



Sovereign
Diamonds Ltd.

39th
ANNUAL REPORT
2012 - 2013

**39th ANNUAL REPORT
2012 - 2013**

Sovereign Diamonds Limited

BOARD OF DIRECTORS:

Mr. Ramesh H. Gehani	:	Executive Chairman
Mr. Ajay R. Gehani	:	Managing Director
Mr. Mohanram Pai	:	Director
Mr. Rajesh Arora	:	Director

BANKERS:

Corporation Bank

STATUTORY AUDITORS

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

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. 28 20 72 01 / 03 / 04 / 05
Fax No. 28 20 72 07

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 Thirty-Ninth Annual General Meeting of the Members of SOVEREIGN DIAMONDS LIMITED will be held on Monday, 26th, August, 2013 at 9.30 a.m. at Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai - 400 093 to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013, Audited Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
- 2) To appoint a Director in place of Mr. Ramesh Gehani, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To re-appoint Statutory Auditors of the Company and to fix their remuneration.

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

sd/-
AJAY R. GEHANI
MANAGING DIRECTOR

Place: Mumbai
Date: 25th May, 2013

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IS ENCLOSED ALONG WITH THIS NOTICE.
2. The Proxy Form, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is not required to be attached to the notice.
4. For the convenience of the shareholders, Attendance Slip is annexed to this notice. Shareholders/Proxy Holders are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue.
5. The Register of Members and Share Transfer Register of the Company will remain closed from Monday, 19th August, 2013 to Monday, 26th August, 2013 (both the days inclusive).
6. Corporate Members intending to send their authorized representatives at the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
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.
8. Members are requested to immediately notify any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Secretarial department at the Registered Office of the company or to the Registrar and Transfer Agents in respect of their holding in physical form.
9. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report.



10. All the shareholders are requested to register their E-Mail id with the Universal Capital Securities Private Limited for the purpose of service of documents under Section 53 of the Companies Act, 1956 by E-mode instead of under posting certificate (UPC) in view of Circular No. 17/95/2011 CL-V.
11. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
12. Information required under Clause 49 IV G 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. Ramesh Gehani
Date of Birth	14.02.1933
Date of Appointment	05.06.1974
Qualifications	F.Y. Arts
Expertise in specific functional areas	Wide experience in diamond / stone / jewellery industry since last 40 years.
Directorships in other Public Limited Companies*	Sovereign Jewellery Limited
Memberships of Committees in other Public Limited Companies*	Nil

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



To

The Members,

The Directors present their Thirty- Ninth Annual Report together with the Audited Accounts for the year ended 31st March, 2013.

A. FINANCIAL RESULTS

(Rs. in Lakhs)

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
Income from Operations	3417.54	2689.93
Other Income	0.33	1.18
Total Income	3417.86	2691.11
Expenditure	3113.04	2467.75
Interest	141.57	118.13
Depreciation	43.11	33.60
Total Expenditure	3297.72	2619.48
Profit(+) Loss(-)	120.14	71.63
Provision for Taxation	50.00	26.00
(Add) / Less : Deferred Tax	(3.52)	(0.83)
Short / (Excess) Provision of earlier Years	0.0	(0.42)
Net profit after tax	73.66	46.88
Balance brought forward from last year	128.80	81.91
Balance carried forward to the Balance Sheet	202.46	128.80

B. DIVIDEND

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

C. WORKING OF THE COMPANY

During the year the company has achieved turnover of Rs. 3417.54 lacs as against Rs.2689.93 lacs in the previous year. The increase in turnover is due to increase in domestic sales. The Company has already started selling jewellery in the Indian Jewellery Retail Market and is supplying to big jewellery stores in Metro cities. This has resulted in higher turnover for the Company and in the current year the Company is looking forward to maintain the growth momentum.

D. DIRECTORS

Mr. Ramesh Gehani, Director retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

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

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

A. Conservation of Energy:

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

B. Technology Absorption:

The Company carries out general Research and Development in the manufacture of



Jewellery as per international standards, in developing new range of products, manufacturing process etc. The disclosures required to be given in Form B as annexed to the rules are as follows:

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

Specific Areas in which R & D carried out by the Company.	Manufacture of Jewellery
Benefits derived as a result of the above R & D.	Helped in better quality output, with improved productivity.
Future Plan of Action	Development of new designs in Jewellery.
Expenditure on R & D:	The Company carries out the R & D work in-house.
(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R & D expenditure as a percentage of Total 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 collection in the country.
Benefits derived as a result of above efforts	Due to this finish we are able to work with the leading retailers and wholesalers in India and Europe and they have achieved tremendous success with our product line
Imported Technology	The Company has not imported any technology.

C. Foreign Exchange Earning and Outgo:	Rs. In lakhs	
	2012-2013	2011-2012
Foreign Exchange Earnings/Outgo:		
Foreign Exchange Earned:	42.17	185.80
Foreign Exchange Outgo:	0.00	0.0
Travelling / Exhibition Charges	9.14	23.31

F. FIXED DEPOSITS

The Company has not accepted any deposit from the public.

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

Information in accordance with the section 217(2A) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in report of Board of Directors) Rules, 1988 and forming parts of the Director's Report for the year ended 31st March, 2013 is not given as no employee is in receipt of remuneration in excess of Rs.5,00,000/- p.m. or Rs. 60,00,000/- p.a.

H. COMMENTS ON AUDIT REMARKS.

Company has taken group gratuity scheme policy with LIC. The Company is in the process of obtaining certificate for determining gratuity liability from Acturian.

I. DIRECTORS RESPONSIBILITY STATEMENT

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



- i) That in the preparation of the Annual Accounts for the financial year 31st March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the Accounts for the financial year ended 31st March, 2013 on a going concern basis.

J. LISTING OF SHARES

The company's shares are listed on the Bombay Stock Exchange and the Company has paid the

listing fees for the same.

K. CORPORATE GOVERNANCE

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

L. AUDITORS

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

M. MANAGEMENT DISCUSSIONS AND ANALYSIS

Forward looking statement

The Statements made in this report describe the Company's objectives and projections that may be forward looking statements which are based on certain assumptions and expectations of future events. The Company's actual results, may differ materially from those projected in any such forward looking statements depending on economic conditions, government policies and decisions which are beyond the control of the Company.

