



Sovereign[®]

Diamonds Ltd. Since 1974



41st
ANNUAL REPORT
2014 - 2015

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2014 - 2015

Sovereign Diamonds Limited

BOARD OF DIRECTORS

Mr. Ramesh H. Gehani	:	Executive Chairman
Mr. Ajay R. Gehani	:	Managing Director
Mr. Mohanram Pai	:	Independent Director
*Mrs. Deepika A. Gehani	:	Executive Director
Mr. Rajesh Arora	:	Independent Director

*Appointed from 30th May, 2015

AUDIT COMMITTEE

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

NOMINATION & REMUNERATION COMMITTEE

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

STAKEHOLDERS RELATIONSHIP

Mr. Ajay Gehani
Mr. Rajesh Arora

BANKERS

Corporation Bank

STATUTORY AUDITORS

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

REGISTERED OFFICE

Sovereign House,
11-A, Mahal Industrial Estate,
Mahakali Caves Road, Andheri (East)
Mumbai: 400 093
Ph No: 022 66923871
Fax No: 022 66923880

REGISTRAR & TRANSFER AGENTS

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

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

**NOTICE**

NOTICE is hereby given that the Forty First Annual General Meeting of the members of **Sovereign Diamonds Limited** will be held on Friday, 7th day, August, 2015 at 10.30 A.M. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March, 2015 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. Appointment of Statutory Auditors

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

“RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Companies (Audit and Auditors) Rules, 2014, (the Rules), (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), M/s. J. D. Zatakia & Co., Chartered Accountants, Mumbai having ICAI Firm Registration No.111777W, who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Auditors, in terms of provisions of Section 141 of the Act, and Rule 4 of the Rules, be and are hereby re-appointed as Statutory Auditors of the Company for the Company’s financial year 2015-16, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be agreed upon by the Board of Directors and the Auditors, in addition to service tax and re-imburement of out of pocket expenses incurred by them in connection with the audit of Accounts of the Company.”

SPECIAL BUSINESS

4. To appoint Mrs. Deepika Ajay Gehani (DIN: 00974033) as a Woman Director and in this regard, to consider, and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mrs. Deepika Ajay Gehani (DIN: 00974033), who was appointed as an Additional Director and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Director, be and is hereby appointed as a Woman Director of the Company, liable to retire by rotation.”

5. To re-appoint Mr. Ramesh Gehani (DIN: 00062969) as Executive Chairman and in this regard to consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, and other applicable provisions, if any, of the Companies Act, 2013 including Schedule V of the said Act as amended up-to-date, consent and approval be and is hereby accorded to the re-appointment 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, 2015 to 31st August, 2020.



RESOLVED FURTHER THAT Mr. Ramesh Gehani shall be paid remuneration of Rs. 1,75,000/- per month including the perquisites as permissible under Schedule V of the Companies Act, 2013 and shall be eligible for increments as may be decided by the Board of Directors from time to time annually, if permissible as per the provisions of the Act.

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

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration to the extent the Board of Directors may consider appropriate and as may be authorized in accordance with any provision under the Act for the time being in force provided, however, that the remuneration and perquisites payable to Mr. Ramesh Gehani shall be within the limits set out in the said Act including the said Schedule V to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and/or any rules or regulations framed there under provided that the terms of the letter of re-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 of the Company, the remuneration and perquisites set out in the aforesaid letter of re-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 (A) of Schedule V to the said Act or such other amount and perquisites as may be provided in the said Schedule V whether or not amended from time to time or any equivalent statutory re-enactment(s) thereof.”

6. To appoint Mrs. Deepika Ajay Gehani (DIN: 00974033) as a Chief Financial Officer and in this regard, to consider, and if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:

“**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 (the said Act) including Schedule V of the said Act as amended up-to-date, consent and approval be and is hereby accorded to the appointment and payment of remuneration and perquisites to Mrs. Deepika A Gehani as Chief Financial Officer (CFO) of the Company for a period of five years with effect from 1st June, 2015 to 30th May, 2020.

RESOLVED FURTHER THAT Mrs. Deepika A Gehani shall be paid remuneration of Rs. 50,000/- per month and perquisites as permissible under Schedule V of the Companies Act, 2013 and shall be eligible for increments as may be decided by the Board of Directors from time to time annually, if permissible as per the provisions of the Act.

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 is approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration to the extent the Board of Directors may consider appropriate and as may be authorised in accordance with any provision under the Act for the time being in force provided, however, that the remuneration and perquisites payable to Mrs. Deepika A Gehani shall be within the limits set out in the said Act including the said Schedule V to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and/or any rules or regulations framed there under provided that the terms of the letter of appointment between the company and Mrs. Deepika A 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 Mrs. Deepika A Gehani as Woman Director designated as Chief Financial Officer (CFO) of the Company, the remuneration and perquisites set out in the aforesaid letter of appointment be paid or granted to Mrs. Deepika A 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 (A) of Schedule V to the said Act or such other amount and perquisites as may be provided in the said Schedule V whether or not amended from time to time or any equivalent statutory re-enactment(s) thereof."

NOTES:

1. The relative Explanatory Statements, pursuant to Section 102 of the Companies Act, 2013, in respect of the business under Item Nos. 4, 5 & 6 of the accompanying Notice are annexed hereto.
2. A statement giving the relevant details of the Directors seeking re-appointment under Item No. 2 of the accompanying Notice, as required by Clause 49 of the Listing Agreement entered into with the Stock Exchange is annexed herewith.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING i.e. 5th AUGUST, 2015

4. A person can act as a proxy on behalf of Members not exceeding fifty in number and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as proxy for any other person or shareholder.
5. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board Resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the Meeting.
6. Members are requested to bring their attendance slips duly completed and signed mentioning therein details of their DP ID and Client ID/ Folio No.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
8. Relevant documents referred to in the accompanying Notice and in the Explanatory Statements are open for inspection by the Members at the Company's Registered Office on all working days of the Company, during business hours up to the date of the Meeting.
9. The Register of Members and Share Transfer Books of the Company shall remain closed from 1st August, 2015 to 6th August, 2015 (both days inclusive).
10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form should submit their PAN to the Company.
11. Members desiring any relevant information on the Accounts at the Annual General Meetings are requested to write to the Company at least seven days in advance, so as to



enable the company to keep the information ready. Members can also email their queries at the email address of the Managing Director, Mr. Ajay Gehani (sovereigndiamonds@gmail.com)

12. Members holding shares in single name and in physical form are advised to make a nomination in respect of their shareholding in the Company and those Members who hold shares singly in dematerialized form are advised to make a nomination through their Depository Participants.
13. Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically
14. Information required under Clause 49 of the Listing Agreement relating to Corporate Governance with respect to the Director being appointed and Directors retiring by rotation and being eligible, seeking re-appointment is as under:

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

Particulars	Mrs. Deepika Ajay Gehani
Director Identification Number(DIN)	00974033
Date of Birth	24/02/1966
Nationality	Indian
Date of Appointment on Board	30 th May, 2015
Qualifications	B.com
Shareholding in Sovereign Diamonds Limited	1,01,400 shares
Expertise in specific functional areas	Jewellery designing and manufacturing of diamond jewellery, marketing of jewellery.
Directorships in other Public Limited Companies*	Nil
Memberships of Committees in other Public Limited Companies* (includes only Audit & Shareholders / Investors Grievances Committee)	Nil



PROCESS FOR MEMBERS OPTING FOR E-VOTING

Voting through electronic means.

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 4th August, 2015 at 9.00 a.m. and ends on 6th August, 2015 at 5.00 p.m. During these period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (Record Date) of 31st July, 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Enter User ID:
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

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

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to



vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for **Sovereign Diamonds Limited**.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the existing password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) **Note for Non – Individual Shareholders and Custodians**
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
 - In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions.
 - (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Other Instructions:

1. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
2. The voting rights of Members shall be in proportion to the shares held by them on the paid up equity share capital of the Company as on and as per the Register of Members of the Company.



3. M/s P. P. Shah & Co., Practicing Company Secretary, has been appointed as the Scrutinizer to scrutinize the e-voting process (including the Ballot Form received from the Members who do not have access to the e-voting process) in a fair and transparent manner.
4. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses (not in the employment of the Company) and make out a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
5. The Chairman shall, at the general meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting, as provided in clauses (a) to (h) of sub-rule (1) of the Companies (Management and Administration) Rules, 2014, as applicable, with the assistance of scrutinizer, by use of postal ballot or polling paper for all those members who are present at the general meeting but have not cast their votes by availing the remote e-voting facility.
6. A Member can opt for only one mode of voting i.e. either through e-voting or in physical form. If a Member casts his / her vote by both modes, then voting done through e-voting shall prevail and the vote by ballot shall be treated as invalid.
7. The results declared along with the Scrutinizer's Report shall be placed on the BSE's website and on the website of CDSL www.evotingindia.com within two days of the passing of the Resolutions at the 41st AGM of the Company and communicated to BSE Limited, where the shares of the Company are listed.

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

Place: Mumbai
Dated: 30th May, 2015

Sd/-
(Ajay Gehani)
Managing Director

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

The following Explanatory Statements, as required under Section 102 of the Companies Act, 2013, set out all material facts relating to the business under Item No. 4, 5 and 6 of the accompanying Notice dated 30th May, 2015.

ITEM NO. 4 – Appointment of Mrs. Deepika Gehani as Woman Director

Mrs. Deepika Gehani was appointed as a Woman Director of the Company at the Board meeting held on 30th May, 2015.

In terms of provisions of Section 161(1) of the Act, Mrs. Deepika Gehani would hold office up to the date of the ensuing Annual General Meeting. The Company has received notices in writing from members along with a deposit of requisite amount under Section 160 of the Act proposing the candidature of Mrs. Deepika Gehani for the office of Directors of the Company.

It is proposed to appoint Mrs. Deepika Gehani as a Woman Director under Section 149 of the Act and Clause 49 of the Listing Agreement, liable to retire by rotation.

Mrs. Deepika Gehani is not disqualified from being appointed as Director in terms of Section 164 of the Act and have given her consent to act as Director.

Brief resume of Mrs. Deepika Gehani, nature of her expertise in specific functional areas and names of companies in which she hold directorships and memberships / chairmanships of Board, Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, are provided in the notice of the Annual General Meeting and Corporate Governance Report forming part of the



Annual Report.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange. Mrs. Deepika Gehani, Mr. Ajay Gehani and Mr. Ramesh Gehani are interested in the resolution set out at Item No. 4 of the Notice with regard to her appointment.

The relatives of Mrs. Deepika Gehani may be deemed to be interested in the resolutions set out respectively at Item No. 4 of the Notice, to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the other Directors of the Company / her relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board commends the Resolutions set out at Item No. 4 of the Notice for approval by the shareholders.

ITEM NO. 5 – Re-appointment of Mr. Ramesh Gehani as Executive Chairman

The Nomination and Remuneration Committee has recommended the re-appointment of Mr. Ramesh Gehani as Executive Chairman of the Company. Accordingly the Board of Directors at its meeting held on 30th May, 2015 has considered the re-appointment of Mr. Ramesh Gehani, as Executive Chairman of the Company for the period of 5 years w.e.f. 1st September, 2015. The terms and conditions of his re-appointment is given below:

Sr. No.	Name of Director	Designation	Responsibility
1.	Mr. Ramesh Gehani	Executive Chairman	The overall management and finance of the Company

As per the Section II Sub-clause A (iv) of Schedule V, the company is required to furnish the following information in the Explanatory Statement;

I. GENERAL INFORMATION:

Sr. No	PARTICULARS	INFORMATION	
1.	Nature of Industry	Diamond	
2.	Date or expected date of commencement of Commercial Production.	Company is already in Commercial Production	
3.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Not Applicable	
4.	Financial performance based on given indications. Sales (Net of Excise) Net Profit before Tax Net Profit After Tax	31-3-2015 (Rs. in lacs)	31-3-2014 (Rs. in lacs)
		6013.81 279.33 184.96	4000.48 156.84 101.73
5.	Foreign investments or collaborators, if any.	NIL	

II. INFORMATION ABOUT THE APPOINTEE:

No.	PARTICULARS	INFORMATION
1.	Background Details	Mr. Ramesh Gehani has vast experience in Diamonds and Jewellery since last 50 years
2.	Past Remuneration / Perquisites	Rs.1,24,950/- per month including perquisites
3.	Recognition or Awards	NIL
4.	Job Profile and His Suitability	Assisting the Managing Director in Marketing of Jewellery, Handling the Bank finance and looking after day-to-day administration.



