

Sovereign
Diamonds Ltd.

36th

ANNUAL REPORT
2009 - 2010

THIRTY-SIXTH ANNUAL GENERAL MEETING

on Thursday, 2nd September, 2010
at Sovereign House,
11-A, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (East), Mumbai – 400 093.
Time : 11.00 A.M.

REGISTERED OFFICE:

Sovereign House,
11-A Mahal Industrial Estate,
Mahakali Caves Road, Andheri (East),
Mumbai 400 093.
Ph. No.: 66923872/73.

BOARD OF DIRECTORS:

Mr. Ramesh Hotchand Gehani	- Executive Chairman
Mr. Ajay R. Gehani	- Managing Director
Mr. Vijay G. Kalantri	- Director
Mr. Mohanram Pai	- Director

BANKERS:

Corporation Bank

STATUTORY AUDITORS

M/s. J. D. Zatakia & Co.
306, Rupa Plaza, Jawahar Road,
Ghatkopar (E), Mumbai - 400 077.

REGISTRAR & TRANSFER AGENTS

Mondkar Computers Private Limited
21, Shakil Niwas, Opp. Satya Saibaba Temple,
Mahakali Caves Road,
Mumbai – 400 093.

Tel.No. : 28 25 76 41.
Fax No : 28 21 19 96.

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

**NOTICE**

NOTICE is hereby given that the Thirty-Sixth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Thursday, 2nd September, 2010 at 11.00 A.M. at the registered office of the company at Sovereign House, 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai – 400 093 to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, Audited Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
- 2) To appoint a Director in place of Mr. Ajay Gehani, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To re-appoint Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

4. To Consider and if, thought fit, to pass with or without modification, the following resolution as an Special Resolution.

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as Act), including Schedule XIII of the said Act as amended up-to-date, consent and approval be and is hereby accorded to the re-appointment of and payment of remuneration and perquisites to Mr. Ramesh Gehani as the Executive chairman of the Company for a period of five years with effect from 1st September, 2010.

RESOLVED FURTHER THAT Mr. Ramesh Gehani shall be paid remuneration and perquisites upto Rs. 1,10,000/- per month.

RESOLVED FURTHER THAT the terms and conditions of the letter of appointment which is placed before the meeting and signed by Mr. Ajay Gehani, Managing Director of the company for the purpose of identification be hereby approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites to the extent the Board of Directors may consider appropriate and as may be permissible in accordance with the provisions of the Act including the said Schedule XIII to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and/or any rules or regulations framed thereunder provided that the terms of the letter of appointment between the company and Mr. Ramesh Gehani shall be suitably modified to give effect to such variation or increase as the case may be.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office of Mr. Ramesh Gehani as Executive chairman, the remuneration and perquisites set out in the aforesaid letter of appointment be paid or granted to Mr. Ramesh Gehani as minimum remuneration provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Part II Section II of Schedule XIII to the said Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and / or any rules or regulations framed thereunder.”

5. To Consider and if, thought fit, to pass with or without modification, the following resolution as an Special Resolution.

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as Act), including Schedule XIII of the said Act as amended up-to-date, consent and approval be and is hereby accorded to the re-appointment of and payment of remuneration and perquisites to Mr. Ajay Gehani as the Managing Director of the Company for a period of five years with effect from 1st September, 2010.

RESOLVED FURTHER THAT Mr. Ajay Gehani shall be paid remuneration and perquisites upto Rs. 1,25,000/- per month.

RESOLVED FURTHER THAT the terms and conditions of the letter of appointment which is placed before the meeting and signed by Mr. Ramesh Gehani, Executive chairman of the company for the purpose of identification be hereby approved.



RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites to the extent the Board of Directors may consider appropriate and as may be permissible in accordance with the provisions of the Act including the said Schedule XIII to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and/or any rules or regulations framed thereunder provided that the terms of the letter of appointment between the company and Mr. Ajay Gehani shall be suitably modified to give effect to such variation or increase as the case may be.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office of Mr. Ajay Gehani as Managing Director, the remuneration and perquisites set out in the aforesaid letter of appointment be paid or granted to Mr. Ajay Gehani as minimum remuneration provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Part II Section II of Schedule XIII to the said Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and / or any rules or regulations framed thereunder.”

**By Order of the Board of Directors
For SOVEREIGN DIAMONDS LIMITED
sd/-
AJAY R. GEHANI
MANAGING DIRECTOR**

Place: Mumbai

Date: 29th July, 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 OF THE COMPANY. PROXY FORM IS ENCLOSED ALONG WITH THIS NOTICE.
2. The Proxy Form, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. For the convenience of the shareholders, Attendance Slip is annexed to this notice. Shareholders/Proxy Holders are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue.
4. The Register of Members and Share Transfer Register of the Company will remain closed from Monday, 30th August, 2010 to Thursday, 2nd September, 2010 (both the days inclusive).
5. Corporate Members intending to send their authorized representatives at the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Members who hold shares in dematerialized form may kindly note that their Bank Account details, as furnished by their depositories to the company, will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank Account details are therefore requested to advised their Depository Participants about such change with complete details of Bank Account.
8. Members are requested to immediately notify any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Secretarial department at the Registered Office of the company or to the Registrar and Transfer Agents in respect of their holding in physical form.
9. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report.



EXPLANATORY STATEMENT
(Pursuant to Section 173(2) of the Companies Act, 1956)

That following explanatory statement sets out the material facts referring to Item No. 4 and 5 of the Notice convening the Annual General Meeting of the Company.

ITEM NO. 4 & 5

The Board of Directors of the Company has re-appointed Mr. Ramesh Gehani as Executive chairman and Mr. Ajay Gehani as Managing Director, w.e.f. 1st September, 2010 for a period of 5 years. The terms and conditions of their re-appointment are given below:

Name of Director	Designation	Responsibility
Mr. Ramesh Gehani	Executive chairman	The overall management of the Company.
Mr. Ajay Gehani	Managing Director	Production and Marketing.

The Company proposes to pay following remuneration and perquisites w.e.f. 1st September, 2010,

A. REMUNERATION & PERQUISITES

S. No.	Name of Director	Designation	Remuneration & Perquisites
1	Mr. Ramesh Gehani	Executive chairman	Rs. 1,10,000/-
2	Mr. Ajay Gehani	Managing Director	Rs. 1,25,000/-

B. INCREMENTS:

The Board of Directors shall decide the increments payable to each of the Directors at the end of March, every year within the overall ceiling laid down in the Schedule XIII so that the total remuneration by way of salary, perquisites and other allowances including increments shall not exceed the ceiling provided in Schedule XIII to the Act as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

C. PERQUISITES: Non monetary ceiling perquisites

The following perquisites shall be payable to all the three Directors and which shall not be included in the computation of the ceiling of remuneration as per Schedule XIII of the Companies Act, 1956.

i. Provident Fund:

The Company's contribution to Provident Fund, as per the rules of the Company.

Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent it is not taxable under the Income Tax Act, 1961.

ii. Gratuity :

Gratuity not exceeding one-half months' salary for each completed year of service.

iii. Superannuation

Superannuation premium as applicable and to the extent it is not taxable under the provisions of the Income Tax Act, 1961.

iv. Leave Encashment

Leave salary as per the rules of the Company and Encashment of Leave shall be at the end of the tenure.

D. MINIMUM REMUNERATION:

1. The above remuneration and perquisites has been fixed on the basis of profits as per the audited balance sheet as on 31st March, 2010 and has been fixed as provided in Section II (1) (A) (iii) of Part II of Schedule XIII to the said Act or such other amount and perquisites as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof and shall be considered as minimum remuneration.
2. During the tenure of their appointments, if the Company earns profits in excess of the limits prescribed under Schedule XIII or if the profits are adequate in any financial year, as per the provisions of Section 198, 309



and any other applicable provisions of the Companies Act, 1956, then the remuneration and commission, if any, of Mr. Ramesh Gehani and Mr. Ajay Gehani shall be paid as per the profits earned by the Company in that particular financial year.

E. OTHER CONDITIONS:

- i. For all other terms and conditions not specifically spelt out above, the rules and order of the Company shall apply.
- ii. The Managing Director shall hold office as such, subject to the provisions of Section 283(1) of the Companies Act, 1956.
- iii. The re-appointment of Managing Director has been approved by the Remuneration Committee of the Company.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of the Agreement and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The resolutions are being recommended for approval of the members.

No Director of the company except to the extent of Mr. Ramesh Gehani and Mr. Ajay Gehani shall be concerned or interested in the resolutions.

**By Order of the Board of Directors
For SOVEREIGN DIAMONDS LIMITED
sd/-
AJAY R. GEHANI
MANAGING DIRECTOR**

Place: Mumbai

Date: 29th July, 2010



DIRECTORS' REPORT

To
The Members,
The Directors present their Thirty-Sixth Annual Report together with the Audited Accounts for the year ended 31st March, 2010

A. FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year Ended 31 st March, 2010	Year Ended 31 st March, 2009
Income from Operations	1215.22	1707.30
Other Income	2.22	4.70
Total Income	1217.44	1712.00
Expenditure	1137.64	1624.67
Interest	45.83	55.06
Depreciation	31.67	31.28
Total Expenditure	1215.14	1711.01
Profit(+) Loss(-)	2.29	.99
Provision for Taxation	3.00	5.75
Fringe Benefit Tax	0.00	5.50
Add : Deferred Tax	2.95	3.06
Net profit after tax	2.24	-7.2
Less : Transfer to General Reserve	—	—
Less : Prior Year Income Tax	—	—
Balance brought forward from last year	58.69	65.83
Balance carried forward to the Balance Sheet	60.93	58.63

B. DIVIDEND

Your Directors do not recommend any dividend for the year as the profits earned need to be ploughed back into the operations of the company.

C. WORKING OF THE COMPANY

During the year the company has achieved turnover of Rs.1278.23 lacs as against Rs.1712.52 lacs in the previous year. The increase in turnover is due to fluctuation in Dollar rate. The Company is entering into the Indian Jewellery Retail Market and supplying to big jewellery stores in Metro cities. This will results in higher turnover for the Company.

D. DIRECTORS

Mr. Ajay Gehani, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

The present term of Mr. Ramesh Gehani and Mr. Ajay Gehani as Managing Director is expiring on 15th September, 2010. The Board of Directors proposed to re-appoint them for a period of 5 years and the necessary resolution has been incorporated in the notice.


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

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

A. Conservation of Energy:

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

B. Technology Absorption:

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

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

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

Technology absorption, adaptation and innovation

Efforts, in brief, made towards technology absorption, adaptation & innovation	We use the latest laser technology and all automatic casting machines in order to achieve a very high level of finish and setting quality. This combined with mirror polish in our jewellery makes it one of the finest collection in the country
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:

	2009-2010	2008-2009
Foreign Exchange Earnings/Outgo:		
Foreign Exchange Earned:	239.76	453.91
Foreign Exchange Outgo:	7.98	19.78
Travelling / Exhibition Charges	80.12	45.60

F. FIXED DEPOSITS

The Company has not accepted any deposit from the public.

**G. INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956.**

Information in accordance with the section 217(2A) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in report of Board of Directors) Rules, 1988 and forming parts of the Director's Report for the year ended 31st March, 2010 is not given as no employee is in receipt of remuneration in excess of Rs. 2,00,000/- p.m. or Rs. 24,00,000/- p.a.

H. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement Under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors Responsibilities Statement, it is hereby confirmed;

- i) That in the preparation of the Annual Accounts for the financial year 31st March, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the Accounts for the financial year ended 31st March, 2010 on a going concern basis.

I. LISTING OF SHARES

The company's shares are listed on the Bombay Stock Exchange and the Company has paid the listing fees for the same.

J. CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Practising Company Secretary confirming the compliance of conditions on Corporate Governance as stipulated in revised Clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto.

K. AUDITORS

M/s. J. D. Zatakia & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made would be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

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

Registered Office :

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

**Sd/-
AJAY GEHANI
MANAGING DIRECTOR**

Place : Mumbai
Date : 29th July, 2010


I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

II. BOARD OF DIRECTORS
i) Composition and Category of Directors:

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

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

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

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	Vijay Kalantri	Mohanram Pai
2 nd June, 2009	Present	Present	Absent	Present
15 th July, 2009	Present	Present	Present	Present
31 st July, 2009	Present	Present	Present	Present
23 rd October, 2009	Present	Present	Present	Present
29 th January, 2010	Present	Present	Present	Present
Total Attendance (Out of 5 Meetings)	5	5	4	5
Attendance at Last AGM	Present	Present	Absent	Present



- iii) a. Number of other Companies where Director (of SDL) hold memberships on the Board of Directors:
- b. Number and Name of Committees in which the Directors (of SDL) hold Memberships or Chairmanships:

Name of Director	No. of Other Co.s where Dir	Number & Name of Committee Memberships / Chairmanships			
		Chairman	No.	Member	No.
Mr. Ramesh Gehani	2	SIGC – SDL	1	AC – SDL	1
Mr. Ajay Gehani	2	Nil	0	Nil	0
Mr. Vijay Kalantri	Nil	Nil	0	AC – SDL SIGC – SDL	1 1
Mr. Mohanram Pai	Nil	AC – SDL	1	Nil	0

AC – SDL Audit Committee – Sovereign Diamonds Limited

SIGC – SDL Shareholders / Investors Grievance Committee – Sovereign Diamonds Limited

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

iv) **Code of Conduct:**

The Board has formulated a code of conduct for the Board Members and Senior Management Personnel of the Company. All Board Members and Senior Management Personnel have affirmed their compliance with the code for the financial year ended 31st March, 2010. A declaration to this effect signed by the Chairman of the Company is given elsewhere in the Annual Report.