Segment-wise or product-wise performance

The Company falls within a single business segment viz. 'diamond jewellery'. The sales are substantially in the domestic market, and the said financial statements are reflective of the information required by Accounting Standard 17 "Segment Reporting", notified under the Companies (Accounting Standards) Rules, 2006.

Internal Control Systems

The Company has in place an adequate and effective internal audit and control systems which ensures efficiency in operations, and optimum use of resources. Internal Control weaknesses are reported regularly and timely steps are taken as and when required. The effectiveness of the internal control systems is constantly monitored by the Audit Committee set up by the Board and the required changes are introduced as and when necessary.

Outlook

Any downturn in the Indian economy as well as global economy will adversely affect the price of gold and foreign exchange rate and in turn the company's business. However, the Company hopes that the price of gold and foreign exchange rate will stabilize and which in turn will help the Company in increase in volume of sales.



Risk Management

Your Company's risk management system comprises of prudential norms, timely reporting and stringent controls.

Human resources

Your company has been able to employ and retain qualified professionals by offering the challenging work environment and compensation. The Company provides in house training to its employees.

Insurance

The Company has insured its assets and operations against all insurable risks including fire, earthquake, flood, and etc. as part of its overall risk management strategies

N. ACKNOWLEDGMENT

The Board wishes to place on records its appreciation to all its Shareholders, Customers, Bankers, and Employees for the co-operation and contributions made by them at all levels .

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

Place: Mumbai
Date: 25th May, 2013

sd/-
AJAY R. GEHANI
MANAGING DIRECTOR

sd/-
RAMESH GEHANI
EXECUTIVE CHAIRMAN



CORPORATE GOVERNANCE REPORT* (under Clause 49 (VI) (i) of Listing Agreement)

*(For The Financial Year 31st March, 2013)

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

II. BOARD OF DIRECTORS

i) Composition and Category of Directors:

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

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

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

Date of Board Meetings	Ramesh Gehani	Ajay Gehani	Mohanram Pai	Rajesh Arora
28/04/2012	Present	Present	Present	Present
02/08/2012	Present	Present	Present	Present
14/08/2012	Present	Present	Present	Present
10/11/2012	Present	Present	Present	Present
04/01/2013	Present	Present	Present	Present
12/02/2013	Present	Present	Present	Present
Total Attendance out of 6 Meetings.	6	6	6	6
Attendance at Last AGM	Present	Present	Absent	Absent

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

Name of Director	No. of Other Co.s where Dir	Number & Name of Committee Memberships / Chairmanships			
		Chairman	No.	Member	No.
Mr. Ramesh Gehani	2	-	0	-	0
Mr. Ajay Gehani	2	SIGC - SDL	1	AC - SDL	1
Mr. Mohanram Pai	1	AC - SDL	1	AC - ASC SIGC - ASC CG - ASC	3
Mr. Rajesh Arora	Nil	Nil	0	AC - SDL SIGC - SDL	1 1



AC - SDL	Audit Committee - Sovereign Diamonds Limited
SIGC - SDL	Shareholders / Investors Grievance Committee - Sovereign Diamonds Limited
AC - ASC	Audit Committee - Asian Star Co. Ltd.
SIGC - ASC	Shareholders / Investors Grievance 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.**

iv) Code of Conduct:

The Board has formulated a code of conduct for the Board Members and Senior Management Personnel of the Company. All Board Members and Senior Management Personnel have affirmed their compliance with the code for the financial year ended 31st March, 2013. A declaration to this effect signed by the Chairman of the Company is given elsewhere in the Annual Report.

III. AUDIT COMMITTEE

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

Date of Meeting	Mohanram Pai *	Ajay Gehani \$	Rajesh Arora @
28/04/2012	Present	Present	Present
02/08/2012	Present	Present	Present
14/08/2012	Present	Present	Present
10/11/2012	Present	Present	Present
12/02/2013	Present	Present	Present
Total Attendance (out of 5 meetings)	5	5	5

* Chairman & Non Executive Independent Director

\$ Managing Director

@ Non Executive Independent Director

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

IV. REMUNERATION COMMITTEE

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

i) Remuneration Policy

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

ii) Details of Remuneration paid to all Directors

A. The Company does not have any pecuniary relationship or transactions with the non-executive directors. During the year, the Company has paid sitting fees to non-executive directors.

B. The aggregate remuneration paid to the Directors for the year ended 31st March, 2013, is as under;



Sl. No.	Name of Director	Salary & Perquisites	Commission	Sitting Fees
1.	Mr. Ramesh Gehani	14,99,400	Nil	Nil
2.	Mr. Ajay Gehani	14,99,400	Nil	Nil
3.	Mr. Mohanram Pai	Nil	Nil	15,000
4.	Mr. Rajesh Arora	Nil	Nil	15,000

The remuneration paid to Mr. Ramesh H. Gehani, Executive Chairman and Mr. Ajay R. Gehani, Managing Director was approved by the Board of Directors at its meeting held on 29th July, 2010 and approved by the Shareholders at the Annual General Meeting held on 2nd September, 2010.

- C. The Company has not issued any stock options or paid any performance linked incentives or fixed component incentives to the Directors.

