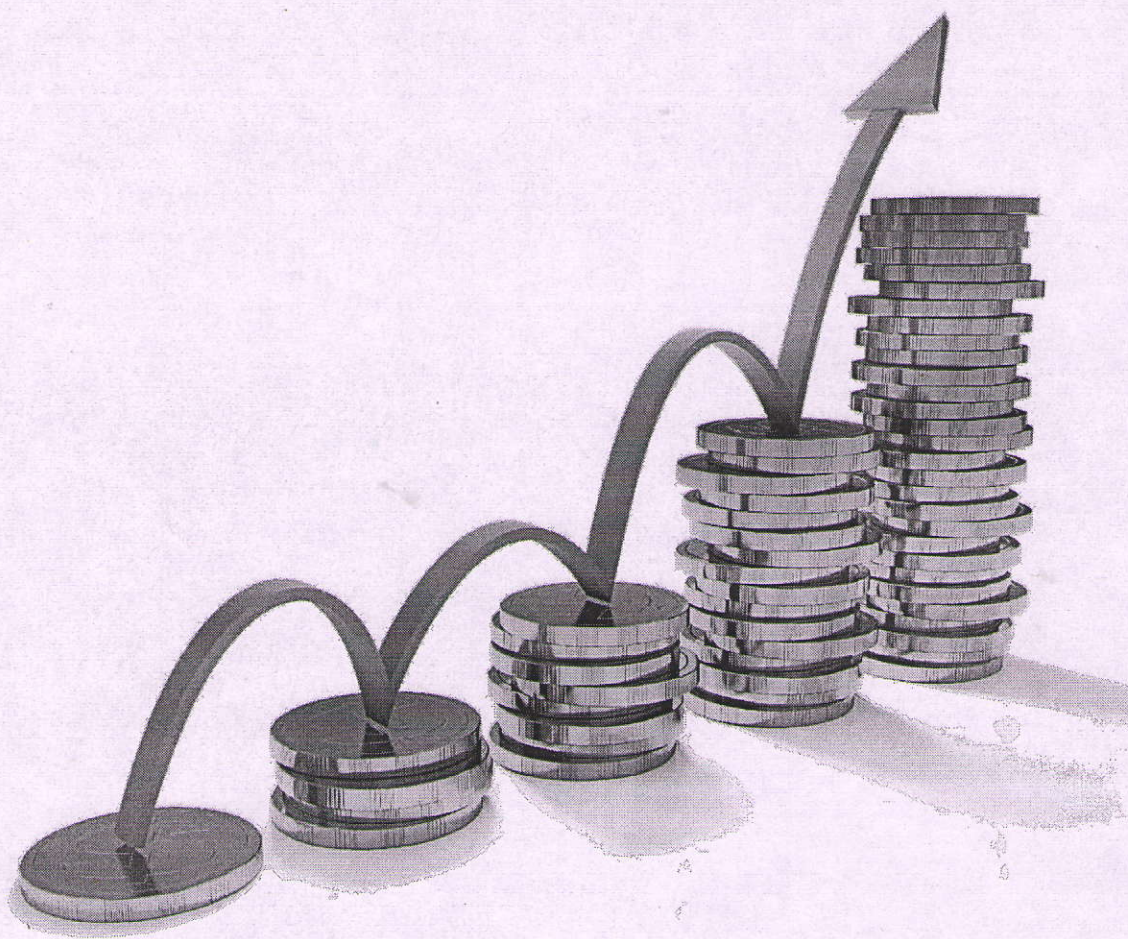


ANNUAL REPORT

2010-2011



GEMSTONE INVESTMENTS LIMITED

Registered Office :- B-602, Ramnik Smriti, B Wing, Behind Arya Arcade,
Vikhroli Station Road, Vikhroli (W), Mumbai-400 083.