5.	Remuneration / perquisites proposed	Rs. 1,75,000/- per month including the perquisites as permissible under Schedule V of the Companies Act, 2013 and shall be eligible for increments as may be decided by the Board of Directors from time to time annually, if permissible as per the provisions of the Act.
6.	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	The Comparative remuneration profile will be higher than Rs. 2,00,000/-.
7.	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any,	Mr. Ramesh Gehani, Executive Chairman has no pecuniary relationship with the Company except as employees of the Company as stated and holding 11,86,532 shares representing 20.50% in the Company and classified as Promoter of the Company. He is a father of Mr. Ajay Gehani.

III. OTHER INFORMATION:

No.	PARTICULARS	INFORMATION
1.	Reasons of loss or inadequate profits	Company has not incurred losses in the last five years and the profit earned is adequate to pay the remuneration.
2.	Steps taken or proposed to be taken for improvement.	Since last three years the turnover and profits are increasing steadily. Further, with a view to improve the workings, the company is taking all steps for improvement in the profit.
3.	Expected increase in productivity and profits in measurable terms	The Company is expecting improvement in the profitability.
4.	Reason for Re-appointment pursuant to section 196(3)(a) of the Companies Act, 2013	Mr. Ramesh Gehani has been classified as one of the Promoter of the Company at the time of Public issue. Subsequently in all filings with BSE and ROC, he has been classified as promoter of the company. In availing bank finance, he has been classified as one of the promoter of the company and his personal guarantee for securing the bank facility has been given to the bank. While sanctioning the facility, one of the conditions of bank is to execute personal guarantee in favour of bank. He is holding 11,86,532 equity shares representing 20.50% of the total capital of the company. He is associated with the company since incorporation and has vast experience in Diamonds and Jewellery. In appointing Mr. Ramesh Gehani as Executive Chairman, the company will be immensely benefited with his reach experience and guidance.

The Company proposes to pay following remuneration and perquisites w.e.f. 1st September, 2015.



A. REMUNERATION:

Sr. No.	Name of Director	Designation	Remunerations & Perquisites
1	Mr. Ramesh Gehani	Executive Chairman	Monthly remuneration of Rs. 1,75,000/- including the perquisites as permissible under Schedule V of the Companies Act, 2013 and shall be eligible for increments as may be decided by the Board of Directors from time to time annually, if permissible as per the provisions of the Act.

B. INCREMENTS:

The Board of Directors shall decide the increments payable to him at the end of March, every year within the overall ceiling laid down in the Schedule V so that the total remuneration by way of salary, perquisites and other allowances including increments shall not exceed the ceiling provided in Part II of Schedule V to the said Act based on the effective capital for the respective financial year or such other amount and perquisites as may be provided in the said Schedule V as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

C. MINIMUM REMUNERATION

- 1) The above remuneration and perquisites has been fixed on the basis of inadequate profits as per the audited balance sheet as on 31st March, 2015 and has been fixed as provided in Part II of Schedule V to the said Act based on the effective capital for the respective financial year or such other amount and perquisites as may be provided in the said Schedule V 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 his appointments, if the Company earns profits in excess of the limits prescribed under Schedule V or if the profits are adequate in any financial year, as per the provisions of Section 196, 197 and any other applicable provisions of the, Companies Act, 2013 then the remuneration of Mr. Ramesh Gehani shall be paid as per the profits earned by the Company in that particular financial year.

The resolutions are being recommended for the approval of the members.

None of the Directors except Mrs. Ramesh Gehani is concerned or interested to the extent remuneration is payable to him. Mr. Ajay Gehani and Mrs. Deepika A Gehani are concerned or interested as relatives of him.

ITEM NO. 6 – Appointment of Mrs. Deepika A Gehani as Chief Financial Officer (CFO)

The Nomination and Remuneration Committee has recommended the appointment of Mrs. Deepika A Gehani as Chief Financial Officer of the Company. Accordingly, the Board of Directors at its meeting held on 30th May, 2015 has considered the appointment of Mrs. Deepika A Gehani, as Chief Financial Officer (CFO) of the Company for the period of 5 years w.e.f. 1st June, 2015.

The terms and conditions of her appointment is given below:

Sr. No.	Name of Director	Designation	Responsibility
1.	Mrs. Deepika A Gehani	CFO	Overall Finance of the Company



A. REMUNERATION & PERQUISITES

Sr. No.	Name of Director	Designation	Remuneration & Perquisites
1.	Mrs. Deepika A Gehani	CFO	Rs. 50,000/- per month and shall be eligible for increments as may be decided by the Board of Directors from time to time annually, if permissible as per the provisions of the Act.

The perquisites shall be classified by the Board of Directors from time to time.

B. INCREMENTS

The Board of Directors shall decide the increments payable to the Director at the end of March, every year within the overall ceiling laid down in the Schedule V so that the total remuneration by way of salary, perquisites and other allowances including increments shall not exceed the ceiling provided in Part II of Schedule V to the said Act based on the effective capital for the respective financial year or such other amount and perquisites as may be provided in the said Schedule V 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 the Director and which shall not be included in the computation of the ceiling of remuneration as per Schedule V of the Companies Act, 2013.

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

The above remuneration and perquisites has been fixed on the basis of inadequate profits as per the audited balance sheet as on 31st March, 2015 and has been fixed as provided in Part II of Schedule V to the said Act based on the effective capital for the respective financial year or such other amount and perquisites as may be provided in the said Schedule V as may be amended from time to time or any equivalent statutory re-enactment(s) thereof and shall be considered as minimum remuneration.

During the tenure of their appointments, if the Company earns profits in excess of the limits prescribed under Schedule V or if the profits are adequate in any financial year, as per the provisions of Section 196, 197 and any other applicable provisions of the, Companies Act, 2013 (the said Act) then the remuneration of Mrs. Deepika A 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 Chief Financial Officer shall hold office as such, subject to the provisions of Section 164 & 167 of the Companies Act, 2013.
- iii. The appointment of Chief Financial Officer has been approved by the Nomination and Remuneration Committee of the Company.

The resolutions are being recommended for the approval of the members.

None of the Directors except Mrs. Deepika A Gehani is concerned or interested to the extent remuneration is payable to her. Mr. Ajay Gehani and Mr. Ramesh Gehani are concerned or interested as relatives of her.

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

Place: Mumbai
Dated: 30th May, 2015

Sd/-
(Ajay Gehani)
Managing Director



BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF
SOVEREIGN DIAMONDS LIMITED

The Directors take pleasure in presenting the Forty First Annual Report together with the audited financial statements for the year ended 31st March, 2015. The Management Discussion and Analysis has also been incorporated into this report.

1. FINANCIAL RESULTS

(Rs. in lacs)

	Year Ended 31 st March, 2015	Year Ended 31 st March, 2014
Income from Operations	6,013.81	4,000.48
Other Income	3.44	18.95
Total Income	6,017.26	4,019.43
Expenditure	5,499.94	3,649.58
Interest	200.62	169.10
Depreciation	37.36	43.91
Total Expenditure	5,737.92	3,862.59
Profit(+) Loss(-)	279.33	156.84
Provision for Taxation	98.00	58.00
(Add) / Less : Deferred Tax	(3.62)	(0.85)
Short / (Excess) Provision of earlier Years	-----	(2.04)
Net profit after tax	184.96	101.73
Balance brought forward from last year	294.19	202.46
Balance carried forward to the Balance Sheet	479.15	304.19

2. HIGHLIGHTS OF PERFORMANCE

- Total net sales for the year were Rs. 6,013.81 lacs as compared to Rs. 4,000.48 lacs in 2014, a growth of 50.32%
- Total profit before tax for the year was Rs. 279.33 lacs as compare to Rs. 156.84 lacs in 2014

3. BUSINESS OPERATIONS

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

- The Company has increased its total workforce to 100 people from 75 people. Some of these are contract workers and some them are fixed workers. The Company is controlling the output per worker and has almost cut any overtime expenses which otherwise puts any unnecessary load on the Company.
- The Company has worked in depth to cut its gold losses and has been very successful in bringing this loss down by almost 1% using better suction machines, complete vacuum cleaning of all carpets twice in a day in gold dust areas and increasing hand washing to collect the gold dust in central setting tanks.
- The Company has purchased some new machines like laser welders which increases its production and improve the quality of our product. The Company have also bought a laser marker for marking jewellery as all the clients are insisting to engrave diamond weights inside the pieces. Earlier this function was outsourced.



With the use of laser maker, there is saving in costs and enhances security of diamonds as no piece has to leave factory for any reason.

- The Company has also purchased a new 3D printer. With the use of these 3D printers, all its designs and models are made in-house. This again leads to saving in costs and faster processing. Earlier this was also outsourced which used to result in leakage of designs.
- The Company has concentrated mainly on the domestic market and increased our sales considerably working with safe clients. The Company has increased its business marginally in the Middle East after exercising due caution by providing on time deliveries and receiving payments.
- The Company's cautious and hands on approach combined with its high quality products has helped us to grow well during this year and the Company is hopeful to continue this trend in the years to come.
- The Company is expanding its staff strength to 125 in the next few months.

4. DIVIDEND

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

5. SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2015 was Rs. 578.80 Lakhs. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. As on 31st March, 2015, the Directors of the Company hold the equity shares of the Company as follows:

Name of the Director	Number of Shares	% of Total Capital
Mr. Ramesh Gehani	11,86,532	20.50
Mr. Ajay Gehani	8,77,800	15.17
Mrs. Deepika Gehani	1,01,400	1.75
Mr. Mohanram Pai	Nil	Nil
Mr. Rajesh Arora	Nil	Nil

6. FINANCE

Cash and cash equivalent as at 31st March, 2015 was Rs. 1,04,737/-. The Company continues to focus on judicious management of its working capital. Receivables, inventories and other working capital parameters were kept under strict check through continuous monitoring.

6.1 DEPOSITS

The Company has not accepted deposit from the public and shareholders falling within the ambit of Section 73 and 74 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014.

6.2 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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



7. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

8. BUSINESS RISK MANAGEMENT

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

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

All the above risk has been discussed in the Management Discussion & Analysis Report. The price of Jewellery consist of Gold, Diamonds & Labour, out of this three, Gold and diamonds consist of 90% of the price of Jewellery. The Company has no control on the price of Gold and Diamonds and the same is available through Exchanges, Market and Banks. The nature of risk is dynamic of business and entrepreneurship. The Company has not formed Risk Management Committee and considered it as optional item as prescribed under Clause 49 of Listing Agreement.

9. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

10. VIGIL MECHANISM / WHISTLE BLOWER POLICY

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

11. SUBSIDIARY COMPANIES

The Company has no Subsidiary Company.

12. DIRECTORS:

In terms of the Articles of Association of the Company, Mr. Ajay Gehani, Managing Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Pursuant to Section 149, 161(1) of the Companies Act, 2013 and Articles of Association of the Company, Mrs. Deepika Gehani was appointed as a Woman Director of the Company at the Board meeting held on 30th May, 2015. In terms of provisions of Section 161(1) of the Act, Mrs. Deepika Gehani would hold office up to the date of the ensuing



Annual General Meeting. The Company has received notices in writing from members along with a deposit of requisite amount under Section 160 of the Act proposing the candidature of Mrs. Deepika Gehani for the office of Director of the Company. The resolution no. 4 has been included in the notice for the same.

The Company proposes to appoint Mrs. Deepika Gehani as a Woman Director under Section 149 of the Act and Clause 49 of the Listing Agreement, liable to retire by rotation.

