

SUNRAJ DIAMOND EXPORTS LTD.



**21ST ANNUAL REPORT
2010 - 2011**

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS

Mr. Sunil C. Gandhi

Mr. Sunny S. Gandhi

Mr. Nirav K. Shah

Mr. Hargovind Shah

Mr. Jimit Shah

BANKERS

State Bank of India

Bank of Baroda

The Royal Bank of Scotland N.V.

AUDITORS

M/s. Bhupendra Shroff & Co.

Chartered Accountants

REGISTERED OFFICE

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

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Ajel Limited

106, Oshiwara Link Plaza Commercial Complex, 2nd Floor,
New Link Road, Oshivara, Jogeshwari (West),
Mumbai - 400 102.

SUNRAJ DIAMOND EXPORTS LTD.

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the shareholders of **Sunraj Diamond Exports Limited** will be held at Dadoba Jagannath Religious Trust, 21-A, Gamdevi Road, Mumbai 400 007 on Tuesday 27th September, 2011 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sunil Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hargovind Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.

SPECIAL BUSINESS :

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

“RESOLVED THAT subject to the provisions of Sections 198,269,309, and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, as amended up to date, consent of the Company be and is hereby accorded to the reappointment and payment of remuneration and perquisites to Mr. Sunny S. Gandhi as Wholetime Director of the Company designated as Executive Director for a period of five years with effect from 1st October, 2011 on the terms and conditions set out in the agreement to be entered into between the Company and Mr. Sunny Gandhi, a draft whereof is placed before the Meeting and is initialed by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorized in accordance with any provision under the Act for the time being in force, provided, however that the remuneration payable to Mr. Sunny Gandhi shall be within the limits set out in the said Act including the said Schedule XIII to the said Act or any amendments thereto or any modifications or statutory re-enactments thereof and / or Rules or Regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Mr. Sunny Gandhi 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. Sunny Gandhi as Executive Director, the remuneration and perquisites as set out in the aforesaid agreement shall nevertheless be paid or granted to Mr. Sunny Gandhi as minimum remuneration, provided that in any event the total remuneration by way of salary, perquisites and other allowances shall not

21st Annual Report 2010-2011

exceed the ceiling laid down in this behalf in Schedule XIII to the Companies Act, 1956 as may be amended from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution.”

For and on behalf of the Board of Directors

SUNNY GANDHI
Executive Director

Registered Office

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

Dated: 11th August, 2011

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**
2. An Explanatory Statement as required under Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the share transfer books will remain closed from 22nd September, 2011 to 27th September, 2011 both days inclusive.
4. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.

SUNRAJ DIAMOND EXPORTS LTD.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 6

At the Sixteenth Annual General meeting of the Company held on 30th September, 2006 the members approved the appointment and terms of remuneration of Mr. Sunny Gandhi as Whole - time Director designated as Executive Director for a period of 5 years with effect from 1st October, 2006. In order to enable the Company to continue to benefit from the wide and varied knowledge and experience of the Diamond industry possessed by Mr. Sunny Gandhi, the Board of Directors have, subject to the approval of the Shareholders re-appointed Mr. Sunny Gandhi as Executive Director of the Company for a further period of 5 years commencing from 1st October, 2011 to 30th September, 2016 at the remuneration and on terms and conditions specified below.

Period of appointment : 5 years from 1st October, 2011 to 30th September, 2016.

Salary

Rs. 50,000/- per month in the scale of 50,000 – 1,00,000 with authority to the Board of Directors of the Company to grant such increments within the said scale as it may determine from time to time.

Perquisites:

- a. Medical Reimbursement: Expenses incurred for self and family.
- b. Leave Travel Concession: for self and family, once in a year in accordance with the rules of the Company.
- c. He shall be covered under Personal Accident Insurance policy as per the rules of the Company.
- d. Contribution to Provident Fund/ Superannuation Fund/ Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.
- e. Gratuity payable shall be calculated as per the provisions of the 'Payment of Gratuity Act, 1972.
- f. He shall be entitled to Encashment of Leave at the end of tenure in accordance with the rules of the Company.
- g. Provision for use on Company's Cars and telephone and mobile at Residence (not to be considered as perquisite).
- h. The Company shall pay fee of clubs as per rules of the Company, subject to a maximum of two clubs.

The perquisites wherever applicable, shall be valued as per the Income Tax Rules, 1962.

Where in any financial year during the currency of the terms of Mr. Sunny Gandhi as Executive Director the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Gandhi, remuneration and perquisites within limits specified in part II of Schedule XIII of the said Act, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

Other Terms

- i) Reimbursement of expenses: Reimbursement of travelling, entertainment and other expenses incurred by him during the course of the business of the Company as per the rules of the Company.
- ii) He shall not be paid any sitting fees for attending Board/Committee Meetings.
- iii) He shall not become interested or otherwise be connected directly or through his wife and / or dependent children in any selling agency of the Company without prior approval of the Central Government.
- iv) The appointment may be terminated by the Company or by Mr. Gandhi by giving not less than three months' prior notice in writing.
- v) In the event of death during the term of his office, the Company shall pay to Mr. Gandhi's legal heirs his full salary and other emoluments for that month and three months thereafter.

Mr. Sunny Gandhi is a Commerce graduate and has obtained specialized training in manufacturing and assortment of rough and polished diamonds. This appointment at the remuneration detailed above is subject to the approval of the Shareholders.

The Directors' are of the opinion that Mr. Gandhi's knowledge of new and improved techniques and innovativeness will be of immense value to the Company. The Directors therefore recommend the resolution for approval of Members.