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GENERAL INFORMATION

BOARD OF DIRECTORS

Mr. Narendra Prabodhkumar Ganatra

Managing Director

Mr. Anant Haridas Palan

Whole time Director

Mr. Nimesh Prabodhkumar Ganatra

Executive Director

(designation changed from Non-Executive Independent Director to an Executive Director liable to retire by rotation in the Board meeting held on 3rd September, 2011)

Mr. Pravinchandra Hansraj Haria

Independent & Non-Executive Director

Mr. Mahesh Bhanushali

Additional Director (Independent & Non-Executive Director)

Ms. Shikha Kapasi

Additional Director (Independent & Non-Executive Director)

Mr. Hitesh Dave

Additional Director (Independent & Non-Executive Director)

AUDITORS

M/s. Shah Jadavji & Co

(Chartered Accountant)

3/302, Shiplyan Building

ShivajiPath, Thane: - 400 601

BANKERS

HDFC BANK, Mumbai

REGISTERED OFFICE

B/602, Ramnik Smriti, B Wing,

Behind Arya Arcade,

Vikhroli Station Road, Vikhroli (West),

Mumbai- 400 083.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 17th Annual Report together with the Audited Accounts for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS:

The financial results of the Company for the year under review are as follows :

	31.03.2011 Amount (in Rs.)	31.03.2010 Amount (in Rs.)
Gross Income	22771034.06	8788877.69
Total Expenditure	19814891.79	3113321.44
Profit/loss before tax	2956142.27	5675556.25
Provision for Tax	896908.00	1565800.00
Profit./loss after tax	2059234.27	4109756.25
Earnings per Share	0.028	0.55

OVERALL PERFORMANCE:

The total income of the Company during the year was **Rs. 22771034.06** against **Rs. 8788877.69** in the previous financial year. The increase in total income was mainly due to increase in dividends received on investments and interest income.

The Total Expenditure increased mainly due to increase in staff cost and other miscellaneous expenditure. With significant increase in cost, profit before and after tax was a shade lower in the year.

Whereas as compared to last year the Company has made profits in the Share Transactions under the Investment operations carried out by the Company.

Thus considering the above stated scenario, with the optimization of resources and further scaling up of operations, the Company is confident of posting better results in the future.

CHANGES IN CAPITAL STRUCTURE:

In the Annual General Meeting of the Company held on 30th July, 2010 for the FY 2009-2010, consent of the members was accorded to sub-divide the Equity Share Capital of the Company from Rs. 10/- per Share to Re. 1/- per Share.

The Record Date for such purpose was fixed as 16th August, 2010. Subsequent to which the Shares of the Company would bear a face value of Re. 1/- per Share.

BSE had vide their Notice Dated August 12, 2010 bearing no. 20100812-3 had intimated the Trading members the New ISIN no. allotted to the Company by the Depositories.

New ISIN No. INE503D01027

OUTLOOK:

The environment is challenging but your company is hopeful that with new markets being addressed it will manage to post better results. Your company will continue to invest in new products and new technologies to take full advantage of any upturn that may be in seen in the coming quarters.

DIVIDEND:

Due to requirement of funds for the current working of the Company, your Directors express their inability to recommend any dividend on Equity Share Capital for the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that, to the best of their knowledge

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies consulted the statutory auditors and have applied them consistently and made judgements and estimates that are 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 & loss of the Company for the period;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

DIRECTORS:

Mr. Lalit Gandhi, Whole-Time Director resigned from the Board of Directors on 27th August, 2010 and upon his resignation the Board of Directors unanimously resolved to change the designation of Mr. Anant Palan from Independent Director by appointing him as a Whole-Time Director for a period of five years w.e.f 30th August, 2010.

Pursuant to the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. Nimesh Ganatra, retires by rotation but is eligible for reappointment. The Board commends his re-appointment as Director of the Company.

Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave were appointed as Additional Directors of the Company on 3rd September, 2011 and would hold office up to the date of the ensuing Annual General Meeting. It is proposed to appoint Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave as Directors of the Company.

In the same meeting, the Board also resolved to change the designation of Mr. Nimesh Ganatra, Independent Director of the Company to an Executive Director liable to retire by rotation.

The Board commends the appointment/re-appointment of these Directors as Directors of the Company.

