

SUNRAJ DIAMOND EXPORTS LTD.



**20TH ANNUAL REPORT
2009 - 2010**

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. Sunil C. Gandhi

Mr. Sunny S. Gandhi

Mr. Nirav K. Shah

Mr. Hargovind Shah

Mr. Jimit Shah

(w.e.f. 05-03-2010)

Mr. Rishi Mehra

(Resigned as on 05-03-2010)

BANKERS

State Bank of India

Bank of Baroda

The Royal Bank of Scotland N.V.

AUDITORS

M/s. Bhupendra Shroff & Co.

Chartered Accountants

REGISTERED OFFICE

1008, Panchratna Building, 10th Floor,
Opera House, Mumbai - 400 004.

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Ajel Infotech Ltd.

106, Mhada Commercial, Oshivara,
Jogeshwari (West), Mumbai - 400102.

SUNRAJ DIAMOND EXPORTS LTD.

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the shareholders of **Sunraj Diamond Exports Limited** will be held at Kshatriya Dnyati Sabha Gruha, 229-D Raja Ram Mohan Roy Marg, Girgaum, Mumbai 400 004 on Thursday 30th September, 2010 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors.
2. To appoint a Director in place of Mr. Nirav Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Jimit Shah who was appointed as an Additional Director of the Company pursuant the Section 260 of the Companies Act, 1956 and Article 115 of the Article of Association of the Company, and who holds office only up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.”

For and on behalf of the Board of Directors

S. S. GANDHI
Executive Director

Registered Office

1008, Panchratna,
Mama Parmanand Marg,
Opera House,
Mumbai 400 004.

Dated: 19th August, 2010

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**
2. An Explanatory Statement as required under Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the share transfer books will remain closed from 23rd September, 2010 to 30th September, 2010 both days inclusive.
4. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.

**EXPLANATORY STATEMENT UNDER SECTION 173
OF THE COMPANIES ACT, 1956**

Item No. 4

Mr. Jimit Shah was appointed Additional Director of the Company with effect from 5th March, 2010.

In terms of Section 260 of the Companies Act, 1956 Mr. Jimit Shah will hold office only up to the conclusion of the ensuing Annual General Meeting. Notices have been received from some shareholders, proposing the candidature of Mr. Jimit Shah for the office of Director in accordance with the provisions of Section 257 of the Companies Act, 1956.

The Board considers it desirable that the Company continues to avail of the services of Mr. Jimit Shah and commends resolution 4 for acceptance by the Members.

None of the Directors except Mr. Jimit Shah is concerned or interested in the resolution at Item No. 4.

For and on behalf of the Board of Directors

S. S. GANDHI
Executive Director

Registered Office

1008, Panchratna,
Mama Parmanand Marg,
Opera House,
Mumbai 400 004.

Dated: 19th August, 2010

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS' REPORT

To,
The Members,
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Twentieth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2010.

| FINANCIAL RESULTS: | 31st March, 2010 | | 31st March, 2009 | |
|---|-------------------------|--------------------|-------------------------|-------------|
| Profit before Depreciation and Interest | | 45,53,943 | | 20,64,862 |
| Less: Depreciation | 841,674 | | 7,08,619 | |
| Interest & Financial Expenses | 18,83,646 | 27,25,320 | 13,05,183 | 20,13,802 |
| Profit before Tax | | 18,28,623 | | 51,060 |
| Less: Provision for Taxation | 375,000 | | 1,25,000 | |
| Deferred Tax | 140,297 | | 37,950 | |
| Fringe Benefit Tax | — | 515,297 | 92,141 | 2,55,091 |
| Profit for the year | | 13,13,326 | | (2,04,031) |
| Add/(Less): Provision of earlier years w/off | | (23,360) | | 1,21,342 |
| Add: Surplus brought forward from previous year | | 1,96,95,613 | | 1,97,78,302 |
| Balance Carried to Balance Sheet | | 2,09,85,580 | | 1,96,95,613 |

DIVIDEND:

With a view to conserving the resources, your Directors have decided not to recommend Dividend for the year.

OPERATIONS:

During the year under review the Company has recorded a turnover of Rs. 3,430.01 Lacs. Due to resurgence in Demand for Diamonds, the company has managed to capitalize on the opportunities available during the financial year. Reviving old accounts of Clients who were cautious during the recession, company has seen Sales increase substantially as prices were extremely competitive and trade was robust. The company is continuing its aggressive approach towards maintaining a steady level of growth for the year ahead.

DIRECTORATE:

In accordance with Article 109 of the Articles of Association of the Company, Mr. Nirav Shah retires by rotation but being eligible, offers himself for re-appointment.

Mr. Jimit Shah was appointed as Additional Director of the Company on 5th March, 2010. By virtue of the provisions of Section 260 of the Companies Act, 1956 he shall hold office only upto the conclusion of this Annual General Meeting. The Company has received Notices in writing from members of the Company proposing his candidature for the office of Director in accordance with Section 257 of the Companies Act, 1956.

The Directors recommend his appointment as Director liable to retire by rotation.

Mr. Rishi Mehra, Director resigned from the Board on 5th March, 2010. Your Directors wish to place on record their appreciation for the services rendered by Mr. Rishi Mehra during his tenure as Director of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure to the Report.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee covered under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and therefore, this information has not been furnished as part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) Appropriate accounting policies have been selected and applied consistently, and judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March, 31st 2010 and of the Company for the period 1st April, 2009 to 31st March, 2010.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounts records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 to the Listing Agreement with the Stock Exchange a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance form part of this Report.

AUDITORS:

Shareholders are requested to appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting. The retiring Auditors, M/s Bhupendra Shroff & Co., being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS:

The Directors acknowledge the co-operation and assistance received from the Banks and various Government agencies both Central and State.

The Directors wish to place on record their sincere appreciation of the contribution made by the employees at all levels of the organizations who have greatly contributed to the results.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated : 19th August, 2010

S. S. GANDHI **NIRAV SHAH**
Executive Director Executive Director

SUNRAJ DIAMOND EXPORTS LTD.

ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A) CONSERVATION OF ENERGY:

During the year under review, the energy consumption was maintained at a very minimum level and the Company continues to endeavor that the consumption does not rise. The particulars of total energy consumption and energy consumption per unit of production are not applicable.

B) TECHNOLOGY ABSORPTION - FORM 'B':

1. Research & Development:

- | | |
|---|-------|
| i) Specific areas in which Research and Development is carried out by the Company | } NIL |
| ii) Benefit derived as a result of the above Research & Development | } NIL |
| iii) Future plan of action | } |
| iv) Expenditure on Research & Development | } |

2. Technology Absorption, Adaptation and Innovation:

The Company has no technical collaboration in respect of manufacture of Diamonds which includes cutting, polishing and finishing.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars with regard to foreign exchange expenditure and earnings are given in Note No. 13 & 14 of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated: 19th August, 2010.

S. S. GANDHI **NIRAV SHAH**
Executive Director Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure and Development :

The Diamond Industry is going through a period of rapid vertical integration. The Company is engaged in the business of trading in cut and polished diamonds. The company proposes to engage in Manufacturing as there is a period of stability in prices and opportunity to increase profitability. The company plans to source the raw material directly from a mining company in order to gain access to the raw materials at competitive prices. The market sentiment having revived itself is expected to bring a strong demand for Polished Diamonds globally and successfully sustain organic growth for the Company.