D. DETAILS OF SERVICE CONTRACTS:

Name and Designation	Current tenure	From	To
Mr. Ramesh Gehani, Executive Chairman	5 years	01.09.2010	31.08.2015
Mr. Ajay Gehani, Managing Director	5 years	01.09.2010	31.08.2015

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

Directors	No. of shares held as on 31st March, 2013	No. of shares held as on 31st March, 2012
Mr. Mohanram Pai	NIL	NIL
Mr. Rajesh Arora	NIL	NIL

V. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

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

Date of Meeting	Ajay Gehani *	# Rajesh Arora
28/04/2012	Present	Present
02/08/2012	Present	Present
14/08/2012	Present	Present
10/11/2012	Present	Present
12/02/2013	Present	Present
Total Attendance (out of 5 meetings)	5	5

* Managing Director

#Non Executive Independent Director

B) COMPLIANCE OFFICER :

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

Email address of Compliance Officer is sovereigndiamonds@gmail.com

- C) Complaint Status for the period 01/04/2012 to 31/03/2013

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



NON RECEIPT OF SHARE CERTIFICATE	-	-	-
NON RECEIPT OF SHARE TRANSFER	-	-	-
Total :	-	-	-

VI. General Body Meetings

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

Financial Year Ending	Nature of Meeting	Nature of Special Resolution Passed	Date	Location	Time
31.03.11	36th AGM	Note*	02.09.10	Registered Office	11.00A.M.
31.03.12	37th AGM	Nil	30.09.11	Hotel Tunga Paradise, Andheri (East), Mumbai: 400 093	4.00 P.M.
31.03.13	38th AGM	Nil	18.09.12	Hotel Tunga Paradise, Andheri (East), Mumbai: 400 093	10.30A.M.

Notes:

1. Special Resolution for Re-appointment and payment of remuneration of Mr. Ramesh Gehani as Executive Chairman for a period of five years w.e.f 1st September, 2010.
2. Special Resolution for Re-appointment and payment of remuneration of Mr. Ajay Gehani as Managing Director for a period of five years w.e.f 1st September, 2010.

Notes:

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

VII. DISCLOSURES

- i. The Company has not entered into any materially significant related party transactions during the year that may have potential conflict with the interests of the Company at large.
- ii. There has been no incidence of non-compliance by the Company of any statutory regulations nor any penalty or stricture imposed by the Stock Exchange or any other Statutory Authority, on any matter relating to the capital market over the last three years.
- iii. The details of all transactions with related parties are placed before the Audit Committee on quarterly basis.
- iv. In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- v. The constitution of whistle blower policy is a non mandatory requirement. However the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2012 - 2013.
- vi. The Company has complied with all mandatory requirements of clause 49 of Listing Agreement.

VIII. MEANS OF COMMUNICATIONS

- i. **Quarterly Results:** The quarterly financial results of the company (in the format prescribed by the Listing Agreement) are reviewed by Audit Committee and then, approved and taken on record by the Board within the prescribed time frame and



immediately send to the Stock Exchange where the shares of the company are listed.

- ii. The quarterly results for the financial year 2012 - 2013 were published in the News Papers.(Details given below):

Quarter	Results
June, 2012	The Free Press Journal in English and Navshakti in Marathi
September, 2012	The Free Press Journal in English and Navshakti in Marathi
December, 2012	The Free Press Journal in English and Navshakti in Marathi
March, 2013	The Free Press Journal in English and Navshakti in Marathi

- iii. Annual Report: Annual Report containing inter alia Audited Annual Accounts, Directors' Report, Auditors' Report and other important, information is circulated to Members and others entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report.
- iv. All the shareholders are requested to register their E-Mail id with the Universal Capital Securities Private Limited for the purpose of service of documents under Section 53 of the Companies Act, 1956 by E-mode instead of under posting certificate (UPC) in view of Circular No. 17/95/2011 CL-V.

IX. GENERAL SHAREHOLDER INFORMATION

AGM Date, Time & Venue	Date: 26th August, 2013 Time: 9.30 a.m. Venue: Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai - 400 093
Financial Year:	1st April to 31st March
Book Closure Date:	19th August, 2013 to 26th August, 2013
Dividend Payment Date:	Not Applicable
Listing on Stock Exchanges:	The Bombay Stock Exchange Limited
Stock Code & Demat Scrip Code (ISIN)	Bombay Stock Exchange Stock Code: 523826 Scrip Code: INE 959D01013
Registrar & Transfer Agents	Universal Capital Securities Private Limited Address: 21, Shakil Niwas, Opp. Satya Saibaba Temple, Mahakali Caves Road, Mumbai - 400 093. Tel. No. 28 20 72 01/ 03 / 04 / 05 Fax No. 28 20 72 07 Email ID: gamare@unisec.in.com

Shareholders / investors are requested to forward share transfer documents, dematerialization request, correspondence regarding change of address, or share certificates and other related queries to the company's registrar i.e. Universal Capital Securities Private Limited at the address mentioned above.

Share Transfer System and Dematerialization of Shares:

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

As on March 31, 2013, 48,98,412 equity shares (84.63%) of the Company are dematerialized. All these shares are electronically transferred through the demat facility. Balance 8,89,590 equity shares (15.37%) are in physical mode. The Company has assigned the job of transfer of shares in physical mode to its Registrar and Share Transfer Agent, M/s. Universal Capital Securities Private Limited. The Shareholders and Investors Grievances Committee takes on record all the physical share transfers from time to time.


Distribution of Shareholding as on 31st March, 2013:

Nominal Value of Shares (In Rs.)	No. of Shareholders	% to total holders	Total Shareholding (In Rs.)	% to capital
1 - 5000	3906	90.795	643220	11.113
5001 - 10000	205	4.765	1787550	3.088
10001 - 20000	78	1.813	1252450	2.164
20001 - 30000	38	0.883	1002590	1.732
30001 - 40000	11	0.256	384690	0.665
40001 - 50000	15	0.349	705400	1.219
50001 - 100000	21	0.488	1600050	2.764
100001 & Above	28	0.651	44715070	77.255
TOTAL	4302	100.000	57880020	100.00

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

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

Consolidation of Folios:

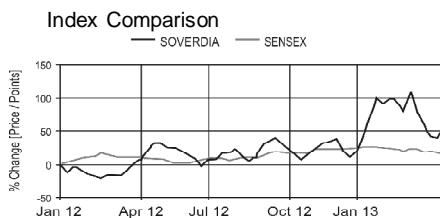
Shareholders are requested to INVARIABLY mention their existing folio number in the column provided in the transfer deed in case they lodge further shares for transfer in the same order of names. Shareholders are also requested to send the share certificates by registered post to the transfer agents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

Nomination Facility:

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

Practising Company Secretary Certificate on Corporate Governance

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

Performance of equity scrip (Closing Price) of the company in comparison to BSE Sensex(Closing Price)(Data as per the website of Bombay Stock Exchange Limited i.e. www.bseindia.com)