The present tenure of Mr. Ramesh Gehani as Executive Chairman will expire on 31st August, 2015. The Nomination and Remuneration Committee has recommended the re-appointment of Mr. Ramesh Gehani as Executive Chairman. The Board of Directors has decided to re-appoint him as Executive Chairman and the item no. 5 of notice is for the same.

The Company proposes to appoint Mrs. Deepika Gehani as Chief Financial Officer (CFO) with effect from 1st June, 2015 for a period of five years. The resolution no. 6 has been included in the notice for the same.

12.1 Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Stakeholders Relationship Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

12.2 Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

12.3 Meetings

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

During the year four Board Meetings and four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

13. DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) that in the preparation of the annual financial statements for the year ended 31st March, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) that such accounting policies as mentioned in Note 1 of the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2015 and of the profit of the Company for the year ended on that date;



- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual financial statements have been prepared on a going concern basis;
- e) that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f) that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

14. RELATED PARTY TRANSACTIONS

During the year the company has not entered into any related party transactions except payment of remuneration and sitting fees to the directors.

15. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

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

16. AUDITORS

16.1 Statutory Auditors

The Company's Auditors, M/s. J. D. Zatakia & Co., Chartered Accountants, Mumbai who retire at the ensuing Annual General Meeting of the Company are eligible for reappointment. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for reappointment as Auditors of the Company. As required under Clause 49 of the Listing Agreement, the auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

16.2 Secretarial Audit

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

16.3 Qualifications in the Secretarial Report

1. As per section 203(1)(ii), (iii) & 149, the Company is require to appoint Company Secretary & Chief Financial Officer. *The Company has not appointed Company Secretary & Chief Financial Officer.*

Management Response:

- (i) The Company has appointed Mr. Ajay Gehani, Director Compliance Officer of the Company who looks after the compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (ii) The Company has availed the services of Practising Company Secretary for advising on compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (iii) The Company has appointed Mrs. Deepika A Gehani as Chief Financial Officer (CFO) of the Company with effect from 1st June, 2015.



- (iv) The Volume and Scope of work for the Company Secretary is less and it is not a full time work and the job of Company Secretary is not attractive commensurate with the scope of work and salary.
2. As per section 138 of the Companies Act, 2013, the Company is required to appoint Internal Auditor. *The Company has not appointed Internal Auditor.*

Management Response:

- (i) The size of operation of the Company is very small, it is not viable to appoint Internal Auditor but the Company has established the internal control system.
3. As per the various sections of the Companies Act and Listing Agreement, the Company is required to post various information, policies on the website of the Company. *The Company has not posted any information, policies on the website of the Company.*

Management Response:

- (i) The Company is filling regularly all the information with BSE and all the information is available on the website of BSE
4. As per section 149 of the Companies Act, 2013 and clause 49 of Listing Agreement, the Company is required to appoint Woman Director. *The Company has not appointed Woman Director.*

Management Response:

- (i) The Company has appointed Mrs. Deepika A Gehani as Woman Director at the Board Meeting held on 30th May, 2015.

17. ENHANCING SHAREHOLDERS VALUE

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

18. CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on corporate governance practices followed by the Company, together with a certificate from the Practicing Company Secretaries forms an integral part of this Report.

19. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

20. EXTRACT OF ANNUAL RETURN

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



21. PARTICULARS OF EMPLOYEES

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

22. REMUNERATION OF THE DIRECTORS/ KEY MANAGERIAL PERSONNEL (KMP)/ EMPLOYEES

The information required pursuant to Section 197 read with Rule 5 (1) (i) of The Companies (Appointment and Remuneration) Rules, 2014 in respect of ratio of remuneration of each director to the median remuneration of the employees of the Company for the Financial Year are as follows:

Sr. No.	Name of the Director	Designation	Remuneration Per Annum (INR)	Median Remuneration Per Annum (INR)	Ratio (Remuneration of Director to Median Remuneration)
1.	Mr. Ramesh Gehani	Executive Chairman	14,99,400	-	-
2.	Mr. Ajay Gehani	Managing Director	29,98,800	-	-

23. ACKNOWLEDGEMENTS

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

24. CAUTIONARY STATEMENT

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

For and on behalf of the Board of Directors

Ramesh Gehani
(Executive Chairman)

Ajay Gehani
(Managing Director)

Mumbai

Date: 30th May, 2015



Management Discussion & Analysis Report

ECONOMIC WORLD OVERVIEW

In 2014 – 15 Europe witnessed greater financial stability and there were signs of revival in a number of its constituent nations. The US too registered improvement in employment levels and overall growth prospects prompting Federal Reserve to initiate withdrawal of stimulus measures. Middle eastern countries showed lots of stability and demand for diamond studded jewellery grew rapidly. The slowdown in the Chinese economy seems to have bottomed out with its growth steadying at 7.7 percent for two consecutive years.

In India, growth continued to be muted with the second successive year of sub 5% GDP growth. Volatile rupee with free fall in the first half, stubborn inflation, high cost of borrowing and delays in project approvals adversely impacted the consumer as well as business and investor confidence. Confronted with a difficult macroeconomic situation, the government and RBI took various corrective measures to support the economic growth. These had a positive impact in the latter half of the fiscal year with GDP growth recovered at 4.9%. Formation of a strong and stable government at the Centre has done well for India's economy with improved sentiment fuelled by expectation of speedier reforms and implementation of progressive policies. The whole world is looking positively at India.

GEMS AND JEWELLERY INDUSTRY OVERVIEW

The year 2014-15 was yet another challenging year for the Gems and Jewellery Industry. Growth was subdued as retail sales in all the major markets continued to be slow during major part of the year owing to uncertain economic conditions. Rough diamond prices continued to rise throughout the year without corresponding rise in the prices of cut & polished diamonds and jewellery due to low consumer confidence. This further squeezed the already shrinking margins.

There were signs of improvement and optimism towards the latter part of the year with economies of major diamond markets stabilising and starting to grow. Despite slowdown, the US currently accounts for the largest share of jewellery market in the world with more than half of its market being dominated by the diamond jewellery segment. Euro zone is showing signs of revival and demand in this region is expected to improve in the coming year. Regionally, Asia Pacific holds the world's largest jewellery market and is being driven largely by China and India, the two largest consumers of gold in the world and also hold majority of the processing and manufacturing industry for jewellery.

Though the demand in both these countries had slowed down in past couple of years, they are poised for growth as their economies seem to have bottomed out. India, alongside China, has been identified as the fastest growing market in the world for luxury jewellery over the next five years. In fact, Indian consumers' aspirations for diamonds may eventually outpace their demand for gold. Analyst expect China to double its share of global jewellery market in couple of years and become the second largest diamond consuming market after the US. Indian Gems and Jewellery Industry The Gems and Jewellery industry has been playing a very important role in the Indian economy and contributes about 6-7 per cent to the country's gross domestic product (GDP), besides large scale employment generation and contribution to the the Indian gems and jewellery sector contributed US\$ 34.75 billion to India's foreign exchange earnings. Sensing its immense potential, the Government of India has declared the sector as a thrust area for export promotion. The UAE was a key export destination followed by HongKong.

Studded Jewellery

Jewellery witnessed one of the most challenging year. Export of jewellery and gold medallion fell during the year mainly due to prolonged global economic crisis and various regulatory curbs imposed by government to rein the current account deficit. However, improvement in the global economies, relaxation of various restrictions by the government and reduction in import duty of gold is expected to put this segment back on the growth trajectory.



India is witnessing a shift in consumer preference towards platinum jewellery and diamond studded jewellery. The increase in sales of platinum and diamond jewellery alone accounted for a third of the jewellery sales in 2014. Furthermore, the aggregate demand for diamond jewellery has increased by over 25 per cent in the domestic market, with the high-end diamond jewellery exhibiting strong sales.

The Indian branded jewellery market is growing far more rapidly than the overall jewellery market. Changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences is driving and will continue to drive the demand for branded jewellery. Branded jewellery has an aspiration value catering to the rising desires and wants of the upwardly mobile segments. Retail brands are expanding their reach in tier II and tier III cities to penetrate and explore the untapped market. Many global majors are looking at India strategically, both in terms of a lucrative market as well as a destination for cost competitive solutions.

COMPANY OVERVIEW

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

Manufacturing Facility for Jewellery

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

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

FINANCIAL OVERVIEW

During the year 2014-15, the Company delivered outstanding results with marked improvement in diamond jewellery businesses. The Company has always focussed on improving its operational efficiency by Enduring Excellence in manufacturing to create compelling value for its customers. It has always taken a pragmatic view of markets, and ensured its presence in the key diamond markets of the world to engage closely with its customers. Based on these strengths, the Company has consistently performed well, even during difficult times when both the industry and the economy were under pressure.

For the year 14-15, some key financial highlights of the consolidated performance were:

- Crossed a milestone of Rs. 60 crore in turnover during the year.
- Turnover increased by 50.32 % to Rs. 60 crores against that of Rs. 40 crores in the previous year.
- PBT for the year increased by 79 % to Rs.2.79 crores compared to Rs. 1.56 crores in the previous year.
- PAT for the year increased by 81 % to Rs. 1.85 crores compared to Rs. 1.02 crores in the previous year.



FUTURE OUTLOOK

The world economic outlook appears more upbeat for 2015 and is expected to rebound for the first time since the global financial crisis of 2008. The World Bank report projects the global economy to strengthen this year, with growth picking up in developing countries. The growth rate for the US economy is predicted to rise to 3.0 per cent in 2015 from 2.8 per cent in 2014.

The Japanese economy has also shown signs of improvement under the leadership of its new government. In China, there are positive signs of a better 2015. Euro zone too is showing signs of stability. Despite many challenges it is facing at present, the World Bank is projecting India's economy to grow by over 6 per cent in 7.1 per cent by 2016-17. The global diamond consumption is expected to increase by about 5 per cent as compared to 3 per cent in the previous year. USA, the largest jewellery market is set to grow by more than 5 to 7 per cent for the coming few years. The overall jewellery market in China is likely to remain stable with a 10 per cent growth rate. Given the positive fundamentals for the economic climate, CARE Research expects the growth rate of the diamond industry to break through historical levels in the next two years.

OPPORTUNITIES

India

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

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

Online Sales

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

RISK, THREATS AND CONCERNS

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



analysed in detail and appropriate measures are taken to mitigate these or limit their effect to minimal.

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

Synthetic Diamonds

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

Exchange Rate Risks

The industry is exposed to inherent risk of exchange rate fluctuations. The year 14-15 witnessed continuous weakening of rupee amidst some wild fluctuations. Rupee has depreciated over 11 per cent during last year. After breaching level of 68 per US\$, rupee stabilized around level of 60 toward the year end. The import centric nature of the trade, acts as a natural hedge for the company. The Company has a sound foreign exchange policy and experienced personnel constantly monitor the exchange rate movements. This ensures that the exchange rate fluctuations have no adverse impact on the margins of the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

HUMAN RESOURCES

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

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

Place: Mumbai
Dated: 30th May, 2015

Sd/-
(Ajay Gehani)
Managing Director



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

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2015

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

To,
The Members,
Sovereign Diamonds Limited

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

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 according to the provisions of:

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



Agent), Regulations, 1993. Regarding the Companies Act, 2013 and dealing with the clients.

- (g) The Securities Exchange Board of India (Delisting of Equity Shares), Regulations, 2009. **(Not Applicable to the Company during audit period).**
- (h) The Securities Exchange Board of India (Buyback of Securities), Regulations, 1998. **(Not Applicable to the Company during audit period).**

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India **(Not notified hence not applicable to the Company during the audit period).**
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange.