B) Opportunities and Threats :

The Indian Diamond Industry is fast changing its structure and is poised for growth with the introduction of modernized factories and latest automated machines and tools. The Company is well positioned to in the emerging business scenario with a clear objective to utilize the opportunities available in terms of amalgamating the manufacturing and the retail segments of the industry. The Company also intends to engage in the manufacturing of rough diamonds and capitalize on the prices of raw materials which are attractively priced, which will in turn enable it to enhance its market share in the international and domestic markets.

The major risks are evident in the form of client's failure to meet their payment deadlines and also the environment of adverse exchange rates.

C) Segment-wise Performance :

The Company currently has only one business segment viz. trading in cut and polished diamonds and hence product-wise performance is not provided.

D) Outlook :

The Indian Diamond Industry is expected to grow in spite of continued economic slowdown in the US & European Markets. The outlook for the Company is positive in the face of a decreasing financial atmosphere. The Company intends to improve its market share by increasing current volumes and diversifying the product range to remain competitive in the international market.

E) Risk and Concerns :

The general downturn in some parts of the world economy, acute competition and the dangers of failure of the client's to meet payment deadlines are some of the major areas of concern.

F) Internal Control Systems and their Adequacy :

The Company has a satisfactory internal control system, the adequacy of which has been mentioned in the Auditors' Report.

G) Human Resources :

There has been no material development on the Human Resource / Industrial relations front during the year.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of Listing Agreement)

1. Company's Philosophy on Code of Governance :

The Company is committed to benchmarking itself with the best in all areas including Corporate Governance. The Company's philosophy of Corporate Governance is aimed at strengthening the confidence among shareholders, customers and employees and ensuring a long term relationship of trust by maintaining transparency and disclosures. The Company is aiming at efficient conduct of the business in meeting its obligations to the shareholders.

The Company has adopted a Code of Conduct as required under clause 49 of the listing Agreement with the Stock Exchanges. The Directors have confirmed compliance with the code of conduct for the year ended 31st March, 2010.

The relevant standards of Corporate Governance have been fully complied with by the Company.

2. Board of Directors :

Composition and size of the Board

The present strength of the Board is 5. The Board comprises of two Executive Directors. The rest are Non - Executive Directors.

The size and composition of the Board conforms with the requirements of Corporate Governance under the Listing Agreement with the Stock Exchange and applicable laws. The Independent Non Executive Directors of the Company do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its management or its subsidiaries, which in the judgment of the Board may affect independence of judgment of the Directors. Non-Executive Directors are not paid any remuneration.

No. of Board Meetings held during the year along with the dates of meeting

In the financial year 2009-2010, the Board met six times. The Board meetings were held on

- | | | |
|-------------------------|------------------------------|-------------------------|
| (1) 29th April, 2009, | (2) 29th July, 2009, | (3) 17th August, 2009, |
| (4) 31st October, 2009, | (5) 26th December, 2009, and | (6) 30th January, 2010. |

SUNRAJ DIAMOND EXPORTS LTD.

The composition of Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorship, committee memberships and chairmanships held by them, are given below:

| Directors | Category | Shares held | Attendance Particulars | | No. of other Directorship and Committee Membership/Chairmanship held | | |
|-------------------------------------|----------|-------------|------------------------|----------|--|-----------------------|-------------------------|
| | | | Board Meeting | Last AGM | Director-Ships | Committee Memberships | Committee Chairmanships |
| Mr. Sunny S. Gandhi | WTD | 679500 | 6 | Yes | 3 | 1 | Nil |
| Mr. Hargovind Shah | NED | Nil | 5 | No | Nil | 1 | 1 |
| Mr. Nirav Kumar Shah | WTD | 70992 | 6 | Yes | Nil | 1 | 1 |
| Mr. Sunil Gandhi | NED | 115000 | 2 | No | 2 | Nil | Nil |
| Mr. Rishi Mehra | NED | Nil | Nil | Yes | 3 | Nil | Nil |
| Mr. Jimit Shah w.e.f. 05-03-2010 | NED | Nil | Nil | No | Nil | Nil | Nil |

C: Chairman; **MD:** Managing Director; **WTD:** Whole time Director; **NED:** Non Executive Director

Directors who are Chairpersons of Committee have been included in the list of members as well.

The Board periodically reviews compliance Reports of all laws applicable to the company as well as steps taken by the Company to rectify instances of non-compliances, if any.

None of the Directors is a Member of more than 10 Board - level Committees or Chairman of more than 5 such Committees, as required under clause 49 of the listing agreement, across all Companies in which they are Directors.

The Brief Profile of Director being appointed/re-appointed (pursuant to Clause 49 of the Listing Agreement):

| | | |
|-------------------------------------|---|--|
| 1. Name of Director | Mr. Nirav Kumar Shah | Mr. Jimit Shah |
| 2. Date of Birth | 16.07.1980 | 09.02.1983 |
| 3. Date of Appointment | 28.03.2008 | 05.03.2010 |
| 4. Experience in specific areas | Mr. Nirav Shah has obtained training in manufacturing and assortment of rough & polished diamonds. Prior to this he has experience in the field of finance and capital markets. | Mr. Jimit Shah is currently working as a Assistant VP with Barclays Bank International Tax, Structured Products Dept. His educational qualification and experience in the finance field is of great help to the company. |
| 5. Qualifications | S.S.C. | B.Com, C.A., C.F.A. |
| 6. Directorships in other Companies | Nil | Nil |
| 7. Membership of Committees | Nil | Nil |

3. Audit Committee:

Terms of reference, Composition:

The terms of reference of this committee covers the matters specified for Audit committee under Clause 49 of the Listing Agreement. The Chairman of the Audit committee is Mr. Hargovind Shah, an Independent Director.

Audit Committee meetings were held on

- (1) 29th April, 2009, (2) 29th July, 2009, (3) 17th August, 2009,
(4) 31st October, 2009 and (5) 30th January, 2010.

20th Annual Report 2009-2010

The composition of Audit Committee and attendance at its meetings is given hereunder:

| Member | Position | No. of Meetings attended |
|--------------------|----------|--------------------------|
| Mr. Hargovind Shah | Chairman | 5 |
| Mr. Sunny Gandhi | Member | 5 |
| Mr. Rishi Mehra | Member | 5 |

The Chairman and the statutory auditors were the invitees to the above meetings.

Remuneration Committee:

The Listing Agreement with the Stock Exchanges provides that a Company may appoint a Committee for recommending managerial remuneration payable to the Directors. The Company has setup a remuneration committee for the said purpose. The main function of the Committee is to determine the remuneration payable to the Whole time Directors.

The remuneration Committee has met once during the year.

4. Remuneration Policy:

The remuneration of the Whole time Directors is recommended by the remuneration Committee base on factors such as industry benchmarks, the Company's performance etc. Mr. Sunny Gandhi, the Executive Director has been paid salary of Rs.3,00,000.00 for the year. Mr. Sunny Gandhi's Contract as Whole time Director of the Company is for a period of 5 years with effect from 1st October, 2006 up to 30th September, 2011 terminable by 3 months Notice on either side. Mr. Nirav Shah, another Executive Director has been paid a salary of Rs. 4,80,000.00 for the year. Mr. Nirav Shah's Contract as Whole time Director of the Company is for a period of 5 years with effect from 1st April, 2009 upto 31st March, 2014 terminable by 3 months Notice on either side. No severance fees are paid under the said Agreement. The Company does not have any stock option scheme. No sitting fees are paid to the Non - Executive Directors.

