhs in 2018-19.

3. TRANSFER TO RESERVES

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

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 your company and will be used for working requirements of your Company.

5. BUSINESS OPERATIONS

Your Company has reduced its bank limits to 12.00 Crores with HDFC Bank. This was done mainly due to availing Gold loan facilities at much lower interest rates. This will bring down the finance cost considerably.

Your Company has leased out the Ground Floor and First Floor of the Building for 5 years. This will also add rental income into the company and help in liquidity.



Generally world markets were very slow due to political and economic issues everywhere. Accordingly, your Company chose to reduce our exposure to these volatile markets. Most of business in the last 12 months have been domestic sales where your Company feels to have a stronger hold over the clients and their preferences. Your Company has added some European customers to the sales. This would help your Company very much in the long run as margins are higher and credit period given to them is almost NIL.

Your Company is planning a lower inventory model for the next few years, thereby reducing the interest burden on your Company. This combined with lower rates of interest in Gold Loan would really work to our advantage. It's a time to cut expenses as far as possible.

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

6. DISCLOSURES UNDER SECTION 134 (3) (I) OF THE COMPANIES ACT, 2013

No material changes and commitments which could affect your Company's financial position have occurred between the end of the financial year of your Company i.e. 31st March, 2020 and date of this report i.e. 27th June, 2020.

7. SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2020 was Rs. 578.80 Lakhs. During the year under review, your Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. There was no change in your Company's share capital during the year under review. The Promoter and Promoter Group are holding 37,62,744 shares equivalent to 65.01% of the total Issued and Paid-up Share Capital.

8. DIRECTORS

8.1 Retirement by Rotation

Pursuant to Section 152 (6) of the Companies Act, 2013 and in terms of the Articles of Association of your Company, Mr. Ajay Gehani (DIN: 00062989), Chairman and Managing Director, retires by rotation at the forthcoming Annual General Meeting. Being eligible, he offers himself for re-appointment.

8.2 Declaration by Independent Directors

Your Company has received declarations from all the Independent Directors of your 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 16 (1) (b) of the SEBI (LODR) Regulations, 2015 and pursuant to Regulation 25 of the said Regulations that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence.

The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience and expertise in the fields of finance, people management, strategy, auditing, tax advisory services and they hold highest standards of integrity.

Regarding proficiency, the Company has adopted requisite steps towards the inclusion of the names of all Independent Directors in the data bank maintained with the Indian Institute of Corporate Affairs, Manesar ('IICA'). Accordingly, the Independent Directors of the Company have registered themselves with the IICA for the said purpose. In terms of Section 150 of the Act read with Rule 6 (4) of the Companies (Appointment & Qualification of Directors) Rules, 2014, certain Independent Directors are required to undertake online proficiency self-assessment test conducted by the IICA within a



period of one (1) year from the date of inclusion of their names in the data bank. Those Independent Directors who have to undertake online proficiency self-assessment test will appear for the same.

8.3 Annual Board Evaluation

The annual performance evaluation of the Independent Directors and Board Committees i.e. Audit, Stakeholders Relationship and Nomination & Remuneration Committees was carried by the entire Board and the annual performance evaluation of the Chairman, Board as a whole, Non – Independent Directors was carried out by the Independent Directors.

The annual performance evaluation was carried out in accordance with the criteria laid down in the Nomination and Remuneration Policy of your Company and as mandated under the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015, as amended from time to time.

8.4 Key Managerial Personnel

The following persons have been designated as Key Managerial Personnel of your 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. Ajay Geheni, Managing Director
2. Mrs. Arundhati Mali, Director – CFO

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

None of the Directors have attained the age of 75 years except Mr. Kundapur Mohanram Pai. In terms of Regulation 17 (1) (c) of SEBI (LODR) Regulations, 2015, the approval of the members for his re-appointment by way of special resolution has been taken at the 45th Annual General Meeting of the Company held on 16th August, 2019.

8.5 Remuneration Policy

The Board has in accordance with the provisions of Section 178 (3) 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.

8.6 Board Meetings

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

During the year your Company has held 4 (Four) Board Meetings which were held on 28th May, 2019; 03rd August, 2019; 09th November, 2019 and 08th February, 2020. The maximum interval between any two meetings did not exceed 120 days.

9. PARTICULARS OF EMPLOYEES

During the year, there was no employee in receipt of remuneration in excess of limit as prescribed in the Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The prescribed Particulars of Employees as required under Section 197 (12) of the Act read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as "Annexure A" and form part of this Report.

10. 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 31st March, 2020, 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 4 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 your Company as at 31st March, 2020 and of the profit of your 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 your 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.

11. INTERNAL CONTROL SYSTEMS

Your Company maintains an adequate and effective Internal Control System commensurate with its size and complexity. We believe that these internal control systems provide, among other things, a reasonable assurance that transactions are executed with Management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of your Company are adequately safeguarded against significant misuse or loss.

12. 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 2019 – 20.

13. DEPOSITS

Your 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.

14. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are given in the Notes to the Financial Statements.

15. RELATED PARTY TRANSACTIONS

A Related Party Policy has been adopted by the Board of Directors at its meeting held on 13th August, 2014 for determining the materiality of transactions with related parties and dealings with them. All transactions with related parties are placed before the Audit Committee for approval.

Further, the members may note that your Company has not entered into the following kinds of related party transactions:

- Contracts / arrangement / transactions which are not at arms' length basis
- Any Material contracts / arrangement / transactions [as per Regulation 23 of the SEBI (LODR) Regulations, 2015]

16. 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 your Company.

**17. 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".

18. DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY

The nature of business is manufacturing of Jewellery. The inheritant risks to the business of your 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

The prices of Jewellery consist of Gold, Diamonds & Labour, out of this three, Gold and diamonds consist of 90% of the price of Jewellery. Your 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 result in favourable / unfavourable to your Company. The nature of risk is dynamic of business and entrepreneurship.

Your Company has not formed Risk Management Committee as it is not applicable under Regulation 21 of the SEBI (LODR) Regulations, 2015.

19. VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company has a vigil mechanism to deal with instance of fraud and mismanagement, if any. In accordance with the Regulation 22 of the SEBI (LODR) Regulations and pursuant to Section 177 (9) read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 of the Companies Act, 2013, your company has adopted a Whistle Blower Policy. Your 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 unethical conduct to their immediate superior. The confidentiality of those reporting / violations is maintained and they are not subjected to any discriminatory practice.

20. 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 your Company and its future operations.

21. AUDITORS**21.1 Statutory Auditors**

M/s. Pulindra Patel & Co., Chartered Accountants were appointed as Statutory Auditors of the Company for a period of 5 (Five) years from 2017 – 18 to 2021 – 22 at the 43rd Annual General Meeting held on 29th July, 2017. In view of the amendment to Section 139 of the Companies Act, 2013, the Company is not required to ratify the re-appointment of the Statutory Auditor at every Annual General Meeting. Hence, the item of ratification of re-appointment of Statutory Auditor is not considered in this Annual General Meeting.

The Auditors have furnished a declaration confirming their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder to continue to act



as statutory auditors and confirming their independence as well as their arm's length relationship with your Company as well as declaring that they have not taken up any prohibited non-audit assignments for your Company. The Audit Committee reviews the independence of the Auditors and the effectiveness of the Audit process. The Auditors attend the Annual General Meeting of your Company.

21.2 Statutory Auditors' Observations

The Report given by the Auditors on the financial statements of your Company is part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

21.3 Secretarial Audit

In terms of the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed M/s. P. P. Shah & Co., Practicing Company Secretaries as Secretarial Auditors for conducting Secretarial Audit of your Company for the financial year ended 31st March, 2020.

The report of the Secretarial Auditor is attached as "**Annexure C**". The Secretarial Audit Report does not contain any qualification, reservation or adverse remark except provided at point 21.4 below.

21.4 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 during the financial year ended 31st March, 2020. Consequently, the Audited Annual Financial Statements for the financial year ended 31st March, 2019 were not signed by Company Secretary.*

The Company had received notices from BSE Limited imposing fine in respect of non appointment of Company Secretary during the financial year ended 31st March, 2020.

In this regard the management of the Company has provided the following reply:

- (i) The Company has appointed Mr. Ajay Gehani, Managing Director as Compliance Officer of the Company who looks after the compliance of the Companies Act, 2013 and the SEBI Act and rules made thereunder.
- (ii) The Company has availed the services of Practicing Company Secretary for advising on compliance of the Companies Act, 2013 and the 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, the SEBI (LODR) Regulations, 2015 and Secretarial Standard – 2, the Company is required 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 filing 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 two Independent Directors and one Executive Director. In this regard, the Management has given the following reply:

"The Company has four Directors, out of them two are Executive and two are Independent Directors. Accordingly, the composition of the Board is such that the Nomination and Remuneration Committee cannot comprise of three Non-Executive Directors. Mr. Ajay Gehani, Executive Director is one of the member 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."

D. Appointment of Internal Auditor:

As per Section 138 of the Act, the Company is required to appoint an Internal Auditor. *The Company has not appointed Internal Auditor.* In this regard the management of the Company has provided the following reply:

- (i) The size of operation of the Company is very small, accordingly, it is not viable to appoint Internal Auditor but the Company has established the internal control system.

22. REPORTING OF FRAUDS BY AUDITORS

During the year under review, the statutory auditors have reported to the Audit Committee of the Board, under Section 143 (12) of the Act, the following instance of fraud committed against your Company by one of its employee, the details of which are given below:

"While verifying the physical stock on 5th July, 2019 the management realized shortage of Gold as compared to stock as per books. The management suspected an old employee of the Company who misappropriated certain quantity of stock. An old employee also confessed before management his misappropriation of Gold. The management lodged police complaint against old employee.

The loss arising on account of this misappropriation is estimated at 900 gms of gold value about Rs.30,00,000/-. The Police Department is inquiring and trying to recover as much as possible from said employee. As the loss due to this misappropriation is not determined yet, the same will be accounted in subsequent year."

23. COMPLIANCE OF SECRETARIAL STANDARDS

The Board of Directors affirms that your Company has complied with the applicable Secretarial Standards (SS) issued by the Institute of Companies Secretaries of India (SS1 and SS2), respectively relating to Meetings of the Board, its Committees and General Meeting, which have mandatory application during the year under review.

24. EXTRACT OF ANNUAL RETURN

Pursuant to the provisions of Section 92 (3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return in Form MGT – 9 of your Company for the financial year ended 31st March, 2020 is annexed herewith as "**Annexure D**".

**25. HUMAN RESOURCES**

The relations of the employees of your 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 your Company's Policies and Systems. Your Company maintains healthy, cordial and harmonious relations with all personnel and thereby enhancing the contributory value of the Human Resources.

26. ENVIRONMENT AND SAFETY

Your Company is conscious of the importance of environmentally clean and safe operations. Your 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.

27. 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.

28. GREEN INITIATIVES

Electronic copies of the Annual Report 2019 – 20 and Notice of the 46th Annual General Meeting are sent to all members whose email addresses are registered with your Company / Depository Participant(s).