A copy of the draft agreement referred to in the resolution at Item No. 6 will be available at the Registered Office of the Company and are open for inspection by the members between 10.00 a.m. to 1.00 p.m. on any working day except Saturday.

Mr. Sunil Gandhi and Mr. Sunny Gandhi are concerned or interested in the Resolution at Item No. 6.

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

For and on behalf of the Board of Directors

SUNNY GANDHI
Executive Director

Registered Office

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

Dated: 11th August, 2011

SUNRAJ DIAMOND EXPORTS LTD.

DIRECTORS' REPORT

To,
The Members,
SUNRAJ DIAMOND EXPORTS LIMITED

The Directors' have pleasure in presenting their Twenty First Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS:

	(Amount in ₹)	
	<u>31st March, 2011</u>	<u>31st March, 2010</u>
Profit before Depreciation and Interest	1,75,05,407	45,53,943
Less: Depreciation	11,64,757	841,674
Interest & Financial Expenses	40,80,209	18,83,646
Profit before Tax	1,22,60,441	18,28,623
Less: Provision for Taxation	37,50,000	375,000
Deferred Tax	42,650	140,297
Profit for the year	84,67,791	13,13,326
Add/(Less): Appropriation		
– Provision of earlier years w/off	–	(23,360)
– Proposed Dividend	53,30,400	–
– Dividend Distribution Tax	9,05,901	–
– Trf. to Reserves	2,11,695	–
Add: Surplus brought forward from previous year	2,09,85,580	1,96,95,613
Balance Carried to Balance Sheet	2,30,05,375	2,09,85,580

OPERATIONS:

Your Company has recorded a turnover of ₹ 5,450.10 lacs during the year under review as compared to ₹ 3430.01 lacs in the previous year. There has been a robust increase in the demand for polished diamonds during the year under review. Due to a limited supply of raw material of rough diamonds and with the global markets still reeling from the after effects of the recession, we have witnessed a strong inclination towards the procurement of Gold/Silver/Diamond Jewelry in order to safeguard capital and ensure a secure investment climate. This has caused a steady rise in prices and has enabled us to record an increase in turnover with new buyers showing strong intention to purchase. Your Company hopes to maintain its good performance during the current financial year.

DIVIDEND:

Considering the Company's performance, your Directors have recommended for approval of the shareholders a dividend of ₹ 1/- per Equity Share. This proposed dividend would amount to ₹ 53,30,400. The dividend subject to its declaration will be distributed to the shareholders, whose names appear on the Register of Members as on 27th September, 2011.

FORFEITURE OF SHARES:

In the public issue made by your company in May 1991, some of the shareholders had not paid allotment money on the shares allotted to them inspite of several reminders from the company.

After following the due procedure, your Board of Directors at their meeting held on 24.03.2011 forfeited 1,19,600 Equity Shares for non-payment of allotment money arrears. The Stock Exchange and the defaulting shareholders were advised on the forfeiture of the shares. The forfeited shares have been cancelled and accordingly the paid-up equity capital of the company as on 31.03.2011 stands revised at ₹ 5,33,04,000.

DIRECTORATE:

In accordance with Article 109 of the Articles of Association of the Company, Mr. Sunil Gandhi and Mr. Hargovind Shah retire by rotation but being eligible, offers themselves for re-appointment.

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

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

PARTICULARS OF EMPLOYEES:

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

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) Appropriate accounting policies have been selected and applied consistently, and judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March, 31st 2011 and of the Company for the period 1st April, 2010 to 31st March, 2011.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounts records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on a going concern basis.

SUNRAJ DIAMOND EXPORTS LTD.

CORPORATE GOVERNANCE:

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

AUDITORS:

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

ACKNOWLEDGEMENTS:

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

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

For and on behalf of the Board of Directors

Place : Mumbai,
Dated : 11th August, 2011

SUNNY GANDHI
Executive Director

NIRAV SHAH
Executive Director

ANNEXURE TO DIRECTORS' REPORT

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

A) CONSERVATION OF ENERGY:

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

B) TECHNOLOGY ABSORPTION - FORM 'B':

1. Research & Development:

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

2. Technology Absorption, Adaptation and Innovation:

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

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars with regard to foreign exchange expenditure and earnings are given in Note No. 14 & 15 of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place : Mumbai,
Dated: 11th August, 2011.

SUNNY GANDHI **NIRAV SHAH**
Executive Director Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure and Development :

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

B) Opportunities and Threats :

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

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

C) Segment-wise Performance :

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

SUNRAJ DIAMOND EXPORTS LTD.

D) Outlook :

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

E) Risk and Concerns :

A weak outlook of the economies of the U.S.A & Europe could slow down exports. Rising prices of raw material could affect manufacturing activity.

F) Internal Control Systems and their Adequacy :

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

G) Human Resources :

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

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of Listing Agreement)

1. Company's Philosophy on Code of Governance :

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

The Company has adopted a Code of Conduct as required under clause 49 of the listing Agreement with the stock Exchanges. The Directors have confirmed compliance with the code of conduct for the year ended 31st March, 2011.