5. Shareholders Grievance Committee:

The Shareholders Grievance Committee comprises of two independent Directors, Mr. Hargovind Shah and Mr. Rishi Mehra Shah. Mr. Nirav Shah has been appointed as the Compliance Officer with effect from 26th February, 2009. There is no complaint that has remained un - redressed. There is no share transfer pending registration for more than 30 days as on the said date.

6. General Body Meetings:

The details of Annual General Meetings held during last three years are as under :-

| Financial Year | Day and Date | Time |
|----------------|----------------------|------------|
| 2008-2009 | Wednesday 30/09/2009 | 11.30 a.m. |
| 2007-2008 | Tuesday 30/09/2008 | 11.30 a.m. |
| 2006-2007 | Saturday 29/09/2007 | 11.30 a.m. |

Location:

All the above A.G.M's were held at the Kshatriya Dnyati Sabha Gruha, 229-D Raja Ram Mohan Roy Marg, Girgaum, Mumbai 400 004.

Business:

During the last year, there was no business, which had to be conducted through a postal ballot. At present, the Company does not have any resolution to be decided by the members by postal ballot.

7. Disclosures:

1. There are no related party transactions made by the Company with its promoters, Directors or Management, their subsidiaries or relatives that may have potential conflict with the interest of the company at large. The Register of Contracts containing the transactions in which Directors are interested is regularly placed before the Board for its approval. The transactions with the related parties are disclosed in the notes to accounts in the Annual Report.
2. During the last three years, there were no strictures or penalties imposed either by Securities and Exchange Board of India or the Stock Exchanges or any regulatory authority for non-compliance of any matter relating to the capital market.

SUNRAJ DIAMOND EXPORTS LTD.

3. Code of Conduct

The Board of Directors of the Company has laid down two separate Codes of Conduct - one for Directors and other for Senior Management and Employees.

All Board Members and Senior Management personnel have affirmed compliance with the Code of conduct for the year review. A Declaration signed by Managing Director to this effect is annexed to this report.

4. CEO/CFO Certification

As required under Clause 49 V of the listing Agreement with the Stock Exchanges, the Managing Director and G.M. Finance of the Company have certified to the Board regarding their review on the Financial Statements, Cash flow Statements and matters related to internal controls etc. in the prescribed format for the year ended 31st March, 2010.

8. Means of Communication:

1. The financial results of the Company are published in widely circulating National dailies such as Free Press Journal and Nav-Shakti. These are not sent individually to the shareholder.
2. The Company's results or official news are not displayed on the Company's web site. There were no presentations made to the institutional investors or to the analysts.
3. The Management Discussion and Analysis Report form a part of this Annual Report.

9. General Shareholder Information:

- a. **AGM Day, Date, Time** Thursday, 30th September, 2010 at 11.30 a.m.
Venue Kshatriya Dnyati Sabha Gruha,
229 Raja Ram Mohan Roy Marg, Girgaum, Mumbai 400 004.
- b. **Financial Calendar** 01.04.2010 to 31.03.2011
- c. **Un-Audited Financial Results** 1st Quarter Last Week of July
2nd Quarter Last Week of October
3rd Quarter Last Week of January
4th Quarter Last Week of April
- d. **Book Closure Period** 23.09.2010 to 30.09.2010
- e. **Dividend Payment Date** Not Applicable
- f. **Listing on Stock Exchanges at:**
The Equity Shares of the Company are listed at the The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001.
- g. **Stock/Company/Security/Common Code:**
The Stock Exchange, Mumbai. Code: 23425
- h. **Demat ISIN No. for Depositories: 495D01014**
- i. **Market Price Data:**
High/Low of the Company's Shares traded in the Stock Exchange, Mumbai, during the financial year 2009-2010 is furnished below:

| Month & Year | Company's Share Price | |
|----------------|-----------------------|-------|
| | High | Low |
| April 2009 | 7.14 | 5.25 |
| May 2009 | 7.35 | 4.54 |
| June 2009 | 11.00 | 7.71 |
| July 2009 | 11.80 | 8.00 |
| August 2009 | 13.99 | 10.25 |
| September 2009 | 15.29 | 10.45 |
| October 2009 | 12.10 | 9.55 |
| November 2009 | 10.50 | 8.30 |
| December 2009 | 12.92 | 10.01 |
| January 2010 | 14.20 | 9.50 |
| February 2010 | 12.55 | 9.09 |
| March 2010 | 12.07 | 9.52 |

j. Registrar and Transfer Agents:

In compliance with the SEBI Directive for all listed Companies to have a common agency to handle physical and electronic share registry work the Company has appointed M/s. Ajel Infotech Limited as the Registrar and Transfer Agents. Accordingly all documents, transfer Deeds, demat requests and other communications in relation thereto should be addressed to the R & T at it's offices at 106, Mhada Commercial Complex, Oshivara, Jogeshwari (West), Mumbai 400 102.

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. Officers of the Registrars and Transfer Agents have been authorized to approve transfers in addition to the officers of the Company.

Distribution of Shareholding as on 31st March, 2010

| No. of Shares | No. of Holders | % to Total | No. of Shares | % to Total |
|-----------------|----------------|---------------|------------------|---------------|
| 1 to 500 | 10,680 | 94.44 | 15,31,841 | 28.11 |
| 501 to 1000 | 371 | 3.28 | 3,12,460 | 5.73 |
| 1001 to 2000 | 122 | 1.08 | 1,87,915 | 3.45 |
| 2001 to 3000 | 49 | 0.43 | 1,22,698 | 2.25 |
| 3001 to 4000 | 20 | 0.18 | 71,720 | 1.32 |
| 4001 to 5000 | 20 | 0.18 | 93,426 | 1.71 |
| 5001 To 10000 | 20 | 0.18 | 1,58,039 | 2.90 |
| 10001 and above | 27 | 0.23 | 29,71,901 | 54.53 |
| | 11,309 | 100.00 | 54,50,000 | 100.00 |

Shareholding Pattern of the Company as on 31st March, 2010

| Sr. No. | Holders | No. of Shares Held | % of Total |
|---------|----------------------------------|--------------------|---------------|
| A | Promoters Holding | 18,10,800 | 33.23 |
| B | Institutional Investors | | |
| a. | Mutual Funds and UTI | 10,800 | 0.20 |
| b. | Banks and Financial Institutions | 100 | 0.00 |
| C. | Bodies Corporate | 2,83,013 | 5.19 |
| D | Indian Public | 32,20,787 | 59.10 |
| E | NRI's / OCB's | 1,24,500 | 2.28 |
| | TOTAL | 54,50,000 | 100.00 |

Dematerialisation of Shares & Liquidity

As on 31st March, 2010 **62.98%** of the Company's total shares representing 34,32,200 shares were held in dematerialized form.

Address for Correspondence : 1008, Panchratna, Mama Parmanand Marg,
Opera House, Mumbai - 400 004.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated : 19th August, 2010.

