

Annual Report

2010-2011



**Goldiam
International
Limited**

MANUFACTURERS & EXPORTERS OF DIAMONDS & JEWELLERY

BOARD OF DIRECTORS

MANHAR R. BHANSALI
RASHESH M. BHANSALI
AJAY M. KHATLAWALA
RAJESH G. KAPADIA
DR. R. SRINIVASAN

CHAIRMAN & MANAGING DIRECTOR
VICE-CHAIRMAN & MANAGING DIRECTOR
INDEPENDENT DIRECTOR
INDEPENDENT DIRECTOR
INDEPENDENT DIRECTOR

COMPANY SECRETARY & COMPLIANCE OFFICER

RACHANA V. VORA
e-mail: investorrelations@goldiam.com

AUDITORS

PULINDRA PATEL & CO.,
Chartered Accountants

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd.
YES Bank Limited
Standard Chartered Bank
Punjab National Bank

REGISTERED OFFICE

Gems & Jewellery Complex, SEEPZ,
Andheri (East), Mumbai - 400 096
e-mail: goldiam@vsnl.com Website: www.goldiam.com

DIAMOND PROCUREMENT OFFICE

2, Prasad Chambers, Opera House, Mumbai - 400 004

REGISTRAR AND TRANSFER AGENTS

M/s. Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai - 400 078
Tel no.: 2594 6970-78 Fax: 2594 6969
e-mail: rnt.helpdesk@linkintime.co.in

BRANCH AT:

203, Davar House, 2nd floor, D. N. Road,
Fort, Mumbai - 400 001
Tel: 2269 4127

LISTING

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

National Stock Exchange of India Limited
"Exchange Plaza", Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051

DEMAT DETAILS

ISIN: INE025B01017

TWENTY FOURTH ANNUAL GENERAL MEETING

will be held on Wednesday, 10th August, 2011
at 2.30 p.m. at 'TRIBUNE 1' Banquet Hall, 6th Floor,
Hotel Tunga International, M.I.D.C. Central Road,
Andheri (East), Mumbai 400 093

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Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued **Circular No. 17/2011 dated April 21, 2011 and Circular No.18/2011 dated April 29, 2011** stating that service of notices/documents including Annual Reports can be made by e-mail to its members. This is also a golden opportunity for every shareholder of the Company to contribute to this initiative of the Government. By opting to receive communication through electronic mode you also have the benefit of receiving communication promptly and avoiding loss in postal transit, besides helping save costs on paper and on postage, reducing paper consumption and saving trees. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses in respect of electronic holdings with the Depository through their respective Depository Participants. Members who hold shares in physical form are requested to inform their e-mail addresses to the Company's Registrar & Transfer Agents, M/s. Link Intime India Pvt. Ltd.

NOTICE

NOTICE is hereby given that the TWENTY FOURTH ANNUAL GENERAL MEETING of the Members of GOLDIAM INTERNATIONAL LIMITED will be held on Wednesday, 10th August, 2011 at 2.30 p.m. at 'TRIBUNE 1' Banquet Hall, 6th floor, Hotel Tunga International, M.I.D.C. Central Road, Andheri (East), Mumbai 400 093 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To confirm the payment of interim dividend of ₹1/- for the financial year ended 31st March, 2011.
3. To appoint a Director in place of Mr. Rajesh G. Kapadia, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ajay M. Khatlawala, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s. Pulindra Patel & Co., Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors

Place: Mumbai

Date: 28th May, 2011

Regd. Office:

Gems & Jewellery Complex,

SEEPZ (SEZ), Andheri (E),

Mumbai - 400 096.

RACHANA V. VORA

Company Secretary

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

THE INSTRUMENT APPOINTING PROXY, DULY COMPLETED AND SIGNED, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

- 2) The details of the Directors seeking re-appointment at the forthcoming Annual General Meeting as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are also annexed.
- 3) The Register of Members and Share Transfer Books will remain closed from Wednesday, 3rd August, 2011

to Wednesday, 10th August, 2011 (both days inclusive).

- 4) Members are requested to notify immediately any change in their address or bank account particulars:
 - To the Registrar and Transfer Agents of the Company for shares held in physical form; and
 - Directly to their respective Depository Participant with whom they are maintaining their demat accounts and not to the Company/Registrar and Transfer Agents, for shares held in electronic form.
- 5) Members who have not updated their bank account particulars and are desirous of availing the facility of National Electronic Clearing Service (NECS) for receiving direct credit of the dividends declared in future, if any, in their Bank account are advised to submit particulars of their bank account viz. name and address of the branch of the bank, 9 digit MICR code of the bank and branch, type of account and the account number along with a blank cancelled cheque:
 - To the Registrar and Transfer Agents of the Company for shares held in physical form; and
 - Directly to their respective Depository Participant (DP) for shares held in electronic form. The Registrar and Transfer Agents are required to use the data provided only by the Depositories in case of shares held in electronic form.
- 6) In all correspondences with the Company, members holding shares in physical form are requested to quote their Folio numbers and those holding shares in electronic form are requested to quote their DP ID number and Client ID number.
- 7) The Securities and 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 respective Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Transfer Agents, M/s. Link Intime India Pvt. Ltd.
- 8) The Securities and Exchange Board of India (SEBI) has vide its Circular no. MRD/DoP/Cir-05/2009 dated May 20, 2009, clarified that for securities market transactions and off-market/private transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/Registrar and Transfer Agents for registration of such transfer of shares. Accordingly, all transferees are requested to submit self-attested copies of their PAN card along with their request for transfer of shares of the Company in physical form