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

2. Board of Directors :

Composition and size of the Board

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

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

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

In the financial year 2010-2011, the Board met Nine times. The Board meetings were held on

- | | | |
|--------------------------|----------------------------|------------------------|
| (1) 30th April, 2010, | (2) 22nd May, 2010, | (3) 10th August, 2010, |
| (4) 19th August, 2010 | (5) 14th October, 2010, | (6) 26th October, 2010 |
| (7) 22nd December, 2010, | (8) 24th January, 2011 and | (9) 24th March, 2011. |

21st Annual Report 2010-2011

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

Directors	Category	Shares held	Attendance Particulars		No. of other Directorship and Committee Membership/Chairmanship held		
			Board Meeting	Last AGM	Director-Ships	Committee Memberships	Committee Chairmanships
Mr. Sunny S. Gandhi	WTD	679500	9	Yes	1	1	Nil
Mr. Hargovind Shah	NED	Nil	9	No	Nil	1	1
Mr. Nirav Kumar Shah	WTD	80367	9	Yes	Nil	1	1
Mr. Sunil Gandhi	NED	115000	2	No	2	Nil	Nil
Mr. Jimit Shah	NED	Nil	9	Yes	Nil	Nil	Nil

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

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

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

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

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

1. Name of Director	Mr. Sunil C. Gandhi	Mr. Hargovind V. Shah	Mr. Sunny S. Gandhi
2. Date of Birth	18.02.1954	31.08.1930	25.12.1982
3. Date of Appointment	31.08.1990	18.03.2003	31.01.2006
4. Experience in specific areas	Mr. Sunil Gandhi has completed his B.Com. and has obtained training in manufacturing and assortment of rough and polished diamonds.	Mr. Hargovind Shah is an educationalist and a social worker. He has vast knowledge in management and administration and accounting areas.	Mr. Sunny Gandhi had completed his B.Com. and has obtained training in manufacturing and assortment of rough and polished diamonds.
5. Qualifications	B.Com.	B.A. B.Ed.	B.Com.
6. Directorships in other Companies	Sunraj Investments & Finance Pvt. Ltd. Gunial Investments & Trading Pvt. Ltd.	Nil	K. D. Shah Investments Pvt. Ltd. Sunraj Investments & Finance Pvt. Ltd. Gunial Investments & Trading Pvt. Ltd.
7. Membership of Committees	Nil	Chairman of Audit Committee Member of Shareholders Grievance Committee	Member of Audit Committee

SUNRAJ DIAMOND EXPORTS LTD.

3. Audit Committee:

Terms of reference, Composition:

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

Audit Committee meetings were held on

- (1) 30th April, 2010, (2) 10th August, 2010
(3) 26th October, 2010 and (4) 24th January, 2011

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

Member	Position	No. of Meetings attended
Mr. Hargovind Shah	Chairman	4
Mr. Sunny Gandhi	Member	4
Mr. Jimit Shah	Member	4

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

Remuneration Committee:

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

The remuneration Committee has met once during the year.

4. Remuneration Policy:

The remuneration of the Whole time Directors is recommended by the remuneration Committee based on factors such as industry benchmarks, the Company's performance etc. Mr. Sunny Gandhi, the Executive Director has been paid salary of ₹ 6,00,000 for the year. Mr. Sunny Gandhi's Contract as Whole time Director of the Company expires on 30th September, 2011 and subject to the approval of the members a new contract will be entered into for a period of 5 years with effect from 1st October, 2011 up to 30th September, 2016 terminable by 3 months Notice on either side. Mr. Nirav Shah, another Executive Director has been paid a salary of ₹ 6,00,000 for the year. Mr. Nirav Shah's Contract as Whole time Director of the Company is for a period of 5 years with effect from 1st April, 2009 upto 31st March, 2014 terminable by 3 months Notice on either side. No severance fees are paid under the said Agreement. The Company does not have any stock option scheme. No sitting fees are paid to the Non – Executive Directors.

5. Shareholders Grievance Committee:

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

6. General Body Meetings:

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

Financial Year	Day and Date	Time
2009-2010	Thursday 30/09/2010	11.30 a.m.
2008-2009	Wednesday 30/09/2009	11.30 a.m.
2007-2008	Tuesday 30/09/2008	11.30 a.m.

Location:

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

Business:

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

7. Disclosures:

1. There are no related party transactions made by the Company with its promoters, Directors or Management, their subsidiaries or relatives that may have potential conflict with the interest of the company at large. The Register of Contracts containing the transactions in which Directors are interested is regularly placed before the Board for its approval. The transactions with the related parties are disclosed in the notes to accounts in the Annual Report.
2. During the last three years, there were no strictures or penalties imposed either by Securities and Exchange Board of India or the Stock Exchanges or any regulatory authority for non-compliance of any matter relating to the capital market.
3. **Code of Conduct**
The Board of Directors of the Company has laid down two separate Codes of Conduct – one for Directors and other for Senior Management and Employees.
All Board Members and Senior Management personnel have affirmed compliance with the Code of conduct for the year review. A Declaration signed by Managing Director to this effect is annexed to this report.
4. **CEO/CFO Certification**
As required under Clause 49 V of the listing Agreement with the Stock Exchanges, the Managing Director and G. M. Finance of the Company have certified to the Board regarding their review on the Financial Statements, Cash Flow Statements and matters related to internal controls, etc. in the prescribed format for the year ended 31st March, 2011.

8. Means of Communication:

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

SUNRAJ DIAMOND EXPORTS LTD.

9. General Shareholder Information:

a. **AGM Day, Date, Time** Tuesday, 27th September, 2011 at 11.30 a.m.