S. S. GANDHI **NIRAV SHAH**
Executive Director Executive Director

SUNRAJ DIAMOND EXPORTS LTD.

DECLARATION ON CODE OF CONDUCT

As required by Clause 49 of the Listing Agreement the Declaration for Code of Conduct is given below:

To,
The Members of
Sunraj Diamonds Exports Limited

I, Mr. Sunny Gandhi, Executive Director of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated: 19th August, 2010.

S. S. GANDHI
Executive Director

AUDITORS' CERTIFICATE

We have examined the conditions of Corporate Governance by Sunraj Diamond Exports Limited for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the Company with the relevant Stock Exchange.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedure and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance except in the matter of the composition of the Board of Directors which did not comprise of Independent Directors to the extent of 50% of the Board's strength, but which has since then been complied with, as stipulated in the abovementioned Listing Agreement.

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

For **Bhupendra Shroff & Co.**
Chartered Accountants
Firm No. 101458W

Mumbai,
Date: 19th August, 2010.

B. N. Shroff
Partner
Membership No. 5039

AUDITORS' REPORT

TO THE MEMBERS OF SUNRAJ DIAMOND EXPORTS LIMITED

We have audited the attached Balance Sheet of SUNRAJ DIAMOND EXPORTS LIMITED as at 31st March, 2010, and the Profit & Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion, accordingly we report:

1. As required under the Companies (Auditor's Report) Order, 2004, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraph 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper Books of Accounts as required by the law have been kept by the Company so far as appears from our examinations of the books of accounts, and proper returns adequate for the purpose of our audit have been received from branches not visited by us.
 - (c) The Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of accounts and in our opinion, in accordance with the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956.
 - (d) Based on the confirmations received from the Directors of the Company and the information and explanations as made available to us by the Company, none of the Directors of the Company has prima facie any disqualification as referred to in Section 274(1)(g) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

- (i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2010, and
- (ii) In the case of the Profit & Loss account of the profit for the year ended on that date.
- (iii) In the case of Cash flow Statement, of the cash flows for the year ended on that date.

For **Bhupendra Shroff & Co.**
Chartered Accountants
Firm No. 101458W

B. N. Shroff
Partner

Mumbai,
Date: 17th August, 2010.

Membership No. 5039

SUNRAJ DIAMOND EXPORTS LTD.

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of the report of even date.

1. (a) As per the information and explanation given to us, the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) As per the information and explanation given to us, fixed assets have been physically verified by the management at reasonable intervals, no material discrepancies were noticed on such verification.
(c) No fixed assets have been disposed off during the year.
2. (a) As per the information and explanation given to us, management had physically verified inventory at reasonable intervals.
(b) As per the information and explanation given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
(c) As per the information and explanation given to us, the company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. As per the information and explanation given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties cover in the register maintained under section 301 of the Act. The Company has received unsecured loans from companies, firms, or other parties covered in the register maintained under section 301 of the Act, however the said loans are non prima facie prejudicial to the interest of the Company.
4. As per the information and explanation given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
5. As per the information and explanation given to us, the transactions that need to be entered into the register in pursuant of section 301 of the act have been so entered.
6. As per the information and explanation given to us, the company has not accepted deposits from the public, and hence the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed there under, are not applicable to the company.
7. The Company has adequate internal audit system commensurate to the nature and size of the business of the Company.
8. As per the information and explanation given to us, no cost records are prescribed by the central government under clause (d) of sub-section (1) of section 209 of the Act.
9. (a) As per the information and explanation given to us, the company has no undisputed statutory dues including Provident Fund, Investor Education Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities for the financial year concerned for a period of more than six months from the date they became payable.

20th Annual Report 2009-2010

(b) As per the information and explanation given to us, there are no disputed dues of sales tax/custom duty/wealth tax/excise duty/cess except in case of income tax as below:

| Nature of Tax Liability | Amount (Rs.) | Nature of Dispute / Forum Where the dispute is pending |
|--------------------------------|---------------------|---|
| Income Tax A. Y. 2002-03 | 12,86,480 | Assessing Officer as the same was set aside by CIT (Appeals) |

10. There are no accumulated losses at the financial year end and there are no cash losses in such financial year and in the financial year immediately preceding such financial year also.
11. As per the information and explanation given to us, the company has taken loans from bank and the same are used for the purpose for which it is taken.
12. As per the information and explanation given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. As per the information and explanation given to us, the provisions of any special statute applicable to chit fund are not applicable to the company.
14. As per the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments.
15. As per the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
16. As per the information and explanation given to us, the company has not taken any term loan during the year.
17. As per the information and explanation given to us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act
18. As per the information and explanation given to us, the company has not raised money by public issues during the financial year.
19. As per the information and explanation given to us, the company has not noticed any fraud on or by the company during the year.

For **Bhupendra Shroff & Co.**
Chartered Accountants
Firm No. 101458W

Mumbai,
Date :17th August, 2010.

B. N. Shroff
Partner
Membership No. 5039

SUNRAJ DIAMOND EXPORTS LTD.

BALANCE SHEET AS AT 31ST MARCH, 2010

| | SCHEDULE | AS AT 31.03.2010 Rs. | AS AT 31.03.2009 Rs. |
|--|----------|----------------------------|----------------------------|
| SOURCES OF FUNDS : | | | |
| SHAREHOLDERS' FUND | | | |
| Share Capital | 1 | 53,902,000 | 53,902,000 |
| Reserves & Surplus | 2 | 20,985,580 | 19,695,613 |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 31,784,788 | 10,147,350 |
| Unsecured Loans | | 75,130 | 67,241 |
| Deferred Tax Liability | | 2,072,536 | 1,932,239 |
| TOTAL | | 108,820,034 | 85,744,443 |
| APPLICATION OF FUNDS : | | | |
| FIXED ASSETS | | | |
| Gross Block | 4 | 21,910,394 | 21,857,269 |
| Less : Accumulated Depreciation | | 4,297,931 | 3,465,982 |
| Net Block | | 17,612,463 | 18,391,287 |
| INVESTMENTS | 5 | 15,000 | 199,000 |
| CURRENT ASSETS, LOANS & ADVANCES : | | | |
| Inventories | 6 | 35,202,454 | 20,502,679 |
| Receivables | 7 | 163,574,355 | 63,260,610 |
| Cash & Bank Balances | 8 | 2,316,657 | 2,795,869 |
| Loans & Advances | 9 | 11,110,251 | 11,500,946 |
| | | 212,203,716 | 98,060,104 |
| <i>Less : CURRENT LIABILITIES & PROVISIONS</i> | | | |
| Current Liabilities | 10 | 120,419,000 | 30,064,943 |
| Provisions | 11 | 592,141 | 841,002 |
| | | 121,011,141 | 30,905,945 |
| NET CURRENT ASSETS | | 91,192,575 | 67,154,159 |
| MISCELLANEOUS EXPENDITURE | 12 | — | — |
| TOTAL | | 108,820,034 | 85,744,443 |
| Notes on Accounts | 19 | | |

As per our report attached
For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
Firm No. : 101458W
(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 17th August, 2010.

For and on behalf of the Board
SUNIL C. GANDHI
Director

SUNNY S. GANDHI
Director

Mumbai, 17th August, 2010.