AUDITORS:

Comments of the Auditors in their report and the notes forming part of the Accounts, are self explanatory and need no comments.

M/S Shah Jadavji & Co., the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their re-appointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956. The directors recommend the re-appointment of M/S Shah Jadavji & Co. and to fix their remuneration.

AUDIT COMMITTEE:

Adequate disclosures in respect of the composition of the Audit Committee, its composition and the Chairmanship have been made in the Corporate Governance Report which forms an essential part of this report.

CAPITAL EXPENDITURE:

At the end of this financial year 2010-2011, the net tangible assets stood at Rs. 17, 35, 000.

During the year under review, fixed assets were brought into the Company and appropriate depreciation is being charged at the end of the year.

SUBSIDIARY COMPANIES:

The Company does not have any subsidiary Company within the meaning of section 4 of the Companies Act, 1956. Thus the Company is not required to furnish a statement pursuant to the provisions of Section 212 of the Companies Act, 1956.

CONSOLIDATED FINANCIAL STATEMENTS:

The Company does not have any subsidiary Company within the meaning of section 4 of the Companies Act, 1956. Thus the provisions in respect of submission of consolidated financial results are not applicable to the Company.

GENERAL:

Being an investment company, the provisions regarding conservation of energy and technology absorption are not applicable to the Company.

There were no foreign exchange earnings and outgo in the Company during the said Financial Year.

None of the Employees of the Company are falling in the limits covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE:

Your Company is committed to global best practices. A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms a part of the Annual Report.

A Certificate from the Auditors of the Company regarding Compliances with Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

The Company has in place a Code of Conduct for its Board members and senior management team, who have affirmed compliance thereto.

CORPORATE SOCIAL RESPONSIBILITY:

Your Company has at a unified and centralized level, put in place a Corporate Social Responsibility (CSR) policy which is based on a belief that a Business cannot succeed in a society that fails and therefore it is imperative for business houses, to invest in the future by taking part in social-building activities.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from public in accordance with Section 58A of the Companies Act, 1956. (Check in financials)

INTERNAL CONTROL:

The Company has in place appropriate internal control systems, commensurate with its size and nature of operations.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion and Analysis Report as required under Clause 49 (IV) (F) of the Listing Agreement is disclosed separately in this Report.

DISCLOSURE OF MATERIAL CHANGES SINCE THE DATE OF BALANCE SHEET:

The Board of Directors in their meeting held on 30th May, 2011, resolved to shift the Registered Office of the Company to a different location within the same vicinity. Such decision was taken by the Board considering administrative convenience and the benefit of its employees, thereby providing them with better facilities.

The new Registered Office of the Company w.e.f. 30th May, 2011 is **B/602, Ramnik Smriti, B Wing, Behind Arya Arcade, Vikhroli Station Road, Vikhroli (West) Mumbai- 400 083.**

Shareholders are requested to kindly take note of the same for any further communications. The Contact details are provided elsewhere in the Annual Report under the heading Shareholders Information.

ACKNOWLEDGEMENT:

Your Company outperformed the industry in a challenging year and continues to maintain its leadership position.

Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from investors, customers, business associates, bankers, vendors, as well as regulatory and governmental authorities. Your Directors also thank the employees at all levels, who, through their dedication, co-operation, support and smart work, have enabled the Company to achieve rapid growth.

Place : Mumbai
Date : 3rd September, 2011

By order of the Board
Sd/-
(Chairman)

REPORT ON CORPORATE GOVERNANCE

The Company seeks to adopt good Corporate Governance Practices and to ensure compliance with all relevant laws and regulations. The Company conducts its activities in a manner that is fair and transparent.

The commitment of Gemstone Investments Limited ('the Company') to the highest standards of good corporate governance practices predates SEBI and clause 49 of the listing agreements. Transparency, fairness, disclosure and accountability are central to the working of the Company. It maintains the same tradition and commitment.

Given below are the company's corporate governance policies and practices for 2010-2011. As will be seen, the Company's corporate governance practices and disclosures have gone well in complying with the statutory and regulatory requirements in accordance with the provisions of clause 49 of the listing agreement.