Venue Dadoba Jagannath Religious Trust, 21-A,
Gamdevi Road, Mumbai 400 007.

b. **Financial Calendar** 01.04.2011 to 31.03.2012

c. **Un-Audited Financial Results** 1st Quarter Last Week of July
2nd Quarter Last Week of October
3rd Quarter Last Week of January
4th Quarter Last Week of April

d. **Book Closure Period** 22.09.11 to 27.09.11

e. **Dividend Payment Date** 04.10.2011

f. **Listing on Stock Exchanges at:**

The Equity Shares of the Company are listed at the The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001.

g. **Stock/Company/Security/Common Code:**

The Stock Exchange, Mumbai. Code: 23425

h. **Demat ISIN No. for Depositories: 495D01014**

i. **Market Price Data:**

High/Low of the Company's Shares traded in the Stock Exchange, Mumbai, during the financial year 2010-2011 is furnished below:

Month & Year	Company's Share Price	
	High	Low
April 2010	10.55	8.84
May 2010	10.25	7.52
June 2010	12.67	8.80
July 2010	12.60	10.00
August 2010	17.59	10.21
September 2010	18.05	11.42
October 2010	17.90	14.95
November 2010	16.75	12.00
December 2010	15.60	9.75
January 2011	15.19	11.61
February 2011	14.33	10.55
March 2011	14.70	9.55

j. **Registrar and Transfer Agents:**

In compliance with the SEBI Directive for all listed Companies to have a common agency to handle physical and electronic share registry work the Company has appointed M/s Ajel Limited as the Registrar and Transfer Agents. Accordingly all documents, transfer

21st Annual Report 2010-2011

Deeds, demat requests and other communications in relation thereto should be addressed to the R & T at its offices at 106, Oshiwara Link Plaza Commercial Complex, 2ND Floor, New Link Road, Oshiwara, Jogeshwari (West) Mumbai 400 102.

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

Distribution of Shareholding as on 31st March, 2011

No. of Shares	No. of Holders	% to Total	No. of Shares	% to Total
1 to 500	9,107	93.91	13,51,203	25.35
501 to 1000	337	3.47	280,696	5.27
1001 to 2000	116	1.19	175,376	3.29
2001 to 3000	46	0.47	114,481	2.14
3001 to 4000	23	0.24	82,936	1.56
4001 to 5000	17	0.18	80,079	1.50
5001 To 10000	19	0.20	141,786	2.66
10001 and above	33	0.34	31,03,843	58.23
	9,698	100.00	53,30,400	100.00

Shareholding Pattern of the Company as on 31st March, 2011

Sr. No.	Holders	No. of Shares Held	% of Total
A	Promoters Holding	18,10,800	33.98
B	Institutional Investors		
a.	Mutual Funds and UTI	9,000	0.16
b.	Banks and Financial Institutions	100	0.00
C.	Bodies Corporate	1,33,328	2.50
D	Indian Public	32,57,772	61.12
E	NRI's	1,19,400	2.24
	TOTAL	53,30,400	100.00

Dematerialisation of Shares & Liquidity

As on 31st March, 2011 **63.10%** of the Company's total shares representing 33,63,700 shares were held in dematerialized form.

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

For and on behalf of the Board of Directors

Place : Mumbai,
Dated : 11th August, 2011.

SUNNY GANDHI
Executive Director

NIRAV SHAH
Executive Director

SUNRAJ DIAMOND EXPORTS LTD.

DECLARATION ON CODE OF CONDUCT

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

To,
The Members of
Sunraj Diamonds Exports Limited

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

For and on behalf of the Board of Directors

Place : Mumbai,
Dated: 11th August, 2011.

SUNNY GANDHI
Executive Director

AUDITORS' CERTIFICATE

We have examined the conditions of Corporate Governance by Sunraj Diamond Exports Limited for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the Company with the relevant Stock Exchange.

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

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

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

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

Mumbai,
Date: 11th August, 2011.

B. N. Shroff
Partner
Membership No. 5039

AUDITORS' REPORT

TO THE MEMBERS OF SUNRAJ DIAMOND EXPORTS LIMITED

We have audited the attached Balance Sheet of SUNRAJ DIAMOND EXPORTS LIMITED as at 31st March 2011, and the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required under the Companies (Auditor's Report) Order, 2003, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraph 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper Books of Accounts as required by the law have been kept by the Company so far as appears from our examinations of the books of accounts, and proper returns adequate for the purpose of our audit have been received from branches not visited by us.
 - (c) The Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of accounts and in our opinion, in accordance with the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956.
 - (d) Based on the confirmations received from the Directors of the Company and the information and explanations as made available to us by the Company, none of the Directors of the Company has *prima facie* any disqualification as referred to in Section 274(1)(g) of the Companies Act, 1956.

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

- (i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2011, and
- (ii) In the case of the Profit & Loss Account of the loss for the year ended on that date.
- (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

B. N. Shroff
Partner

Membership No. 5039

Mumbai,
Date: 11th August, 2011.

SUNRAJ DIAMOND EXPORTS LTD.

ANNEXURE TO THE AUDITORS' REPORT

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

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

21st Annual Report 2010-2011

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

Nature of Tax Liability	Amount (₹)	Nature of Dispute / Forum Where the dispute is pending
Income Tax A. Y. 2002-03	8,86,480	Assessing Officer as the same was set aside by CIT (Appeals)

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

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

Mumbai,
Date : 11th August, 2011.

B. N. Shroff
Partner
Membership No. 5039

SUNRAJ DIAMOND EXPORTS LTD.