20th Annual Report 2009-2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| | SCHEDULE | YEAR ENDED 31.03.2010 Rs. | YEAR ENDED 31.03.2009 Rs. |
|--|-----------------|--|--|
| INCOME : | | | |
| Export Sales | 13 | 343,001,307 | 126,210,244 |
| Other Income | 14 | 561,286 | 2,875,092 |
| TOTAL | | 343,562,592 | 129,085,336 |
| EXPENDITURE : | | | |
| Cost of goods consumed/sold | 15 | 329,002,594 | 121,163,560 |
| Other Direct Expenses | 16 | 2,473,036 | 942,916 |
| Selling, Administration & Other Expenses | 17 | 7,533,019 | 4,853,242 |
| Interest & Financial Expenses | 18 | 1,883,646 | 1,305,183 |
| Depreciation | | 841,674 | 708,619 |
| Preliminary Expenses Written Off | | — | 60,755 |
| | | 341,733,969 | 129,034,275 |
| Profit before Tax | | 1,828,623 | 51,060 |
| Provision for Taxation | | | |
| - Deferred Tax | | 140,297 | 37,950 |
| - Fringe Benefit Tax | | — | 92,141 |
| - Current Tax | | 375,000 | 125,000 |
| Profit after Tax | | 1,313,326 | (204,031) |
| Excess/(Short) Provision of previous year written back | | (23,360) | 121,342 |
| Surplus brought forward from last year | | 19,695,614 | 19,778,302 |
| Surplus carried forward to Balance Sheet | | 20,985,580 | 19,695,613 |
| Earning per Share (Basic) | | 0.24 | (0.02) |
| Earning per Share (Diluted) | | 0.24 | (0.02) |
| Notes on Accounts | 19 | | |

As per our report attached
For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
Firm No. : 101458W
(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 17th August, 2010.

For and on behalf of the Board
SUNIL C. GANDHI
Director
SUNNY S. GANDHI
Director
Mumbai, 17th August, 2010.

SUNRAJ DIAMOND EXPORTS LTD.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

| | AS AT 31.03.2010 Rs. | AS AT 31.03.2009 Rs. |
|---|----------------------------|----------------------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 8,000,000 Equity Shares of Rs.10/- each | 80,000,000 | 80,000,000 |
| Issued, Subscribed & Paid-up | | |
| 5,450,000 Equity Shares of Rs.10/- each | 54,500,000 | 54,500,000 |
| Less : Calls in Arrears | 598,000 | 598,000 |
| | 53,902,000 | 53,902,000 |
| SCHEDULE 2 - RESERVES & SURPLUS | | |
| Profit and Loss Account | 20,985,580 | 19,695,613 |
| SCHEDULE 3 - LOAN FUND | | |
| SECURED LOAN | | |
| HDFC Bank Ltd. (Secured against hypothecation of Car) | 980,367 | 1,479,818 |
| ICICI Car Loan (Secured against hypothecation of Car) | 173,221 | 565,132 |
| PSF Loan from ABN AMRO BANK (Secured against Export Bills) | 30,631,200 | 8,102,400 |
| | 31,784,788 | 10,147,350 |
| UNSECURED LOANS | | |
| From Directors & Others | 75,130 | 67,241 |
| | 75,130 | 67,241 |

SCHEDULE 4 - FIXED ASSETS

| DESCRIPTION | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|----------------------|-----------------------|------------|------------|-------------------|--------------|---------|---------|------------------|-------------------|------------|
| | Cost as on | Addition | Deduction | Cost as at | As on | For The | Adjust- | Upto | As At | As At |
| | 01.04.2009 | During the | During the | 31.03.2010 | 01.04.2009 | Year | ment | 31.3.2010 | 31.03.2010 | 31.03.2009 |
| | Rs. | Year | Year | Rs. | Rs. | 2009-10 | Rs. | Rs. | Rs. | Rs. |
| Office Premises * | 15,134,916 | — | — | 15,134,916 | 1,567,208 | 246,699 | — | 1,813,907 | 13,321,009 | 13,567,708 |
| Vehicles | 4,289,583 | — | — | 4,289,583 | 560,715 | 407,510 | — | 968,225 | 3,321,358 | 3,728,868 |
| Furniture & Fixture | 886,016 | — | — | 886,016 | 428,352 | 50,433 | — | 478,785 | 407,231 | 457,664 |
| Office Equipments | 1,537,030 | 62,849 | — | 1,599,879 | 899,982 | 137,032 | — | 1,037,014 | 562,865 | 637,048 |
| TOTAL Capital WIP | 21,847,545 | 62,849 | — | 21,910,394 | 3,456,257 | 841,674 | — | 4,297,931 | 17,612,463 | 18,391,288 |
| TOTAL | 21,847,545 | 62,849 | — | 21,910,394 | 3,456,257 | 841,674 | — | 4,297,931 | 17,612,463 | 18,391,288 |
| PREVIOUS YEAR | 19,592,058 | 2,265,211 | 9,724 | 21,847,545 | 2,757,363 | 708,619 | 9,724 | 3,456,258 | 18,391,287 | 16,834,695 |

* includes 50 (Previous year 50) Equity Shares of Rs. 5 each of Pancharatna Co-operative Housing Society Limited)

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

| | AS AT 31.03.2010 Rs. | AS AT 31.03.2009 Rs. |
|---|----------------------------|----------------------------|
| SCHEDULE 5 - INVESTMENTS (AT COST) | | |
| Trade - Unquoted | | |
| a) Rander Peoples' Co-op. Bank Limited 150 (Previous Year 150) Equity Shares of Rs. 100/- each fully paid up | 15,000 | 15,000 |
| Trade - Quoted | | |
| b) ICICI Bank Limited 240 (Previous Year 240) Equity Shares of Rs. 10/- each (Market Value Rs. 79,824/-) (Previous Year Rs. 1,84,824/-) | — | 103,000 |
| c) V. B. Desai Financial Services Limited 1,400 (Previous Year 1,400) Equity Shares of Rs. 10/- each (Market Value Rs. 42,000/-) (Previous Year Rs. 1,07,240/-) | — | 1,020,400 |
| d) Denso India Limited 1,000 (Previous Year 1,000) Equity Shares of Rs. 10/- each (Market Value Rs. 36,650/-) (Previous Year Rs. 81,700/-) | — | 39,000 |
| | 15,000 | 1,177,400 |
| Less : Provision from Diminution of Investments | — | 978,400 |
| | 15,000 | 199,000 |
| SCHEDULE 6 - INVENTORIES (As Valued & Certified by Management) | | |
| Raw Materials (At cost including incidental expenses incurred for its acquisition) | 7,910,052 | 6,640,113 |
| Finished Products (At cost or market value whichever is lower) | 27,292,402 | 13,862,566 |
| | 35,202,454 | 20,502,679 |