BOARD OF DIRECTORS

In keeping with the commitment of the management for the principle of integrity and transparency in business operations for good corporate governance, the company's policy is to have an appropriate blend of executive and independent directors to maintain the independence of the board, and to separate the board functions of governance and management.

COMPOSITION

The Board has an Executive Chairman. According to Clause 49, if the Chairman of the Board is an Executive director, at least half of the Board should comprise of Independent Directors.

As on 31st March, 2011, the Board of the Company consisted of four directors, one of whom was a Managing Director (executive director), one Whole-Time Director (executive director), and two were non-executive Independent Directors.

The board has no institutional nominee directors. As Table 1 shows, the company is in compliance with the guidelines.

During the year under review, Mr. Lalit Gandhi, Whole-Time Director resigned from the Board of Directors on 27th August, 2010 and upon his resignation the Board of Directors unanimously resolved to change the designation of Mr. Anant Palan from Independent Director by appointing him as a Whole-Time Director for a period of five years w.e.f 30th August, 2010.

Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave were appointed as Additional Directors of the Company on 3rd September, 2011 and would hold office upto the date of the ensuing Annual General Meeting. It is proposed by your directors to appoint Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave as Independent and Non-executive Directors of the Company as they would term beneficial for the

Company based on their expertise and would overlook the Company's affairs in a fair and transparent manner. Brief Profile of these directors is provided at the end of this report on Corporate Governance.

In the same meeting, the Board also resolved to change the designation of Mr. Nimesh Ganatra, Independent Director of the Company to an Executive Director liable to retire by rotation.

Thus, the Board Composition for the current financial year 2011-2012 would also be compliant with the guidelines of Corporate Governance.

BOARD PROCEDURES

During 2010-2011, the Board of Directors met **Nine times**: on May 15, 2010, June 29, 2010, July 3, 2010, July 12, 2010, July 31, 2010, August 12, 2010, September 2, 2010, November 10, 2010, February 15, 2011. The gap between any two meetings has been less than four months.

ATTENDANCE RECORD OF DIRECTORS

Table 1: Composition of the Board and attendance record of directors.

Name of Director	Category	Meetings attended	Whether attended last AGM
Narendra Ganatra	Managing Director, Executive	9	Yes
Anant Palan*	Whole-Time Director, Executive	9	Yes
Lalit Gandhi**	Whole-Time Director, Executive	6	Yes
Pravinchadra Hansraj Haria	Non-Executive Independent Director	9	Yes
Nimesh Ganatra***	Non-Executive Independent Director	9	Yes
Mahesh Bhanushali	Additional Director	-	-
Shikha Kapasi	Additional Director	-	-
Hitesh Dave	Additional Director	-	-

* **Change in Designation from Independent Director to Whole-Time Director w.e.f. 30th August, 2010**

** **Resigned with effect from 27th August, 2010.**

*** **Change of designation from non-Executive Independent Director to Executive Director Liable to retire by rotation w.e.f. 3rd September, 2011.**

(The table as placed above reflects to the year under review i.e. 2010-2011.Hence, such change in directorship will be reflected in the next Annual report.)

Information supplied to the Board

In advance of each meeting, the board is presented with relevant information on various matters related to the working of the company, especially those that require deliberation at the highest level.

In addition to items which are required to be placed before the board for its noting and / or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the board of the company is far ahead of the list mandated under clause 49 of the listing agreement which includes:

- Progress in putting in place a progressive risk management system and risk management policy and strategy followed.
- Conformity with the prescribed corporate governance standards.

Table 2: Other Directorship/Committee Positions as on 31st March, 2011

Name of Director	In Listed Companies	In Unlisted Public Limited Companies	Committee Positions	
			As Chairman	As Member
Narendra Ganatra	0	0	0	0
Anant Palan	0	0	0	0
Lalit Gandhi*	0	0	0	0
Pravinchadra Hansraj Haria	0	0	0	0
Nimesh Ganatra	0	0	0	0

* Resigned from Gemstone Investments Limited with effect from 27th August, 2010

Notes: Private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the above purposes. Only audit committee and shareholders' grievance committee are considered for the purpose of committee positions as per listing agreement.