BALANCE SHEET AS AT 31ST MARCH, 2011

	SCHEDULE	AS AT 31.03.2011 ₹	AS AT 31.03.2010 ₹
SOURCES OF FUNDS :			
SHAREHOLDERS' FUND			
Share Capital	1	53,304,000	53,902,000
Reserves & Surplus	2	23,815,069	20,985,580
LOAN FUNDS			
Secured Loans	3	49,467,144	31,784,788
Unsecured Loans		12,089,850	75,130
Deferred Tax Liability		2,115,186	2,072,536
TOTAL		140,791,252	108,820,034
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	25,430,058	21,910,394
Less : Accumulated Depreciation		4,643,702	4,297,931
Net Block		20,786,356	17,612,463
INVESTMENTS	5	15,000	15,000
CURRENT ASSETS, LOANS & ADVANCES :			
Inventories	6	34,283,420	35,202,454
Receivables	7	127,114,504	163,574,355
Cash & Bank Balances	8	2,666,345	2,316,657
Loans & Advances	9	17,034,730	11,110,251
		181,098,999	212,203,716
<i>Less : CURRENT LIABILITIES & PROVISIONS</i>			
Current Liabilities	10	55,861,059	120,419,000
Provisions	11	5,248,042	592,141
		61,109,101	121,011,141
NET CURRENT ASSETS		119,989,898	91,192,575
TOTAL		140,791,252	108,820,034
Notes on Accounts	18		

As per our report attached
For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
Firm No. : 101458W
(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 11th August, 2011.

For and on behalf of the Board
SUNIL C. GANDHI
Director
SUNNY S. GANDHI
Director
Mumbai, 11th August, 2011.

21st Annual Report 2010-2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	SCHEDULE	YEAR ENDED 31.03.2011 ₹	YEAR ENDED 31.03.2010 ₹
INCOME :			
Sales	12	548,654,474	343,001,307
Other Income	13	791,442	561,286
TOTAL		<u>549,445,916</u>	<u>343,562,592</u>
EXPENDITURE :			
Cost of goods consumed/sold	14	510,045,103	329,002,594
Other Direct Expenses	15	7,474,929	2,473,036
Selling, Administration & Other Expenses	16	14,420,476	7,533,019
Interest & Financial Expenses	17	4,080,209	1,883,646
Depreciation		1,164,757	841,674
		<u>537,185,475</u>	<u>341,733,969</u>
Profit before Tax		12,260,441	1,828,623
Provision for Taxation			
- Deferred Tax		42,650	140,297
- Current Tax		3,750,000	375,000
Profit after Tax		8,467,791	1,313,326
- Excess/(Short) Provision of previous year written back		—	23,360
- Proposed Dividend		5,330,400	—
- Dividend Distribution Tax		905,901	—
- Transfer to General Reserve		211,695	—
		<u>6,447,996</u>	<u>23,360</u>
Surplus brought forward from last year		20,985,580	19,695,614
Surplus carried forward to Balance Sheet		<u>23,005,375</u>	<u>20,985,580</u>
Earning per Share (Basic)		1.59	0.25
Earning per Share (Diluted)		1.59	0.25
Notes on Accounts	18		

As per our report attached
For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
Firm No. : 101458W
(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 11th August, 2011.

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

SUNNY S. GANDHI
Director

Mumbai, 11th August, 2011.

SUNRAJ DIAMOND EXPORTS LTD.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	AS AT 31.03.2011 ₹	AS AT 31.03.2010 ₹
SCHEDULE 1 - SHARE CAPITAL		
Authorised		
8,000,000 Equity Shares of ₹ 10/- each	80,000,000	80,000,000
Issued, Subscribed & Paid-up		
5,450,000 Equity Shares of ₹ 10/- each	54,500,000	54,500,000
Less : Calls in Arrears	—	598,000
Less : Shares Forfeited (1,19,600 shares)	1,196,000	—
	53,304,000	53,902,000
SCHEDULE 2 - RESERVES & SURPLUS		
Capital Reserve	598,000	—
General Reserve	211,695	—
Profit and Loss Account	23,005,375	20,985,580
	23,815,069	20,985,580
SCHEDULE 3 - LOAN FUND		
Secured Loan		
HDFC Bank Ltd. (Secured against hypothecation of Car)	2,655,042	980,367
ICICI Car Loan (Secured against hypothecation of Car)	—	173,221
Axis Bank Ltd. (Secured against hypothecation of Car)	884,402	—
PSF Loan from The Royal Bank of Scotland (Secured against Export Bills)	45,927,700	30,631,200
	49,467,144	31,784,788
Unsecured Loans		
From Directors	12,089,850	75,130
	12,089,850	75,130

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

SCHEDULE 4 - FIXED ASSETS

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Cost as on 01.04.2010 ₹	Addition During the Year ₹	Deduction During the Year ₹	Cost as at 31.03.2011 ₹	As on 01.04.2010 ₹	For The Year 2010-11 ₹	Adjust- ment ₹	Upto 31.3.2011 ₹	As At 31.03.2011 ₹	As At 31.03.2010 ₹
Office Premises *	15,134,916	—	—	15,134,916	1,813,907	246,699	—	2,060,606	13,074,310	13,321,009
Vehicles	4,289,583	5,561,036	2,041,372	7,809,247	968,225	779,637	818,986	928,876	6,880,371	3,321,358
Furniture & Fixture	886,016	—	—	886,016	478,785	50,433	—	529,218	356,798	407,231
Office Equipments	1,599,879	—	—	1,599,879	1,037,014	87,989	—	1,125,003	474,876	562,865
TOTAL	21,910,394	5,561,036	2,041,372	25,430,058	4,297,931	1,164,757	818,986	4,643,702	20,786,356	17,612,463
PREVIOUS YEAR	21,847,545	62,849	—	21,910,394	3,456,257	841,674	—	4,297,931	17,612,463	18,391,288

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

AS AT	AS AT
31.03.2011	31.03.2010
₹	₹

SCHEDULE 5 - INVESTMENTS (AT COST)

Trade - Unquoted

a) Rander Peoples' Co-op. Bank Limited 150 (Previous Year 150) Equity Shares of ₹ 100/- each fully paid up	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