SUNRAJ DIAMOND EXPORTS LTD.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

| | AS AT 31.03.2010 Rs. | AS AT 31.03.2009 Rs. |
|--|----------------------------|----------------------------|
| SCHEDULE 7 - RECEIVABLES | | |
| (Unsecured Considered Good) | | |
| a) Outstanding for more than six months | 9,962,383 | 30,179,112 |
| b) Less than six months | 149,898,131 | 32,461,360 |
| Considered Doubtful | | |
| a) Outstanding for more than six months | 3,713,841 | 620,138 |
| b) Less than six months | — | — |
| | 163,574,355 | 63,260,610 |
| SCHEDULE 8 - CASH & BANK BALANCES | | |
| Cash on Hand | 160,228 | 121,922 |
| Bank Balances | | |
| With Scheduled Banks | 205,833 | 2,606,355 |
| With Others | 1,950,596 | 67,592 |
| | 2,316,657 | 2,795,869 |
| SCHEDULE 9 - LOANS & ADVANCES | | |
| (Unsecured Considered Good) | | |
| Advance recoverable in Cash or Kind or for Value to be received | 81,058 | 2,375,142 |
| Deposits | 8,055,227 | 5,927,929 |
| Advance Tax | 967,965 | 1,191,875 |
| Advance against Capital Expenditure | 2,006,000 | 2,006,000 |
| | 11,110,251 | 11,500,946 |
| SCHEDULE 10 - CURRENT LIABILITIES | | |
| Sundry Creditors for Goods | 120,018,684 | 29,738,612 |
| Sundry Creditors - Others | 135,665 | 133,719 |
| Sundry Creditors for Expenses | 264,651 | 192,612 |
| | 120,419,000 | 30,064,943 |
| SCHEDULE 11 - PROVISIONS | | |
| Provision for Taxation & Other | 592,141 | 841,002 |

20th Annual Report 2009-2010

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

| | AS AT 31.03.2010 Rs. | AS AT 31.03.2009 Rs. |
|--|----------------------------------|----------------------------|
| SCHEDULE 12 - MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off) | | |
| Preliminary Expenses | — | 2,198 |
| Share Issue Expenses | — | 58,557 |
| | <u>—</u> | <u>60,755</u> |
| <i>Less</i> : Written off | — | 60,755 |
| | <u>—</u> | <u>—</u> |
| | <u><u>—</u></u> | <u><u>—</u></u> |
| SCHEDULE 13 - EXPORT SALES | | |
| Export Sales (Including Exchange Difference) | 343,001,307 | 126,210,244 |
| | <u>343,001,307</u> | <u>126,210,244</u> |
| | <u><u>343,001,307</u></u> | <u><u>126,210,244</u></u> |
| SCHEDULE 14 - OTHER INCOME | | |
| Rent & Maintenance Income | — | 82,500 |
| Balances Written off | — | 1,752,907 |
| Interest on Fixed Deposit | 541,739 | 1,005,482 |
| Other Interest | 19,397 | 34,203 |
| Dividend | 150 | — |
| | <u>561,286</u> | <u>2,875,092</u> |
| | <u><u>561,286</u></u> | <u><u>2,875,092</u></u> |
| SCHEDULE 15 - COST OF GOODS CONSUMED / SOLD | | |
| Opening Stock of : | | |
| Raw Materials | 6,640,113 | 8,462,066 |
| Finished Goods | 13,862,566 | 5,445,882 |
| | <u>20,502,679</u> | <u>13,907,948</u> |
| Add : Purchase of : | | |
| Raw Materials | 33,967,206 | 5,686,835 |
| Finished Goods | 309,735,163 | 122,071,456 |
| | <u>364,205,048</u> | <u>141,666,239</u> |
| <i>Less</i> : Closing Stock of : | | |
| Raw Materials | 7,910,052 | 6,640,113 |
| Finished Goods | 27,292,402 | 13,862,566 |
| | <u>329,002,594</u> | <u>121,163,560</u> |
| | <u><u>329,002,594</u></u> | <u><u>121,163,560</u></u> |

SUNRAJ DIAMOND EXPORTS LTD.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

| | AS AT 31.03.2010 Rs. | AS AT 31.03.2009 Rs. |
|---|----------------------------|----------------------------|
| SCHEDULE 16 - OTHER DIRECT EXPENSES | | |
| Custom Duty | 60,764 | 105,533 |
| Freight | 11,074 | 15,245 |
| Octroi Charges | 72,705 | 177,175 |
| Agency Commission on Import/Export | 27,582 | 26,525 |
| Labour Charges | 1,861,903 | 489,434 |
| Clearing Charges (Import & Export) | 34,008 | 24,223 |
| Stamp Duty | — | 5,410 |
| Assortment Charges | 405,000 | 99,371 |
| | <u>2,473,036</u> | <u>942,916</u> |
| SCHEDULE 17 - SELLING, ADMINISTRATION & OTHER EXPENSES | | |
| Salaries & Other Employees' Benefit | 489,200 | 242,000 |
| Directors' Remuneration | 780,000 | 357,500 |
| Printing & Stationery | 96,264 | 23,192 |
| Postage, Telephone & Telex | 450,114 | 238,450 |
| Repairs & Maintenance | 3,850 | 8,750 |
| Rent, Rates & Taxes | 175,277 | 114,204 |
| Insurance exps | 108,541 | 33,574 |
| Vehicle Expenses | 291,975 | 254,098 |
| Conveyance | 79,197 | 12,160 |
| Clearing and forwarding chgs | — | 33,783 |
| Auditor's Remuneration | | |
| Audit Fees | 38,605 | 27,575 |
| Other Services | 16,545 | 16,545 |
| Legal & Professional Fees | 911,164 | 100,155 |
| Membership & Subscription | — | 35,699 |
| Miscellaneous Expenses | 166,837 | 179,037 |
| Advertisement and Sales Promotion | 2,440,295 | 988,637 |
| Travelling Expenses-Local | 126,214 | — |
| Travelling Expenses-Foreign | 754,129 | 759,422 |
| Commission Expenses | — | 439,061 |
| Donation | 11,001 | 11,000 |
| STT | 264 | — |
| Bad Debts | 620,138 | — |
| Prov for Diminution in Investments | (978,400) | 978,400 |
| Loss on Sale of Shares | 951,808 | — |
| | <u>7,533,019</u> | <u>4,853,242</u> |
| SCHEDULE 18 - INTEREST & FINANCIAL EXPENSES | | |
| Bank Interest & Charges | 1,883,646 | 1,305,183 |
| | <u>1,883,646</u> | <u>1,305,183</u> |

SCHEDULE 19

NOTES ON ACCOUNTS

1. (a) ACCOUNTING POLICIES

The financial statements are prepared under historical cost convention on accrual basis accordance with the requirements of the Companies Act, 1956.

(b) INVENTORIES

Items of inventory are valued on the basis given below:

- (i) Raw Materials - At cost including incidental expenses incurred for its acquisitions.
- (ii) Finished Goods - At cost or market value whichever is lower.

(c) DEPRECIATION

Depreciation is provided on Fixed Assets on Straight Line Basis in accordance with Schedule XIV of the Companies Act, 1956.

(d) FIXED ASSETS

All Fixed Assets are valued at cost less Depreciation.

(e) FOREIGN CURRENCY TRANSACTIONS

Foreign transactions that has been entered into by the Company during the year has been accounted as per the exchange rate prevailing as on the date of transaction.

Sales or Purchases accounted during the year are accounted at the rate of exchange as on the date of transaction. Subsequently, when the bills are settled, any gain or loss arising on such transactions are credited or debited to exchange rate fluctuation account.

Closing balances of the foreign parties as on the Balance Sheet date are accounted at the realizable value as on that date. The difference in the account is transferred to exchange rate fluctuation account.