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

A. Appointment of Company Secretary & Chief Financial Officer :

As per section 203(1)(ii) & (iii), the Company is required to appoint Company Secretary & Chief Financial Officer. *The Company has not appointed Company Secretary & Chief Financial Officer.* In this regard the management of the Company has provided the following reply:

- (i) The Company has appointed Mr. Ajay Gehani, Director Compliance Officer of the Company who looks after the compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (ii) The Company has availed the services of Practicing Company Secretary for advising on compliance of Companies Act, 2013 and SEBI Act and rules made thereunder
- (iii) The Company has appointed Mrs. Deepika A Gehani as Chief Financial Officer (CFO) of the Company with effect from 1st June, 2015.
- (iv) The Volume and Scope of work for the Company Secretary is less and it is not a full time work and the job of Company Secretary is not attractive commensurate with the scope of work and salary.

B. Appointment of Internal Auditor:

As per section 138 of the Companies Act, 2013, the Company is required to appoint Internal Auditor. *The Company has not appointed Internal Auditor.* In this regard the management of the Company has provided the following reply:

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

C. Website Posting :

As per the various sections of the Companies Act, 2013 and Listing Agreement, the Company is require to post various information, policies on the website of the Company. *The Company has not posted any information, policies on the website of the Company.* In this regard the management of the Company has provided the following reply:

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

D. Appointment of Woman Director :

As per section 149 of the Companies Act, 2013 and clause 49 of Listing Agreement,



the Company is required to appoint Woman Director. *The Company has not appointed Woman Director.* In this regard the management of the Company has provided the following reply:

- (i) The Company has appointed Mrs. Deepika A Gehani as Woman Director at the Board Meeting held on 30th May, 2015.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

I further report that during the audit period the Company has passed following special/ordinary resolutions which are having major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:

1. Increase in borrowing limits under Section 180(1)(c) of the Companies Act, 2013.
2. Sell, lease or dispose off whole or substantially the whole of the undertaking under Section 180(1)(a) of the Companies Act, 2013.

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

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

Signature:

For P. P. Shah & Co.,

Practicing Company Secretaries

Place: Mumbai

Date: 30th May, 2015

Pradip Shah

FCS No. 1483, C P No.: 436



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

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

A. Conservation of Energy:

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

B. Technology Absorption:

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

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

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

Technology absorption, adaptation and innovation:

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



C. Foreign Exchange Earning and Outgo:

Rs. In lakhs

Foreign Exchange Earnings/Outgo:	2014-2015	2013-2014
Foreign Exchange Earned	680.49	219.23
Foreign Exchange Outgo	0.00	0.00
Travelling / Exhibition Charges	23.76	18.16

ANNEXURE 'C' TO BOARD'S REPORT

EXTRACT OF ANNUAL RETURN

As on the financial year ended 31.03.2015

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

FORM NO. MGT – 9

I. REGISTRATION AND OTHER DETAILS

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Name and Description of main Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
Jewellery	32111	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Name and address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	Nil



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

i) Category-wise Shareholding

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



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

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(2) Non-Institutions									
a) Bodies Corporate									
i) Indian	477646	133303	610949	10.56	283423	126478	409901	7.08	-3.48
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh	651383	572288	1223671	21.14	638274	566888	1205162	20.82	-0.32
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	1175200	10699	1185899	20.49	1394556	10699	1405255	24.28	3.79
c) Others (specify)									
i) Shares held by Pakistani citizens vested with the Custodian of Enemy Property	0	0	0	0.00	0	0	0	0.00	0.00
ii) Other Foreign Nationals	0	0	0	0.00	0	0	0	0.00	0.00
iii) Foreign Bodies	0	0	0	0.00	0	0	0	0.00	0.00
iv) NRI/ OCBs	10565	0	10565	0.18	10565	0	10565	0.18	0.00
v) Clearing Members/ Clearing House	1630	0	1630	0.03	1830	0	1830	0.03	0.00
vi) Trusts	0	0	0	0.00	0	0	0	0.00	0.00
vii) Limited Liability Partnership	0	0	0	0.00	0	0	0	0.00	0.00
viii) Foreign Portfolio Investor (Corporate)	0	0	0	0.00	0	0	0	0.00	0.00
ix) Qualified Foreign Investors	0	0	0	0.00	0	0	0	0.00	0.00
Sub-Total (B)(2)	2316424	716290	3032714	52.40	2328648	704065	3032713	52.40	0.00
Total Public Shareholding (B) = (B)(1)+(B)(2)	2316424	716290	3032714	52.40	2328649	704065	3032714	52.40	0.00
Total (A) + (B)	5071712	716290	5788002	100.00	5083937	704065	5788002	100.00	0.00
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	5071712	716290	5788002	100.00	5083937	704065	5788002	100.00	0.00



ii) Shareholding of Promoters

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

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

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

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

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Sanjay R Gehani	451716	7.80	451716	7.80
2.	Mohan B Chandiramani	269271	4.65	269271	4.65
3.	Renuka M Chandiramani	213620	3.69	266869	4.61
4.	Merrygold Investments Ltd.	120000	2.07	120000	2.07
5.	Nagarjuna Finance Ltd.	91325	1.58	91325	1.58
6.	Mahendra Mehta	58289	1.01	43763	0.76
7.	CRB Trustee Limited	171280	2.96	0	0.00
8.	Vipul R Gandhi	0	0.00	125000	2.16
9.	Sanjay Bansidhar Nagpal	55,100	0.95	55100	0.95
10.	Imperial Consultants and Securities	54,795	0.95	54795	0.95
11.	Jayesh Nathalal Bakhai	42,850	0.74	41350	0.71



v) Shareholding of Directors and Key Managerial Personnel

For each of the Directors	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
At the beginning of the year	Promoter directors' shareholding and their changes has already been given in earlier table. Mr. Mohanram Pai & Mr. Rajesh Arora (Independent Directors) does not hold any shares in the company at the beginning of the year and at the end of the year			
Date wise Increase/Decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc)				
At the end of the year				
For each of the KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
At the beginning of the year	0	0	0	0
Date wise Increase/Decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc)	0	0	0	0
At the end of the year	0	0	0	0

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness (in Crores)
Indebtedness at the beginning of the financial year				
i) Principal Amount	14.30	0.00	0.00	14.30
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	0.00	0.00	0.00
Total (i+ii+iii)	14.30	0.00	0.00	14.30
Change in Indebtedness during the financial year				
Addition	2.66	0.00	0.00	2.66
Reduction	0.17	0.00	0.00	0.17
Net Change	2.49	0.00	0.00	2.49
Indebtedness at the end of the financial year				
i) Principal Amount	16.79	0.00	0.00	16.79
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	0.00	0.00	0.00
Total (i+ii+iii)	16.79	0.00	0.00	16.79



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VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sr. No.	Particulars of Remuneration	Ramesh Gehani Executive Chairman	Ajay Gehani MD	Total Amount
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	14.99	29.98	44.97
	(b) Value of perquisites under Section 17(2) income Tax Act, 1961	0.00	0.00	0.00
	(c) Profit in lieu of salary under Section 17(3) Income Tax Act, 1961	0.00	0.00	0.00
2.	Stock Options	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00
4.	Commission	0.00	0.00	0.00
	- as % of profit			
	- others, specify.....	0.00	0.00	0.00
5.	Others, please specify i. Deferred bonus (pertaining to the current financial year payable in 2018) ii. Retirals	0.00	0.00	0.00
	TOTAL (A)	14.99	29.98	44.97

B. Remuneration to other Directors:

1. Independent Directors

Sr. No.	Particulars of Remuneration				Total Amount
		Mohanram Pai	Rajesh Arora	Director retired during the year	
	- Fee for attending Board / Committee Meetings	7,500	7,500	Nil	15,000
	- Commission	Nil	Nil	Nil	Nil
	- Others, please specify	Nil	Nil	Nil	Nil
	Total (B)(1)	7,500	7,500	Nil	15,000

2. Other Non Executive Directors

		Name of Director		Total Amount
		Nil	Director retired during the year	
	- Fee for attending Board / Committee Meetings	Nil	Nil	Nil
	- Commission	Nil	Nil	Nil
	- Others, please specify	Nil	Nil	Nil
	Total (B)(2)	Nil	Nil	Nil



Total (B)= (B)(1)+ (B)(2)			15,000
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C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/ MANAGER/WTD

		Key Managerial Personnel		
Sr. No.	Particulars of Remuneration	Mrs. Deepika A Gehani* Chief Financial Officer	Company Secretary & Head Compliance	Total Amount (in Lakhs)
1.	Gross Salary	Nil	Nil	Nil
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	Nil	Nil	Nil
	(b) Value of perquisites under Section 17(2) income Tax Act, 1961	Nil	Nil	Nil
	(c) Profit in lieu of salary under Section 17(3) Income Tax Act, 1961	Nil	Nil	Nil
2.	Stock Options	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission	Nil	Nil	Nil
	- as % of profit	Nil	Nil	Nil
	- others, specify.....	Nil	Nil	Nil
5.	Others, please specify – Retirals	Nil	Nil	Nil
	TOTAL (C)	Nil	Nil	Nil

* Appointed w.e.f. 30th May, 2015

VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES

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

**CORPORATE GOVERNANCE REPORT**

under Clause 49 (X) (A) of Listing Agreement

For The Financial Year 31st March, 2015**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 stakeholders.

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

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

The Company complies with all statutory and regulatory requirements on corporate governance and has constituted the requisite committees to look into issues of financial reporting, investor grievance and executive remuneration. This attitude of Sovereign has strengthened the bond of trust with its stakeholders including the society at large.

GOVERNANCE STRUCTURE

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

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

Committee of Directors - With a view to have a more focused attention on various facts of business and for better accountability, the Board has constituted the following committees viz. Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee. Each of these Committees has been mandated to operate within a given framework.

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



II. BOARD OF DIRECTORS

i) Composition and Category of Directors:

The Board consists of 5 Directors, out of which 2 are Independent Directors. Composition of the Board and category of Directors are as follows:

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

* Appointed from 30th May, 2015

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

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

The paid up share capital of the Company is Rs. 578.80 lakhs as on 31st March, 2015. The reserve and surplus is Rs. 515.26 lakhs. Accordingly the paid up capital and net worth is below the prescribed limit for mandatory applicability of Corporate Governance clause. The present composition of the Board of directors is two-third Promoter Directors and one-third is Independent Directors. The said composition is in compliance with Section 149 of the Companies Act, 2013 but under Clause 49, the company is short of one Independent director. The Company has decided not to opt for appointment of one more Independent director due to the size of business, in pursuance of Non-Mandatory Requirements of Clause 49 of Listing Agreement.

Board Training and Induction

At the time of appointing a Director, a formal letter of appointment is given to him, which inter alia explains the role, function, duties and responsibilities expected of him as a Director of the Company. The Director is also explained in detail the compliances required from him under the Companies Act, Clause 49 of the Listing Agreement and other relevant regulations and his affirmation taken with respect to the same. The Executive Chairman & MD also has a one-to-one discussion with the newly appointed Director. The above initiatives help the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him to effectively fulfill his role as a Director of the Company.

ii) Board Meetings held during the Year

Dates on which the Board Meetings were held	Total Strength of the Board	No of Directors Present
26 th May, 2014	04	04
13 th August, 2014	04	04
14 th November, 2014	04	04
13 th February, 2015	04	04


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

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	Mohanram Pai	Rajesh Arora
26 th May, 2014	Present	Present	Present	Present
13 th August, 2014	Present	Present	Present	Present
14 th November, 2014	Present	Present	Present	Present
13 th February, 2015	Present	Present	Present	Present
Total Attendance (out of 4 Board Meetings)	4	4	4	4
Attendance at Last AGM	Present	Present	Present	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 Directorship held in Companies including Sovereign	Number & Name of Committee Memberships / Chairmanships			
		Chairman	No.	Member	No.
Mr. Ramesh Gehani	3	-	0	-	0
Mr. Ajay Gehani	3	SRC - SDL	1	AC - SDL	1
Mr. Mohanram Pai	2	AC - SDL	1	AC - ASC SRC - ASC CG - ASC	3
Mr. Rajesh Arora	1	Nil	0	AC - SDL SRC - SDL	1 1

AC - SDL	Audit Committee - Sovereign Diamonds Limited
SRC - SDL	Stakeholder' Relationship Committee - Sovereign Diamonds Limited
AC - ASC	Audit Committee - Asian Star Co. Ltd.
SRC - ASC	Stakeholders' Relationship Committee - Asian Star Co. Ltd.
CG - ASC	Corporate Governance - Asian Star Co. Ltd.