III. AUDIT COMMITTEE

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

Date of Audit Committee Meeting	Mohanram Pai	Vijay G. Kalantri	Ramesh Gehani
	Chairman & Non Executive Independent Director	Member & Non - Executive Independent Director	Member & Executive Promoter Director
15 th July, 2009	Present	Present	Present
31 st July, 2009	Present	Present	Present
23 rd October, 2009	Present	Present	Present
29 th January, 2010	Present	Present	Present
Total Attendance (out of 4meetings)	4	4	4

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

IV. REMUNERATION COMMITTEE

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

i) **Remuneration Policy**

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


ii) Details of Remuneration paid to all Directors

- A.** The Company does not have any pecuniary relationship or transactions with the non-executive directors. During the year, the Company has paid sitting fees to non-executive directors.
- B.** The aggregate remuneration paid to the Directors for the year ended 31st March, 2010, is as under;

SI. No.	Name of Director	Salary & Perquisites	Commission	Sitting Fees
1.	Mr. Ramesh Gehani	Rs. 1370400/-	Rs.	Rs.
2.	Mr. Ajay Gehani	Rs. 1256200/-	Rs.	Rs.
3.	Mr. Vijay Kalantri	Rs.	Rs.	Rs.
4.	Mr. Mohanram Pai	Rs.	Rs.	Rs.

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

- C.** The Company has not issued any stock options or paid any performance linked incentives or fixed component incentives to the Directors.
- D. DETAILS OF SERVICE CONTRACTS:**

Name and Designation	Current tenure	From	To
Mr. Ramesh Gehani Executive chairman	5 years	01.09.2005	31.08.2010
Mr. Ajay Gehani Managing Director	5 years	01.09.2005	31.08.2010

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

Directors	No. of shares held as on 31 st March, 2010	No. of shares held as on 31 st March, 2009
Mr. Vijay Kalantri	NIL	NIL
Mr. Mohanram Pai	NIL	NIL

V. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

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

Date of Shareholders/Investors Grievance Committee Meeting	Ramesh Gehani	Vijay Kalantri
	Chairman & Executive Promoter Director	Member & Non Executive Independent Director
15 th July, 2009	Present	Present
31 st July, 2009	Present	Present
23 rd October, 2009	Present	Present
29 th January, 2010	Present	Present
Total Attendance (out of 4 meetings)	4	4

B) COMPLIANCE OFFICER :

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

Email address of Compliance Officer is agehani@hotmail.com



C) Complaint Status for the period 01/04/2009 to 31/03/2010 (Equity Shares)

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

VI. GENERAL BODY MEETINGS

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

Financial Year Ending	Nature of Meeting	Nature of Special Resolution Passed	Date	Location	Time
31.03.08	33 rd AGM	Nil	26.09.07	Registered Office	11.00 A.M.
31.03.09	34 th AGM	Nil	23.09.08	Registered Office	11.30 A.M.
31.03.10	35 th AGM	Nil	23.09.09	Registered Office	11.30 A.M.

Notes:

1. During the financial year, no special resolutions were required to be passed through postal ballot.
2. No resolutions are proposed to be passed through postal ballot.

VII. DISCLOSURES

- i. The Company has not entered into any materially significant related party transactions during the year that may have potential conflict with the interests of the Company at large.
- ii. There has been no incidence of non-compliance by the Company of any statutory regulations nor any penalty or stricture imposed by the Stock Exchange or any other Statutory Authority, on any matter relating to the capital market over the last three years.
- iii. The details of all transactions with related parties are placed before the Audit Committee on quarterly basis.
- iv. In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- v. The constitution of whistle blower policy is a non mandatory requirement. However the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2009 – 2010.
- vi. The Company has complied with all mandatory requirements of clause 49 of Listing Agreement.

VIII. MEANS OF COMMUNICATION

- i. **Quarterly Results:** The quarterly financial results of the company (in the format prescribed by the Listing Agreement) are reviewed by Audit Committee and then, approved and taken on record by the Board within the prescribed time frame and immediately send to the Stock Exchange where the shares of the company are listed.
- ii. The quarterly results for the financial year 2009 – 10 were published in the News Papers. (Details given below):



Quarter	Results
June, 2009	The Free Press Journal in English & Navshakti in Marathi
September, 2009	The Free Press Journal in English & Navshakti in Marathi
December, 2009	The Free Press Journal in English & Navshakti in Marathi
March, 2010	The Free Press Journal in English & Navshakti in Marathi

- iii. **Annual Report:** Annual Report containing inter alia Audited Annual Accounts, Directors' Report, Auditors' Report and other important, information is circulated to Members and others entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report.

X. GENERAL SHAREHOLDER INFORMATION

AGM Date, Time & Venue

Date: Thursday, 2nd September, 2010

Time: 11.00 A.M

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

Financial Year:

1st April to 31st March

Book Closure Date:

Monday, 30th August, 2010 to Thursday, 2nd September, 2010

Dividend Payment Date:

Not Applicable

Listing on Stock Exchanges:

The Bombay Stock Exchange Limited

Stock Code & Demat Scrip Code (ISIN)

Bombay Stock Exchange
Stock Code: 523826
Scrip Code: INE 959D01013

Registrar & Transfer Agents

M/s. Mondkar Computers Private Limited
Address: 21, Shakil Niwas, Opp. Satya Saibaba Temple, Mahakali Caves Road, Mumbai – 400 093.
Tel. No. 28 20 72 01 / 03 / 04 / 05 / 06
Fax No. 28 20 72 07
Email ID: gamare@mondkarcomputers.com

Shareholders / investors are requested to forward share transfer documents, dematerialization request, correspondence regarding change of address, non – receipt of dividend or share certificates and other related queries to the company's registrar i.e. Sharex dynamic India Private Limited at the address mentioned above.

Share Transfer System and Dematerialization of Shares:

The Company has admitted its shares to the depository system of the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of shares. International Securities Identification Number (ISIN) INE 959D01013.

As on March 31, 2010, 48,74,312 equity shares (84.21%) of the Company are dematerialized. All this shares are electronically transferred through the demat facility. Balance 913,690 equity shares (15.79%) are in physical mode. The Company has assigned the job of transfer of shares in physical mode to its Registrar and Share Transfer Agent, M/s. Mondkar Computers Private Limited. The Shareholders and Investors Grievances Committee takes on record all the physical share transfers from time to time.