Monthly High and Low Prices of the Equity Shares of the Company for the year ended 31st March, 2013 (Data as per the website of Bombay Stock Exchange Limited i.e. www.bseindia.com)

Period: 12 months from April 2012 to March 2013:



	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
High	4.19	3.95	3.25	3.51	3.68	4.45	3.65	4.04	4.38	6.1	6	6.29
Low	3.08	3.37	2.94	3.05	3.18	3.39	3.65	3.19	3.6	3.35	5.33	4.25

Shareholding Pattern as on 31st March, 2013

	Category	No of Shares Held	% Of Share Holding
A.	Promoter (S) Holding		
1.	Promoter (s)		
	- Indian Promoters	27,55,288	47.60
	- Foreign Promoters	-	0
	Sub - Total(A)	27,55,288	47.60
B.	Non-Promoters Holding		
	Institutional Investors		
i.	Mutual Funds & UTI	1,71,300	2.96
ii.	Banks, Financial Inst, Insurance Company, Central / State Govt Inst, Non-Govt Inst	0.00	0.00
iii.	FII (S)	0.0	0.0
	Others		
i.	Private Corporate Bodies	4,58,483	7.92
ii.	Indian Public	23,91,566	41.33
iii.	NRI/OCBS	10,565	0.18
iv.	Clearing Members	800	0.01
	Sub-total (B)	3032714	52.40
	GRAND TOTAL	57,88,002	100.00

Plant Location:

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

Registered Office Address & Correspondence:
Sovereign Diamonds Limited

11-A, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (E), Mumbai 400 093.
Ph. No: 66923871
Fax No: 66923880
Fax: 022 22671931

Contact Person: Mr. Ajay Gehani, Managing Director

Email Address: sovereigndiamonds@gmail.com

For SOVEREIGN DIAMONDS LIMITED

sd/-

Place: Mumbai
Date: 25th May, 2013

RAMESH GEHANI
EXECUTIVE CHAIRMAN



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, 2013.

Sd/-

Ajay Gehani

Managing Director

Place : Mumbai

Date : 25th May, 2013

PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE

TO,

THE MEMBERS,

SOVEREIGN DIAMONDS LIMITED

We have examined the compliance of conditions of corporate governance by Sovereign Diamonds Limited for the year ended 31st March, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

**For M/s. P. P. Shah & Co.
Practising Company Secretary**

Sd/-

Pradip C. Shah

Partner

Membership No. 1483

Certificate of Practice: 436

Place : Mumbai

Date : 25th May, 2013



To,

The Members of

SOVEREIGN DIAMONDS LIMITED.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **SOVEREIGN DIAMONDS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, 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

Management is responsible for 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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by section 227(3) of the Act, we report that:
 - 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 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 Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; except as regards provisions for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note No. 1:13.
- e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

sd/-

Place: Mumbai.

Date: 25th May, 2013

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

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

- 1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, physical verification of the fixed assets was conducted by management annually, which in our opinion, is reasonable looking to the size of the Company and nature of its business. According to the information and explanation given to us no material discrepancies were noticed on such verification.
- c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- 2) a) Physical verification of inventory has been conducted at reasonable intervals by the management.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (3) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties, covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clauses 3(b), 3(c), 3(d) are not applicable to the company.
- b) The Company had taken loans from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 12.57 Lacs and the yearend balance of loans taken were Rs. 2.42 Lacs.
- c) There is no stipulation as regards payment of interest and principal amount.
- 4) In our opinion and according to the information and explanations given to us, it appears that there are adequate internal control procedures commensurate with the size of Company and the nature of its business with regard to purchase of inventories, fixed assets, sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
- 5) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have



been so entered.

- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts/arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000 in respect of each party during the year have been made at prices which appear reasonable as per information available with the company.
- 6) The Company has not accepted any deposits from the public.
- 7) The Company has no formal internal audit department as such but its control procedures ensure reasonable internal checking of its financial and other records.
- 8) As informed to us, the company is maintaining cost records as prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956. We have not, however made a detailed examination of these records.
- 9) a) The Company is regular in depositing undisputed statutory dues including provident fund, income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory dues with appropriate authorities.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory liabilities were in arrears as at the last day of the financial year for a period exceeding six months from the date they became payable.
- 10) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the year covered by our audit and the immediately preceding financial year
- 11) In our opinion and according to information and explanations given to us the Company has not defaulted in repayment of dues to financial institutions or banks.
- 12) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund, nidhi, mutual benefit or a society.
- 14) In our opinion, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- 15) On the basis of information and explanation given to us the Company has not given any guarantee for loans taken by others from banks or financial institution.
- 16) 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.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. .
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- 19) The Company has no debentures.
- 20) The Company has not raised any money by public issue during the year.
- 21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

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

sd/-

(J.D. ZATAKIA - PROPRIETOR)

MEMBERSHIP NO. 17669

Place: Mumbai.

Date: 25th May, 2013



BALANCE SHEET AS AT 31ST MARCH, 2013

(₹ in Lacs)

Particulars	Note No.	As at 31st March, 2013		As at 31st March, 2012	
I EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital	2	578.80		578.80	
Reserve and Surplus	3	<u>243.44</u>	822.24	<u>169.78</u>	748.58
Non-Current Liabilities					
Long Term Borrowings	4	40.46		39.58	
Deferred Tax Liability (net)	5	<u>-</u>	40.46	<u>2.22</u>	41.79
Current Liabilities					
Short Term Borrowings	6	1,395.49		832.68	
Trade Payables	7	210.93		37.91	
Other Current Liabilities	8	19.57		22.80	
Short Term Provisions	9	<u>91.00</u>	<u>1,716.99</u>	<u>41.00</u>	<u>934.39</u>
TOTAL			<u>2,579.69</u>		<u>1,724.77</u>

II ASSETS

Non-Current Assets

Fixed Assets

Tangible Assets	10	246.08		254.49	
Deferred Tax Assets (net)	5	1.30		-	
Long Term Loans and Advances	11	<u>6.89</u>	<u>254.27</u>	<u>11.13</u>	<u>265.62</u>