For members who have not registered their email addresses, physical copies of the Annual Report were being sent under Section 101 of the Companies Act, 2013 in the permitted mode. For members who have not registered their email addresses, physical copies of the Annual Report were being sent under Section 101 of the Companies Act, 2013 in the permitted mode. However, in view of Covid 19 pandemic, the Ministry of Corporate Affairs vide its circular no. 17 / 2020 dated 13th April, 2020 and circular no. 20 / 2020 dated 5th May, 2020 and SEBI vide its circular bearing reference no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020 has dispensed with the requirement of sending hard copy of full annual report to the shareholders. Accordingly, Members who have not registered their email address with the Company or the Depository Participant(s) are requested to download the copy of the Annual Report from the website of BSE Limited i.e. www.bseindia.com or write to the Company at agehani66@gmail.com.

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.

29. MANAGEMENT DISCUSSION AND ANALYSIS

As required under the Schedule V (B) of the SEBI (LODR) Regulations, 2015, report on "Management Discussion and Analysis" is attached and forms part of this Annual Report.

30. CORPORATE GOVERNANCE

As per Regulation 15(2) of the SEBI (LODR) Regulations, 2015, the provisions of Corporate Governance are non-mandatory to the following class of Companies:



- a. Companies having Paid-up Equity Share Capital not exceeding Rs. 10 Crore and Net worth not exceeding Rs. 25 Crore, as on the last day of the previous financial year;

Provided that where the provisions of Regulation 27 becomes applicable to a company at a later date, such company shall comply with the requirements of Regulation 27 within six months from the date on which the provisions became applicable to the company.

- b. Companies whose equity share capital is listed exclusively on the SME and SME-ITP Platforms.

The Paid-up Share Capital of your Company is Rs. 5.79 Crores as on 31st March, 2020. The Reserve and Surplus is Rs. 8.48 Crores. Accordingly, the Paid-up Capital and Net Worth is below the prescribed limit for mandatory applicability of Corporate Governance clause as per Regulation 15(2)(a) of the SEBI (LODR) Regulations, 2015. Your Company has decided not to opt for compliance of Regulation 27 for the time being. The letter for the same has been filed with BSE on 9th July, 2020.

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

Your Company firmly believes in providing a safe, supportive and friendly workplace environment – a workplace where our values come to life through the supporting behaviors. Positive workplace environment and a great employee experience are integral part of our culture. Your Company believes in providing and ensuring a workplace free from discrimination and harassment based on gender.

Your Company educates its employees as to what may constitute sexual harassment and in the event of any occurrence of an incident constituting sexual harassment, your Company provides the mechanism to seek recourse and redressal to the concerned individual subjected to sexual harassment.

Your Company has a Sexual Harassment Prevention and Grievance Handling Policy in place to provide clarity around the process to raise such a grievance and how the grievance will be investigated and resolved. An Internal Complaints Committee has been constituted in line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

No complaint was raised and pending as on 1st April, 2019 and no complaint has been raised during the financial year ended 31st March, 2020.

32. MD AND CFO CERTIFICATION

Certificate from Mr. Ajay Gehani, Chairman and Managing Director and Mrs. Arundhati Mali, Director and CFO, pursuant to provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the year under review was placed before the Board of Directors of your Company at its meeting held on 27th June, 2020. The certificate is attached and form part of this Report.

33. CERTIFICATION FROM COMPANY SECRETARY IN PRACTICE

Mr. Pradip Shah of M/s. P. P. Shah & Co., Practicing Company Secretaries, has issued a certificate as required under the SEBI (LODR) Regulations, 2015, confirming that none of the Directors on the Board of your Company have been debarred or disqualified from being appointed or continuing as Director of companies by the SEBI / Ministry of Corporate Affairs or any such statutory Authority. The certificate is attached and form part of this Report.

34. ANNUAL SECRETARIAL COMPLIANCE REPORT

Your Company has availed the exemption for compliance of Corporate Governance clause as per Regulation 15(2)(a) of the SEBI (LODR) Regulations, 2015. As per



Regulation 24A, your Company requires to take Annual Secretarial Compliance Report from Practicing Company Secretary which shall cover a broad check on compliance with applicable SEBI Regulations and circulars/ guidelines issued thereunder on annual basis.

Exemption as per Regulation 15 (2) (a) includes Regulation 24A. Hence, obtaining Annual Secretarial Compliance Report from Practicing Company Secretary is not applicable to your Company.

35. INDIAN ACCOUNTING STANDARDS (IND-AS)

Your Company has followed the relevant Accounting Standards notified by the Companies (Indian Accounting Standards) Rules, 2015 while preparing its Standalone Financial Statements.

36. CAPITAL EXPENDITURE

Capital Expenditure during the year, towards Tangible & Intangible Assets, amounted to Rs. 100.59 Lakhs which was spent on Plant & Machinery, Furniture and Fixture, Office Equipment, Vehicle and Computers.

37. FEES PAID TO STATUTORY AUDITORS

During the year ended 31st March, 2020, your Company have paid a sum of Rs. 2.07 Lakhs to the Statutory Auditor.

38. PLEDGE OF SHARES

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

39. LISTING WITH STOCK EXCHANGES

Your Company is listed with BSE Limited and your Company has duly paid the listing fees to the Exchange.

40. 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 your Company viz. customers, members, 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 your Company for their unstinted commitment and continued contribution to your Company.

41. CAUTIONARY STATEMENT

Statements in the Board's Report describing your 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.

**For and on behalf of the Board of Directors
of Sovereign Diamonds Limited**

Sd/-

Ajay Gehani

Chairman & Managing Director

DIN: 00062989

Sd/-

Arundhati Mali

Director & CFO

DIN: 08353618

Place: Mumbai

Date: 27th June, 2020



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Indian Economy:

India still remains the fastest growing emerging economy in Asia and the world. The Indian economy expanded by 5.5 % in FY 2019-20. The key drivers included near-normal monsoon, benign inflation and the government's focus to reinvigorate core sectors like infrastructure, manufacturing, housing as well taking measures to increase financial inclusion.

Gems and Jewellery Industry review:

The Gems and Jewellery sector plays a significant role in the Indian economy, contributing around 7% of the country's GDP and 15% to India's total merchandise exports. It also employs over 4.64 Million workers and is expected to employ 8.23 Million by 2022. One of the fastest growing sectors, it is extremely export oriented and labour intensive.

Based on its potential for growth and value addition, the Government of India has declared the Gems and Jewellery sector as a focus area for export promotion. The Government has recently undertaken various measures to promote investments and to upgrade technology and skills to promote 'Brand India' in the international market.

India is deemed to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour. India is the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by government policies. Moreover, India exports 75% of the world's polished diamonds, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC). India's Gems and Jewellery sector has been contributing in a big way to the Country's Foreign Exchange Earnings (FEEs). The Government of India has viewed the sector as a thrust area for export promotion. The Indian government presently allows 100% Foreign Direct Investment (FDI) in the sector through the automatic route.

Domestic Jewellery Industry updates demand:

Market Size

India's gems and jewellery exports stood at US\$ 30.12 Billion between April 2019 – March 2020. During the same period, exports of cut and polished diamonds stood at US\$ 21.95 Billion, thereby contributing about 76.96% of the total gems and jewellery exports in value terms.

The gems and jewellery market in India is home to more than 300,000 players, with the majority being small players. Its market size is about US\$ 75 Billion as of 2017 and is expected to reach US\$ 100 Billion by 2025. It contributes 29% to the global jewellery consumption.

Gems and Jewellery comprises of the following sub-sectors:

- Diamonds
- Gemstones
- Pearl
- Gold, Silver and Platinum Jewellery

India is one of the largest exporters of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it contributes a major chunk to the total foreign reserves of the Country. The Goods and Services Tax (GST) and monsoon will steer India's gold demand going forward.

Industry Trend – Diamond Jewellery:

- Increasing demand for precious gem stones: Changing preferences of young people from gold to coloured gemstone, platinum and palladium jewellery
- Multiple occasions for purchase: Women are buying diamond jewellery for occasions other than marriage



- Focus on technology: Emergence of new manufacturing techniques
- Changing demographics impacting demand: Social media is impacting buying preferences too much. Instagram , Facebook etc are influencing the younger generations tastes
- Growth of lab created diamonds: Also known as synthetic diamonds, artificial diamonds, cultivated diamonds or cultured diamonds
- Focus on Quality: Introduction of cumulative FDI (in \$) in diamond and gold ornaments between April stricter quality norms and hallmarking

Opportunities and Threats:**Opportunities**

In the coming years, growth in Gems and Jewellery sector would be largely contributed by the development of large retailers/brands. Established brands are guiding the organized market and are opening opportunities to grow. Increasing penetration of organized players provides variety in terms of products and designs. Online sales are expected to account for 1% - 2% of the fine jewellery segment by 2021-22. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry. The improvement in availability along with the reintroduction of low cost gold metal loans and likely stabilisation of gold prices at lower levels is expected to drive volume growth for jewellers over short to medium term. The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry.

Threats**Fast-changing Fashion Trends**

Jewellery being a vital fashion and lifestyle statement, demands the players to be more agile, and responsive to the constantly evolving trends and consumer preferences.

Regulatory Framework

Changes in regulation and stringent compliance may cause temporary blip in sales during the transition period.

C.V.D. Diamonds

There has been an influx of C.V.D. Diamonds in all the major markets. In the recent past few cases of undisclosed mixing of C.V.D. 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 C.V.D. 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 C.V.D. Diamonds has been encouraged at all the levels in the value chain. Use of technically advanced equipment for the detection of undisclosed C.V.D. Diamonds has also been increased.

Liquidity Crisis

The industry is highly capital intensive in nature with long working capital cycles, since the jewellery conversion from gold typically requires 15 days. Strength of the balance sheet and access to easy credit is often required to facilitate and sustain ease in operations.



Highlights of Performance:

- Total net sales for the year were Rs. 3,243.67 Lakhs as compared to Rs. 4,025.38 Lakhs in 2018-19.
- Total profit before tax for the year was Rs. 7.40 Lakhs as compared to Rs. 40.40 Lakhs in 2018-19.

Company Overview:

With a combination of skilled craftsmen, world-class manufacturing facility and technology, and technology, and strong focus on innovation, the Company manufactures unique and high quality products meeting highest quality standards.

The Company leverages its strong team of creative designers and skilled craftsmanship along with the modern research and computer-aided design to deliver products matching the latest trends and consumer preferences. The Company invests in training designers, mapping international trends and evolving global styles. Sovereign also sources designs from international market where required to compliment its own collection. This ensures designers are well informed about world trends, and local tastes and preferences before introducing new styles and continue to launch new collection ahead of the market trends, year-on-year.

As a public limited entity, the Company's focus is also on good corporate governance, infusing high levels of transparency in reporting, undertaking stakeholder focused initiatives and imbibing ethical business practices.

Key Financial Ratios:

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations 2018, the Company is required to give details of significant changes (changes of 25% or more as compared to the immediately previous financial year) in key sector-specific financial ratios.