Distribution of Shareholding as on 31st March, 2010:

Nominal Value of Shares (In Rs.)	No. of Shareholders	% to total holders	Total Shareholding (In Rs.)	% to capital
1 – 500	4115	89.985	6898700	11.919
501 - 1000	233	5.095	2049100	3.540
1001 - 2000	91	1.990	1477450	2.553
2001 - 3000	47	1.028	1258820	2.175
3001 - 4000	12	0.262	430800	0.744
4001 - 5000	14	0.306	684550	1.183
5001 - 10000	24	0.525	1871710	3.234
10001 & Above	37	0.809	43208890	74.652
Total	4573	100.00	57,88,0020	100.00



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

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

Consolidation of Folios:

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

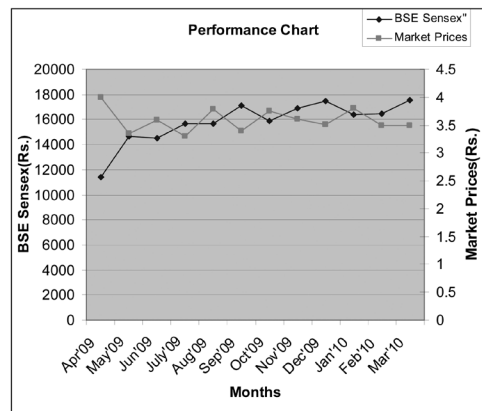
Nomination Facility:

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

Practising Company Secretary Certificate on Corporate Governance

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

***Performance of equity scrip (Closing Price) of the company in comparison to BSE Sensex(Closing Price):**



***Monthly High and Low Prices of the Equity Shares of the Company for the year ended 31st March, 2010:**

Month	High Price	Low Price
Apr 09	3.99	3.31
May 09	4.20	3.00
Jun 09	4.05	3.35
Jul 09	3.59	3.11
Aug 09	3.92	3.30
Sep 09	3.79	2.70
Oct 09	3.82	3.01
Nov 09	4.05	3.39
Dec 09	3.97	3.23
Jan 10	4.68	3.50
Feb 10	4.29	3.12
Mar 10	4.05	3.21
Apr 10	4.37	3.34

*(Data as per the website of Bombay Stock Exchange Limited i.e. www.bseindia.com)



Shareholding Pattern as on 31st March, 2010

	Category	No of Shares Held	% Of Share Holding
A.	Promoter (S) Holding		
1.	Promoter (s)		
	- Indian Promoters	27,46,071	47.44
	- Foreign Promoters	0.0	0.0
	Sub – Total(A)	27,46,071	47.44
B.	Non-Promoters Holding		
	Institutional Investors		
i.	Mutual Funds & UTI	1,71,300	2.96
ii.	Banks, Financial Inst, Insurance Company, Central / State Govt Inst, Non-Govt Inst	0.0	0.0
iii.	FII (S)		0.0
	Others		
i.	Private Corporate Bodies	5,80,924	10.04
ii.	Indian Public	22,70,968	39.24
iii.	NRI/OCBS	11,065	0.19
iv.	Clearing Members	7,674	0.13
	Sub-total (B)	30,41,931	52.56
	GRAND TOTAL	57,88,002	100.00

Plant Location:

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

Registered Office Address & Correspondence:

Sovereign Diamonds Limited

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

Ph. No: 66923871

Fax No: 66923880

Fax: 022 22671931

Contact Person: Mr. Ajay Gehani, Managing Director

Email Address: agehani@hotmail.com

For Sovereign Diamonds Limited

Sd/-

**Ajay Gehani
Managing Director**

Place: Mumbai

Date: 29th July, 2010.



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

To,
The Members,
Sovereign Diamonds Limited

This is to affirm that the Board of Directors of Sovereign Diamonds Limited has adopted a Code of Conduct for its Directors and Senior Management Personnel in compliance with the provisions of Clause 49 (D) of the Listing Agreement with the Stock Exchange. The Board Members and Senior Management Personnel of the Company have confirmed the compliance of provisions of the said code for the financial year ended 31st March, 2010.

**Sd/-
Ajay Gehani
Managing Director**

Place: Mumbai
Date: 29th July, 2010



**PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE
TO THE MEMBERS OF SOVEREIGN DIAMONDS LIMITED**

We have examined the compliance of conditions of corporate governance by Sovereign Diamonds Limited for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement and that no investor grievance(s) is / are pending for a period exceeding one month against the Company.

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

Place: Mumbai
Date: 29th July, 2010

**For M/s. P. P. Shah & Co.,
Practising Company Secretaries
sd/-
Pradip C. Shah
Partner
Membership No: 1483
Certificate of Practice: 436**

**AUDITORS' REPORT**

To,
The Members of

SOVEREIGN DIAMONDS LIMITED.

1. We have audited the attached Balance Sheet of **SOVEREIGN DIAMONDS LIMITED**, as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of The Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph (3) above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account.
 - d) In our opinion, Balance Sheet, Profit and Loss Account and Cash Flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
 - e) On the basis of written representations received from Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 except as regard provision for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note No. 1 (g) and 7, and non-provisions for doubtful debts as mentioned in note no. 18.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the accounts (together with notes there on) give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2010
 - ii. in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

Place : Mumbai.
Date : 29.07.2010

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

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

- 1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) As explained to us, physical verification of the fixed assets was conducted by management annually, which in our opinion, is reasonable looking to the size of the Company and nature of it's business. According to the information and explanation given to us no material discrepancies were noticed on such verification.
c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- 2) a) Physical verification of inventory has been conducted at reasonable intervals by the management.
b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (3) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties, covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clauses 3(b), 3(c), 3(d) are not applicable to the company.
e) The Company had taken loans from two parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 32.82 Lacs and the year end balance of loans taken were Rs. 20.78 Lacs.
f) There is no stipulation as regards payment of interest and principal amount.
- 4) In our opinion and according to the information and explanations given to us, it appears that there are adequate internal control procedures commensurate with the size of Company and the nature of its business with regard to purchase of inventories, fixed assets, sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
- 5) In our opinion, and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- 6) The Company has not accepted any deposits from the public.
- 7) The Company has no formal internal audit department as such but its control procedures ensure reasonable internal checking of its financial and other records.
- 8) We have been informed that the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of The Companies Act, 1956.
- 9) a) The Company is regular in depositing undisputed statutory dues including provident fund, income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory dues with appropriate authorities.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory liabilities were in arrears as at the last day of the financial year for a period exceeding six months from the date they became payable.
- 10) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the year covered by our audit and the immediately preceding financial year.
- 11) In our opinion and according to information and explanations given to us the Company has not defaulted in repayment of dues to financial institutions or banks.