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

The Board periodically reviews the items required to be placed before it and in particular reviews and approves quarterly/half yearly unaudited financial statements and the audited annual financial statements, corporate strategies, business plans, annual budgets, projects and capital expenditure. It monitors overall operating performance, and reviews such other items which require Board's attention. It directs and guides the activities of the Management towards the set goals and seeks accountability. It also sets standards of corporate behavior, ensures transparency in corporate dealings and compliance with laws and regulations. The Agenda for the Board Meeting covers items set out as guidelines in Clause 49 of the Listing Agreement to the extent these are relevant and applicable. All agenda items are supported by relevant information, documents and presentations to enable the Board to take informed decisions.

III. COMMITTEES OF THE BOARD

With a view to have a more focused attention on business and for better governance and accountability, the Board has constituted the following mandatory committees viz. Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee. The terms of reference of these Committees are determined by the Board



and their relevance reviewed from time to time. Meetings of each of these Committees are convened by the respective Chairman of the Committee, who also informs the Board about the summary of discussions held in the Committee Meetings. The Minutes of the Committee Meetings are sent to all Directors individually and tabled at the Board Meetings.

A. AUDIT COMMITTEE

The Audit Committee acts as a link between the statutory and internal auditors and the Board of Directors. Its purpose is to assist the Board in fulfilling its oversight responsibilities of monitoring financial reporting processes, reviewing the Company's established systems and processes for internal financial controls, governance and reviewing the Company's statutory and internal audit activities. The Committee is governed by a Charter which is in line with the regulatory requirements mandated by the Companies Act, 2013 and Clause 49 of the Listing Agreement. Some of the important functions performed by the Committee are:

Financial Reporting and Related Processes

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

Internal Controls and Governance Processes

- Review the adequacy and effectiveness of the Company's system and internal controls.
- Review and discuss with the Management the Company's major financial risk exposures and steps taken by the Management to monitor and control such exposure.
- To oversee and review the functioning of a vigil mechanism (implemented in the Company as a Fraud Risk Management Policy) and to review the findings of investigation into cases of material nature and the actions taken in respect thereof.

Audit

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



- To discuss with the Statutory Auditors any significant difficulties encountered during the course of the Audit.

Other Duties

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

The composition of the Audit Committee as at 31st March, 2015 and details of the Members participation at the Meetings of the Committee are as under:

Date of Meeting	Mohanram Pai*	Ajay Gehani\$	Rajesh Arora@
26 th May, 2014	Present	Present	Present
13 th August, 2014	Present	Present	Present
14 th November, 2014	Present	Present	Present
13 th February, 2015	Present	Present	Present
Total Attendance (out of 4 meetings)	4	4	4

* Chairman & Non Executive Independent Director

\$ Managing Director

@ Non Executive Independent Director

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

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

B. STAKEHOLDERS RELATIONSHIP COMMITTEE

In compliance with the provisions of Section 178 of the Companies Act, 2013 and the Listing Agreement, the Board has renamed the existing “Shareholders'/Investors' Grievance Committee” as the “Stakeholders' Relationship Committee”.

The terms of reference of the Committee are:

- transfer/transmission of shares/debentures and such other securities as may be issued by the Company from time to time;
- issue of duplicate share certificates for shares/debentures and other securities reported lost, defaced or destroyed, as per the laid down procedure;
- issue new certificates against subdivision of shares, renewal, split or consolidation of share certificates / certificates relating to other securities;
- issue and allot right shares / bonus shares pursuant to a Rights Issue / Bonus Issue made by the Company, subject to such approvals as may be required;
- to grant Employee Stock Options pursuant to approved Employees' Stock Option Scheme(s), if any, and to allot shares pursuant to options exercised;
- to issue and allot debentures, bonds and other securities, subject to such approvals as may be required;



- to approve and monitor dematerialization of shares / debentures / other securities and all matters incidental or related thereto;
- to authorize the Company Secretary and Head Compliance / other Officers of the Share Department to attend to matters relating to non receipt of annual reports, notices, non receipt of declared dividend / interest, change of address for correspondence etc. and to monitor action taken;
- monitoring expeditious redressal of investors/ stakeholders grievances;
- all other matters incidental or related to shares, debentures and other securities of the Company.

The composition of the Stakeholders' Relationship Committee as at 31st March, 2015 and details of the Members participation at the Meetings of the Committee are as under:

Date of Meeting	Ajay Gehani*	#Rajesh Arora
26 th May, 2014	Present	Present
13 th August, 2014	Present	Present
14 th November, 2014	Present	Present
13 th February, 2015	Present	Present
Total Attendance (out of 4 meetings)	4	4

*Managing Director

#Non Executive Independent Director

Compliance Officer:

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

Complaint Status for the year 01/04/2014 to 31/03/2015

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

C. NOMINATION AND REMUNERATION COMMITTEE (N&R)

In compliance with Section 178 of the Companies Act, 2013 and Clause 49(IV) of Listing Agreement, the Board has constituted the "Nomination and Remuneration Committee" (N&R).

The terms of reference of the Committee inter alia, include the following:

- Constitution: Min 3 Non Executive Directors with half or more as Independent Directors. However, the Chairman of the Company (Executive or non-executive) shall be the member of the Committee, but shall not act as the Chairman of the Committee.
- Terms of Reference:



- The Committee shall identify the persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the board their appointment and removal and shall carry out evaluation of every directors performance.
- Lay down the criteria for determining the qualifications, positive attributes and independence of a Director and further recommend to the Board the policy for remuneration of Director, Key Managerial Personnel and Employees.
- While formulating the policy the Committee has to ensure that:
 - The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
 - Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
 - Remuneration to directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The composition of the Nomination and Remuneration Committee as at 31st March, 2015 and the details of Members participation at the Meetings of the Committee are as under:

Date of Meeting	* Mohanram Pai	# Rajesh Arora	\$Ajay Gehani
13th February, 2015	Present	Present	Present
Total	1	1	1

*Chairman & Non Executive Independent Director

Member & Non- Executive Independent Director

\$ Member & Managing Director

D. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

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

E. RISK MANAGEMENT COMMITTEE

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

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

All the above risk has been discussed in the Management Discussion and Analysis Report. The price of Jewellery consist of Gold, Diamonds & Labour, out of three, Gold and diamonds consist of 90% of the price of Jewellery, The Company has no control on the price of Gold and Diamonds and the same is available through Exchanges, Market and Banks. The nature of risk is dynamic of business and entrepreneurship. The Company has not formed Risk Management Committee and considered it as optional item as prescribed under Clause 49 of Listing Agreement.

**F. INDEPENDENT DIRECTORS' MEETING**

During the year under review, the Independent Directors met on 13th February, 2015, inter alia, to discuss:

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

All the Independent Directors were present at the Meeting.

IV. POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

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

A. CRITERIA OF SELECTION OF NON EXECUTIVE DIRECTORS

- The Non Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.
- In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.
- The N&R Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.
- The N&R Committee shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.
 - Qualification, expertise and experience of the Directors in their respective fields;
 - Personal, Professional or business standing;
 - Diversity of the Board.
- In case of re-appointment of Non Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

B. REMUNERATION

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

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

**C. EXECUTIVE CHAIRMAN & MANAGING DIRECTOR - CRITERIA FOR SELECTION / APPOINTMENT**

For the purpose of selection of the Executive Chairman & MD, the N&R Committee shall recommend the Promoter Directors as Executive Chairman & Managing Director who are persons of integrity who possess relevant expertise, experience and leadership qualities required for the position.

Remuneration for the Executive Chairman & Managing Director

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

Remuneration Policy for the Senior Management Employees

- In determining the remuneration of the Senior Management Employees (i.e. KMPs and Executive Committee Members) the N&R Committee shall ensure / consider the following:
 - the relationship of remuneration and performance benchmark is clear;
 - the balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
 - the remuneration is divided into two components viz. fixed component comprising salaries, perquisites and retirement benefits and a variable component comprising performance bonus;
 - the remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individuals performance vis-à-vis KRAs / KPIs, industry benchmark and current compensation trends in the market.
- The Managing Director will carry out the individual performance review based on the standard appraisal matrix and shall take into account the appraisal score card and other factors mentioned herein-above, whilst recommending the annual increment and performance incentive to the N&R Committee for its review and approval.

V. PERFORMANCE EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit and Nomination and Remuneration. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest



of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

VI. DETAILS OF REMUNARATION PAID TO ALL DIRECTORS

The aggregate remuneration paid to the Directors for the year ended 31st March, 2015, is as under;

Name of Director	Designation	Salary & Perquisites	Commission	Sitting Fees	Total
Mr. Ramesh Gehani	Executive Chariman	14,99,400	-	Nil	14,99,400
Mr. Ajay Gehani	Managing Director	29,98,800	-	Nil	29,98,800
Mr. Mohanram Pai	Independent Director	Nil	-	7,500	7,500
Mr. Rajesh Arora	Independent Director	Nil	-	7,500	7,500

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

Details of Service Contracts:

Name and Designation	Current tenure	From	To
Mr. Ramesh Gehani, Executive Chairman	5 years	1 st September, 2010	31 st August, 2015
Mr. Ajay Gehani, Managing Director	3 years	1 st April, 2014	31 st March, 2017

Equity Shares Of Sovereign Diamonds Limited held by Non-Executive Directors are as follows:

Non Executive Directors	No. of shares held as on 31 st March, 2015	No. of shares held as on 31 st March, 2014
Mr. Mohanram Pai	Nil	Nil
Mr. Rajesh Arora	Nil	Nil

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

VII. SUBSIDIARY COMPANIES

The Company does not have any Subsidiary Company.

VIII. RELATED PARTY TRANSACTIONS

During the year the company has not entered into any related party transactions except payment of remuneration and sitting fees to the directors.

The Board has approved a policy for related party transactions.

IX. DISCLOSURES

Strictures and Penalties

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

**Compliance with Accounting Standards**

In the preparation of the financial statements, the Company has followed the Accounting Standards notified pursuant to Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provision of the Companies Act, 1956 read with General Circular 8/2014 dated April 04, 2014, issued by the Ministry of Corporate Affairs. The significant accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

Internal Controls

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

Executive Chairman & MD / CFO Certification

The Executive Chairman & MD have issued certificate pursuant to the provisions of Clause 49 of the Listing Agreement certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

X. CODE OF CONDUCT FOR THE BOARD MEMBERS AND SENIOR MANAGEMENT

The Board has formulated a code of conduct for the Board Members and Senior Management Personnel of the Company. All Board Members and Senior Management Personnel have affirmed their compliance with the code for the financial year ended 31st March, 2015. A declaration to this effect signed by the Chairman of the Company is given elsewhere in the Annual Report.

XI. VIGIL MECHANISM / WHISTLE BLOWER POLICY

During the financial year 2014 – 2015, in accordance with the revised clause 49 (II) (F) of listing agreement and pursuant to section 177 (9) read with Rule 7 of Companies (Meetings of Board and its Powers) Rules, 2014 of the Companies Act, 2013, the company has adopted a whistle blower policy. The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior. As per the whistle blower policy, the employees are free to report violations of laws, rules, regulations or un-ethical conduct to their immediate superior. The confidentiality of those reporting / violations is maintained and they are not subjected to any discriminatory practice.