However, the Company has not accounted the exchange rate gain in respect of dues outstanding as on Balance Sheet date of its debtor viz, Marvel Gems BVBA. The principal amount receivable from the debtor is doubtful to be received and hence the gain on valuation of the debtor is not accounted. The Company has followed the policy of substance over form to account the said gain as the principal amount is doubtful to be received then any gain arising on the same cannot be accounted.

(f) INVESTMENTS

Investments are stated at cost of acquisition. During the year, the Company has sold majority of the shares held by them as investment.

During the year F.Y. 2008-09, the Company had made a provision of diminishing in value of investment in case of script of 'V. B. Desai Financial Services Limited' of Rs. 9,78,400 as per the Accounting Standard - 13 issued by the Institute of Chartered

SUNRAJ DIAMOND EXPORTS LTD.

Accountants of India as the market value of the script was much below the original purchase cost. During the year, F.Y. 2009-10, the said script was sold by the Company and it has incurred an actual loss of Rs. 9,51,808. Hence the provision for diminishing in value of investment in respect of the said script that was made last year is now reversed in the current year and actual loss on sale of said script is accounted in the books.

(g) RELATED PARTY DISCLOSURES

| Name of Party | Relationship | Transaction | Amount (Rs.) |
|---------------|--------------|--------------|--------------|
| Sunny Gandhi | Director | Remuneration | 300,000/- |
| Nirav Shah | Director | Remuneration | 480,000/- |

(h) EARNING PER SHARE

| | 2009-2010 Rs. | 2008-2009 Rs. |
|---|-------------------|-------------------|
| (i) Profit after Tax | 1,324,356 | (2,04,031) |
| Add : Short Provision for Tax of earlier years | (23,360) | 1,21,342 |
| | 1,300,996 | (82,689) |
| | 2009-2010 Nos. | 2008-2009 Nos. |
| (ii) Weighted average number of Ordinary Shares for Basic EPS | 54,50,000 | 54,50,000 |
| Less : Calls in Arrears (Proportionate) | 59,800 | 59,800 |
| | 53,90,200 | 53,90,200 |
| (iii) Nominal Value of Ordinary Share | Rs. 10/- | Rs. 10/- |
| (iv) Basic/Diluted Earnings per Share | Re. 0.24 | Re.(0.02) |

(i) DEFERRED TAXATION

Deferred Tax Liability for the year is Rs.140,297/-

2. PROVISIONS:

- (a) Provision has been made for fall in market value of investments of the Company of Rs. NIL as on 31.3.2010 (Previous year Rs. 9,78,400/-).

3. CONTINGENT LIABILITIES:

There are no Contingent Liability as on Balance Sheet Dated 31.03.2010.

20th Annual Report 2009-2010

4. MANAGERIAL REMUNERATION:

Managerial Remuneration U/s 198 of the Companies Act, 1956, to the Managing Director.

| | 2009-2010 Rs. | 2008-2009 Rs. |
|-------------|------------------|------------------|
| Salary | 780,000 | 3,20,000 |
| Perquisites | NIL | 37,500 |

5. Inventories are valued at cost as certified by the management.

6. There is no amount outstanding payable to Small Scale industries.

7. No provision for doubtful debts is made on long outstanding debtors, as the management is hopeful of realizing the same.

8. Licensed capacity - Not Applicable.

9. RAW MATERIALS CONSUMED

| Item | Quantity in Carats | Value Rs. |
|--------------------|-----------------------|--------------|
| Rough Diamonds | 574.31 | 32,697,267 |
| (Previous Year) | (460.44) | (4,743,237) |
| Synthetic Diamonds | NIL | NIL |
| (Previous Year) | (110.22) | (27,65,551) |

10. C.I.F. VALUE OF IMPORTS

| | Current Year Rs. | Previous Year Rs. |
|---------------|---------------------|----------------------|
| Raw Materials | 34,134,623 | 8,859,797 |

11. VALUE OF IMPORTED & INDIGENOUS RAW MATERIAL CONSUMED AS % OF TOTAL CONSUMPTION

| | Current Year | | Previous Year | |
|------------|--------------|--------|---------------|--------|
| | Rs. | % | Rs. | % |
| Imported | 26,102,824 | 79.83 | 5,686,835 | 75.74 |
| Indigenous | 6,594,413 | 20.17 | 1,821,953 | 24.26 |
| | 32,697,267 | 100.00 | 7,508,788 | 100.00 |

12. EXPENDITURE IN FOREIGN EXCHANGE

Foreign Traveling Expenditure Rs. 7,54,129/- (Previous Year Rs. 7,59,422/-)

SUNRAJ DIAMOND EXPORTS LTD.

13. EARNING IN FOREIGN EXCHANGE

F.O.B. Value of Exports and Exchange Difference - Rs.221,100,129/- (Previous year Rs.76,308,387/-)

14. STOCK & TURNOVER

| Items | Units | Opening Stock | | Closing Stock | | Turnover | |
|--|-------|-------------------------------|---------------------------------|-------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| | | Quantity In Carats | Value Rs. | Quantity In Carats | Value Rs. | Quantity In Carats | Value Rs. |
| Finished Goods | | | | | | | |
| Cut & Polished Diamonds (Previous Year) | Cts | 336.99 (230.20) | 3,406,946 (3,291,860) | 442.38 (336.99) | 16,836,782.69 (3,406,946) | 27,580.08 (7,396.03) | 344,964,332 (126,487,288) |
| Jewellery (Previous Year) | Gms | 1,480.73 (1,110.68) | 4,160,381 (2,154,022) | 1,480.73 (1,480.73) | 4,160,381 (4,160,381) | 7.14 (Nil) | 8,495 (Nil) |
| Jewellery (Previous Year) | Gms | Nil (Nil) | Nil (Nil) | Nil (Nil) | Nil (Nil) | 4.00 (Nil) | 435,465 (Nil) |
| Synthetics Crystals (Previous Year) | Cts | 189.62 (Nil) | 6,295,238 (Nil) | 189.62 (189.62) | 6,295,238 (6,295,238) | Nil (10.56) | Nil (587,130) |
| Raw Materials | | | | | | | |
| Rough Diamonds (Previous Year) | Cts | 548.58 (824.53) | 6,594,413 (7,348,915) | 574.31 (548.58) | 4,325,253 (6,594,413) | Nil (275.95) | Nil (2,459,501) |
| Synthetic Rought Diamonds | Cts | 2.18 (Nil) | 45,700 (Nil) | 138.43 (2.18) | 3,584,799 (45,700) | Nil (184.49) | Nil (3,989,815) |
| Synthetic Diamonds | Cts | Nil (25.13) | Nil (1,113,151) | Nil (Nil) | Nil (Nil) | Nil (110.22) | Nil (2,688,492) |

Previous year figures are given in brackets.

15. The previous year's figures are regrouped wherever necessary.

Signatures to Schedules 1 to 19

As per our report attached
For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
Firm No. : 101458W
(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 17th August, 2010.

For and on behalf of the Board
SUNIL C. GANDHI
Director

SUNNY S. GANDHI
Director

Mumbai, 17th August, 2010.