- 12) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund, nidhi, mutual benefit or a society.
- 14) In our opinion, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- 15) On the basis of information and explanation given to us the Company has not given any guarantee for loans taken by others from banks or financial institution.
- 16) According to information and explanation given to us the Company has not obtained term loan during the year.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- 19) The Company has no debentures.
- 20) The Company has not raised any money by public issue during the year.
- 21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

Place : Mumbai.
Date : 29.07.2010

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



BALANCE SHEET AS ON 31.03.2010

Particulars	Sch.No.	As on	
		31.03.2010	As on 31.03.2009
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Capital	1	57,880,020	57,880,020
Reserves & Surplus	2	10,791,522	10,567,282
		68,671,542	68,447,302
LOAN FUNDS			
Secured Loans	3	35,357,794	40,172,507
Unsecured Loans	4	2,078,177	3,168,819
		37,435,971	43,341,326
DEFERRED TAX LIABILITY		460,631	755,890
Total Rs.....		106,568,144	112,544,518
FIXED ASSETS			
Gross Block	5	57,043,076	55,966,916
Less : Depreciation		38,078,267	34,910,869
		18,964,809	21,056,047
CURRENT ASSETS LOANS & ADVANCES			
Inventories	6	40,260,320	52,912,188
Sundry Debtors	7	59,388,871	53,718,474
Cash & Bank Balance	8	316,415	278,721
Loans & Advances	9	6,952,704	5,997,038
		106,918,310	112,906,421
Less : CURRENT LIABILITIES & PROVISION			
Liabilities	10	14,139,975	16,542,950
Provision	11	5,175,000	4,875,000
		19,314,975	21,417,950
NET CURRENT ASSETS		87,603,335	91,488,471
Total Rs.....		106,568,144	112,544,518
NOTES ON ACCOUNTS	18		

AS PER OUR REPORT OF EVEN DATE

FOR J.D. ZATAKIA & COMPANY

CHARTERED ACCOUNTANTS

J.D. ZATAKIA - PROPRIETOR

Membership No : 17669

PLACE : MUMBAI

DATE : 29-07-2010

FOR AND ON BEHALF OF THE BOARD

MR. RAMESH H. GEHANI

MR. AJAY R. GEHANI

MANAGING DIRECTORS

PLACE : MUMBAI

DATE : 29-07-2010

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

Particulars	Sch.No.	As on 31.03.2010	As on 31.03.2009
INCOME			
Sales	12	127,823,402	171,251,946
Other Income	13	221,721	469,758
Increase/(Decrease) in Stock	14	(6,301,521)	(522,113)
		121,743,602	171,199,591
EXPENDITURE			
Raw Materials Consumed	15	81,752,977	116,942,972
Consumption of Tools & Spares	16	3,200,600	3,875,000
Interest		4,583,214	5,505,974
Expenses	17	28,810,433	41,648,593
Depreciation	5	3,167,397	3,128,047
		121,514,621	171,100,586
PROFIT BEFORE TAX		228,981	99,004
Less : Provision for Taxation		(300,000)	(575,000)
Less: Fringe Benefit Tax		-	(550,000)
Deferred Tax Liability		295,259	306,265
PROFIT (LOSS) AFTER TAX		224,240	(719,731)
Prior Year Income Tax		-	5,152
BALANCE BROUGHT FORWARD FROM LAST YEAR		5,868,902	6,583,481
BALANCE CARRIED TO BALANCE SHEET		6,093,142	5,868,902

NOTES ON ACCOUNTS 18

AS PER OUR REPORT OF EVEN DATE

FOR J.D. ZATAKIA & COMPANY

CHARTERED ACCOUNTANTS

J.D. ZATAKIA - PROPRIETOR

Membership No : 17669

PLACE : MUMBAI

DATE : 29-07-2010

FOR AND ON BEHALF OF THE BOARD

MR. RAMESH H. GEHANI

MR. AJAY R. GEHANI

MANAGING DIRECTORS

PLACE : MUMBAI

DATE : 29-07-2010


SCHEDULES FORMING PART OF BALANCE SHEET

Particulars	As on 31.3.2010	As on 31.3.2009
SCHEDULE - 1		
SHARE CAPITAL		
Authorised :		
60,00,000 Equity Shares of Rs.10/- Each	60,000,000	60,000,000
Total Rs.	60,000,000	60,000,000
Issued, Subscribed and Paid up		
57,88,002 Equity Shares of Rs.10/-each (Out of which 3,00,000 Equity Shares of Rs.10/- each issued as fully paid up by way of Bonus shares capitalised from General Reserve)	57,880,020	57,880,020
Total Rs.	57,880,020	57,880,020
SCHEDULE - 2		
RESERVES & SURPLUS :		
(i) General Reserve	3,688,390	3,688,390
(ii) Capital Reserve	1,009,990	1,009,990
(iii) Profit & Loss Account	6,093,142	5,868,902
Total Rs.	10,791,522	10,567,282
SCHEDULE - 3		
SECURED LOANS		
1 Advances from Corporation Bank	2,685,324	(475,082)
2 Packing Credit Corporation Bank	7,176,403	9,993,274
3 Kotak Mahindra Primus	1,405,713	2,299,227
4 Bank Overdraft	-	742,542
5 Corporation Bank C C	24,090,354	27,612,546
Total Rs.	35,357,794	40,172,507
Notes :		
1 Item no. (1) is secured against Export Bills and Personal guarantee of Directors.		
2 Packing credit against inventories and Personal guarantee of Directors.		
3 Item no.(3) against Motor Car.		
4 Item no.(4) against Book Debts & Stock.		
5 Item no.(5) against inventories and book debts/current assets.		
SCHEDULE - 4		
UNSECURED LOANS		
1 From Directors	1,061,963	1,902,605
2 From Others	1,016,214	1,266,214
Total Rs.	2,078,177	3,168,819



SCHEDULE - 5

Statement of Fixed Assets

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As on 1.4.2009	Additions	Deduction	Total	As on 1.4.2009	For the year	Adjustment of Deduction	Total	As on 31.3.2010	As on 31.3.2009
1	LAND	4,854,597	-	-	4,854,597	-	-	-	-	4,854,597	4,854,597
2	BUILDING	19,296,370	339,341	-	19,635,711	15,284,350	425,724	-	15,710,074	3,925,637	4,012,020
3	FURNITURE & FIXTURES	3,749,888	101,000	-	3,850,888	1,950,781	333,892	-	2,284,673	1,566,215	1,799,107
4	VEHICLES	9,905,116	-	-	9,905,116	3,640,028	1,622,031	-	5,262,059	4,643,057	6,265,088
5	COMPUTERS	2,684,116	77,422	-	2,761,538	2,236,075	187,464	-	2,423,539	337,999	448,042
6	LIFT	155,350	-	-	155,350	142,544	1,781	-	144,325	11,025	12,806
7	ELECTRIC INSTALLATION	972,663	-	-	972,663	888,844	11,659	-	900,503	72,160	83,819
8	PLANT & MACHINERY	11,900,096	506,296	-	12,406,392	9,392,089	431,631	-	9,823,720	2,582,672	2,508,007
9	AIR CONDITIONERS	985,289	-	-	985,289	595,117	54,273	-	649,390	335,899	390,172
10	OFFICE EQUIPMENT	1,463,430	52,102	-	1,515,532	781,042	98,942	-	879,984	635,548	682,388
	Total Rs.	55,966,915	1,076,161	-	57,043,076	34,910,870	3,167,397	-	38,078,267	18,964,809	21,056,046
	Figures of Previous Years Rs.	52,146,079	6,204,127.00	2,383,291	55,966,916	33,258,194	3,128,047	1,475,372	34,910,869	21,056,047	