The Ethics Helpline can be contacted to report any suspected or confirmed incident of fraud / misconduct on:

E-Mail: sovereigndiamonds@gmail.com

Telephone Number: 022 6692 3871

Fax Number: 022 6692 3880

XII. PREVENTION OF INSIDER TRADING

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

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

**XIII. COMMUNICATION WITH THE MEMBERS/ SHAREHOLDERS**

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

XIV. GENERAL INFORMATION TO SHAREHOLDERS

Financial Year Ended: 31st March, 2015

Investor Services

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

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

Registered Office & Correspondence Address**Sovereign Diamonds Limited**

11-A, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (E), Mumbai 400 093.
Ph. No: 022- 6692 3871
Fax No: 022- 6692 3880
Fax: 022 2267 1931

Contact Person: Mr. Ajay Gehani, Managing Director

Email Address: sovereigndiamonds@gmail.com

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

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

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



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

Plant Location

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

Market Information

Listing on Stock Exchanges

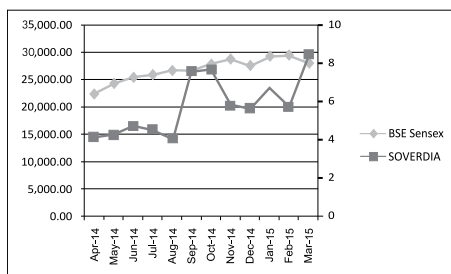
The Company's shares are listed on the following Stock Exchanges and the Listing Fees have been paid to the Exchanges:

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

Performance of Equity Shares of the company in comparison to BSE Sensex.

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

Index Comparison



*Monthly High and Low Prices of the Equity Shares of the Company for the year ended 31st March, 2015:

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.)	
								H-L	C-O
Apr-14	6.64	6.64	4.12	4.12	5715	36	26051	2.52	-2.52
May-14	3.92	4.25	3.17	4.25	201766	102	677043	1.08	0.33
Jun-14	4.33	4.96	4.33	4.7	37963	52	179706	0.63	0.37
Jul-14	4.62	4.71	3.91	4.51	9768	34	44339	0.8	-0.11
Aug-14	4.29	4.29	3.67	4.04	3218	26	13302	0.62	-0.25
Sep-14	4.24	7.56	4.24	7.55	22154	74	125066	3.32	3.31
Oct-14	7.7	7.7	7.55	7.65	1227	12	9268	0.15	-0.05
Nov-14	7.5	8.63	5.77	5.77	21730	63	161558	2.86	-1.73
Dec-14	5.55	6.42	5.05	5.62	11144	66	64808	1.37	0.07
Jan-15	5.62	6.72	5.33	6.72	19603	74	122110	1.39	1.1
Feb-15	6.4	6.72	5.2	5.71	7499	59	45812	1.52	-0.69
Mar-15	5.99	8.85	5.99	8.41	18406	49	126647	2.86	2.42

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



Share Transfer System And Other Related Matters:

Share transfers

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

Nomination facility for shareholding

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

Permanent Account Number (PAN)

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

Pending Investors' Grievances

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

Reconciliation of Share Capital Audit

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

Distribution of Shareholding as on 31st March, 2015:

Range (In Rs.)	No. of Shareholders	% to total holders	Total Shareholding (In Rs.)	% to capital
1 – 500	3851	91.04	6297630	10.88
501 - 1000	191	4.52	1661900	2.87
1001 - 2000	78	1.84	1230430	2.13
2001 - 3000	37	0.88	964950	1.67
3001 - 4000	12	0.28	428100	0.74
4001 - 5000	14	0.33	667020	1.15
5001 - 10000	20	0.47	1462270	2.52
10001 & Above	27	0.64	45167720	78.04
Total	4230	100.00	57880020	100.00

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


Shareholding Pattern as on 31st March, 2015 (Equity Shares):

	Category	No of Shares Held	% Of Share Holding
A.	Promoter (S) Holding		
	Promoter (s)		
	- Indian Promoters	2755288	47.60
	- Foreign Promoters	0	0.00
	Sub – Total(A)	2755288	47.60
B.	Non-Promoters Holding		
	Institutional Investors		
i.	Mutual Funds & UTI	0	0.00
ii.	Banks, Financial Inst, Insurance Company (Central/	0	0.00
iii.	State Govt Inst/Non-Govt Inst)	1	0.00
	FII's		
	Others		
i.	Private Corporate Bodies	409901	7.08
ii.	Indian Public	2610417	45.10
iii.	NRI/OCB	10565	0.18
iv.	Directors / Relatives	0	0.00
v.	Clearing Members	1830	0.03
vi.	Trust	0	0.00
	Sub-Total (B)	3032714	52.40
	GRAND TOTAL (A+B)	5788002	100.00

Statement showing Shareholding of more than 1% of the Capital as on 31st March, 2015:

Sr. No.	Names of the shareholders		Number of Shares	% of Capital
1	Promoter			
	Ramesh H Gehani	1186532	2755288	47.60
	Ajay R Gehani	877800		
	Rani R Gehani	589556		
	Deepika A Gehani	101400		
	Others			
2	Sanjay R Gehani		451716	7.80
3	Mohan B Chandiramani		269271	4.65
4	Renuka M Chandiramani		266869	4.61
5	Vipul R Gandhi		125000	2.16
6	Merrygold Investments Ltd.		120000	2.07
7	Nagarjuna Finance Ltd.		91325	1.58
	Total		4079469	70.47

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

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

**Particulars of Past Three Annual General Meetings**

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

Financial Year Ending	Nature of Meeting	Nature of Special Resolution Passed	Date & Time	Location
31.03.12	38 th AGM	Nil	18.09.12 10.30 A.M.	Hotel Tunga Paradise, Andheri (East), Mumbai - 400093
31.03.13	39 th AGM	Nil	26.08.13 9.30 A.M.	Hotel Tunga Paradise, Andheri (East), Mumbai - 400093
31.03.14	40 th AGM	Nil	25.08.14 9.30 A.M.	Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093
	EGM	Note 1*	15.03.14 10.00 A.M.	11-A, Mahal Industrial Estate, Mahakali Caves Road, Andheri (E), Mumbai - 400 093

***Note 1:**

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

Notes:

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

**DECLARATIONS****FINANCIAL CALENDAR 2015:**

Board Meeting for consideration of Accounts for the financial year ended 31st March, 2015 and recommendation of dividend	30 th May, 2015
Posting of Annual Reports	12 th July, 2015
Book Closure Dates	1 st August, 2015 to 6 th August, 2015
Last date for receipt of Proxy Forms	5 th August, 2015
Date, Time & Venue of the 41 st Annual General Meeting	Date : 7 th August, 2015 Time : 10.30 a.m. Venue : Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093
Dividend Payment Date	Nil
Probable date of despatch of warrants	Nil
Board Meeting for consideration of unaudited quarterly results for the financial year ended 31st March, 2016	Within Sixty days from the end of the quarter, as stipulated under the Listing Agreement with the Stock Exchanges
Audited results for the current financial year ending 31st March, 2015	Within Sixty days from the end of the quarter, as stipulated under the Listing Agreement with the Stock Exchanges

PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE

Practicing 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 Corporate Governance Report.

By order of the Board

For **Sovereign Diamonds Limited**

Place: Mumbai
Dated: 30th May, 2015

Sd/-
(Ajay Gehani)
Managing Director



Compliance with Code of Conduct on clause 49(II) (E) 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, 2015.

Place: Mumbai
Date: 30th May, 2015

Sd/-
Ajay Gehani
Managing Director

EXECUTIVE CHAIRMAN & MD CERTIFICATION

We the undersigned, in our respective capacities as Executive Chairman and Managing Director and of Sovereign Diamonds Limited (“the Company”) to the best of our knowledge and belief certify that:

- We have reviewed financial statements and the cash flow statement for the financial year ended 31st March, 2015 and that to the best of our knowledge and belief, we state that:
 - these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
 - these statements together present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company’s Code of Conduct.
- We hereby declare that all the members of the Board of Directors and Executive Committee have confirmed compliance with the Code of Conduct as adopted by the Company.
- We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting of the Company and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- We have indicated, based in our most recent evaluation, wherever applicable, to the Auditors and the Audit Committee:
 - significant changes, if any, in internal control over financial reporting during the year;
 - significant changes, if any, in the accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
 - instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company’s internal control system over the financial reporting.

Yours faithfully

Sd/-
(Ramesh Gehani)
Executive Chairman

Sd/-
(Ajay Gehani)
Managing Director

Mumbai
Date: 30th May, 2015



M/s. P. P. Shah & Co.
Company Secretary
218, Veena Chambers,
21 Dalal Street, Fort,
Mumbai- 400023
Tel. No. + 91 22 22676369
Fax No. + 91 22 22641351

**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, 2015 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 except *appointment of women Director and posting information on the Company's website* and that no investor grievance(s) is / are pending for a period exceeding one month against the Company.

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

For M/s. P. P. Shah & Co.,
Company Secretary

PRADIP C. SHAH
Partner
Membership No. 1483
Certificate of Practice: 436

Mumbai
Date: 30th May, 2015

**INDEPENDENT AUDITOR'S REPORT**

To the Members of

SOVEREIGN DIAMONDS LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of **SOVEREIGN DIAMONDS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2015, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters Specified in paragraphs 3 and 4 of the Order.
8. As required by section 143(3) of the Act, we further report that:
- we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - in our opinion, the aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014
 - on the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act
 - In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
 - The Company has disclosed the impact of pending litigations on its financial position in its financial statements as referred to in Note 26 to the financial statements..
 - The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise
 - There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of delay in transferring such sums does not arise

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

Place : Mumbai.
Date : 30th May, 2015

J. D. ZATAKIA - PROPRIETOR
MEMBERSHIP NO. 17669

**Annexure referred to in paragraph 7 Our Report of even date to the members of SOVEREIGN DIAMONDS LIMITED on the accounts of the company for the year ended March 31, 2015**

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

- I.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) As explained to us, physical verification of the fixed assets was conducted by management annually, which in our opinion, is reasonable looking to the size of the Company and nature of its business. According to the information and explanation given to us no material discrepancies were noticed on such verification.
- II.
 - 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.
- III. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act.
- IV. 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.
- V. The Company has not accepted any deposits from the public.
- VI. The maintenance of cost records has not been prescribed by the Central Government under section 148 of the Companies Act 2013.
- VII.
 - 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.
 - c) There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of reporting delay in transferring such sums does not arise.
- VIII. 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.



- IX. 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.
- X. 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.
- XI. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- XII. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

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

Place : Mumbai.

Date : 30th May, 2015

J. D. ZATAKIA - PROPRIETOR
MEMBERSHIP NO. 17669



BALANCE SHEET AS AT 31ST MARCH, 2015

(₹ in Lacs)

Particulars	Note No.	As at 31st March, 2015		As at 31st March, 2014	
I EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital	2	578.80		578.80	
Reserve and Surplus	3	<u>515.27</u>	1,094.07	<u>345.17</u>	923.97
Non-Current Liabilities					
Long Term Borrowings	4		30.24		46.54
Current Liabilities					
Short Term Borrowings	5	1,649.18		1,383.43	
Trade Payables	6	916.37		262.23	
Other Current Liabilities	7	18.35		13.08	
Short Term Provisions	8	<u>232.00</u>	<u>2,815.90</u>	<u>134.00</u>	<u>1,792.74</u>
TOTAL			<u><u>3,940.21</u></u>		<u><u>2,763.25</u></u>
II ASSETS					
Non-Current Assets					
Fixed Assets					
Tangible Assets	9	257.19		256.29	
Deferred Tax Assets (net)	10	5.77		2.15	
Long Term Loans and Advances	11	<u>11.60</u>	274.56	<u>5.11</u>	263.55
Current Assets					
Inventories	12	1,554.75		1,123.95	
Trade Receivables	13	1,904.12		1,253.53	
Cash and Bank Balances	14	1.05		1.70	
Short Term Loans and Advances	15	<u>205.74</u>	<u>3,665.65</u>	<u>120.52</u>	<u>2,499.70</u>
TOTAL			<u><u>3,940.21</u></u>		<u><u>2,763.25</u></u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS					
	1 to				
	29				