SCHEDULE 6 - INVENTORIES

(As Valued & Certified by Management)

Raw Materials (At cost including incidental expenses incurred for its acquisition)	12,130,588	7,910,052
Finished Products (At cost or market value whichever is lower)	22,152,832	27,292,402
	<u>34,283,420</u>	<u>35,202,454</u>

SUNRAJ DIAMOND EXPORTS LTD.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	AS AT 31.03.2011 ₹	AS AT 31.03.2010 ₹
SCHEDULE 7 - RECEIVABLES		
(Unsecured Considered Good)		
a) Outstanding for more than six months	371,193	9,962,383
b) Less than six months	126,743,311	149,898,131
Considered Doubtful		
a) Outstanding for more than six months	—	3,713,841
b) Less than six months	—	—
	<u>127,114,504</u>	<u>163,574,355</u>
SCHEDULE 8 - CASH & BANK BALANCES		
Cash on Hand	47,618	160,228
Bank Balances		
With Scheduled Banks	117,556	205,833
With Others	2,501,171	1,950,596
	<u>2,666,345</u>	<u>2,316,657</u>
SCHEDULE 9 - LOANS & ADVANCES		
(Unsecured Considered Good)		
Advance recoverable in Cash or Kind or for Value to be received	222,403	81,058
Deposits	12,303,501	8,055,227
Advance Tax	1,800,396	967,965
Advance against Capital Expenditure	2,708,430	2,006,000
	<u>17,034,730</u>	<u>11,110,251</u>
SCHEDULE 10 - CURRENT LIABILITIES		
Sundry Creditors for Goods	49,763,543	120,018,684
Sundry Creditors - Others	5,768,187	135,665
Sundry Creditors for Expenses	329,329	264,651
	<u>55,861,059</u>	<u>120,419,000</u>
SCHEDULE 11 - PROVISIONS		
Provision for Taxation	5,248,042	592,141

21st Annual Report 2010-2011

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	AS AT 31.03.2011 ₹	AS AT 31.03.2010 ₹
SCHEDULE 12 - SALES		
Sales (Including Exchange Difference)	548,654,474	343,001,307
	548,654,474	343,001,307
SCHEDULE 13 - OTHER INCOME		
Gain on cancellation of Contract	112,031	—
Discount Received	2,383	—
Interest on Fixed Deposit	628,079	541,739
Income Tax Refund	48,950	—
Other Interest	—	19,397
Dividend	—	150
	791,442	561,286
SCHEDULE 14 - COST OF GOODS CONSUMED / SOLD		
Opening Stock of :		
Raw Materials	7,325,953	6,640,113
Finished Goods	27,876,501	13,862,566
	35,202,454	20,502,679
Add : Purchase of :		
Raw Materials	509,126,069	33,967,206
Finished Goods	—	309,735,163
	544,328,523	364,205,048
Less : Closing Stock of :		
Raw Materials	12,130,588	7,910,052
Finished Goods	22,152,832	27,292,402
	510,045,103	329,002,594

SUNRAJ DIAMOND EXPORTS LTD.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	AS AT 31.03.2011 ₹	AS AT 31.03.2010 ₹
SCHEDULE 15 - OTHER DIRECT EXPENSES		
Custom Duty	7,938	60,764
Freight	11,255	11,074
Octroi Charges	—	72,705
Agency Commission on Import/Export	40,058	27,582
Labour Charges	6,051,858	1,861,903
Clearing Charges (Import & Export)	42,779	34,008
Stamp Duty	—	—
Assortment Charges	1,321,041	405,000
	<u>7,474,929</u>	<u>2,473,036</u>
SCHEDULE 16 - SELLING, ADMINISTRATION & OTHER EXPENSES		
Salaries & Other Employees' Benefit	1,143,900	489,200
Directors' Remuneration	1,200,000	780,000
Printing & Stationery	44,415	96,264
Postage, Telephone & Telex	419,630	450,114
Repairs & Maintenance	3,360	3,850
Rent, Rates & Taxes	103,191	175,277
Insurance exps	88,158	108,541
Vehicle Expenses	397,925	291,975
Auditor's Remuneration		
Audit Fees	55,150	38,605
Other Services	27,575	16,545
Legal & Professional Fees	621,347	911,164
Membership & Subscription	63,302	—
Miscellaneous Expenses	89,101	166,837
Advertisement and Sales Promotion	3,283,653	2,440,295
Conveyance & Travelling Expenses-Local	184,856	205,411
Travelling Expenses-Foreign	2,345,019	754,129
Donation	11,000	11,001
STT	—	264
Bad Debts	3,713,841	620,138
Prov for Diminution in Investments	—	(978,400)
Loss on Sale of Assets/Investments	625,053	951,808
	<u>14,420,476</u>	<u>7,533,019</u>
SCHEDULE 17 - INTEREST & FINANCIAL EXPENSES		
Bank Interest & Charges	4,080,209	1,883,646
	<u>4,080,209</u>	<u>1,883,646</u>

SCHEDULE 18

NOTES ON ACCOUNTS

1. (a) ACCOUNTING POLICIES

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

(b) INVENTORIES

Items of inventory are valued on the basis given below:

- (i) Raw Materials - At cost including incidental expenses incurred for its acquisitions.
- (ii) Finished Goods - At cost or market value whichever is lower. In case of finished goods which are manufactured, the cost of labour incurred for converting raw material into finished goods and which are lying in the stock are added to the stock of finished goods.

(c) DEPRECIATION

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

(d) FIXED ASSETS

All Fixed Assets are valued at cost less Depreciation.

(e) FOREIGN CURRENCY TRANSACTIONS

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

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

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

(f) INVESTMENTS

Investments are stated at cost of acquisition.