Particulars	<u>As on 31.3.2010</u>	<u>As on 31.3.2009</u>
SCHEDULE - 6		
INVENTORIES		
(As valued & certified by the Management)		
1 Stock in Trade		
(a) Raw Materials	28,078,140	32,032,177
(b) Finished Goods	11,539,960	17,841,481
2 Consumable Spares & Stores	642,220	3,038,530
Total Rs.	<u>40,260,320</u>	<u>52,912,188</u>
SCHEDULE - 7		
SUNDRY DEBTORS		
(Unsecured Considered good)		
1 Debts Outstanding for Period exceeding six months	37,313,377	21,187,487
2 Other Debts	22,075,494	32,530,987
Total Rs.	<u>59,388,871</u>	<u>53,718,474</u>
SCHEDULE - 8		
CASH & BANK BALANCES		
1 Cash on Hand	87,218	73,843
2 With Scheduled Bank in Current Account	229,197	204,878
Total Rs.	<u>316,415</u>	<u>278,721</u>
SCHEDULE - 9		
LOANS & ADVANCES		
(Unsecured considered good value to be receivable in cash or kind)		
1 Loan to Staff	158,511	97,608
2 Advances & Deposits	6,415,733	5,522,620
3 Others	378,460	376,810
Total Rs.	<u>6,952,704</u>	<u>5,997,038</u>
SCHEDULE - 10		
CURRENT LIABILITIES & PROVISIONS		
A. LIABILITIES		
1 Sundry Creditors	9,836,923	12,929,812
2 Advance from Customers	1,623,336	1,555,830
3 Outstanding Expenses	2,679,716	2,057,308
Total Rs.	<u>14,139,975</u>	<u>16,542,950</u>
SCHEDULE - 11		
PROVISIONS		
1 For Taxation	5,175,000	4,875,000
Total Rs.	<u>5,175,000</u>	<u>4,875,000</u>



Particulars	As on 31.3.2010	As on 31.3.2009
SCHEDULE - 12		
SALES		
Export Sales (C.I.F.)	24,162,301	45,783,899
Difference in Rates	1,235,641	1,700,762
Local Sales	102,425,460	123,767,285
Total Rs.	127,823,402	171,251,946
SCHEDULE - 13		
OTHER INCOME		
Profit on sale of Assets at Jaipur	-	108,328
Insurance Claim	-	79,979
Amount Written Back	40,892	281,451
Interest on Subvention & Margin Money	180,829	
Total Rs.	221,721	469,758
SCHEDULE - 14		
INCREASE/(DECREASE) IN STOCKS		
Finished Goods		
Opening Stock	17,841,481	18,363,594
Less : Closing Stock	11,539,960	17,841,481
Total Rs.	(6,301,521)	(522,113)
SCHEDULE - 15		
RAW MATERIALS CONSUMED		
Opening Stock	32,032,177	21,707,338
Purchase	77,798,940	127,267,811
	109,831,117	148,975,149
Less : Closing Stock	28,078,140	32,032,177
Total Rs.	81,752,977	116,942,972
SCHEDULE - 16		
CONSUMPTION OF TOOLS		
Opening Stock	3,038,530	4,580,691
Add : Purchases	804,290	2,332,839
	3,842,820	6,913,530
Less : Closing Stock	642,220	3,038,530
	642,220	3,038,530
Total Rs.	3,200,600	3,875,000



SCHEDULE - 17

List of Expenses

Sr.No.	Particulars	FOR THE YEAR ENDED	
		As on 31.03.2010	As on 31.03.2009
1	Advertisement	235,704	89,822
2	Air Freight Charges	166,434	444,268
3	Assortment/Rhodium Charges/Refining Charges	223,260	481,318
4	Bank charges	342,227	1,051,558
5	Certification Charges	43,905	305,173
6	Clearing & Forwarding Charges	611,887	423,951
7	Conveyance	108,164	152,172
8	Directors Remuneration	2,626,600	1,951,426
9	Donation		35,350
10	Electricity	1,060,280	1,315,998
11	Employees Provident Fund	428,683	735,333
12	Entertainment Expenditures	1,343,992	1,260,418
13	Exhibition Expenses	7,239,015	9,436,834 \
14	Export Goods Expenses	103,728	262,349
15	Commission & Brokerage	84,959	-
16	Insurance	439,696	601,187
17	Labour Charges	14,715	987,611
18	Loss on Sale of Motor Car	-	105,135
19	Miscellaneous Expenses	832,172	2,140,591
20	Postage & Telegram	37,168	38,391
21	Printing & Stationery	364,467	381,249
22	Profession Tax	2,500	-
23	Professional Charges	378,233	453,791
24	Rates, Taxes & Fees	246,354	462,201
25	Remuneration to Auditors	99,270	77,210
26	Rent	72,000	61,914
27	Repairs & Maintenance	318,307	459,672
28	Salary & Bonus	6,836,205	10,191,657
29	Sales Tax/VAT	170,300	124,612
30	Security Expenses	958,943	1,199,222
31	Sitting Fees	-	14,400
32	Software Charges	8,130	72,821
33	Subscription & Membership Fees	108,338	130,379
34	Travelling Expenses Including Foreign Travel	1,958,238	4,158,497
35	Telephone Expenses	556,955	910,470
36	Vehicle Expenses	773,962	1,047,194
37	Water Charges	15,642	84,420
	Total Rs.	28,810,433	41,648,593

**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010****(SCHEDULE -18)**

1. Significant Accounting Policies :

(a) System of Accounting :

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

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

(b) Fixed Assets :

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

(c) Depreciation :

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

(d) Inventories :

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

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

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

(e) Revenue Recognition :

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

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

(f) Foreign Currency Transaction :

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

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

(g) Employee Benefits :

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

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

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

(h) Borrowing Cost :

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

2. Segment Reporting :

a) Business Segment :

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

b) Geographical Segment :

The geographical segments considered for disclosures are :

(i) Sales within India made to Customers located within India Rs. 10,24,25,460/-.

(ii) Sales outside India represents sales made to customers located outside India Rs. 2,41,62,301/-.