The Company has identified the following ratios as key financial ratios:

Sr. No.	Ratios	FY 2019-20	FY 2018-19
1.	Debtors Turnover Ratio	3.61	5.97
2.	Inventory Turnover Ratio (on Cost of Goods Sold)	2.77	1.85
3.	Interest Coverage Ratio	1.06	1.26
4.	Current Ratio	1.59	1.68
5.	Debt Equity Ratio	0.87	0.85
6.	Operating Margin Ratio	0.02	4.93
7.	Net Profit Margin	0.23	1.00
8.	Return on Net Worth (RONW)	1.46	1.46

Note: The net profit ratio reduced from 1% to 0.23% due to increase in operating and other expenses.

**For and on behalf of the Board of Directors
of Sovereign Diamonds Limited**

Sd/-

**Ajay Gehani
Chairman &**

Managing Director

DIN: 00062989

Place: Mumbai

Date: 27th June, 2020



ANNEXURE 'A' TO BOARD'S REPORT

DISCLOSURES PERTAINING TO REMUNERATION AND OTHER DETAILS AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year and the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

PARTICULARS OF EMPLOYEES

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of Section 197 (12) of the Companies Act, 2013 read with Rule (5)(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr. No.	Requirements	Details
1.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Nil
2.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Key Managerial Personnel Mr. Ajay Geheni – Managing Director – Nil Mrs. Arundhati Mali – Director – CFO – Nil
3.	The percentage increase in the median remuneration of employees in the financial year	Nil
4.	The number of permanent employees on the rolls of company as on 31 st March, 2020	46 Employees
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Nil
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Remuneration paid during the year ended 31 st March, 2020 is as per the Remuneration Policy of the Company



**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 Lakhs)

Foreign Exchange Earnings/Outgo	2019-2020	2018-2019
Foreign Exchange Earned	95.12	1.27
Foreign Exchange Outgo	43.42	47.92



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

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Sovereign Diamonds Limited

We 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 us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our 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, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 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:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 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; (**Not Applicable to the Company during audit period**).
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, 2015;
 - c) SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - 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 and Exchange Board of India (Issue and Listing of Debt Securities), Regulations, 2008. (**Not Applicable to the Company during audit period**).
 - f) The Securities and 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 and Exchange Board of India (Delisting of Equity Shares), Regulations, 2009. (**Not Applicable to the Company during audit period**).
 - h) The Securities and Exchange Board of India (Buyback of Securities), Regulations, 2018. (**Not Applicable to the Company during audit period**).



6. There are no other laws specifically applicable to the industry to which the Company belongs as identified by the management.

We 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 Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. [except those as prescribed under Regulation 15 (2) read with Regulation 15 (3)].

As per Regulation 15 (2) to the SEBI (LODR) Regulations, 2015, the provisions of Regulations 17, 17A, 18, 19, 20, 21, 22, 23, 24, 24A, 25, 26, 27 and clauses (b) to (j) of sub-regulation (2) of Regulation 46 and para C, D and E of Schedule V shall not apply in respect of a listed entity whose Paid-Up Equity Share Capital does not exceed Rs. 10 Crores and Net Worth does not exceed Rs. 25 Crores as on 31st March, 2019 to the extent that they are addition to the requirements specified under the Companies Act, 2013.

Accordingly the Company has availed the exemption provided in the above Regulations. The Company has not prepared Corporate Governance Report as a part of Annual Report. The Company has decided not to opt for compliance of Regulation 27 for the time being.

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 during the financial year ended 31st March, 2020. Consequently, the Audited Annual Financial Statements for the financial year ended 31st March, 2019 were not signed by Company Secretary.*

The Company had received notices from BSE Limited imposing fine in respect of non appointment of Company Secretary during the financial year ended 31st March, 2020.

In this regard the management of the Company has provided the following reply:

- (i) The Company has appointed Mr. Ajay Gehani, Managing Director as Compliance Officer of the Company who looks after the compliance of the Companies Act, 2013 and the SEBI Act and rules made thereunder.
- (ii) The Company has availed the services of Practicing Company Secretary for advising on compliance of the Companies Act, 2013 and the 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, the SEBI (LODR) Regulations, 2015 and Secretarial Standard – 2, the Company is required 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 filing 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 three 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 two Independent Directors and one Executive Director. In this regard, the Management has given the following reply:

"The Company has four Directors, out of them two are Executive and two are Independent Directors. Accordingly, the composition of the Board is such that the Nomination and Remuneration Committee cannot comprise of three Non-Executive Directors. Mr. Ajay Gehani, Executive Director is one of the member 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."

D. Appointment of Internal Auditor:

As per Section 138 of the Act, the Company is required to appoint an Internal Auditor. *The Company has not appointed Internal Auditor.* In this regard the management of the Company has provided the following reply:

- (i) The size of operation of the Company is very small, accordingly, it is not viable to appoint Internal Auditor but the Company has established the internal control system.

We 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. There were no changes in the composition of the Board of Directors took place during the period under review.

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.

We 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.

We 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

Sd/-

Pradip Shah

For P. P. Shah & Co.,

Practicing Company Secretaries

FCS No. 1483, C P No.: 436

UDIN: F001483B000374891

Place: Mumbai

Date: 24th June, 2020



ANNEXURE 'C' TO BOARD'S REPORT

FORM NO. MGT – 9

EXTRACT OF ANNUAL RETURN

As on the financial year ended 31.03.2020

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

I. REGISTRATION AND OTHER DETAILS

CIN	L36912MH1974PLC017505
Registration Date	31 st May, 1974
Name of the Company	SOVEREIGN DIAMONDS LIMITED
Category of the Company	Company Limited by Shares
Sub-Category of the Company	Indian Non – Government Company
Address of the Registered Office and contact details	11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (E), Mumbai – 400 093 Tel. No. – 022 66923871 Fax No. – 022 66923880 Email – agehani66@gmail.com
Whether listed company	Yes. Listed on BSE Limited
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 – 2820 7201 / 03 / 04 / 05 Email – info@unisec.in

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 01.04.2019)				No. of Shares held at the end of the year (As on 31.03.2020)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	3762744	0	3762744	65.01	3762744	0	3762744	65.01	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
Sub-Total(A) (1):	3762744	0	3762744	65.01	3762744	0	3762744	65.01	0.00



Category of Shareholders	No. of Shares held at the beginning of the year (As on 01.04.2019)				No. of Shares held at the end of the year (As on 31.03.2020)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
(2) Foreign									
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
Sub- Total (A) (2):	0	0	0	0.00	0	0	0	0.00	0.00
Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	3762744	0	3762744	65.01	3762744	0	3762744	65.01	0.00
B. Public Shareholding									
(1) Institutions									
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	0	0	0	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
Sub-Total (B)(1):	0	0	0	0.00	0	0	0	0.00	0.00
(2)Non-Institutions									
a)Bodies Corporate									
i) Indian	180069	126478	306547	5.30	171128	106778	277906	4.80	-0.50
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i)Individual shareholders holding nominal share capital up to Rs. 2 Lakhs	763824	535755	1299579	22.45	763685	531055	1294740	22.37	-0.08
ii)Individual shareholders holding nominal share capital in excess of Rs. 2 Lakhs	349661	0	349661	6.04	382514	0	382514	6.61	+0.57
c) Others (specify)									
i) NRI / OCBs	10665	0	10665	0.18	10765	0	10765	0.19	+0.01
ii) Clearing Members/Clearing House	373	0	373	0.01	0	0	0	0.00	-0.01
iii) HUF	58433	0	58433	1.01	59333	0	59333	1.02	+0.01
Sub-Total (B)(2):	1363025	662233	2025258	34.99	1387425	637833	2025258	34.99	0.00
Total Public Shareholding Public Group (B)= (B)(1)+(B) (2)	1363025	662233	2025258	34.99	1387425	637833	2025258	34.99	0.00
Total (A) + (B)	5125769	662233	5788002	100.00	5150169	637833	5788002	100.00	0.00
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	5125769	662233	5788002	100.00	5150169	637833	5788002	100.00	0.00



ii) Shareholding of Promoters

Sr. No.	Shareholders Name	Shareholding at the beginning of the year (As on 01.04.2019)			Shareholding at the end of the year (As on 31.03.2020)			% 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	
1.	Ajay Gehani	34,76,275	60.06	0.00	34,76,275	60.06	0.00	0.00
2.	Sumer Gehani	2,86,469	4.95	0.00	2,86,469	4.95	0.00	0.00
	Total	37,62,744	65.01	0.00	37,62,744	65.01	0.00	0.00

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

	Shareholding at the beginning of the year (As on 01.04.2019)		Cumulative Shareholding during the year (As on 31.03.2020)	
	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 01.04.2019)		Shareholding at the end of the year (As on 31.03.2020)	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Vipul R. Gandhi	125000	2.16	125000	2.16
2.	Merrygold Investments Ltd.	119995	2.07	119995	2.07
3.	Nagarjuna Finance Ltd.	91325	1.58	91325	1.58
4.	Sanjay Mundada	90538	1.56	90538	1.56
5.	Sanjay Bansidhar Nagpal	55100	0.95	55100	0.95
6.	Mansukh Madhabhai Patel	31755	0.55	31755	0.55
7.	Girish Himatlal Vora	22578	0.39	28534	0.49
8.	Mahesh Jobanputra	17765	0.31	26897	0.46
9.	Chandubhai Bhandas Hariyani	24690	0.43	24690	0.43
10.	Rajiv R Jagdale	23996	0.41	23996	0.41



v) Shareholding of Directors and Key Managerial Personnel

For each of the Directors	Shareholding at the beginning of the year (As on 01.04.2019)		Cumulative Shareholding during the year (As on 31.03.2020)	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
A. DIRECTORS				
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) do 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. KEY MANAGERIAL PERSONNEL				
At the beginning of the year	Mrs. Arundhati Mali, Director and Chief Financial Officer do 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				

V. INDEBTEDNESS

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness (Rs. in Lakhs)
Indebtedness at the beginning of the financial year (01.04.2019)				
i) Principal Amount	1189.68	0.00	0.00	1189.68
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
Total (i+ii+iii)	1189.68	0.00	0.00	1189.68
Change in Indebtedness during the financial year				
Addition	1200.00	0.00	0.00	1200.00
Reduction	1191.29	0.00	0.00	1191.29
Net Change	8.71	0.00	0.00	8.71
Indebtedness at the end of the financial year (31.03.2020)				
i) Principal Amount	1198.39	0.00	0.00	1198.39
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
Total (i+ii+iii)	1198.39	0.00	0.00	1198.39



VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs. in Lakhs)
		Ajay Gehani MD	Arundhati Mali Director & CFO	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	36.00	3.17	39.17
	(b) Value of perquisites under Section 17(2) income Tax Act, 1961	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
2.	Stock Options	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00
4.	Commission	0.00	0.00	0.00
	- as % of profit	0.00	0.00	0.00
	- others, specify	0.00	0.00	0.00
5.	Others, please specify	0.00	0.00	0.00
	TOTAL (A)	36.00	3.17	39.17
	Ceiling As Per The Act	Minimum Remuneration upto Rs. 7 Lakhs per month	Minimum Remuneration upto Rs. 7 Lakhs per month	--

B. Remuneration to other Directors

1. Independent Directors

Particulars of Remuneration	Mohanram Pai	Rajesh Arora	Total Amount (Rs. in Lakhs)
- Fee for attending Board / Committee Meetings	0.37	0.37	0.74
- Commission	0.00	0.00	0.00
- Others, please specify	0.00	0.00	0.00
Total (B)(1)			0.74