(g) RELATED PARTY DISCLOSURES

Name of Party	Relationship	Transaction	Amount (₹)
Sunny Gandhi	Director	Remuneration	600,000/-
Nirav Shah	Director	Remuneration	600,000/-

SUNRAJ DIAMOND EXPORTS LTD.

(h) EARNING PER SHARE

	2010-2011 ₹	2009-2010 ₹
(i) Profit after Tax	84,67,791	13,13,326
Add : Short Provision for Tax of earlier years	—	(23,360)
	84,67,791	12,89,966
	2010-2011 Nos.	2009-2010 Nos.
(ii) Weighted average number of Ordinary Shares for Basic EPS	53,30,400	54,50,000
Less : Calls in Arrears (Proportionate)	—	59,800
	53,30,400	53,90,200
(iii) Nominal Value of Ordinary Share	₹ 10/-	₹ 10/-
(iv) Basic/Diluted Earnings per Share	₹ 1.59	₹ 0.24

(i) DEFERRED TAXATION

Deferred Tax Liability for the year is ₹ 42,650/-

2. SHARE FORFEITURE:

During the year, the Company has made an application to Bombay Stock Exchange (BSE) for forfeiting 1,19,600 shares which are held as calls in arrears. The said application for forfeiture was made by the Company to BSE on 24.03.2011. BSE vide their letter dated 09.06.2011 have accepted the said resolution for forfeiting the shares held as calls in arrears. Hence the effect of the said forfeiture of shares has been given in the accounts for the relevant year.

3. BAD DEBTS

The Company has to receive ₹ 37,13,841 from Marvel Gems BVBA. The said balance was outstanding since May 2008. However as per the letter received by the Company dated 06th May, 2011, the said balance is not receivable. Hence the said debt is written off as bad in the relevant year.

4. PROPOSED DIVIDEND

The Company at its Board Meeting held on 11th August, 2011 has proposed to declare dividend @ 10% on its paid up capital. The effect for the same has been provided in the accounts for the relevant year. As per Companies (Transfer of profits to Reserves) Rules, 1975, 2.5% of the current years profit after tax have been transferred to General Reserve Account.

5. CONTINGENT LIABILITIES:

The company has a contingent liability of income tax of ₹ 8,86,480 in respect for A. Y. 2002-2003.

6. MANAGERIAL REMUNERATION:

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

	2010-2011	2009-2010
	₹	₹
Salary	12,00,000	7,80,000
Perquisites	NIL	NIL

7. Inventories are valued at cost as certified by the management.
8. There is no amount outstanding payable to Small Scale industries.
9. No provision for doubtful debts is made on long outstanding debtors, as the management is hopeful of realizing the same.
10. Licensed capacity - Not Applicable.

11. RAW MATERIALS CONSUMED

Item	Quantity in Carats	Value ₹
Rough Diamonds	20,381.24	3,90,42,812
(Previous Year)	(574.31)	(3,26,97,267)
Synthetic Diamonds	11.56	2,86,110
(Previous Year)	(Nil)	(Nil)
		3,93,28,922

12. C.I.F. VALUE OF IMPORTS

	Current Year	Previous Year
	₹	₹
Raw Materials	3,74,44,699	3,41,34,623

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

	Current Year		Previous Year	
	₹	%	₹	%
Imported	3,26,54,395	83.03	2,61,02,824	79.83
Indigenous	66,74,527	16.97	65,94,413	20.17
	3,93,28,922	100.00	3,26,97,267	100.00

14. EXPENDITURE IN FOREIGN EXCHANGE

Foreign Travelling Expenditure ₹ 23,45,019/- (Previous year ₹ 7,54,129/-)

SUNRAJ DIAMOND EXPORTS LTD.

15. EARNING IN FOREIGN EXCHANGE

F. O. B. Value of Exports and Exchange Difference – ₹ 41,61,50,773/- (Previous year ₹ 221,100,129/-)

16. STOCK & TURNOVER

Items	Units	Opening Stock		Closing Stock		Turnover/Consumption	
		Quantity	Value ₹	Quantity	Value ₹	Quantity	Value ₹
Finished Goods							
Cut & Polished Diamonds	Cts	4 42.38 <i>(336.99)</i>	16,836,782.69 <i>(3,406,946)</i>	491.85 <i>(442.38)</i>	11,017,702.00 <i>(16,836,782.69)</i>	67,890.79 <i>(27,580.08)</i>	586,513,013 <i>(344,964,332)</i>
Jewellery	Gms	1,480.73 <i>(1,480.73)</i>	4,160,381 <i>(4,160,381)</i>	1,480.73 <i>(1,480.73)</i>	4,160,381 <i>(4,160,381)</i>	Nil <i>(7.14)</i>	Nil <i>(8,495.00)</i>
Jewellery	Gms	Nil <i>(Nil)</i>	Nil <i>(Nil)</i>	Nil <i>(Nil)</i>	Nil <i>(Nil)</i>	1.00 <i>(4.00)</i>	551,020.00 <i>(435,465.00)</i>
Synthetic Crystals	Cts	189.62 <i>(189.62)</i>	6,295,238.00 <i>(6,295,238.00)</i>	189.62 <i>(189.62)</i>	6,295,238.00 <i>(6,295,238.00)</i>	Nil <i>(Nil)</i>	Nil <i>(Nil)</i>
Raw Materials							
Rough Diamonds	Cts	574.31 <i>(548.58)</i>	4,325,253 <i>(6,594,413)</i>	1,497.76 <i>(574.31)</i>	9,032,466 <i>(4,325,253)</i>	20,381.24 <i>(Nil)</i>	39,042,812.00 <i>(Nil)</i>
Synthetic Rought Diamonds	Cts	127.87 <i>(2.18)</i>	3,000,700 <i>(45,700.00)</i>	28,046.31 <i>(138.43)</i>	3,098,122 <i>(3,584,799)</i>	11.56 <i>(Nil)</i>	286,110.00 <i>(Nil)</i>
Synthetic Diamonds	Cts	Nil <i>(Nil)</i>	Nil <i>(Nil)</i>				

Previous year figures are given in Italics.