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


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

- (a) Associate : Hotchand Hiranand
 Universal Jewellery Ltd.
 Sovereign Jewellery Ltd.
 Bombay Textiles
 Ras Family Trust
 R. B. Hotchand Hiranand Foundation
- (b) Key Management Personnel and their Relatives : Mr. Ramesh H. Gehani - Managing Director
 Mr. Ajay R. Gehani - Wholetime Director
 Mr. Sanjay R. Gehani - Wholetime Director
 Mrs. Rani R. Gehani - Relative
 Mr. Rajender R. Gehani - Relative
- (c) During the year, the following transactions were carried out with the related parties in the ordinary course of the business.

Sr.No.	Nature of Transaction	Associate	Key Management Personnel and their relatives	Total
1	Temporary Amount Received		351,918	351,918
2	Temporary Amount Repaid		1,442,560	1,442,560
3	Remuneration Paid		2,626,600	2,626,600
4	Amount (Receivable)/Payable	(35,020)	2,078,177	2,043,157

4. Earnings Per Share (EPS) :

	31.03.2010	31.03.2009
Profit/(Loss) after tax	224,240	(719,731)
Number of Equity Shares	5,788,002	5,788,002
Earning Per Share (basic/diluted)	0.04	(0.12)

5. Accounting for Taxes on Income

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

	As at 31st March 2010 (Rs.)	As at 31st March 2009 (Rs.)
Deferred Tax Liability		
On account of depreciation	(755,890)	(1,062,155)
Less:(Decrease) increase in deferred tax liability	(295,259)	(306,265)
Net Deferred Tax (liability)/asset on account of timing difference	(460,631)	(755,890)

6. Impairment of assets :

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



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

Class of Goods Manufactured	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009
(i) Gold Jewellery studded with Diamonds Stones	Pieces	Not Applicable		Not Applicable		2,148	3,344

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

Sr.No.	Particulars	Unit	Purchases/Imports	
			Quantity	Value in Rs.
(i)	Diamonds	Carat	3,539.77 (6,206.93)	50,295,305.00 (92,907,528.00)
(ii)	Semi Precious Stone	Carat	23.68 (427.47)	35,261.00 (190,504.00)
(iii)	Gold	Grams	15,931.17 (27,896.44)	25,934,310.00 (33,831,308.00)
(iv)	Precious Stone	Carat	41.77 (41.09)	100,197.00 (126,914.00)
(v)	Silver	Grams	- (9,362.00)	- (211,557.00)
(vi)	Platinum	Grams	487.03 (-)	1,433,867.00 (-)
	Total Rs.			77,798,940.00 (127,267,811.00)

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

Sr.No.	Particulars	Unit	Sales		Export	
			Quantity	Value in Rs.	Quantity	FOB Value in Rs.
(i)	Gold Jewellery Studded with Diamonds	Pieces	1,861 (2,045)	74,245,860 (83,659,463)	471 1,097	23,976,205 (45,391,222)
(ii)	Diamonds	Carat	1,884.95 (2,097.82)	27,639,466 (30,975,447)	-	-
(iii)	Gold	Gms	366.08 (6,342.10)	540,134 (9,132,375)	-	-
	Total Rs.			102,425,460 (123,767,285)		23,976,205 (45,391,222)



(c) Raw Materials Consumed/used for direct sales

Sr.No.	Description	Unit	Quantity	Value in Rupees.
(i)	Diamonds	Carat	3,663.470	52,572,773
			(5,579.480)	(84,773,129)
(ii)	Gold	Grams	17,407.145	27,320,836
			(26,354.999)	(31,825,309)
(iii)	Silver	Grams	-	-
			(9,362.000)	(211,557)
(iv)	Precious Stones	Carat	57.620	611,280
			(27.740)	(105,030)
(v)	Semi Precious Stone	Carat	11.960	5,617
			(58.330)	(27,947)
(vi)	Platinum	Carat	422.020	1,242,471
			(-)	(-)
	Total Rs.			81,752,977
				(116,942,972)

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

Sr.No.	Particulars	Units	Opening Stock		Closing Stock	
			Quantity	Value in Rs.	Quantity	Value in Rs.
(i)	Diamonds	Carat	1,826.06	26,926,227	1,702.36	24,648,759
			(1,198.61)	(18,791,828)	(1,826.06)	(26,926,227)
(ii)	Precious Stones	Carat	1,811.34	1,205,357	1,795.49	694,274
			(1,797.99)	(1,183,473)	(1,811.34)	(1,205,357)
(iii)	Semi Precious Stones	Carat	428.93	166,008	440.65	195,652
			(59.79)	(3,451)	(428.93)	(166,008)
(iv)	Gold	Grams	3,009.64	3,699,228	1,533.665	2,312,702
			(1,468.20)	(1,693,229)	(3,009.64)	(3,699,228)
(v)	Gold Jewellery Studded with diamonds/stones	Pieces	550	17,841,481	366	11,539,960
			(348)	(18,363,594)	(550)	(17,841,481)
(vi)	Pearls	Carat	320.96	14,097	320.96	14,097
			(320.96)	(14,097)	(320.96)	(14,097)
(vii)	Tsavourites	Carat	21.26	21,260	21.26	21,260
			(21.26)	(21,260)	(21.26)	(21,260)
(viii)	Platinum	Carat	-	-	65.01	191,396
			(-)	(-)	(-)	(-)
				49,873,658		39,618,100
				(40,070,932)		(49,873,658)

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

	31.03.2010	31.03.2009
(i) Raw Materials	798,157	1,977,534
(ii) Capital Goods/Stores/Spares	NIL	NIL



11. Expenditure in Foreign currency

	31.03.2010	31.03.2009
1. Foreign Travel/Exhibition Charges (Including Air Ticket & other ancillary Services charges)	8,011,925	4,559,989

12. Earnings in Foreign Exchange

	31.03.2010	31.03.2009
(i) Export of Goods on F.O.B. Basis	23,976,205	45,391,222
(ii) Freight and Insurance	186,096	24,162,301
	392,677	45,783,899

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

	Amount		Percentage	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
(i) Raw Materials : Imported	798,157	1,977,534	1.03	1.55
(ii) Raw Materials : Indigenous	77,000,783	125,290,277	98.97	98.45
Total Rs.	<u>77,798,940</u>	<u>127,267,811</u>	<u>100.00</u>	<u>100.00</u>

14. Remuneration to Auditors (including service tax)

	31.03.2010	31.03.2009
(i) As Auditors	28,080.00	22,060.00
(ii) For Tax Audit	28,080.00	22,060.00
(iii) For Taxation	43,110.00	33,090.00
Total Rs.	<u>99,270.00</u>	<u>77,210.00</u>

15. Payment to Directors

	Managing Director		Whole Time Director	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
Remuneration	890,400.00	567,409.00	816,200.00	591,457.00
House Rent Allowance	420,000.00	324,620.00	385,000.00	354,660.00
Other Benefits	60,000.00	53,280.00	55,000.00	60,000.00
Total Rs.	<u>1,370,400.00</u>	<u>945,309.00</u>	<u>1,256,200.00</u>	<u>1,006,117.00</u>

16. The Company have obtained interest free loans from directors and their relatives. Interest of Rs.3,10,590/- are not provided on the said loans.

17. Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force on 2nd October, 2006, certain disclosures are required to be made relating to dues payable to Micro, Small and Medium Enterprises. The Company is in the process of compiling relevant information from the suppliers regarding their coverage under the said Act. Since the relevant information is not readily available, no disclosure have been made in the Accounts.



- 18 The Company has not made provision for doubtful debts of Rs. 90.30 lakhs recoverable from foreign customer, as the directors are hopeful to recover the amount in current year.
- 19 The company have deposited a sum of Rs. 5,59,591.66 with Bombay High Court towards the recovery suit pending against the company. The Company have provided a sum of Rs. 2,75,000/- in the account and balance amount of Rs. 2,84,591.66 is kept as deposit with Honourable High Court.
- 20 The figures of previous year have been regrouped/rearranged wherever considered necessary.
- 21 Figure shown in brackets are of previous year.

AS PER OUR REPORT OF EVEN DATE
FOR J.D. ZATAKIA & COMPANY
CHARTERED ACCOUNTANTS

J.D. ZATAKIA - PROPRIETOR
Membership No : 17669

PLACE : MUMBAI
DATE : 29-07-2010

FOR AND ON BEHALF OF THE BOARD

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

PLACE : MUMBAI
DATE : 29-07-2010


Cash Flow Statement for the year ended 31st March 2010 (Pursuant to the listing agreement with Stock Exchange)

PARTICULARS	31.3.2010		31.3.2009	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit (Loss) Before Tax and Extraordinary Items :		228,981		99,004
Adjustment for				
Depreciation	3,167,397		3,128,047	
Loss on Sale of Assets	-		105,135	
Profit on Sale of Assets	-		(108,328)	
Interest	4,583,214		5,505,974	
Miscellaneous Expenses Written off	-		-	
		7,750,611		8,630,828
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		7,979,592		8,729,833
Adjustment for				
Trade and Other Receivable	(6,626,063)		90,837	
Inventories	12,651,868		(8,260,565)	
Trade Payable	(2,402,975)		1,078,863	
		3,622,830		(7,090,865)
CASH GENERATED FROM OPERATIONS		11,602,422		1,638,968
Interest paid	(4,583,214)		(5,505,974)	
Direct Taxes Paid				
Income Tax Refund	-		5,152	
Income Tax Adjustments				
		(4,583,214)		(5,500,822)
CASH FLOW BEFORE EXTRAORDINARY ITEMS		7,019,210		(3,861,855)
Extra Ordinary Items		-		-
Net Cash from operating activities		7,019,210		(3,861,855)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(1,076,161)		(6,204,127)	
Sale of Fixed Assets	-		911,112	
		(1,076,161)		(5,293,015)
NET CASH USED IN INVESTING ACTIVITIES		(1,076,161)		(5,293,015)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issued of Share Capital :				
Proceeds from Short Term of Borrowings	(1,090,642)		433,885	
Proceeds from Long Term of Borrowings	(4,814,713)		8,484,934	
		(5,905,355)		8,918,819
CASH USED IN FINANCING ACTIVITIES		(5,905,355)		8,918,819
NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)		37,694		(236,051)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS		278,721		514,772
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		316,415		278,721

AS PER OUR REPORT OF EVEN DATE

FOR J.D. ZATAKIA & COMPANY

CHARTERED ACCOUNTANTS

J.D. ZATAKIA - PROPRIETOR

Membership No : 17669

PLACE : MUMBAI

DATE : 29-07-2010

FOR AND ON BEHALF OF THE BOARD

MR. RAMESH H. GEHANI

MR. AJAY R. GEHANI

MANAGING DIRECTORS

PLACE : MUMBAI

DATE : 29-07-2010



Balance Sheet abstract and Company's General Business Profile

I.	Registration Details	:		
	Registration No	:	11-17505	
	State Code	:	11	
	Balance Sheet Date	:	31.03.2010	
II.	Capital raised during the year (amount Rs. in thousands)		Public Issue NIL Bonus Issue NIL	Rights Issue NIL Private Placement NIL
III.	Position of Mobilisation and Deployment of Funds, (amount in thousands)	:		
		:	Total Liabilities	Total Assets
		:	106,568,144	106,568,144
	Sources of Funds	:	Paid up Capital	Reserves & Surplus
		:	57,880,020	10,791,522
		:	Secured Loans	Unsecured Loans
		:	35,357,794	2,078,177
		:	Deferred Tax Liability (Net)	
		:	460,631	
	Application of Funds	:	Net Fixed Assets	Investment
		:	18,964,809	-
		:	Net Current Assets	Misc. Expenditure
		:	87,603,335	-
		:	Accumulated Losses	
		:	-	
IV.	Performance of the Company (Amounts Rs. in thousands)	:	Turn over (Gross Revenue)	Total Expenditure
		:	121,743,602	121,514,621
		:	Profit/Loss before Tax	Profit/Loss after Tax
		:	228,981	224,240
		:	Earning per share in Rs.	Dividend Rate (%)
		:	0.04	-
V.	Generic names of principal products/ Services of the company (as per monetary terms)		Item Code No.	Product Description
			-	-

ON BEHALF OF THE BOARD OF DIRECTOR

DIRECTOR

**ATTENDANCE SLIP
SOVEREIGN DIAMONDS LIMITED**

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

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

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

I, hereby record my attendance at the Thirty-Sixth Annual General Meeting to be held on Thursday, 2nd September, 2010 at 11 - A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093 at 11.00 A.M.

SIGNATURE OF THE SHARE HOLDER OR PROXY _____

* Applicable for investor holding shares in electronic form.

PROXY

SOVEREIGN DIAMONDS LIMITEDa

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

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

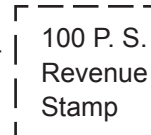
* Applicable for investor holding shares in electronic form.

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

as my/our Proxy to attend and vote for me/us and on my/our behalf at the Thirty-Sixth Annual General Meeting to be held on, Thursday, 2nd September, 2010 at 11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093 at 11.00 A.M. and at any adjournment thereof.

AS WITNESS my hand/our hands this _____ day of _____ 2010.

Signature _____



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

Reference Folio _____

Name of the Shareholder(s): _____

BOOK- POST

If undelivered please return to :

SOVEREIGN DIAMONDS LIMITED

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

CRYSTAL (022) 6614 0900