As per our report of even date attached

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

sd/-

J. D. ZATAKIA
Proprietor
Membership No. 17669

For and on behalf of Board of Directors

sd/-

Ramesh H. Gehani
Chairman
DIN NO.: 00062969

sd/-

Ajay R. Gehani
Managing Director
DIN NO. : 00062989

Place : Mumbai
Date : 30/05/2015



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2015

Particulars	Note	31st March, 2015	31st March, 2014
Revenue from Operations			
Sale of Products	16	6,013.81	4,000.48
Other Income	17	3.45	18.95
Total Revenue		6,017.26	4,019.44
EXPENSES			
Cost of Material Consumed	18	4,995.34	3,258.80
Changes in Inventories of Finished Goods	19	(50.96)	(13.67)
Employee Benefit Expenses	20	232.30	179.75
Finance Cost	21	200.63	169.10
Depreciation and Amortisation Expenses	9	37.37	43.91
Other Expenses	22	323.25	224.69
Total Expenses		5,737.92	3,862.59
Profit Before Tax		279.34	156.84
Tax Expenses			
Current Tax		98.00	58.00
Deferred Tax		(3.63)	(0.85)
Short/(Excess) provision of earlier years		-	(2.04)
Profit After Tax		184.97	101.73
Earnings per Equity Shares of face value of Rs. 10 each Basic and Diluted	23	3.20	1.76

SIGNIFICANT ACCOUNTING POLICIES

AND NOTES ON ACCOUNTS

1 to 29

As per our report of even date attached

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

For and on behalf of Board of Directors

sd/-

J. D. ZATAKIA
Proprietor
Membership No. 17669

sd/-

Ramesh H. Gehani
Chairman
DIN NO.: 00062969

sd/-

Ajay R. Gehani
Managing Director
DIN NO. : 00062989

Place : Mumbai
Date : 30/05/2015

**Note : 1 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2015****1.1 Basis of Preparation of Financial Statements :**

The accounts are prepared under the historical cost convention and on the basis of going concern. All expenses and income to the extent considered payable and receivable respectively, unless stated otherwise, have been accounted for on accrual basis.

1.2 Use of Estimates :

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Difference between the actual results and estimates are recognised in the period in which the result are known /materialized.

1.3 Fixed Assets :

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

1.4 Depreciation & Amortisation :

- (a) Consequent to the enactment of the Companies Act, 2013 and its applicability for accounting period commencing after 1st April, 2014, the Company has reviewed and revised the estimated useful lives of its fixed assets, generally in accordance provisions of schedule II of the Act, except in machinery. The company has changed the method of providing depreciation from Written Down Value to Straight Line Method. The written down value of Fixed Assets whose lives have expired as at 1st April 2014 have been adjusted net of tax, in the opening balance of General Reserve amounting to Rs.14.87 Lacs.
- (b) In the opinion of management the useful life of machinery is expected for 8 years. Accordingly depreciation in case of machinery is worked out and provided by assuming useful life of 8 years.

1.5 Impairment of Assets :

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value.

An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired.

1.6 Foreign Currency Transaction :

- (a) Foreign currency transactions are accounted at the rate of exchange prevailing on the date of the transactions.
- (b) At the date of balance sheet, monetary items determined in foreign currencies are converted into rupee equivalents at the exchange rate prevailing at the year end.
- (c) Any gain or loss arising at the time of actual realization are credited or debited to the exchange rate difference Account.

**1.7 Inventories :**

- i) Raw Material and trading goods are valued at lower of cost or net realisable value.
- ii) Finished Goods are valued "At Cost + Direct and Variable over heads".
- iii) Consumable stores and spares are valued "At Cost"

1.8 Revenue Recognition :

- i) Revenue from Export Sales is recognised when delivery of goods is physically given to custom authorities. Revenue from Domestic Sales is generally recognised when goods are dispatched to the customers with Sales Invoice.
- ii) Refund of sales Tax/VAT is accounted in the year of receipt.

1.9 Employee Benefits :

- i) Retirement benefit in the form of Provident Fund is charged to the Profit & Loss Account of the year when the contributions to the fund are made.
- ii) The company has taken a policy with Life Insurance Corporation of India to cover the gratuity liability of the employees and when the premium is paid to the LIC the same is charged to Profit and Loss Account.

1.10 Borrowing Costs :

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

1.11 Segment Reporting :**a) Business Segment :**

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

b) Geographical Segment :

The geographical segments considered for disclosures are :

- i) Sales within India made to Customers located within India Rs.5320.32 Lacs.
- ii) Sales outside Indiarepresents sales made to customers located outside India Rs.680.49 Lacs.

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

1.12 Accounting for Tax :

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



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE : 2

(₹ in Lacs)

PARTICULARS	As at 31st March,2015	As at 31st March,2014
SHARE CAPITAL		
Authorised Share Capital :	600.00	600.00
60,00,000(previous year 60,00,000) Equity Shares of Rs. 10/- each		
Issued, Subscribed & Paid up :	578.80	578.80
57,88,002(previous year 57,88,002) Equity Shares of Rs. 10/- each		
	578.80	578.80
Reconciliation of the number of Shares outstanding at the beginning and at the end of the reporting period:		
Equity Shares at the beginning of the year	57.88	57.88
Add : Shares issued on exercise of employee stock options	-	-
Less : Shares cancelled on buy back of Equity Shares	-	-
Equity Shares at the end of the year	57.88	57.88
The details of Shareholder holding more than 5% equity shares:		

Name of the Shareholder	As on 31.03.2015		As on 31.03.2014	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Ramesh Hotchand Gehani	1,186,532	20.50	1,186,532	20.50
Ajay Ramesh Gehani	877,800	15.17	877,800	15.17
Rani Ramesh Gehani	589,556	10.19	589,556	10.19
Sanjay Ramesh Gehani	451,716	7.80	451,716	7.80

NOTE : 3

RESERVES AND SURPLUS		
GENERAL RESERVE		
As per last Financial Statements	40.88	30.88
Add: Transfer from Statement of Profit & Loss	20.00	10.00
Less :Transfer from Fixed Assets (NET)	14.87	-
General Reserve - Closing Balance	46.01	40.88
CAPITAL RESERVE		
As per last Financial Statements	10.10	10.10
Add : During the year	-	-
Capital Reserve - Closing Balance	10.10	10.10
SURPLUS IN STATEMENT OF PROFIT & LOSS		
As per last Financial Statements	294.19	202.46
Add : Profit for the year	184.97	101.73
Less : Transfer to General Reserve	(20.00)	(10.00)
Surplus Reserve - Closing Balance	459.16	294.19
TOTAL	515.27	345.17



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE : 4

(₹ in Lacs)

PARTICULARS	As at 31st March,2015	As at 31st March,2014
LONG TERM BORROWINGS		
Secured		
Term Loans		
From Bank	13.74	18.74
Vehicle Loans		
From Bank	16.51	27.81
TOTAL	30.24	46.54
a) Nature of securities		
i) Term Loans obtained from Corporation bank is secured against specific plant and machineries.		
ii) Vehicle loans aquired from bank/financial Services are secured against hypothication of Vehicles.		
b) Terms of repayment of term loans and vehicle loans		
	As at 31.03.2015	As at 31.03.2014
Term Loans		
Corporation Bank (Machinery Loan)	13.74	18.74
Vehicle Loans	16.51	27.81

NOTE : 5

SHORT TERM BORROWINGS		
Secured		
Corporation Bank (CC A/c)	1,499.93	1,381.01
Corporation Bank (Bill discounting Agst PCL)	89.68	-
Corporation Bank (PCL)	59.57	-
Unsecured, considered good		
From Directors	-	2.42
TOTAL	1,649.18	1,383.43
Cash credit from banks :		
Secured by first hypothecation charges on the entire stocks and book debts and all other current assets both present and future in the name of the company and personal guarantee of directors.		



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE :6

	As at 31st March,2015	As at 31st March,2014
TRADE PAYABLES		
Trade Payable	916.37	262.23
TOTAL	916.37	262.23

NOTE : 7

OTHER CURRENT LIABILITIES		
Other Payables		
Advance from Customers	-	-
Statutory Dues	2.64	2.28
Others	15.71	10.80
TOTAL	18.35	13.08

NOTE : 8

SHORT TERM PROVISIONS		
Provision for Taxation	232.00	134.00
TOTAL	232.00	134.00



NOTE : 9 FIXED ASSETS

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 01.04.14	Additions	Deduction	Transfer to General Reserve	As at 31.03.15	For the year / Deduction	Adjustment / Deduction	Transfer to General Reserve	Upto 31.03.15	As at 31.03.2014
	TANGIBLE ASSETS										
	OWN ASSETS										
1	FREEHOLD LAND	48.55	-	-	-	48.55	-	-	-	-	48.55
2	BUILDING	218.92	-	-	-	218.92	173.90	5.81	-	179.71	45.02
3	PLANT &										
	MACHINERY	165.36	16.97	-	102.97	79.35	115.68	8.70	-	96.03	49.68
4	ELECTRIC	21.20	-	-	9.65	11.55	11.17	1.04	-	9.26	10.03
	INSTALLATION										
5	OFFICE EQUIPMENT	34.70	5.69	-	14.51	25.88	15.22	5.20	-	11.39	19.49
6	FURNITURE & FIXTURES	54.10	12.47	-	13.91	52.66	35.36	3.24	-	13.49	18.74
7	VEHICLES	137.84	14.05	-	20.90	130.99	80.02	10.77	-	19.55	57.82
8	COMPUTERS	35.03	1.20	-	29.36	6.88	31.95	1.57	-	28.61	3.08
9	LIFT	1.55	-	-	1.55	-	1.49	-	-	1.49	0.06
10	AIR CONDITIONERS	12.61	2.76	-	9.85	5.51	8.78	1.04	-	8.01	3.83
	TOTAL	729.85	53.14	-	202.70	580.29	473.56	37.37	-	187.83	256.29
	Total Previous Year	675.73	54.12	-	-	729.85	429.65	43.91	-	473.56	256.29



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE : 10

PARTICULARS	As at 31st March,2015	As at 31st March,2014
DEFERRED TAX ASSETS		
Deferred Tax Assets		
In respect of difference between book & Tax W.D.V.	5.77	2.15
TOTAL	5.77	2.15

NOTE : 11

LONG TERM LOANS & ADVANCES		
Unsecured, considered good		
Capital Advances	8.00	0.50
Security Deposits	0.75	1.77
Others (Pressman Advtg. & Mktg.)	2.85	2.85
TOTAL	11.60	5.11

NOTE : 12

INVENTORIES		
At lower of cost or net realisable value		
Raw Material	1,388.43	1,007.99
Finished Goods	161.45	110.49
Consumable Spares & Stores	4.87	5.47
TOTAL	1,554.75	1,123.95

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

NOTE : 13

TRADE RECEIVABLES		
Unsecured, considered good		
Outstanding for a period exceeding six month from the Due date	-	-
Others	1,904.12	1,253.53
TOTAL	1,904.12	1,253.53

NOTE : 14

CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Balance with Banks	0.70	1.14
- In Current Accounts		
Cash on Hand	0.35	0.56
TOTAL	1.05	1.70



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE : 15

	As at 31st March,2015	As at 31st March,2014
SHORT TERM LOANS & ADVANCES		
Unsecured, considered good		
Loans to Employees	1.40	1.06
Prepaid Expenses	5.89	7.17
Advance Income Tax	191.32	105.05
Balance with Government Authorities		
Vat Receivable	7.13	7.25
TOTAL	205.74	120.52

NOTE : 16

REVENUE FROM OPERATIONS		
Sale of Products		
Export Sale (C.I.F.)	680.49	219.23
Local Sales	5,320.33	3,786.81
Difference in Rates	13.00	(5.56)
TOTAL	6,013.81	4,000.48

Note : The sales are shown net of Vat / CST

NOTE : 16.1

EARNING IN FOREIGN EXCHANGE		
FOB Value of Exports	676.12	216.27
Freight and Insurance	4.37	2.96
TOTAL	680.49	219.23