Current Assets

Inventories	12	1,158.46		528.66	
Trade Receivables	13	1,032.22		889.96	
Cash and Bank Balances	14	62.00		3.93	
Short Term Loans and Advances	15	<u>72.74</u>	<u>2,325.42</u>	<u>36.60</u>	<u>1,459.15</u>

TOTAL			<u>2,579.69</u>		<u>1,724.77</u>
--------------	--	--	------------------------	--	------------------------

SIGNIFICANT ACCOUNTING POLICIES

AND NOTES ON ACCOUNTS

1 to 29

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR J.D. ZATAKIA & COMPANY
 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
 EXECUTIVE CHAIRMAN

sd/-
 AJAY R. GEHANI
 MANAGING DIRECTOR

PLACE: MUMBAI
 DATE : 25/05/2013

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2013**

(₹ in Lacs)

Particulars	Note	31st March, 2013	31st March, 2012
Revenue from Operations			
Sale of Products	16	3,417.54	2,689.93
Other Income	17	0.33	1.18
Total Revenue		3,417.86	2,691.11
EXPENSES			
Cost of Material Consumed	18	2,771.75	2,123.11
Changes in Inventories of Finished Goods	19	(13.53)	28.90
Employee Benefit Expenses	20	164.78	145.65
Finance Cost ²¹		141.57	118.13
Depreciation and Amortisation Expenses	10	43.11	33.60
Other Expenses	22	190.04	170.08
Total Expenses		3,297.72	2,619.48
Profit Before Tax		120.14	71.63
Tax Expenses			
Current Tax		50.00	26.00
Deferred Tax		(3.52)	(0.83)
Short/(Excess) provision of earlier years		-	(0.42)
Profit After Tax		73.66	46.88
Earnings per Equity Shares of face value of Rs. 10 each Basic and Diluted	23	1.27	0.81

SIGNIFICANT ACCOUNTING POLICIES

AND NOTES ON ACCOUNTS

1 to 29

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR J.D. ZATAKIA & COMPANY
 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
 EXECUTIVE CHAIRMAN

sd/-
 AJAY R. GEHANI
 MANAGING DIRECTOR

PLACE: MUMBAI
 DATE : 25/05/2013



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 :

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

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) 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.



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

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.33,74,42,488/-
- ii) Sales outside India represents sales made to customers located outside India Rs.42,17,273/-

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.

1.13 Gratuity :

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



(` in lacs)

	PARTICULARS	As at March 31, 2013	As at March 31, 2012		
NOTE : 2	Share Capital:				
	Authorised Share Capital :				
	60,00,000(previous year 60,00,000)	600.00	600.00		
	Equity Shares of Rs. 10/- each				
	Issued, Subscribed & Paid up :				
	57,88,002(previous year 57,88,002)	578.80	578.80		
	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:					
NOTE : 3	Name of the Shareholder	As on 31.03.2013		As on 31.03.2012	
		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	589,087	10.18
	Sanjay Ramesh Gehani	451,716	7.80	451,716	7.80
NOTE : 3	RESERVES AND SURPLUS				
	GENERAL RESERVE				
	As per last Financial Statements	30.88	36.88		
	Less :Transfer during the year	-	6.00		
	General Reserve - Closing Balance	30.88	30.88		
	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	128.80	81.91		
	Add : Profit for the year	73.66	46.88		
	Surplus Reserve - Closing Balance	202.46	128.80		
TOTAL	243.44	169.78			



(` in lacs)

	PARTICULARS	As at March 31, 2013	As at March 31, 2012
NOTE : 4	LONG TERM BORROWINGS		
	Secured		
	Term Loans		
	From Bank	-	2.88
	Corporate Loans		
	From Bank	-	(16.55)
	Vehicle Loans		
	From Bank	40.46	53.24
	TOTAL	40.46	39.58
	a) Nature of securities		
	i) Term Loans obtained from Corporation bank is secured against specific machineries.		
	ii) Corporate Loans obtained from Corporation bank is secured against Export bills, inventories, book debts, current assets, equitable mortgage of factory land and building situated at Andheri (E), Mumbai and personal guarantee of directors.		
	iii) Vehicle loans acquired from bank/financial Services are secured against hypothication of Vehicles.		
	b) Terms of repayment of term loans and vehicle loans		
		As at 31.03.2013	As at 31.03.2012
	Term Loans		
	Corporation Bank (Machinery Loan)	-	2.88
	Corporate Loans		
	Corporation Bank (Advance)	-	(16.55)
	Vehicle Loans	40.46	53.24
NOTE : 5	DEFERRED TAX LIABILITY		
	Deferred Tax (Liability)/ Assets		
	In respect of difference between book & Tax W.D.V.	1.30	(2.22)
	TOTAL	1.30	(2.22)



	PARTICULARS	As at March 31, 2013	As at March 31, 2012
NOTE : 6	SHORT TERM BORROWINGS		
	Secured		
	Corporation Bank (CC A/c)	1,393.07	832.68
	Unsecured, considered good		
	From Directors	2.42	-
	From Others	-	-
	TOTAL	1,395.49	832.68
	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.		
NOTE : 7	TRADE PAYABLES		
	Trade Payable	210.93	37.91
	TOTAL	210.93	37.91
NOTE : 8	OTHER CURRENT LIABILITIES		
	Other Payables		
	Advance from Customers	15.50	15.20
	Statutory Dues	2.63	6.31
	Others	1.44	1.30
	TOTAL	19.57	22.80
NOTE : 9	SHORT TERM PROVISIONS		
	Provision for Taxation	91.00	41.00
	TOTAL	91.00	41.00