None of the director was a member in more than 10 committees, nor a chairman in more than five committees across all companies in which he was a director.

Code of Conduct

Code of Conduct is applicable to all Executive Directors and employees of the Company, the Board has also adopted a Code of Conduct for Non-Executive and Independent Directors. All the Board members and senior management of the Company as on March 31, 2011 have affirmed compliance with their respective Codes of Conduct.

COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference/scope. The Committees operate as empowered agents of the Board as per their Charter/terms

of reference. Targets set by them as agreed with the management are reviewed periodically and mid-course corrections are also carried out.

AUDIT COMMITTEE:

Constitution and Composition

With a view to comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement, the company has set up its audit committee comprising of its directors. The company has been reviewing the working of the committee from time to time to bring about greater effectiveness in order to comply with the various requirements under the Companies Act, 1956, Clause 49 of the listing agreement.

The present audit committee consists of the following directors:

1. Mr. Pravinchandra Hansraj Haria, Chairman
2. Mr. Nimesh Ganatra
3. Mr. Narendra Gantra

During the year, the Board of Directors inducted Mr. Nimesh Ganatra as a member of this committee by passing a resolution in their meeting held on 2nd September, 2010, due to change in designation of Mr. Anant Palan from Independent Director to Whole-Time Director (Executive) for a period of five years w.e.f 30th August, 2010. Thus, in order to comply with the norms of having 2/3rd of the Committee members as Independent Directors, such induction was necessary.

All members of the audit committee are 'financially literate' as required by clause 49. Moreover, the audit committee has members who have 'accounting or related financial management expertise'.

The Audit Committee functions according to its Charter that defines its composition, authority, responsibility and reporting functions in accordance with the Companies Act, 1956, listing requirements applicable to the Company and is reviewed from time to time. Given below is a gist of the responsibilities of the Audit Committee:

- A. Reviewing the quarterly financial statements before submission to the Board, focusing primarily on:
 1. Compliance with accounting standards and changes in accounting policies and practices;
 2. Major accounting entries involving estimates based on exercise of judgment by Management;
 3. Audit Qualifications and significant adjustments arising out of audit;
 4. Compliance with listing and other legal requirements concerning financial statements;
 5. Review Reports on the Management Discussion and Analysis of financial

condition, results of Operations;

6. Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statements are correct, sufficient and credible;
 7. Disclosures made under the CEO and CFO certification and related party transactions to the Board and Shareholders.
- B. Reviewing with the management, external auditor and internal auditor, adequacy of internal control systems and recommending improvements to the management.
 - C. Discussing with the statutory auditor before the audit commences, the nature and scope of audit, as well as conduct post-audit discussions to ascertain any area of concern.
 - D. Reviewing the Company's financial and risk management policies.
 - E. Looking into the reasons for any substantial defaults in payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividend) and creditors, if any.
 - F. Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.

Meetings, attendance and topics discussed

The Audit Committee met five times during the period under review, meetings were held on May 7, 2010, June 25, 2010, August 05, 2010, November 3, 2010, and February 8, 2011. In addition to the members of the audit committee, these meetings were attended by the heads of finance and internal audit functions of the company and those executives who were considered necessary for providing inputs to the committee.

Table 3: Composition of the audit committee and attendance record of members for 2010-2011

Name of Director	Category	Meetings Attended
Pravinchandra Hansraj Haria	Chairman(Non-Executive Independent Director)	5
Mr. Anant Palan *	Non-Executive & Independent Director	3
Narendra Ganatra	Executive Director	5
Nimesh Ganatra	Non-Executive & Independent Director	2

* Designation changed to Whole-Time Director w.e.f. 30th August, 2010 hence, he was replaced by Mr. Nimesh Ganatra as a member of the Committee on 2nd September, 2010