2. Other Non Executive Directors

Particulars of Remuneration	Name of Director	Total Amount (Rs. in Lakhs)
	--	
- Fee for attending Board / Committee Meetings	0.00	0.00
- Commission	0.00	0.00
- Others, please specify	0.00	0.00
Total (B)(2)		0.00
Total (B)= (B)(1)+(B)(2)		0.74
Overall Ceiling as per the Act		Upto Rs. 1 Lakh per meeting


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

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount (Rs. in Lakhs)
		Chief Executive Officer	Chief Financial Officer*	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	0.00	0.00	0.00
	(b) Value of perquisites under Section 17(2) income Tax Act, 1961	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
2.	Stock Options	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00
4.	Commission	0.00	0.00	0.00
	- as % of profit	0.00	0.00	0.00
	- others, specify	0.00	0.00	0.00
5.	Others, please specify	0.00	0.00	0.00
	TOTAL (C)	0.00	0.00	0.00

*Remuneration of Mrs. Arundhati Mali, Director and CFO, updated in above table

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)
A. COMPANY					
Penalty			None		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			None		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			None		
Punishment					
Compounding					



MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER CERTIFICATION

Certificate under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

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 31st March, 2020 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 hereby declare that all the members of the Board of Directors and Executive Committee have confirmed compliance with the Code of Business Conduct as adopted by the Company.
- D. 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.
- E. 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
Chairman & Managing
Director
DIN: 00062989

Sd/-
Arundhati Mali
Chief Financial
Officer
DIN: 08353618

Place: Mumbai
Date: 27th June, 2020

**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members of
Sovereign Diamonds Limited
11-A, Mahal Industrial Estate, Mahakali Caves Road,
Andheri (E), Mumbai – 400 093

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Sovereign Diamonds Limited having CIN L36912MH1974PLC017505 and having registered office at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (E), Mumbai – 400 093 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para C sub-clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ending on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in Company
1.	Ajay Gehani	00062989	24/11/1984
2.	Kundapur Mohanram Pai	00007198	08/08/2005
3.	Rajesh Sitaram Arora	03605776	13/08/2011
4.	Arundhati Raju Mali	08353618	08/02/2019

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sd/-

Pradip Shah

For P. P. Shah & Co.,

Practicing Company Secretaries

FCS No. 1483, C P No.: 436

UDIN: F001483B000307899

Place: Mumbai

Date: 1st June, 2020

**INDEPENDENT AUDITOR'S REPORT****To the Members of SOVEREIGN DIAMONDS LIMITED****Report on the Audit of the Financial Statements****Opinion**

We have audited the accompanying standalone financial statements of SOVEREIGN DIAMONDS LIMITED ("the Company") which comprises the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, (including Other Comprehensive Income), statement of changes in Equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS standalone financial statements give the information required by the Companies Act, 2013 (the Act) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ("Ind AS) specified under section 133 of the Act, of the state of affairs of the Company as at March 31, 2020, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit matter :

We have determined that there are no key audit matters to communicate in our report.

Other Information :

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibility for the Standalone Financial Statements :

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("The Act") with respect to the preparation of these Ind AS standalone financial statements that give a true and fair view of the financial position, financial performance, (including Other Comprehensive Income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India,



including the accounting Standards specified in the companies (Indian Accounting Standard) rules 2015 (as amended) under section 133 of the Companies Act, 2013. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the company's financial reporting process.

Auditor's Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (i) Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal controls relevant to the audit 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
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management.
- (iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date



of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- (v) Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. In accordance with the requirements of SA 701, the auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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 Companies Act, 2013, we give in the "Annexure A" statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c. The Balance Sheet, the Statement of Profit and Loss, (including other comprehensive income) and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. 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 Report in "Annexure B".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:



- i) The company has disclosed the impact of pending litigations as at 31st March, 2020 on its financial position in its Ind AS financial position in its standalone financial statements – refer Note No. 24 to the Ind AS financial statements.
- ii) The Company did not have any long term contracts including derivate contracts as at 31st March, 2020.
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection fund by the company during the year ended 31st March, 2020.

For Pulindra Patel & Co.

Chartered Accountants
Firm Registration No.115187W

Sd/-

Pulindra Patel

Proprietor

Membership No. 048991

Udin No. : **20048991AAAAED7649**

Place : Mumbai

Date : 27th June, 2020

**ANNEXURE (A) TO THE INDEPENDENT AUDITOR'S REPORT**

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of SOVEREIGN DIAMONDS LIMITED on the standalone financial statements for the year ended 31st March, 2020]

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) All fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
(c) As per the information and explanations given to us, the immovable properties owned by the company are held in the name of the company. In respect of immovable property disclosed as fixed assets in financial statements, the title deed is in the name of the Company.
2. The Inventories have been physically verified during the year by the management. In our opinion, frequency of verification of inventory is reasonable. There are no material discrepancies noticed by the management.
3. According to the information and explanations given to us, the company has not granted any loans secured or unsecured to companies, firms Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act. Accordingly, the provisions of clause 3(iii) (a), (b,) and (c) of the Order are not applicable to the Company and hence not commented upon.
4. As per the information and explanations provided to us, there is no loans, investments, guarantees and securities given by the company,
5. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Section 73 to 76 of the Companies Act, 2013 and the rules framed there under.
6. The maintenance of cost records has not been prescribed by the Central Government under section 148 (1) of the Companies Act 2013.
7. (a) According to the information and explanations given to us and on the basis of the examination of the books of account, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Good and Service tax, Service tax, Value Added Tax Customs Duty, Excise Duty, and other statutory dues applicable to it with the appropriate authorities.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Goods and Service tax , Customs Duty, Excise Duty and other undisputed statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
8. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of loans or borrowings to banks. The Company does not have any borrowings by way debentures.
9. The Company has not raised money by way of initial public offer including debt instruments during the year and did not have any term loans outstanding during the year.



10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practice in India, and according to the information and explanations given by the management, we report that no fraud by the Company but fraud on the Company by its officers or employees has been noticed or reported during the course of our audit and the same is reported in Note No. 34 to the notes to accounts to Standalone Financial Statement.
11. As per the information and explanations given to us the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V of the Companies Act, 2013.
12. As per the information and explanations given to us the company is not a Nidhi Company.
13. As per the information and explanations given to us the company all transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 where applicable and details have been disclosed in the Financial Statements, etc., as required by the applicable accounting standards.
14. As per the information and explanations given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year review.
15. As per the information and explanations given to us, the company has not entered into any non- cash transactions with the directors or persons connected with him.
16. As per the information and explanations given to us, the company is not required to get it registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Pulindra Patel & Co.

Chartered Accountants
Firm Registration No.115187W

Sd/-

Pulindra Patel

Proprietor

Membership No. 048991

Udin No. : **20048991AAAAED7649**

Place : Mumbai

Date : 27th June, 2020

**ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT****Independent Auditor's Report on the Internal Financial Controls 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, 2020 in conjunction with our audit of the 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.

Auditors' 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") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 judgment, 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 adverse 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 authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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 31,2020, 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 Pulindra Patel & Co.

Chartered Accountants
Firm Registration No.115187W

Sd/-

**Pulindra Patel
Proprietor**

Place : Mumbai
Date : 27th June, 2020

Membership No. 048991
Udin No. : **20048991AAAAED7649**



BALANCE SHEET AS AT 31ST MARCH, 2020

Particulars	Note	As at 31st March, 2020	As at 31st March, 2019
A Assets			
1 Non-current assets			
a) Property, plant and equipment	1	3,29,71,909	2,83,26,174
b) Financial assets			
i) Loans	2	3,68,087	4,09,698
c) Deferred tax assets	3	12,72,984	13,60,460
Total non-current assets		3,46,12,980	3,00,96,332
2 Current assets			
a) Inventories	4	19,82,65,554	19,76,49,955
b) Financial assets			
i) Trade Receivables	5	9,88,29,949	8,07,08,917
ii) Cash and cash equivalents	6	1,45,446	6,60,300
c) Other current assets	7	32,64,764	29,19,410
Total current assets		30,05,05,713	28,19,38,581
Total Assets		33,51,18,693	31,20,34,913
B Equity and Liabilities			
1 Equity			
a) Equity Share capital	8	5,78,80,020	5,78,80,020
b) Other Equity	9	8,47,83,196	8,43,77,606
Total Equity		14,26,63,216	14,22,57,626
Liabilities			
2 Non-current liabilities			
a) Financial Liabilities			
i) Borrowings	0	-	-
ii) Other financial liabilities	10	39,66,000	15,00,000
b) Provisions		-	-
Total non-current liabilities		39,66,000	15,00,000
3 Current Liabilities			
a) Financial Liabilities			
i) Borrowings	11	11,98,39,216	11,89,68,515
ii) Trade payables			
Total outstanding dues of micro enterprises and small enterprises	12	39,36,153	8,88,910
Total outstanding dues of creditors other than micro enterprises and small enterprises		6,11,45,579	4,34,91,554
b) Other current liabilities	13	16,39,564	19,77,194
c) Provisions	14	19,28,965	29,51,114
Total current liabilities		18,84,89,477	16,82,77,287
Total Liabilities		33,51,18,693	31,20,34,913

See accompanying Notes to the Financial Statements 1 to 33

This is the balance sheet referred to in our report of even date

For Pulindra Patel & Co.
Chartered accountants
ICAI Firm Registration No.115187W

For and on behalf of Board of Directors

Sd/-
Pulindra Patel
Proprietor
Membership No. 048991

Sd/-
Ajay R. Gehani
Managing Director
DIN-00062989

Sd/-
Arundhati R. Mali
Chief Financial Officer
and Director
DIN-08353618

Place : Mumbai
Date : 27th June, 2020



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2020

Particulars	Note	Year ended 31st March, 2020	Year ended 31st March, 2019
A Income			
1 Revenue from Operations			
Revenue from operations	15	32,43,67,928	40,25,37,929
2 Other Income	16	47,95,604	11,421
3 Total Income		32,91,63,532	40,25,49,350
4 Expenses			
a) Cost of Material Consumed	17	32,93,64,226	32,05,31,692
b) Changes in Inventories of Finished Goods	18	(6,56,85,127)	62,38,500
c) Employee Benefit Expenses	19	1,94,09,014	2,01,81,234
d) Finance Cost	20	1,19,52,631	1,58,03,856
e) Depreciation and Amortisation Expenses	1	45,92,517	50,28,607
f) Other Expenses	21	2,87,89,716	3,07,25,228
Total Expenses		32,84,22,978	39,85,09,118
5 Profit Before Tax		7,40,554	40,40,233
6 Tax Expenses			
a) Current Tax	22	2,96,102	14,37,600
b) Deferred Tax	22	87,476	(1,76,757)
Total tax expenses		3,83,578	12,60,843
7 Profit for the year		3,56,975	27,79,390
8 Other comprehensive income:			
i. Items that will not be reclassified to Profit and Loss		48,614	(1,89,759)
ii. Income tax relating to items that will not be reclassified to profit of loss		-	-
iii. Items that will be reclassified to profit or loss		-	-
iv. Income tax relating to items that will be reclassified to profit or loss		-	-
Total Other comprehensive income		48,614	(1,89,759)
9 Total comprehensive income for the year		4,05,589	25,89,631
10 Earnings per equity shares of face value of ₹10 each			
Basic earnings per share (in ₹)		0.06	0.48
Diluted earnings per share (in ₹)		0.06	0.48