**NOTE : 10 FIXED ASSETS**

Sr. No.	PARTICULARS	Rate %	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK		
			As at 01.04.12	Additions	Deduction	As at 31.03.13	As at 01.04.12	For the year	Adjustment / Deduction	As at 31.03.13	As at 31.3.2012
	TANGIBLE ASSETS OWN ASSETS										
1	FREEHOLD LAND		48.55	-	-	48.55	-	-	-	48.55	48.55
2	BUILDING	10%	209.15	2.07	-	211.22	164.59	4.54	169.13	42.09	44.56
3	PLANT & MACHINERY	15.33%	129.60	7.76	-	137.36	102.40	4.52	106.92	30.44	27.20
4	ELECTRIC INSTALLATION	13.91%	9.73	7.82	-	17.55	9.19	0.53	9.72	7.83	0.53
5	OFFICE EQUIPMENT	13.91%	19.51	8.25	-	27.76	10.87	1.58	12.45	15.31	8.64
6	FURNITURE & FIXTURES	18.10%	45.83	2.05	-	47.88	28.39	3.31	31.70	16.17	17.44
7	VEHICLES	25.89%	135.71	6.27	4.15	137.84	37.75	25.87	59.82	78.02	97.96
8	COMPUTERS	40%	33.29	0.47	-	33.75	28.12	2.14	30.26	3.50	5.17
9	LIFT	13.91%	1.55	-	-	1.55	1.47	0.01	1.48	0.07	0.08
10	AIR CONDITIONERS	13.91%	11.90	0.36	-	12.27	7.55	0.61	8.16	4.11	4.36
	TOTAL		644.83	35.04	4.15	675.73	390.34	43.11	429.65	246.08	254.49
	Total Previous Year		597.45	128.79	81.41	644.83	409.68	33.60	390.34	254.49	



	PARTICULARS	As at March 31, 2013	As at March 31, 2012
NOTE : 11	LONG TERM LOANS & ADVANCES		
	Unsecured, considered good		
	Capital Advances	2.51	1.50
	Security Deposits	1.46	3.35
	Advances to Suppliers	0.07	3.43
	Others	2.85	2.85
	TOTAL	6.89	11.13
NOTE : 12	INVENTORIES		
	At lower of cost or net realisable value		
	Raw Material	1,061.37	444.77
	Finished Goods	96.81	83.29
	Consumable Spares & Stores	0.28	0.60
	TOTAL	1,158.46	528.66
	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	0.29	139.26
	Others	1,031.93	750.70
	TOTAL	1,032.22	889.96
NOTE : 14	CASH AND BANK BALANCES		
	Cash and Cash Equivalent		
	Balance with Banks		
	- In Current Accounts	61.23	3.01
	- In EEFC Account	-	0.11
	Cash on Hand	0.77	0.81
	TOTAL	62.00	3.93
NOTE : 15	SHORT TERM LOANS & ADVANCES		
	Unsecured, considered good		
	Loans to Employees	1.06	1.40
	Prepaid Expenses	6.94	4.84
	Advance Income Tax	57.49	28.03
	Balance with Government Authorities		
	Vat Receivable	7.25	2.33
	TOTAL	72.74	36.60



	PARTICULARS	As at March 31, 2013	As at March 31, 2012
NOTE : 16	REVENUE FROM OPERATIONS		
	Sale of Products		
	Export Sale (C.I.F.)	42.17	185.80
	Local Sales	3,374.42	2,504.71
	Difference in Rates	0.94	(0.58)
	TOTAL	3,417.53	2,689.93
	The sales are shown net of Vat / CST		
NOTE : 16.1	EARNING IN FOREIGN EXCHANGE		
	FOB Value of Exports	39.66	183.50
	Freight and Insurance	2.51	2.31
	TOTAL	42.17	185.80
NOTE : 17	OTHER INCOME		
	Amount Written Back	-	0.36
	Interest on Group Gratuity A/c	0.02	0.06
	Profit on Sale of Assets	0.31	0.76
	TOTAL	0.33	1.18
NOTE : 18	COST OF MATERIALS CONSUMED		
	Opening Stock of Raw Materials	444.77	452.39
	Add : Purchases	3,388.35	2,115.49
		3,833.12	2,567.88
	Less : Closing stock of Raw Materials	1,061.37	444.77
	TOTAL	2,771.75	2,123.11
	Value of Indigenous and Imported Raw materials Consumed during the year :		
		Amount	% of Consumption
		Amount	% of Consumption
	Imported	-	-
	Indigenous	2,771.75	100
	TOTAL	2,771.75	100
NOTE : 19	CHANGES IN INVENTORIES OF FINISHED GOODS,		
	Finished Goods		
	Opening Stock	83.29	112.19
	Less : Closing Stock	96.81	83.29
	TOTAL	(13.53)	28.90
NOTE : 20	EMPLOYEE BENEFIT EXPENSES		
	Salaries and Wages	123.41	111.16
	Directors Remuneration	29.99	28.15
	Contribution to Gratuity & Other Fund	4.08	1.46
	Staff Welfare Expenses	7.30	4.88
	TOTAL	164.78	145.65



	PARTICULARS	As at March 31, 2013	As at March 31, 2012
NOTE : 21	FINANCE COST		
	Interest Expenses twds. C.C. A/c	135.87	111.95
	Interest Expenses twds. PCL A/c	0.27	2.12
	Interest Expenses twds. Term Loan A/c	0.10	0.56
	Interest on Car Loan	5.34	3.50
	TOTAL	141.57	118.13
NOTE : 22	OTHER EXPENSES		
	Manufacturing Expenses		
	Consumption of Tools	26.19	25.50
	Assortment, Rhodium Charges, Refining Charges	2.66	1.25
	Electricity Charges	13.09	10.79
	Labour Charges	0.47	0.50
	Repairs to Building & Machinery	0.29	1.91
	Selling & Distribution Expenses		
	Advertisement Expenses	0.87	0.75
	Air Freight Charges	0.07	0.42
	Clearing & Forwarding Charges	1.70	3.06
	Exhibition Expenses	20.77	13.54
	Establishment Expenses		
	Bank Charges	9.56	12.54
	Certification Charges	-	0.40
	Professional Charges	7.99	7.42
	General Expenses	5.96	8.65
	Rent	1.44	1.44
	Insurance	5.65	5.36
	Rates & Taxes	1.88	0.59
	Travelling Expenses	9.23	13.51
	Payment to Auditors	1.29	1.12
	Donation	-	0.76
	Conveyance	1.31	1.13
	Sales Promotion	23.61	17.80
	Export Goods Expenses	0.21	0.67
	Postage, Telegram & Courier Charges	0.30	0.31
	Printing & Stationery	3.23	2.80
	Profession Tax	0.20	0.03
	Repairs & Maintenance (Others)	2.64	7.95
	Security Expenses	18.73	14.55
	Software Charges	0.19	0.08
	Subscription & Membership Fees	0.83	1.17
	Telephone Expenses	5.29	4.66
	Vehicle Expenses	14.74	9.26
	Water Charges	0.24	0.17
	Sundry Bal. write off	8.94	-
	Sales Tax / Vat (Interest)	0.42	-
	Service Tax on Sitting Fees	0.04	-
	TOTAL	190.04	170.08