NOTE : 17

OTHER INCOME		
Amount Written Back	0.04	15.32
Interest on Bank account	0.01	0.02
Interest on Sales Tax Refund	0.65	0.27
Sales Tax Refund	-	2.20
Miscellaneous Income	-	1.14
Profit on Sale of Assets	2.67	-
Interest on Electricity Deposit	0.08	-
TOTAL	3.45	18.95



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE : 18

PARTICULARS	As at 31st March,2015	As at 31st March,2014
COST OF MATERIALS CONSUMED		
Opening Stock of Raw Materials	1,007.99	1,061.37
Add : Purchases	5,375.79	3,205.42
	6,383.77	4,266.79
Less : Closing stock of Raw Materials	1,388.43	1,007.99
TOTAL	4,995.34	3,258.80

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

	Amount	% of Consumption	Amount	% of Consumption
Imported	6.70	0.13	-	-
Indigenous	4,988.64	99.87	3,258.80	100
TOTAL	4,995.34	100.00	3,258.80	100

NOTE : 19

CHANGES IN INVENTORIES OF FINISHED GOODS, Finished Goods		
Opening Stock	110.49	96.81
Less : Closing Stock	161.45	110.49
TOTAL	(50.96)	(13.67)

NOTE : 20

EMPLOYEE BENEFIT EXPENSES		
Salaries and Wages	174.05	137.64
Directors Remuneration	44.98	29.99
Contribution to Gratuity & Other Fund	4.65	6.33
Staff Welfare Expenses	8.63	5.80
TOTAL	232.30	179.75

NOTE : 21

FINANCE COST		
Interest Expenses on C.C. A/c	182.24	164.25
Interest Expenses on PCL A/c	5.53	-
Interest Expenses on Bill Discounting	7.66	-
Interest Expenses on Term Loan A/c	2.38	0.97
Interest on Car Loan	2.82	3.88
TOTAL	200.63	169.10



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE : 22

PARTICULARS	As at 31st March, 2015	As at 31st March, 2014
OTHER EXPENSES		
<u>Manufacturing Expenses</u>		
Consumption of Tools	38.23	23.63
Assortment, Rhodium Charges, Refining Charges	6.83	3.19
Certification Charges	4.67	2.05
Designing Charges	1.92	3.19
Electricity Charges	20.82	14.22
Labour Charges	35.91	3.87
Repairs to Building & Machinery	0.08	0.44
<u>Selling & Distribution Expenses</u>		
Advertisement Expenses	0.72	0.70
Clearing & Forwarding Charges	3.90	1.98
Exhibition Expenses	30.32	25.42
<u>Establishment Expenses</u>		
Bank Charges	12.88	11.35
Professional Charges	11.59	13.80
General Expenses	8.14	5.80
Rent	1.44	1.44
Insurance	14.43	9.43
Rates & Taxes	3.56	6.91
Travelling Expenses	30.57	22.83
Payment to Auditors	1.46	1.46
Donation	1.84	1.64
Conveyance	2.18	2.05
Sales Promotion	44.09	29.67
Export Goods Expenses	0.12	0.15
Postage, Telegram & Courier Charges	0.11	0.45
Printing & Stationery	3.12	2.44
Profession Tax	0.03	0.03
Repairs & Maintenance (Others)	6.82	1.34
Security Expenses	17.73	18.52
Software Charges	0.10	0.11
Subscription & Membership Fees	0.87	0.61
Telephone Expenses	4.46	4.69
Vehicle Expenses	12.21	9.94
Water Charges	1.67	1.07
<u>Statutory Expenses</u>		
Sales Tax Payments	0.04	0.17
Service Tax Payments	0.02	0.05
TDS Assessment Dues	0.07	0.07
Late Fees on Profession Tax Return	0.16	-
Late Payment on Listing Fees	0.01	-
Sundry Bal. write off	0.12	-
TOTAL	323.25	224.69



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2015

NOTE : 22.1

PARTICULARS	As at 31st March,2015	As at 31st March,2014
<u>PAYMENT TO AUDITORS</u>		
As Auditors	0.49	0.49
For Tax Audit	0.49	0.49
For Taxation	0.49	0.49
TOTAL	1.46	1.46

NOTE : 22.2

<u>EXPENDITURE IN FOREIGN CURRENCY</u>		
Foreign Travels (Including Air Ticket & Other Ancillary Services Charges)	23.76	18.16
TOTAL	23.76	18.16

NOTE : 23

<u>EARNING PER SHARES</u>		
Net Profit after tax as per Statement of Profit & Loss attributable to Equity Shareholders	18,496,505	10,173,398
Number of Equity Shares used as denominator for calculating EPS	5,788,002	5,788,002
Basic and Diluted Earning per Shares	3.20	1.76
Face Value per Equity Shares	10.00	10.00

NOTE : 24

RELATED PARTY DISCLOSURES

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

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

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



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2015

(₹ in Lacs)

PARTICULARS	As at 31st March, 2015	As at 31st March, 2014
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit (Loss) Before Tax and Extraordinary Items :	279.34	156.84
Adjustment for		
Depreciation	37.37	43.91
Interest Paid	200.63	169.10
Interest Received	(0.75)	(0.29)
Profit on Sale of Fixed Assets	(2.67)	-
	<u>234.58</u>	<u>212.73</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	513.92	369.57
Adjustment for		
Trade and Other Receivable	(656.03)	(217.27)
Inventories	(430.80)	34.51
Trade Payable	659.42	29.80
	<u>(427.41)</u>	<u>(152.95)</u>
CASH GENERATED FROM OPERATIONS	86.51	216.62
Direct Taxes Paid	(86.25)	(50.06)
Income Tax Adjustments		2.04
	<u>(86.25)</u>	<u>(48.02)</u>
CASH FLOW BEFORE EXTRAORDINARY ITEMS	0.26	168.61
Extra Ordinary Items	-	-
Net Cash from operating activities	<u>0.26</u>	<u>168.61</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(53.14)	(54.12)
Sale of Fixed Assets	2.67	-
Interest Received	0.75	0.29
	<u>(49.73)</u>	<u>(53.83)</u>
NET CASH USED IN INVESTING ACTIVITIES	(49.73)	(53.83)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Short Term of Borrowings	265.75	(12.06)
Proceeds from Long Term of Borrowings	(16.30)	6.09
Interest Paid	(200.63)	(169.10)
	<u>48.82</u>	<u>(175.07)</u>
CASH USED IN FINANCING ACTIVITIES	48.82	(175.07)
NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)	(0.65)	(60.30)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1.70	62.00
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1.05	1.70

As per our report of even date attached

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

For and on behalf of Board of Directors

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

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

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

Place : Mumbai
Date : 30th May, 2015

SOVEREIGN DIAMONDS LIMITED

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

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the meeting hall I, hereby record my attendance at the Forty First Annual General Meeting to be held on 7th August, 2015 at 10.30 A.M. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093.

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

*To be filled by Shareholders holding shares in dematerialised form

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

SIGNATURE OF THE SHARE HOLDER OR PROXY: _____

SOVEREIGN DIAMONDS LIMITED**FORM NO. MGT – 11****PROXY FORM**

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

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

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

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

as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 41st Annual General Meeting of the Company, to be held on the 7th August, 2015 at 10.30 A.M. at Utsav 2, Sai Palace Hotel, Mahakali Caves Road, Chakala, Andheri (East), Mumbai – 400093 and at any adjournment thereof in respect of such resolutions as indicated below:

	Resolution	For	Against
1.	Adoption of Financial Statements for the year ended 31st March, 2015.		
2.	Re-appointment of Mr. Ajay Gehani, who retires by rotation.		
3.	Re-Appointment M/s. J. D. Zatakia & Co., Chartered Accountants as Statutory Auditors and to fix their remuneration.		
4.	To appoint Mrs. Deepika Gehani as Woman Director		
5.	To appoint Mr. Ramesh Gehani as Executive Chairman		
6.	To appoint Mrs. Deepika Ajay Gehani as a Chief Financial Officer		

Signed this ____ day of _____ 2015.	<div style="border: 1px dashed black; padding: 5px; width: fit-content; margin: 0 auto;"> Affix revenue stamp </div>
Signature of shareholder : _____	
Signature of Proxy Holder (s): _____	

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

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To,

If undelivered please return to :




SOVEREIGN DIAMONDS LIMITED

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

FORM A

ANNUAL AUDIT REPORT

1	Name of the Company	SOVEREIGN DIAMONDS LIMITED	
2	Annual financial statement for the year ended	31 st March, 2015	
3	Type of Audit Observation	Un-qualified* / Matter of Emphasis *All the clauses in the Audit Report alongwith the annexure to the Audit Report, both, dated May 30, 2015 are un-qualified in nature.	
4	Frequency of Observation	Whether appeared first time Whether appeared repetitive Since how long (period)	Not Applicable Not Applicable Not Applicable

5	FOR SOVEREIGN DIAMONDS LIMITED		
	 Ajay Gehani Managing Director		 Mohanram Pai Audit Committee Chairman

For J D Zatakia & Company
Chartered Accountants



J D Zatakia
Proprietor
Membership No. 17669
FRN: 111777W





J. D. Zatakia & Co.

CHARTERED ACCOUNTANTS

Jitendra Zatakia B.Com., F.C.A.

306, Rupa Plaza, Jawahar Road,
Ghatkopar (E), Mumbai - 400 077.
Tel. : 2501 0052
Tele Fax : 2501 1051
Mobile : 98201 22976

E-mail. : jdzatakia@jdzatakia.com

INDEPENDENT AUDITOR'S REPORT

To the Members of
SOVEREIGN DIAMONDS LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of **SOVEREIGN DIAMONDS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



J. D. Zatakia & Co.
CHARTERED ACCOUNTANTS

Jitendra Zatakia B.Com., F.C.A.

306, Rupa Plaza, Jawahar Road,
Ghatkopar (E), Mumbai - 400 077.
Tel. : 2501 0052
Tele Fax : 2501 1051
Mobile : 98201 22976

E-mail. : jdzatakia@jdzatakia.com

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2015, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters Specified in paragraphs 3 and 4 of the Order.
8. As required by section 143(3) of the Act, we further report that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014
 - e) on the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act
 - f) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements as referred to in Note 26 to the financial statements..
 - ii. The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise
 - iii. There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of delay in transferring such sums does not arise

Place : Mumbai.

Date : 30 MAY 2015

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

J. D. ZATAKIA - PROPRIETOR
MEMBERSHIP NO. 17669



J. D. Zatakia & Co.
CHARTERED ACCOUNTANTS

Jitendra Zatakia B.Com., F.C.A.

306, Rupa Plaza, Jawahar Road,
Ghatkopar (E), Mumbai - 400 077.
Tel. : 2501 0052
Tele Fax : 2501 1051
Mobile : 98201 22976

E-mail. : jdzatakia@jdzatakia.com

Annexure referred to in paragraph 7 Our Report of even date to the members of SOVEREIGN DIAMONDS LIMITED on the accounts of the company for the year ended March 31, 2015

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

- I. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, physical verification of the fixed assets was conducted by management annually, which in our opinion, is reasonable looking to the size of the Company and nature of its business. According to the information and explanation given to us no material discrepancies were noticed on such verification.
- II. 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.
- III. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act.
- IV. 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.
- V. The Company has not accepted any deposits from the public.
- VI. The maintenance of cost records has not been prescribed by the Central Government under section 148 of the Companies Act 2013.
- VII. 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.



J. D. Zatakia & Co.
CHARTERED ACCOUNTANTS

Jitendra Zatakia B.Com., F.C.A.

306, Rupa Plaza, Jawahar Road,
Ghatkopar (E), Mumbai - 400 077.
Tel. : 2501 0052
Tele Fax : 2501 1051
Mobile : 98201 22976

E-mail. : jdzatakia@jdzatakia.com

- 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.
- c) There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of reporting delay in transferring such sums does not arise.
- VIII. 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.
- IX. 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.
- X. 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.
- XI. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- XII. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

Place : Mumbai.

Date : 30 MAY 2015

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

J. D. ZATAKIA - PROPRIETOR
MEMBERSHIP NO. 17669