See accompanying Notes to the Financial Statements 1 to 33

This is the balance sheet referred to in our report of even date

For Pulindra Patel & Co.
Chartered accountants
ICAI Firm Registration No.115187W

For and on behalf of Board of Directors

Sd/-
Pulindra Patel
Proprietor
Membership No. 048991

Sd/-
Ajay R. Gehani
Managing Director
DIN-00062989

Sd/-
Arundhati R. Mali
Chief Financial Officer
and Director
DIN-08353618

Place : Mumbai
Date : 27th June, 2020



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH, 2020

A. EQUITY SHARE CAPITAL

Particulars	Note	Note No. of shares	Amount
Issued, subscribed and fully paid up			
Equity shares of ₹ 10 each			
Balance as at 1st April, 2018		57,88,002	5,78,80,020
Changes in equity share capital during the year			
Balance as at 31st March, 2019		57,88,002	5,78,80,020
Changes in equity share capital during the year			
Balance as at 31st March, 2020		57,88,002	5,78,80,020

B. OTHER EQUITY

Particulars	Reserves and Surplus			Total
	Capital Reserve	General Reserve	Surplus	
Balance as at 1st April, 2018	10,09,990	86,04,077	7,21,73,908	8,17,87,975
Profit for the year	-	-	27,79,390	27,79,390
Other comprehensive income	-	-	(1,89,759)	(1,89,759)
Total Comprehensive Income	10,09,990	86,04,077	7,47,63,539	8,43,77,606
Transfer to / (from) retained earnings	-	-	-	-
Balance as at 31st March, 2019	10,09,990	86,04,077	7,47,63,539	8,43,77,606
Profit for the year	-	-	3,56,975	3,56,975
Other comprehensive income	-	-	48,614	48,614
Total Comprehensive Income	10,09,990	86,04,077	7,51,69,128	8,47,83,195
Transfer to / (from) retained earnings	-	-	-	-
Balance as at 31st March, 2020	10,09,990	86,04,077	7,51,69,128	8,47,83,195

C. Nature and purpose of reserves

a) Capital Reserve

The Company has recognised Capital Reserve on call in arrears of equity shares from its retained earnings. The amount in Capital Reserve is equal to nominal amount of the equity shares.

b) General Reserve

The Company created general reserve in earlier years pursuant to the provisions of the Companies Act wherein certain percentage of profits were required to be transferred to general reserve before declaring dividends. As per the Companies Act 2013, the requirement to transfer profits to general reserve is not mandatory. General reserve is a free reserve available to the Company.

This is the Statement of changes in equity referred to in our report of even date

For Pulindra Patel & Co.
Chartered accountants
ICAI Firm Registration No.115187W

For and on behalf of Board of Directors

Sd/-
Pulindra Patel
Proprietor
Membership No. 048991

Sd/-
Ajay R. Gehani
Managing Director
DIN-00062989

Sd/-
Arundhati R. Mali
Chief Financial Officer
and Director
DIN-08353618

Place : Mumbai
Date : 27th June, 2020



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2020

Particulars	As at 31st March, 2020	As at 31st March, 2019
A Cash flow from operating activities :		
Profit before tax	7,40,554	40,40,233
Adjustment for :		
Depreciation and amortization for the year	45,92,517	50,28,607
Actuarial gain/(loss) forming part of OCI	48,614	(1,89,759)
Net unrealised foreign exchange (gain)/ loss	-	-
Net (profit)/loss on disposal of property, plant and equipment	(3,53,907)	-
Finance cost	1,19,52,631	1,58,03,856
Interest income	(5,780)	(11,421)
Operating Profit before working capital changes	1,69,74,629	2,46,71,516
Operating profit before working capital changes		
Adjustments for:		
Decrease/Increase in inventories	(6,15,599)	1,08,00,276
Decrease/(increase) in non-current financial assets	41,612	-
Decrease/(increase) in other current assets	1,69,782	5,55,939
Increase in trade receivables	(1,81,21,032)	(2,65,01,343)
Increase in trade payables	2,07,01,268	3,57,49,260
Increase in non-financial liabilities	24,66,000	15,00,000
Increase in provisions-current	1,15,451	4,65,708
Increase in other current liabilities	(3,37,630)	9,59,073
Cash generated from operating activities	2,13,94,480	4,82,00,430
Direct Taxes (net)	(19,48,839)	(3,00,000)
Net cash generated from operating activities	1,94,45,641	4,79,00,430
B Cash flow from investing activities:		
Purchase of property, plant and equipment	(1,00,59,335)	(90,13,610)
Proceeds from disposal of property, plant and equipment	11,74,993	-
Interest received	5,780	11,421
Net cash used in investing activities	(88,78,562)	(90,02,189)
C Cash flow from financing activities:		
(Repayment)/proceeds of non current borrowings, net	-	(4,79,895)
(Repayment)/proceeds of current borrowings, net	8,70,701	(2,22,22,501)
Interest Paid	(1,19,52,631)	(1,58,03,856)
Net cash generated from financing activities	(1,10,81,930)	(3,85,06,252)
Net increase in cash and cash equivalents (A+B+C)	(5,14,851)	3,91,988
Cash and cash equivalents at the beginning of the year	6,60,300	2,68,311
Cash and cash equivalents at the end of the year	1,45,446	6,60,300

Note :

- Figures in bracket represent cash outflow.
- The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.

This is the Cash flow statement referred to in our report of even date

For Pulindra Patel & Co.
Chartered accountants
ICAI Firm Registration No.115187W

For and on behalf of Board of Directors

Sd/-
Pulindra Patel
Proprietor
Membership No. 048991

Sd/-
Ajay R. Gehani
Managing Director
DIN-00062989

Sd/-
Arundhati R. Mali
Chief Financial Officer
and Director
DIN-08353618

Place : Mumbai
Date : 27th June, 2020

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2020****1 Company Information**

Sovereign Diamonds Limited (the Company) is a public limited company domiciled in India with its registered office located at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 096. The Company is listed on the Bombay Stock Exchange (BSE). The Company is engaged in manufacturing, selling of Gold Jewellery, Diamond studded Jewellery and silver item.

2 Basis of Preparation**(i) Compliance with Ind AS**

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

Employee defined benefit plans, recognised at the net total of the fair value of plan assets and the present value of the defined benefit obligation.

Transactions and balances with values below the rounding off norm adopted by the Company have been reflected as "0" in the relevant notes in these financial statements. Financial statements are presented in ₹ which is the functional currency of the Company and all values are rounded to the nearest paise except when otherwise indicated.

The financial statements of the Company for the year ended 31st March, 2020 were approved for issue in accordance with the resolution of the Board of Directors on 27th June, 2020.

(ii) Historical Cost Convention

These financial statements are prepared under the historical cost convention unless otherwise indicated.

(iii) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is classified as current when it is :

- * Expected to be realised or intended to sold or consumed in normal operating cycle.
- * Held primarily for the purpose of trading
- * Expected to be realised within twelve months after the reporting period, or
- * Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- * It is expected to be settled in normal operating cycle
- * It is held primarily for the purpose of trading
- * It is due to be settled within twelve months after the reporting period, or
- * There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.



3 Key Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect their reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

Information about critical judgments in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year, are included in the following notes:

- (i) Measurement of defined benefit obligations - Note - 19
- (ii) Measurement and likelihood of occurrence of provisions and contingencies - Note - 23
- (iii) Recognition of deferred tax assets - Note - 3
- (iv) Impairment of tangibles - Note - 1

4 Significant Accounting Policies

(a) Property, Plant and Equipment:

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Capital expenditure incurred on rented properties is classified as 'Leasehold improvements' under property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Subsequent measurement (depreciation and useful lives)

Depreciation on property, plant and equipment is provided on written-down value, computed on the basis of useful lives (as set out below) prescribed in Schedule II the Act:

The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, if appropriate.

Asset category	Estimated useful life (in years)
Buildings	30
Plant and equipment	15
Furniture and fixtures	10
Office equipment	5
Vehicles	8
Computers	3

De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

**(b) Impairment of non-financial assets**

At each reporting date, the Company assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the statement of profit and loss. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

(c) Financial instruments**Financial assets*****Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs.

Subsequent measurement

- i. Financial instruments at amortised cost – the financial instrument is measured at the amortised cost if both the following conditions are met:
 - The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows.
 - Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. All the debt instruments of the Company are measured at amortised cost.

De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

Financial liabilities***Initial recognition and measurement***

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortised cost.

Subsequent measurement

Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. These liabilities include borrowings.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**(d) Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

Trade receivables

The Company applies approach permitted by Ind AS 109, financial instruments, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

(e) Inventories

Raw Material: Lower of cost or net realisable value.

Work in progress, manufactured finished goods and traded goods are valued at lower of cost and net realisable value. Cost of work in progress and manufactured finished goods comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Trading goods are valued at Cost or net realisable value, whichever is lower.

Finished goods: Lower of cost or net realisable value. Cost is determined on FIFO basis, includes direct material and labour expenses and appropriate proportion of manufacturing overheads based on the normal capacity for manufactured goods.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs of necessary to make the sale.

(f) Foreign Currency Translation**Initial recognition**

The Company's financial statements are presented in Rupees, which is also the Company's functional currency. Transactions in foreign currencies are recorded on initial recognition in the functional currency at the exchange rates prevailing on the date of the transaction.

Measurement at the balance sheet date

Foreign currency monetary items of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Treatment of exchange difference

Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rate are recognised as income or expenses in the period in which they arise.

(g) Income taxes

Tax expense recognised in statement of profit and loss comprises the sum of deferred tax and current tax not recognised in Other Comprehensive Income ('OCI') or directly in equity.



Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income-tax Act. Current income-tax relating to items recognised outside statement of profit and loss (either in OCI or in equity). The company has provided the current tax as per the announcement by The Government of India, on September 20, 2019, vide the Taxation Laws (Amendment) Ordinance 2019, inserted a new Section 115BAA in the Income Tax Act, 1961, which provides an option to the Company for paying Income Tax at reduced rates as per the provisions/conditions defined in the said section.

Deferred income-tax is calculated using the liability method. Deferred tax liabilities are generally recognised in full for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss, unused tax credits or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets or liability arising during tax holiday period is not recognised to the extent it reverses out within the tax holiday period. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit and loss (either in OCI or in equity).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks/corporations and short- term highly liquid investments (original maturity less than 3 months) that are readily convertible into known amount of cash and are subject to an insignificant risk of change in value.

(i) Post-employment, long term and short term employee benefits

Defined contribution plans

Provident fund benefit is a defined contribution plan under which the Company pays fixed contributions into funds established under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

Defined benefit plans

Gratuity is a post-employment benefit defined under The Payment of Gratuity Act, 1972 and is in the nature of a defined benefit plan. The liability recognised in the financial statements in respect of gratuity is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit/obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

Other long-term employee benefits

Liability in respect of compensated absences is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the year in which such gains or losses are determined



Short-term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

(j) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisitions, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

(l) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

(m) Provisions, contingent assets and contingent liabilities

Provisions are recognised only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized. However, when inflow of economic benefit is probable, related asset is disclosed.