	PARTICULARS	As at March 31, 2013	As at March 31, 2012		
NOTE : 22.1	PAYMENT TO AUDITORS				
	As Auditors	0.39	0.34		
	For Tax Audit	0.39	0.34		
	For Taxation	0.51	0.45		
	TOTAL	1.29	1.12		
NOTE : 22.2	EXPENDITURE IN FOREIGN CURRENCY				
	Foreign Travels / Exhibition Charges (Including Air Ticket & Other Ancillary Services Charges)	9.14	23.31		
	TOTAL	9.14	23.31		
NOTE : 23	EARNING PER SHARES				
	Net Profit after tax as per Statement of Profit & Loss attributable to Equity Shareholders	7,366,003	4,688,164		
	Number of Equity Shares used as denominator for calculating EPS	5,788,002	5,788,002		
	Basic and Diluted Earning per Shares	1.27	0.81		
	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	Hotchand Hiranand	Associates		
	2	Universal Jewellery Ltd.			
	3	Sovereign Jewellery Ltd.			
	4	Bombay Textiles			
	5	Ras Family Trust			
	6	R. B. Hotchand Hiranand Foundation			
	7	Mr. Ramesh H. Gehani	Key Managerial Personnel and their relatives		
	8	Mr. Ajay R. Gehani			
	9	Mr. Sanjay R. Gehani			
	10	Mrs. Rani R. Gehani			
ii)	Transactions during the year with related parties :				
	Sr. No.	Nature of Transactions	Associates	Key Managerial Personnel	Total
	1	Temporary Amount Received	-	12.57	12.57
	2	Temporary Amount Repaid	-	10.14	10.14
	3	Amount (Receivable) / Payable	-	2.42	2.42
	4	Remuneration Paid	-	29.99	29.99
	5	Purchase	-	-	-
	6	Sales	-	10.66	10.66



(₹ in lacs)

NOTE : 25 The Company have obtained interest free loans from associates directors and their relatives.

NOTE : 26 The company have deposited a sum of Rs. 5,59,591.66 with Bombay High Court in 1993 towards the recovery suit pending against the company. The Company have provided a sum of Rs. 2,75,000/- in the account and balance amount of Rs. 2,84,591.66 is kept as deposit with Honourable High Court.

NOTE : 27 DISCLOSURE SPECIFIED BY THE MSMED ACT

The Company has not received any intimation from Suppliers regarding their status under Micro, Small and Medium Enterprise Development Act,2006 and hence disclosure ,if any, relating to amounts unpaid as at year end together with interest paid /payable as required under the said Act have not been given.

NOTE : 28 The figures of previous year have been regrouped/rearranged wherever considered necessary.

NOTE : 29 Notes 1 to 28 form an integral part of the Financial Statement.

Signature to Balance Sheet and Statement of Profit and Loss and notes 1 to 27.

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR J.D. ZATAKIA & COMPANY
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
EXECUTIVE CHAIRMAN

sd/-

AJAY R. GEHANI
MANAGING DIRECTOR

PLACE: MUMBAI
DATE : 25/05/2013



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(₹ in Lacs)

Particulars	As at 31st March, 2013	As at 31st March, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit (Loss) Before Tax and Extraordinary Items :	120.14	71.63
Adjustment for		
Depreciation	43.11	33.60
Interest Paid	141.57	118.13
Interest Received	(0.02)	(0.06)
Profit on Sale of Fixed Assets	(0.31)	(0.76)
	<u>184.36</u>	<u>150.92</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	304.50	222.55
Adjustment for		
Trade and Other Receivable	(144.70)	(204.33)
Inventories	(629.80)	49.05
Trade Payable	169.78	(102.59)
	<u>(604.71)</u>	<u>(257.86)</u>
CASH GENERATED FROM OPERATIONS	(300.21)	(35.31)
Direct Taxes Paid	(29.47)	(22.01)
Income Tax Adjustments	-	0.42
	<u>(29.47)</u>	<u>(21.59)</u>
CASH FLOW BEFORE EXTRAORDINARY ITEMS	(329.68)	(56.90)
Extra Ordinary Items	-	-
Net Cash from operating activities	(329.68)	(56.90)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(35.04)	(128.79)
Sale of Fixed Assets	0.65	29.23
Interest Received	0.02	0.06
	<u>(34.37)</u>	<u>(99.50)</u>
NET CASH USED IN INVESTING ACTIVITIES	(34.37)	(99.50)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Short Term of Borrowings	562.81	(20.06)
Proceeds from Long Term of Borrowings	0.88	295.11
Interest Paid	(141.57)	(118.13)
	<u>422.12</u>	<u>156.92</u>
CASH USED IN FINANCING ACTIVITIES	422.12	156.92
NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)	58.07	0.51
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	3.93	3.42
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	62.00	3.93

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR J.D. ZATAKIA & COMPANY
 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
 EXECUTIVE CHAIRMAN

sd/-
 AJAY R. GEHANI
 MANAGING DIRECTOR

PLACE: MUMBAI
 DATE : 25/05/2013



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 Registered Office.

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.

I, hereby record my attendance at the Thirty- Ninth Annual General Meeting to be held on Monday, 26th August, 2013 at 9.30 a.m. at Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai - 400 093.