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

Signatures to Schedules 1 to 18

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

(B. N. SHROFF)
Partner
Membership No. : 5039

Mumbai, 11th August, 2011.

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

SUNNY S. GANDHI
Director

Mumbai, 11th August, 2011.

21st Annual Report 2010-2011

Information pursuant to Part IV of Schedule VI of the Companies Act, 1956. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	57803	State Code :	11
Balance Sheet Date	31/03/2011		

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

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

* Preference Share Capital

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

Total Liabilities	140,791	Total Assets	140,791
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Sources of Funds

Paid-up Capital	53,304	Reserves & Surplus	23,816
Secured Loans	49,467	Unsecured Loans	12,090
Deferred Tax Liability	2,115		

Application of Funds

Net Fixed Assets	20,786	Investment	15
Net Current Assets	119,990	Misc. Expenditure	—
Accumulated Losses	—		

IV. Performance of Company (Amount ₹ in Thousand)

Turnover	549,446	Total Expenditure	537,185
PROFIT/(LOSS) before Tax	12,260	PROFIT/(LOSS) after Tax	8,468
Earnings per Share in ₹ (Weighted Average)	1.59	Dividend Rate %	—

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

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

As per our report attached
For **BHUPENDRA SHROFF & CO.**
Chartered Accountants
Firm No. : 101458W
(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 11th August, 2011.

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

SUNNY S. GANDHI
Director

Mumbai, 11th August, 2011.

SUNRAJ DIAMOND EXPORTS LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	₹	₹	₹	₹
A. Cash Flow from Operating Activities				
Net Profit before Taxation		12,260,441		1,828,623
Adjustments for -				
Depreciation	1,164,757		841,674	
Interest Expenses	4,080,209		1,883,646	
Loss on Sale of Asset	625,053		951,808	
Interest Income	(628,079)		(561,136)	
Prov for diminution on Investments	—		(978,400)	
Unrealised foreign exchange (gain)/loss	(1,692,908)		2,881,917	
Bad Debts	3,713,841	7,262,874	—	5,019,510
Operating Profit before working capital changes		19,523,316		6,848,133
Adjustments for –				
Trade and other Receivables	29,904,893		(106,164,156)	
Inventories	919,034		(14,699,775)	
Trade and other Payables	(70,446,365)	(39,622,438)	91,456,518	(29,407,413)
Cash generated from operations		(20,099,123)		(22,559,279)
Direct Taxes paid (net of refund of taxes)		(832,430)		223,911
Net Cash Flow from Operating Activities		(20,931,553)		(22,335,369)
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets		(5,561,036)		(62,849)
Sale of Fixed Assets		597,333		—
Interest received		628,079		1,946,733
Proceeds from Sale of Investments		—		210,592
Net Cash used in Investing Activities		(4,335,624)		2,094,477
C. Cash Flow from Financing Activities				
Interest paid		(4,080,209)		(1,883,646)
Loans taken		135,438,071		56,954,610
Repayment of Loans		(105,740,995)		(35,309,283)
Net Cash used in Financing Activities		25,616,866		19,761,680
Net increase/(decrease) in cash and cash equivalents		349,689		(479,212)
Cash and Cash Equivalents - Opening Balance		2,316,657		2,795,869
Cash and Cash Equivalents - Closing Balance		2,666,345		2,316,657

AUDITORS' CERTIFICATE

We have checked the attached Cash Flow Statement of **SUNRAJ DIAMOND EXPORTS LIMITED**, for the year ended 31st March, 2011 from the books and maintained by the Company in the course of business and has been in accordance therewith.

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

(B. N. SHROFF)
Partner
Membership No. : 5039
Mumbai, 11th August, 2011.

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

SUNNY S. GANDHI
Director

Mumbai, 11th August, 2011.

SUNRAJ DIAMOND EXPORTS LTD.

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

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

ATTENDANCE SLIP

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

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

Full Name of the first joint holder _____

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

Name of the Proxy _____

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

I hereby record my presence at the Twenty First Annual General Meeting of the Company held at Dadoba Jagannath Religious Trust, 21-A, Gamdevi Road, Mumbai - 400 007 on Tuesday, 27th September, 2011 at 11.30 a.m.

Regd. Folio No. : _____

OR

DP ID / CLIENT ID : _____

Member's / Proxy Signature

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

No. of Shares held _____

SUNRAJ DIAMOND EXPORTS LTD.

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

FORM OF PROXY

I/We _____

of _____ in the district of _____

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

Mr./Ms. _____

of _____ in the district of _____

or failing him/her Mr./Ms. _____

of _____ in the district of _____

as my/our proxy to vote for me/us, on my/our behalf at the Twentyfirst Annual General Meeting of the Company to be held on Tuesday, 27th September, 2011 at 11.30 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2011.

Regd. Folio No. : _____

OR

DP ID / CLIENT ID : _____

No. of Shares held _____

Affix
₹ 1.00
Revenue
Stamp

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

Book - Post

To,

If undelivered, please return to :

Sunraj Diamond Exports Ltd.

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