(n) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(o) Segment Reporting**

There is only one Operating segments i.e Jewellery Manufacturing.

(p) Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures.

Significant management judgements and estimates

The following are significant management judgements and estimates in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilised.

Evaluation of indicators for impairment of assets – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Recoverability of advances/receivables – At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

Useful lives of depreciable/amortizable assets – Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence.

(q) Revenue recognition**Sales of goods :**

The Company derives revenues primarily from sale of manufactured goods, traded goods and related services. The Company is also engaged in real estate property development, recently.

Effective 01 April 2018, the Company has adopted Indian Accounting Standard 115 (Ind AS 115) 'Revenue from contracts with customers' using the cumulative catch-up transition method, applied to contracts that were not completed as on the transition date i.e. 01st April 2018. Accordingly, the comparative amounts of revenue and the corresponding contract assets / liabilities have not been retrospectively adjusted. The effect on adoption of Ind-AS 115 was insignificant.

The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:



Revenue is recognized on satisfaction of performance obligation upon transfer of control of products to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Company has completed its evaluation of the possible impact of Ind AS 115 and has adopted the standard from 1st April, 2018

Interest and dividend :

Interest income is recognised on an accrual basis using the effective interest method. Dividends are recognised at the time the right to receive the payment is established. Other income is recognised when no significant uncertainty as to its determination or realisation exists.

(r) Accounting policy for Lease :

Company as a lessee :

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of lowvalue assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

As per Ind A S 116, the lessee needs to recognise depreciation on rights of use assets and finance costs on lease liabilities in the statement of profit and loss. There will not be any material effect of the said implementation of Ind As 116 to the Company.

Company as a lessor :

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(s) Operating Segment

The managing committee is considered to be the 'Chief Operating Decision Maker' (CODM) as defined in IND AS 108. The Operating Segment is the level at which discrete financial information is available. The CODM allocates resources and assess performance at this level. The group has only one operating segment "Manufacturing of Jewellery".



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

1. Property Plant and Equipment

Particulars	Freehold Land	Buildings	Plant and equipment	Furniture fixture	Office equipments	Vehicles	Computer	Total
Gross block								
As at 1st April, 2018	48,54,597	2,29,79,340	88,30,887	68,18,577	73,98,627	1,54,30,845	13,31,864	6,76,44,737
Additions		28,49,216	34,32,805	8,89,269	18,20,445	21,875	-	90,13,610
Deduction		-	14,64,529	-	11,00,566	-	1,28,127	26,93,222
As at 31st March, 2019	48,54,597	2,58,28,556	1,07,99,163	77,07,846	81,18,506	1,54,52,720	12,03,737	7,39,65,125
Additions		53,12,305	15,57,090	11,64,943	18,49,150	-	1,75,847	1,00,59,335
Deduction		-	15,00,000	-	-	77,08,508	-	92,08,508
As at 31st March, 2020	48,54,597	3,11,40,861	1,08,56,253	88,72,789	99,67,656	77,44,212	13,79,584	7,48,15,952
Particulars	Freehold Land	Buildings	Plant and machinery	Furniture fixture	Office equipments	Vehicles	Computer	Total
Accumulated depreciation								
As at 1st April, 2018	-	1,98,07,112	45,00,822	38,90,764	42,21,116	97,46,047	11,37,705	4,33,03,565
Depreciation charge during the year	-	6,16,111	14,12,156	4,04,388	10,84,431	14,11,862	99,660	50,28,607
Deduction	-	-	14,64,529	-	11,00,566	-	1,28,127	26,93,222
As at 31st March, 2019	-	2,04,23,222	44,48,449	42,95,152	42,04,981	1,11,57,909	11,09,238	4,56,38,951
Depreciation charge during the year	-	6,68,175	13,32,423	4,77,992	11,41,241	9,30,443	42,243	45,92,517
Deduction	-	-	12,10,898	-	-	71,76,527	-	83,87,425
As at 31st March, 2020	-	2,10,91,397	45,69,974	47,73,144	53,46,222	49,11,825	11,51,481	4,18,44,043
Net carrying amount as at 31st March, 2020	48,54,597	1,00,49,464	62,86,279	40,99,645	46,21,434	28,32,387	2,28,103	3,29,71,909
Net carrying amount as at 31st March, 2019	48,54,597	54,05,334	63,50,714	34,12,694	39,13,525	42,94,811	94,499	2,83,26,174
Net carrying amount as at 1st April, 2018	48,54,597	31,72,228	43,30,065	29,27,813	31,77,511	56,84,798	1,94,159	2,43,41,170



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

2. Loans

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unsecured, considered good		
Security Deposits	83,495	1,25,106
Other loans and advances		
- Others	2,84,592	2,84,592
Total	3,68,087	4,09,698

3. Deferred tax assets

Particulars	As at 31st March, 2020	As at 31st March, 2019
Deferred tax asset arising on account of Difference between accounting base and tax base of property, plant and equipment	12,72,984	13,60,460
Total	12,72,984	13,60,460

4. Inventories

Particulars	As at 31st March, 2020	As at 31st March, 2019
At lower of cost or net realisable value		
Raw Material	11,44,18,738	17,96,37,155
Finished Goods	80,67,979	73,04,065
Work-In-Progress	7,50,95,277	1,01,74,064
Consumable Spares & Stores	6,83,560	5,34,670
Total	19,82,65,554	19,76,49,955

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

5. Trade Receivables

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unsecured, considered good		
Outstanding for a period exceeding six month from the due date	-	-
Others	9,88,29,949	8,07,08,917
Total	9,88,29,949	8,07,08,917

6. Cash and Cash Equivalents

Particulars	As at 31st March, 2020	As at 31st March, 2019
Cash on hand	37,223	12,378
Bank balances		
- In Current Accounts	1,08,223	6,47,922
Total	1,45,446	6,60,300



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

7. Other Current assets

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unsecured, considered good		
Loans to Employees	2,39,500	3,11,000
Prepaid Expenses	4,44,523	5,87,719
Balance with Government Authorities		
- Income Tax	6,86,831	1,71,694
- Vat Receivable	3,34,631	7,13,199
Others	15,59,280	11,35,798
Total	32,64,764	29,19,410

8. Share Capital

Particulars	As at 31st March, 2020	As at 31st March, 2019
Authorised Share Capital:		
60,00,000 Equity Shares of ₹ 10 each (Previous year 60,00,000 Equity Shares of ₹ 10 each)	6,00,00,000	6,00,00,000
	6,00,00,000	6,00,00,000
Issued, Subscribed & Paid Up :		
57,88,002 Equity Shares of ₹ 10 each (Previous year 57,88,002 Equity Shares of ₹ 10 each)	5,78,80,020	5,78,80,020
Total	5,78,80,020	5,78,80,020

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31st March, 2020	As at 31st March, 2019
Equity Shares at the beginning of the year		
- Number of shares	57,88,002	57,88,002
- Amount (₹)	5,78,80,020	5,78,80,020
Add : Addition/(deduction) during the year :		
- Number of shares	-	-
- Amount (₹)	-	-
Equity Shares at the end of the year		
- Number of shares	57,88,002	57,88,002
- Amount (₹)	5,78,80,020	5,78,80,020

(ii) The details of shareholders holding more than 5% shares

Name of Shareholder	As at 31st March, 2020		As at 31st March, 2019	
	No of Shares	% held	No of Shares	% held
Ajay Ramesh Gehani	34,76,275	60.06%	13,29,516	22.97%
Rani Ramesh Gehani	-	-	17,76,088	30.69%
Sumer Gehani	2,86,469	4.95%	-	-
Deepika Ajay Gehani	-	-	3,70,671	6.40%



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

9. Other Equity

Particulars	As at 31st March, 2020	As at 31st March, 2019
Capital Reserve		
as per last Balance Sheet	10,09,990	10,09,990
	10,09,990	10,09,990
General Reserve		
as per last Balance Sheet	86,04,077	86,04,077
Add: transferred from profit and loss account	-	-
Add: Transfer to fixed assets	-	-
	86,04,077	86,04,077
Surplus in the statement of profit and loss		
as per last Balance Sheet	7,47,63,539	7,21,73,908
Add : Profit for the year	4,05,589	25,89,631
	7,51,69,129	7,47,63,539
Less : transferred to general reserve	-	-
	7,51,69,129	7,47,63,539
Total	8,47,83,196	8,43,77,606

10. Other Financial Liabilities - Non Current

Particulars	As at 31st March, 2020	As at 31st March, 2019
Deposit lease (rent)	39,66,000	15,00,000
Total	39,66,000	15,00,000

11. Borrowings - Current

Particulars	Interest date	Maturity date	As at 31st March, 2020	As at 31st March, 2019
Secured				
Cash credit facilities (refer note (i))	11.85% to 12.75%	Payable on demand	11,98,39,216	11,84,82,700
Packing credit facilities in rupee (refer note (i))	10.15%	Payable on demand	-	-
Vehicle loan from (refer note (ii))	11.02%	December-19	-	4,85,815
Term loans from bank (refer note (iii))	13.15%	November-17	-	-
Total			11,98,39,216	11,89,68,515

- (i) 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.
- (ii) Vehicle loans obtained from financial Services are secured against hypothecation of Vehicles.
- (iii) Term Loans obtained from Corporation bank is secured against specific plant and machineries.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

12. Trade Payable

Particulars	As at 31st March, 2020	As at 31st March, 2019
Micro, Small and Medium Enterprises	39,36,153	8,88,910
Others	6,11,45,579	4,34,91,554
Total	6,50,81,732	4,43,80,464

13. Other Current liabilities

Particulars	As at 31st March, 2020	As at 31st March, 2019
Statutory Dues	5,13,362	4,62,753
Others	11,26,202	15,14,441
Total	16,39,564	19,77,194

14. Provisions- Current

Particulars	As at 31st March, 2020	As at 31st March, 2019
Provision for employee benefits		
Gratuity	19,28,965	18,13,514
Current tax liabilities		
Provision for Taxation	-	11,37,600
Total	19,28,965	29,51,114

15. Revenue from Operation :

Particulars	As at 31st March, 2020	As at 31st March, 2019
Operating Income :		
a) Manufactured Goods :		
Export Sale	97,19,708	97,648
Local Sales	31,46,48,220	40,24,40,281
b) Sale of Services :		
Job Work Income	-	-
Total	32,43,67,928	40,25,37,929

16. Other Income

Particulars	As at 31st March, 2020	As at 31st March, 2019
Interest Received	5,780	11,421
Rent Received	43,60,090	-
Interest Subvention / Equilization	-	-
Miscellaneous Income	75,827	-
Income from disposal of property, plant and equipment	3,53,907	-
Net gain on foreign currency transaction and translation	-	-
Total	47,95,604	11,421