SIGNATURE OF THE SHARE HOLDER OR PROXY _____

SOVEREIGN DIAMONDS LIMITED

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

PROXY FORM

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

*To be filled by Shareholders holding shares in dematerialised form

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

I/Weof.....

..... Being a Member/Members of **SOVEREIGN DIAMONDS LIMITED**

hereby appointof.....

(or failing him)of.....

as my/our Proxy to attend and vote for me / us and on my / our behalf at the Thirty- Ninth Annual General Meeting to be held on, Monday, 26th August, 2013 at 9.30 a.m. at Embassy Rooms, 6th Floor, Hotel Tunga Paradise, Central Road, MIDC, Andheri (East), Mumbai - 400 093 at any adjournment thereof.

AS WITNESS my hand/our hands this _____ day of _____ 2013.

SIGNATURE OF THE SHAREHOLDER OR PROXY:

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



Name of the Shareholder(s): _____

BOOK- POST

To.

If undelivered please return to :

SOVEREIGN DIAMONDS LIMITED

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



ANNUAL AUDIT REPORT

1	Name of the Company	SOVEREIGN DIAMONDS LIMITED	
2	Annual financial statement for the year ended	31 st March, 2013	
3	Type of Audit observation	Qualified	Point 2 (d) of Audit Report dated May 25, 2013: "Except as regards provisions for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note no. 1:13".
		Subject to	NIL
		Except for	As above
4	Frequency of Observation	Whether appeared first time	NO
		Repetitive Since how long period	Since last two years.
5	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>Note no 1:13 appearing on page no 21 of Annual Report – "The company is in the process of working and obtaining gratuity liability certificate from LIC as required under AS 15. On determining the said liability provision shall be made in the account of following year by adjustment from General Reserve or Charge to Profit & Loss A/c".</p> <p>Directors Report: Page no 4 of Annual Report. H. <u>Comments On Audit Remarks</u> "The Company has taken group gratuity scheme policy with LIC. The Company is in the process of obtaining certificate for determining gratuity liability from Acturian".</p>	
6	Additional comments from the board / audit committee chair:	The Company has opened gratuity account with LIC and paid Rs.4 Lacs towards gratuity liability during the year, the balance amount will be paid in the year 2013-14 after obtaining certificate from Actury.	



Sovereign[®]
Diamonds Ltd. Since 1974

MANUFACTURERS OF 18K FINE JEWELLERY

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

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 (East), Mumbai - 400 077.

Tel. : 98201 0768, 2501 0052

Tele Fax : 2501 1051

Cell : 98201 22976

e-mail : (O) jitzatakia@yahoo.com

(P) zatakia@hotmail.com

Independent Auditor's Report

To
The Members of
SOVEREIGN DIAMONDS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **SOVEREIGN DIAMONDS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, 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

Management is responsible for 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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



J. D. ZATAKIA & CO.
CHARTERED ACCOUNTANTS

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

306, Rupa Plaza, Jawahar Road,
Ghatkopar (East), Mumbai - 400 077.

Tel. : 2501 0701, 2501 0052

Tele Fax : 2501 1051

Cell : 98201 22976

e-mail : (C) jituzatakia@yahoo.com

(P) zatakia@hotmail.com

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:
 - 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 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 Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; except as regards provisions for gratuity and leave encashment as required by AS 15 (revised) and as mentioned in Note No. 1:13.
 - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Place : Mumbai.

Date : 25 MAY 2013

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 (East), Mumbai - 400 077.

Tel. : 2501 0705, 2501 0052
Tele Fax : 2501 1051
Cell : 98201 22976
e-mail : (O) jituzatakia@yahoo.com
(P) zatakia@hotmail.com

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

- 1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) As explained to us, physical verification of the fixed assets was conducted by management annually, which in our opinion, is reasonable looking to the size of the Company and nature of its business. According to the information and explanation given to us no material discrepancies were noticed on such verification.

c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- 2) a) Physical verification of inventory has been conducted at reasonable intervals by the management.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (3) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties, covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clauses 3(b), 3(c), 3(d) are not applicable to the company.

e) The Company had taken loans from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 12.57 Lacs and the yearend balance of loans taken were Rs. 2.42 Lacs.

f) There is no stipulation as regards payment of interest and principal amount.

Cont....



J. D. ZATAKIA & CO.
CHARTERED ACCOUNTANTS

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

306, Rupa Plaza, Jawahar Road,
Ghatkopar (East), Mumbai - 400 077.

Tel. : 2501 0786, 2501 0052

Tele Fax : 2501 1051

Cell : 98201 22976

e-mail : (O) jituzatakia@yahoo.com

(P) zatakia@hotmail.com

(2)

- 4) In our opinion and according to the information and explanations given to us, it appears that there are adequate internal control procedures commensurate with the size of Company and the nature of its business with regard to purchase of inventories, fixed assets, sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
- 5) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts/arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000 in respect of each party during the year have been made at prices which appear reasonable as per information available with the company.
- 6) The Company has not accepted any deposits from the public.
- 7) The Company has no formal internal audit department as such but its control procedures ensure reasonable internal checking of its financial and other records.
- 8) As informed to us, the company is maintaining cost records as prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956. We have not, however made a detailed examination of these records.
- 9) a) The Company is regular in depositing undisputed statutory dues including provident fund, income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory dues with appropriate authorities.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, employees' state insurance, custom duty and other statutory liabilities were in arrears as at the last day of the financial year for a period exceeding six months from the date they became payable.
- 10) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the year covered by our audit and the immediately preceding financial year.

 Cont...



J. D. ZATAKIA & CO.
CHARTERED ACCOUNTANTS
Jitendra Zatakia B. Com., F.C.A.

306, Rupa Plaza, Jawahar Road,
Ghatkoper (East), Mumbai - 400 077.
Tel. : 2501 0733, 2501 0052
Tele Fax : 2501 1051
Cell : 98201 22976
e-mail : (O) jituzatakia@yahoo.com
(P) zatakia@hotmail.com

(3)

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

Place : Mumbai.

Date : 25 MAY 2013

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

J. D. ZATAKIA - PROPRIETOR
MEMBERSHIP NO. 17669