20th Annual Report 2009-2010

Information pursuant to Part IV of Schedule VI of the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | |
|--------------------|------------|--------------|----|
| Registration No. | 57803 | State Code : | 11 |
| Balance Sheet Date | 31/03/2010 | | |

II. Capital raised during the year (Amount Rs. in Thousand)

| | | | |
|--------------|-----|--------------------|-----|
| Public Issue | NIL | Right Issue | NIL |
| Bonus Issue | NIL | Private Placement* | NIL |

* Preference Share Capital

III. Position of Mobilization and Deployment of Funds (Amount Rs. in Thousand)

| | | | |
|-------------------|---------|--------------|---------|
| Total Liabilities | 108,820 | Total Assets | 108,820 |
|-------------------|---------|--------------|---------|

Sources of Funds

| | | | |
|------------------------|--------|--------------------|--------|
| Paid-up Capital | 53,902 | Reserves & Surplus | 20,987 |
| Secured Loans | 31,785 | Unsecured Loans | 75 |
| Deferred Tax Liability | 2,073 | | |

Application of Funds

| | | | |
|--------------------|--------|-------------------|----|
| Net Fixed Assets | 17,612 | Investment | 15 |
| Net Current Assets | 91,193 | Misc. Expenditure | — |
| Accumulated Losses | — | | |

IV. Performance of Company (Amount Rs. in Thousand)

| | | | |
|---|---------|-------------------------|---------|
| Turnover | 343,563 | Total Expenditure | 341,734 |
| PROFIT/(LOSS) before Tax | 1,829 | PROFIT/(LOSS) after Tax | 1,313 |
| Earnings per Share in Rs. (Weighted Average) | 0 | Dividend Rate % | — |

V. Generic Names of three Principal Product/services of Company (as per monetary terms)

Product Description :

| | |
|-----------------------|-------------------------|
| ITEM CODE NO. : | 7102390.01 |
| PRODUCT DESCRIPTION : | CUT & POLISHED DIAMONDS |

As per our report attached
 For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
 Firm No. : 101458W
(B. N. SHROFF)
Partner
 Membership No. : 5039
 Mumbai, 17th August, 2010.

For and on behalf of the Board
SUNIL C. GANDHI
Director

SUNNY S. GANDHI
Director
 Mumbai, 17th August, 2010.

SUNRAJ DIAMOND EXPORTS LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | Year ended 31st March, 2010 | | Year ended 31st March, 2009 | |
|--|--------------------------------|---------------------|--------------------------------|--------------------|
| | Rs. | Rs. | Rs. | Rs. |
| A. Cash Flow from Operating Activities | | | | |
| Net Profit before Taxation | | 1,828,623 | | 51,060 |
| Adjustments for - | | | | |
| Depreciation | 841,674 | | 708,619 | |
| Interest Expenses | 1,883,646 | | 1,305,183 | |
| Loss on Sale of Asset | 951,808 | | — | |
| Asset/balances w/off | — | | (1,752,907) | |
| Interest Income | (561,136) | | (1,039,685) | |
| Prov for diminution on investments | (978,400) | | 978,400 | |
| Unrealised foreign exchange (gain) / loss | 2,881,917 | | 215,870 | |
| Miscellaneous Expenditure written off | — | 5,019,510 | 60,755 | 476,235 |
| Operating Profit before working capital changes | | 6,848,133 | | 527,295 |
| Adjustments for - | | | | |
| Trade and other Receivables | (106,164,156) | | (9,047,123) | |
| Inventories | (14,699,775) | | (6,594,731) | |
| Trade and other Payables | 91,456,518 | (29,407,413) | 18,056,516) | 2,414,662 |
| Cash generated from operations | | (22,559,280) | | 2,941,959 |
| Direct Taxes paid (net of refund of taxes) | | 223,911 | | 478,705 |
| Net Cash Flow from Operating Activities | | (22,335,370) | | 3,420,664 |
| B. Cash Flow from Investing Activities | | | | |
| Purchase of Fixed Assets | | (62,849) | | (2,265,211) |
| Sale of Fixed Assets | | — | | — |
| Interest received | | 1,946,733 | | 302,785 |
| Proceeds from Sale of Investments | | 210,592 | | — |
| Net Cash used in Investing Activities | | 2,094,477 | | (1,962,426) |
| C. Cash Flow from Financing Activities | | | | |
| Interest paid | | (1,883,646) | | (1,305,183) |
| Loans Received | | 56,954,610 | | 36,763,530 |
| Repayment of Loans | | (35,309,283) | | (40,671,347) |
| Net Cash used in Financing Activities | | 19,761,681 | | (5,213,001) |
| Net increase/(decrease) in cash and cash equivalents | | (479,212) | | (3,754,762) |
| Cash and Cash Equivalents - Opening Balance | | 2,795,869 | | 6,550,630 |
| Cash and Cash Equivalents - Closing Balance | | 2,316,658 | | 2,795,869 |

AUDITORS' CERTIFICATE

We have checked the attached Cash Flow Statement of **SUNRAJ DIAMOND EXPORTS LIMITED**, for the year ended 31st March, 2010 from the books and maintained by the Company in the course of business and has been in accordance therewith.

As per our report attached
For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
Firm No. : 101458W

(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 17th August, 2010.

For and on behalf of the Board
SUNIL C. GANDHI
Director

SUNNY S. GANDHI
Director

Mumbai, 17th August, 2010.

SUNRAJ DIAMOND EXPORTS LTD.

REGD. OFFICE : 1008, Panchratna Building, 10th Floor, Opera House, Mumbai - 400 004.

Please remember to bring this Attendance Slip with you and hand it over at the entrance of the Meeting Hall. Please also bring copy of the enclosed Report.

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting Hall)

Full Name of the Member attending (in block letters) _____

Full Name of the first joint holder _____

(to be filled-in if first named joint-holder does not attend the meeting)

Name of the Proxy _____

(to be filled-in if the proxy form has been duly deposited with the Company)

I hereby record my presence at the Twentieth Annual General Meeting of the Company held at Kshatriya Dnyati Sabha Gruha, 229-D, Raja Ram Mohan Roy Marg, Girgaum, Mumbai - 400 004 on Thursday, 30th September, 2010 at 11.30 a.m.

Regd. Folio No. : _____

OR

DP ID / CLIENT ID : _____

Member's / Proxy Signature

(to be signed at the time handing over of this slip)

No. of Shares held _____

SUNRAJ DIAMOND EXPORTS LTD.

REGD. OFFICE : 1008, Panchratna Building, 10th Floor, Opera House, Mumbai - 400 004.

FORM OF PROXY

I/We _____

of _____ in the district of _____

_____ being a member(s) of the above named company, hereby appoint

Mr./Ms. _____

of _____ in the district of _____

or failing him/her Mr./Ms. _____

of _____ in the district of _____

as my/our proxy to vote for me/us, on my/our behalf at the Twentieth Annual General Meeting of the Company to be held on Thursday, 30th September, 2010 at 11.30 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

Regd. Folio No. : _____

OR

DP ID / CLIENT ID : _____

No. of Shares held _____

Affix
Re. 1.00
Revenue
Stamp

Note : The Proxy Form signed across revenue stamp should reach the Company's Registered Office at least 48 hours before the scheduled time of meeting. The proxy need not be a member of the company.

Book - Post

To,

If undelivered, please return to :

Sunraj Diamond Exports Ltd.

1008, Panchratna Building, 10th Floor,
Opera House, Mumbai - 400 004.