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

17. Cost of Material Consumed

Particulars	As at	As at
	31st March, 2020	31st March, 2019
Opening Stock of Raw Materials	17,96,37,155	18,41,78,907
Add : Purchases		
i) Gold	9,73,14,449	9,32,65,317
ii) Diamond	16,62,89,579	21,61,24,912
iii) Gold Finding		49,37,103
iv) Precious Stone	4,28,704	13,74,736
v) Semi Precious Stone	89,412	1,10,722
vi) Peral	23,666	1,77,150
	26,41,45,809	31,59,89,940
Less : Closing stock of Raw Materials	11,44,18,738	17,96,37,155
Total	32,93,64,226	32,05,31,692

(i) Value of Indigenous and Imported Raw materials Consumed during the year :

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Amount	%	Amount	%
Raw Materials :				
Imported	-	-	-	-
Indigenous	32,93,64,226	100.00%	32,05,31,692	100.00%
Total	32,93,64,226	100.00%	32,05,31,692	100.00%

18. Changes in Inventories of Finished Goods

Particulars	As at	As at
	31st March, 2020	31st March, 2019
Opening Stock :		
- Finished Goods	73,04,065	1,01,25,084
- Work-In-Progress	1,01,74,064	1,35,91,545.00
	1,74,78,129	2,37,16,629
Less : Closing Stock :		
- Finished Goods	80,67,979	73,04,065
- Work-In-Progress	7,50,95,277	1,01,74,064
	8,31,63,256	1,74,78,129
Total	(6,56,85,127)	62,38,500

19. Employee Benefit Expenses

Particulars	As at	As at
	31st March, 2020	31st March, 2019
Salaries and Wages	1,34,99,212	1,43,48,948
Directors Remuneration	36,00,000	36,00,000
Contribution to Gratuity & Other Fund	14,62,826	12,89,987
Staff Welfare Expenses	8,46,976	9,42,299
Total	1,94,09,014	2,01,81,234

(i) As per Indian Accounting Standard 19 "Employee benefits", the disclosures as defined are given below :


NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Defined Contribution Plan :

Contribution to Defined Contribution Plans, recognised as expense for the year is as under :

Particulars	As at	As at
	31st March, 2020	31st March, 2019
Contribution to Provident fund	8,86,285	8,72,686
ESIC and Labour welfare fund	1,24,044	1,13,931

Defined Benefit Plan

Gratuity and Leave Encashment:

The Company makes partly annual contribution to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days service for each completed year of service or part thereof depending on the date of joining. The benefit vests after five years of continuous service.

Particulars	Gratuity	
	31st March, 2020	31st March, 2019
a) Reconciliation of opening and closing balances of Defined Benefit Obligation		
<i>Defined Benefit Obligation at beginning of the year</i>	18,13,513	13,47,805
Current Service Cost	1,59,861	2,04,086
Interest Cost	1,85,635	1,03,203
Benefits Paid	(1,67,180)	(32,313)
Actuarial (Gain) / Loss	(62,864)	1,90,732
<i>Defined Benefit Obligation at year end</i>	19,28,965	18,13,513
b) Reconciliation of opening and closing balances of fair value of Plan Assets		
<i>Fair value of Plan Assets at beginning of year</i>	11,23,439	10,77,898
Expected Return on Plan Assets	73,247	82,670
Actuarial Gain / (Loss)	(14,249)	973
Employer Contribution		9,926
Benefits Paid	(1,67,180)	(32,313)
Admin expenses / Taxes paid from plan assets	(11,565)	(15,715)
<i>Fair value of Plan Assets at year end</i>	10,03,692	11,23,439
Actual return on Plan Assets	58,998	83,643
c) Reconciliation of fair value of Assets and Obligations		
Fair value of Plan Assets	10,03,692	11,23,439
Present value of Obligation	19,28,965	18,13,513
Net asset/(liability) recognized in Balance Sheet	(9,25,273)	(6,90,074)



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Particulars	Gratuity	
	31st March, 2020	31st March, 2019
d) Expenses recognised during the year		
<i>In Income Statement</i>		
Current Service Cost	1,59,861	2,04,086
Interest Cost	1,85,635	1,03,203
Administrative Expenses/Taxes/Insurance Cos	11,565	-
Return on Plan Assets	(73,247)	(82,670)
Net Cost	2,83,814	2,24,619
<i>In Other Comprehensive Income</i>		
Actuarial (Gain) / Loss	(62,864)	1,90,732
Return On Plan Assets	14,249	(973)
Net (Income)/ Expense for the period Recognised in OCI	(48,615)	1,89,759
e) Remeasurement effects recognized in other comprehensive income		
Actuarial (gain)/losses due to demographic assumption changes in DBO	-	28,204
Actuarial (gain)/losses due to financial assumption changes in DBO	(9,30,628)	9,14,992
Actuarial (gain)/losses due to experience on DBO	8,67,764	(7,52,464)
Return on Plan Assets (Greater)/less than Discount rate	14,249	(973)
Total actuarial (gain)/loss included in OCI	(48,615)	1,89,759
Defined Benefit Cost		
Cost Recognised in P&L	2,83,814	2,24,619
Remeasurement Effect Recognised in OCI	(48,615)	1,89,759
Total Defined Benefit Cost	2,35,199	4,14,378
Amount not recognised as an assets	-	-
Net Expenses OCI	2,35,199	4,14,378
Remeasurement of the net defined benefit plans:		
Actuarial (Gain) / Losses due to Demographic Assumption changes in DBO	-	28,204
Actuarial (Gain) / Losses due to Financial Assumption changes in DBO	(9,30,628)	9,14,992
Actuarial (Gain)/ Losses due to Experience on DBO	8,67,764	(7,52,464)
Return on Plan Assets (Greater) / Less than Discount rate	14,249	(973)
Total Accrual Gain / Loss included in Other Comprehensive Income	(48,615)	1,89,759

Assumptions	Gratuity	
	31st March, 2020	31st March, 2019
Discount Rate	6.35%	7.75%
Expected return on assets	6.35%	6.92%
Salary Escalation	5.00%	11.81%
Attrition Rate	11.81%	11.81%
Mortality	Indian Assured Lives Mortality(2006-08)	

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors, such as supply and demand in the employment market.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

20. Finance Cost

Particulars	As at 31st March, 2020	As at 31st March, 2019
Interest expenses	1,19,52,631	1,58,03,856
Total	1,19,52,631	1,58,03,856

21. Other Expenses

Particulars	As at 31st March, 2020	As at 31st March, 2019
Manufacturing Expenses		
Consumption of Tools	18,66,421	20,79,746
Assortment, Certification, Designing Charges	1,45,909	2,01,617
Electricity Charges	10,48,396	12,61,334
Labour Charges	10,79,570	26,26,663
Repairs to Building & Machinery	1,55,000	3,80,850
Selling & Distribution Expenses		
Advertisement Expenses	42,786	41,940
Clearing & Forwarding Charges	1,86,047	54,213
Commission / Brokerage	9,11,000	2,00,000
Exhibition Expenses	45,80,416	47,92,009
Sales Promotion	25,11,980	32,93,882
Establishment Expenses		
Bank Charges	15,12,660	8,14,341
Professional Charges	12,92,673	19,02,439
General Expenses	12,55,143	11,14,363
Insurance	15,01,427	15,57,795
Rates & Taxes	5,82,617	7,59,334
Travelling & Conveyance Expenses	57,35,199	46,81,275
Payment to Auditors	1,75,000	1,75,000
Donation	3,77,000	3,82,000
Printing & Stationery	1,54,659	2,18,960
Repairs & Maintenance (Others)	4,41,185	6,83,577
Security Expenses	15,23,086	14,74,141
Telephone Expenses	1,92,485	1,95,265
Vehicle Expenses	13,64,741	16,47,157
Director Sitting Fees	1,12,500	97,500
Net loss on foreign currency transaction and translation	17,433	14,095
Statutory Expenses		
Profession Tax	2,500	2,500
Sales & Other	21,883	73,233
Total	2,87,89,716	3,07,25,228



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

22. Current tax

(a) Income-tax expense through the statement of profit and loss

Particulars	As at 31st March, 2020	As at 31st March, 2019
Current tax :		
Current tax on profits for the year	2,96,102	14,37,600
short excess provision for tax of prior periods	-	-
	2,96,102	14,37,600
Deferred tax:		
In respect of current year originatarsal of temporary differences	87,476	(1,76,757)
	87,476	(1,76,757)
Total tax expense	3,83,578	12,60,843

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

Particulars	As at 31st March, 2020	As at 31st March, 2019
Accounting profit before income-tax :	7,40,554	40,40,233
Applicable Indian statutory income-tax rate	26.000%	26.000%
Computed expected tax expense	1,86,382	10,50,460
<i>Tax effect of :</i>		
Prior period adjustments	-	-
Expenses disallowed	13,25,088	15,50,386
Expenses allowed	(11,99,784)	(11,14,409)
Effect of deductible expenses	(15,584)	(48,880)
excess tax adjustment	-	43.00
Current tax provision	2,96,102	14,37,600
Incremental deferred tax liability on account of tangible and intangible assets	87,476	(2,60,844)
Deferred tax provision	87,476	(2,60,844)
Income-tax expense reported in the statement of profit and loss (net)	3,83,578	11,76,756
At the effective income tax rate of 39.98% (31st March 2019 : 35.58%)	3,83,578	11,76,756

23 Contingent Liabilities not Provided for :

- a) The company have deposited a sum of ₹5,59,591/- with Bombay High Court towards the recovery suit pending against the company. The Company have provided a sum of ₹2,75,000/- in the account & balance amount of ₹2,84,591/- is kept as deposit with Honourable High Court. This is pending since year 1993.
- b) Provident Fund

The Honourable Supreme Court, has passed a decision on 28th February, 2019 in relation to inclusion of certain allowances within the scope of "Basic wages" for the purpose of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. The Company, based on legal advice, is awaiting further clarifications in this matter in order to reasonably assess the impact



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

on its financial statements, if any. Accordingly, the applicability of the judgement to the Company, with respect to the period and the nature of allowances to be covered, and resultant impact on the past provident fund liability, cannot be reasonably ascertained, at present and amount not determinable at the end of year.

The Bombay Stock Exchange has imposed a fine of ₹ 108560/- including Goods and Service Tax for non appointment of compliance officer by the Company. The Company is liable to pay ₹ 1000/- per day for the fine to the The Bombay Stock Exchange for continuous default.

24 Related Party Disclosures :

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

- a) 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. Arundhati Mali (from 08.02.2019)	Director	
8	Mrs. Deepika A. Gehani	Chief Financial Officer/Director	
9	Mr. Sanjay R. Gehani	Brother of Director	
10	Mrs. Rani R. Gehani	Mother of director	

* Excutive charimaan Mr. Ramesh H. Gehani has expired on 11th july, 2017

- b) Details of transaction between the Company and its related parties are disclosed below:

Sr. No.	Nature of Transactions	Associates		Key Managerial Personnel	
		31st March, 2020	31st March, 2019	31st March, 2020	31st March, 2019
Transactions during the year					
i)	Professional Charges paid : Mrs. Arundhati Mali	-	-	3,17,500	45,000
ii)	Reimbursements: Mrs. Arundhati Mali	-	-	5,44,246	3,20,220
iii)	Purchase of goods : Sovereign Jewellery Pvt. Ltd.	52,188	49,709		
iv)	Remuneration paid : Mr. Ajay R. Gehani	-	-	36,00,000	36,00,000
v)	Salary paid : Mrs. Deepika A. Gehani	-	-	-	5,35,000



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Sr. No.	Nature of Transactions	Associates		Key Managerial Personnel	
		31st March, 2020	31st March, 2019	31st March, 2020	31st March, 2019
Balance outstanding at the year end					
i)	Other current liabilities - remuneration : Mr. Ajay R. Gehani			2,38,360	1,56,860
ii)	Professional Charges payable : Mrs. Arundhati Mali			18,000	-

* Keyman Insurance Premium of ₹ 8,50,000/- paid for a Director is not included in above.

* Mediclaim premium paid ₹ 71922/- paid for Director is not included above.

25 Earning per Shares (EPS)

Particulars		As at 31st March, 2020	As at 31st March, 2019
i)	Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders	3,56,975	27,79,390
ii)	Weighted Average number of Equity Shares used as denominator for calculating Basic Earnings per share	57,88,002	57,88,002
iii)	Weighted Average number of Equity Shares used as denominator for calculating Diluted Earnings per share	57,88,002	57,88,002
iv)	Basic Earnings per Share (₹)	0.06	0.48
v)	Diluted Earnings per Share (₹)	0.06	0.48
vi)	Face Value per Equity Shares	10	10

26 Financial Instruments / Forward Contracts :**Unhedged foreign currency exposure :**

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	US \$	Amount (₹)	US \$	Amount (₹)
i) Outstanding Receivables	-	-	-	-

27 Payment to Auditors as:

Particulars		As at 31st March, 2020	As at 31st March, 2019
i)	As Auditors	68,940	68,940
ii)	Tax Audit Fees	56,500	56,500
iii)	Others	49,560	49,560
Total		1,75,000	1,75,000



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

28 Micro, Small and Medium Enterprises :

Information as required to be furnished as per section 22 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 for the year ended 31 March 2020. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

Particulars		As at 31st March, 2020	As at 31st March, 2019
a)	The principal amount remaining unpaid to any supplier at the end of the year	39,36,153	8,88,910
b)	Interest due remaining unpaid to any supplier at the end of the year		
c)	The amount of interest paid by the buyer in terms of section 16, of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	97,753	5,51,435
d)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	6,49,188	-
e)	The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
f)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprise Development Act, 2006" is based on the information available with the Company regarding the status of registration of such vendors under the said Act, as per the intimation received from them on requests made by the Company.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

29 Fair Value Measurement

i) Financial Instruments by Category :

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial assets :				
Loans				
- security deposits	-	83,495	-	1,25,106
- other body corporates	-	2,84,592	-	2,84,592
Trade receivables	-	9,88,29,949	-	8,07,08,917
Cash and cash equivalents	-	1,45,446	-	6,60,300
Total	-	9,93,43,481	-	8,17,78,914
Financial Liabilities				
Borrowings	-	11,98,39,216	-	11,89,68,515
Other financial liabilities		39,66,000		15,00,000
Trade payables	-	6,50,81,732	-	4,43,80,464
Total	-	18,88,86,948	-	16,48,48,979

a) The carrying value of trade receivables, securities deposits, insurance claim receivable, loans given, cash and bank balances and other financial assets recorded at amortised cost, is considered to be a reasonable approximation of fair value.

b) The carrying value of borrowings, trade payables and other financial liabilities recorded at amortised cost is considered to be a reasonable approximation of fair value.

30 Financial Risk Management

ii) risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements:

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, financial assets measured at amortised cost	Aging analysis	Bank deposits, diversification of asset base, credit limits and collateral.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - interest rate	Borrowings at variable rates	Sensitivity analysis	Mix of borrowings taken at fixed and floating rates
Market risk - gold prices	Payables linked to gold prices	Sensitivity analysis	The gold is purchase at the prevailing price from nominated agencies.
Market risk - security price	Investments in equity securities	Sensitivity analysis	Portfolio diversification



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

The Company's risk management is carried out by a central treasury department of the Company under policies approved by the Board of Directors. The Board of Directors provide written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, market risk, credit risk and investment of excess liquidity.

A) Credit Risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or pay amounts due to the Company causing financial loss. It arises from cash and cash equivalents, deposits with banks and financial institutions, security deposits, loans given and principally from credit exposures to customers relating to outstanding receivables. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at reporting date.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by the Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. The Company has very limited history of customer default, and considers the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, mutual funds, bank deposits, loans and derivative financial instruments is considered negligible, since the counterparties are reputable organisations with high quality external credit ratings.

Company provides for expected credit losses on financial assets by assessing individual financial instruments for expectation of any credit losses. Since the assets have very low credit risk, and are for varied natures and purpose, there is no trend that the company can draw to apply consistently to entire population. For such financial assets, the Company's policy is to provides for 12 month expected credit losses upon initial recognition and provides for lifetime expected credit losses upon significant increase in credit risk. The Company does not have any expected loss based impairment recognised on such assets considering their low credit risk nature, though incurred loss provisions are disclosed under each sub-category of such financial assets.

Detail of trade receivables that are past due is given below:

Particulars	As at 31st March, 2020	As at 31st March, 2019
Not due	7,27,02,177	5,45,81,145
0-30 days past due	2,61,27,772	2,61,27,772
31-60 days past due	-	-
61-90 days past due	-	-
More than 90 days past due	-	-
Total	9,88,29,949	8,07,08,917

B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

Particulars	As at 31st March, 2020	As at 31st March, 2019
Expiring within one year (bank overdraft and other facilities)	11,98,39,216	11,89,68,515
Expiring beyond one year (bank loan)	-	-
Total	11,98,39,216	11,89,68,515

Contractual maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

As at 31st March, 2020	Payable on demand	Less than 1 year	Less than 1-2 year	Less than 2-3 year	More than 3 year	Total
Non-derivatives						
Borrowings	11,98,39,216	-	-	-	-	11,98,39,216
Trade payable	-	6,50,81,732	-	-	-	6,50,81,732
Other financial liabilities	-	-	-	-	39,66,000	39,66,000
Total	11,98,39,216	6,50,81,732	-	-	39,66,000	18,88,86,948

As at 31st March, 2019	Payable on demand	Less than 1 year	Less than 1-2 year	Less than 2-3 year	More than 3 year	Total
Non-derivatives						
Borrowings	11,84,82,700	4,85,815	-	-	-	11,89,68,515
Trade payable	-	4,43,80,464	-	-	-	4,43,80,464
Other financial liabilities	-	-	-	-	15,00,000	15,00,000
Total	11,84,82,700	4,48,66,279	-	-	15,00,000	16,48,48,979

C) Market risk - foreign exchange

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to US Dollar. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Company, as per its overall strategy, uses forward contracts to mitigate its risks associated with fluctuations in foreign currency, and such contracts are not designated as hedges under Ind AS 109. The Company does not use forward contracts and swaps for speculative purposes.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Below is the summary of Expenditure In Foreign Currency:

Particulars	As at 31st March, 2020	As at 31st March, 2019
i) Expenditure		
a) Foreign Travels	15,05,365	11,52,606
b) Exhibition Charges	28,37,131	37,39,197

Below is the summary of Earnings In Foreign Exchange:

Particulars	As at 31st March, 2020	As at 31st March, 2019
i) F.O.B.Value of Exports	95,11,986	97,648

D) Interest rate risk

i) Liabilities

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31st March 2020, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates.

Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

Particulars	As at 31st March, 2020	As at 31st March, 2019
Variable rate borrowing	11,98,39,216	11,84,82,700
Fixed rate borrowing	-	-
Total Borrowings	11,98,39,216	11,84,82,700

Sensitivity

The sensitivity to profit or loss in case of a reasonably possible change in interest rates of +/- 50 basis points (previous year: +/- 50 basis points), keeping all other variables constant, would have resulted in an impact on profits by ₹ 5,38,407/- (previous year ₹ 7,11,885/-).

ii) Assets

The Company's financial assets are carried at amortised cost and are at fixed rate only. They are, therefore, not subject to interest rate risk since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

E) Price risk

Sensitivity

The sensitivity to profit or loss in case of an increase in price of the instrument by 5% keeping all other variables constant would have resulted in an impact on profits by ₹1,62,18,396/- (previous year ₹2,01,26,896).

Exposure from trade payables:

The Company's exposure to price risk also arises from trade payables of the Company that are at unfixed prices, and, therefore, payment is sensitive to changes in gold prices. The option to fix gold prices are classified in the balance sheet as fair value through profit or loss. The option to fix gold prices are at unfixed prices to hedge against potential losses in value of inventory of gold held by the Company.

The Company applies fair value hedge for the gold purchased whose price is to be fixed in future. Therefore, there will no impact of the fluctuation in the price of the gold on the Company's profit for the period.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

31 Capital Management

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

The Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Particulars	As at 31st March, 2020	As at 31st March, 2019
(a) Gearing Ratio		
Net debts	11,98,39,216	11,89,68,515
Total equity	14,26,63,216	14,22,57,626
Gearing Ratio	84.00%	83.63%
(b) Dividends		
(i) Equity shares		
Final dividend for the year ended 31 March 2019	-	-
Final dividend for the year ended 31 March 2020	-	-
(ii) Dividends not recognised at the end of the reporting period	-	-

32 The previous year's figures have been regrouped and rearranged wherever necessary to make in compliance with the current financial year.

33 While verifying the physical stock on 5th July, 2019 the management realized shortage of Gold as compared to stock as per books. The management suspected an old employee of the Company who misappropriated certain quantity of stock. An old employee also confessed before management his misappropriation of Gold. The management lodged police complaint against old employee.

The loss arising on account of this misappropriation is estimated at 900 gms of gold value about Rs.30,00,000/-. The Police Department is inquiring and trying to recover as much as possible from said employee. As the loss due to this misappropriation is not determined yet, the same will be accounted in subsequent year.

34 Transition of Ind As 116 :

Company as a lessor:

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020****35 COVID- 19 effects and assessment :**

The COVID-19 pandemic is rapidly spreading throughout the world. The operations of the company were impacted, due to shutdown of plants and offices following lockdown as per directives from the Government of India.

The Company has resumed operations in a phased manner as per directives from the Government of India. The Company has evaluated impact of this pandemic on its business operations and financial position and based on its review of current indicators of future economic conditions, there is no major significant impact on its financial statements as at 31st March, 2020.

However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and accordingly the impact may be different from that estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes to future economic conditions.

36 Authorization of Financial Statements :

The financial statements for the year ended 31st March, 2020 (including comparatives) were approved by the Board of Directors on 27th June 2020.

As per our report of even date attached

**For Pulindra Patel & Co.
Chartered accountants
ICAI Firm Registration No.115187W**

For and on behalf of Board of Directors

**Sd/-
Pulindra Patel
Proprietor
Membership No. 048991**

**Sd/-
Ajay R. Gehani
Managing Director
DIN-00062989**

**Sd/-
Arundhati R. Mali
Chief Financial Officer
and Director
DIN-08353618**

Place : Mumbai

Date : 27th June, 2020

SOVEREIGN DIAMONDS LIMITED

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