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in compliance with the above circular, failing which their request for transfer of shares will be returned under objection.

- 9) (i) Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the amount of dividend, which has remained unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Central Government. No claims shall lie against the Fund or the Company in respect of the individual amounts which were unclaimed or unpaid for a period of seven years from the dates they became due for payment.
- (ii) Accordingly, the unpaid/unclaimed dividends for the financial years 1995-96 to 2002-03 and Interim Dividend for the financial year 2003-2004 declared on 09th December, 2003 has been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Members who have not yet encashed their dividend warrant(s) for financial year 2003-2004 (Final Dividend) or any of the subsequent years are requested to approach the Company's Registrar and Transfer Agents, M/s. Link Intime India Pvt. Ltd., without any delay.

- 10) Members desirous of obtaining any information concerning the accounts are requested to write to the Company at least 10 days before the date of the meeting so as to enable the Management to keep the information ready. Replies will be provided only at the meeting.
- 11) As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of Annual Report with them along with the Attendance slip duly signed and completed quoting their Folio No. in case shares are held in physical form or their DP ID number and Client ID number in case the shares are held in electronic form.

Details of the Directors seeking re-appointment at the Annual General Meeting

| | | |
|---|---|---|
| Particulars | Mr. Rajesh G. Kapadia | Mr. Ajay M. Khatlawala |
| Date of Birth | 02 nd November, 1956 | 02 nd May, 1954 |
| Date of Appointment | 15 th October, 1994 | 15 th October, 1994 |
| Qualifications | B.com (Hons.), F.C.A.(Fellow Member of Institute of Chartered Accountants of India) | B.SC., LLB, Solicitor |
| Expertise in specific functional area | Extensive knowledge & experience in accounts, taxation and company matters. | Wide knowledge & experience in legal and company matters. |
| Directorships held in other Public Limited Companies (excluding Foreign Companies and Section 25 Companies) | <ul style="list-style-type: none"> • Asianet Satellite Communications Ltd. • Exide Industries Ltd. • Goldiam Jewellery Ltd. • ING Vysya Life Insurance Co. Ltd. • Prism Cement Ltd. • Raheja QBE General Insurance Co. Ltd. • EIH Associated Hotels Ltd. | <ul style="list-style-type: none"> • Diagold Designs Ltd. • Dighi Port Ltd. |
| Memberships/ Chairmanships of Committees of other Public Limited Companies (includes only Audit and Shareholders'/ Investors' Grievance Committees) | Audit Committee <ul style="list-style-type: none"> • Asianet Satellite Communications Ltd. • Exide Industries Ltd.* • ING Vysya Life Insurance Co. Ltd.* • Prism Cement Ltd.* • Raheja QBE General Insurance Co. Ltd. • EIH Associated Hotels Ltd. Shareholders'/ Investors' Grievance Committee Prism Cement Ltd. | Nil |
| Number of shares held | Nil | 6000 |

* Chairman of the Committee

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting this Twenty Fourth Annual Report on the affairs of the Company together with the Audited Statements of Accounts for the year ended on 31st March, 2011.

FINANCIAL RESULTS:

| | (₹ in Lacs) | |
|---|--------------------------|--------------------------|
| | Year ended 31.03.2011 | Year ended 31.03.2010 |
| Sales for the year | <u>7,862.22</u> | <u>5,935.17</u> |
| Profit before Interest & finance charges, depreciation & taxation | <u>989.30</u> | 614.02 |
| Less: Interest & finance charges | <u>48.47</u> | <u>20.68</u> |
| Operating profit before depreciation & taxation | <u>940.83</u> | 593.34 |
| Less: Depreciation, amortization & impairment of asset | <u>136.98</u> | 122.57 |
| Profit before taxation | <u>803.85</u> | 470.77 |
| Provision for taxation | <u>169.46</u> | (40.46) |
| Profit after taxation | <u>634.39</u> | 511.23 |
| Add: Balance brought forward | <u>7,377.17</u> | 7,156.83 |
| Profit available for appropriation | <u>8,011.56</u> | 7,668.06 |
| Appropriation: | | |
| Interim Dividend | <u>249.46</u> | — |
| Tax on Interim Dividend | <u>41.43</u> | — |
| Proposed Dividend | — | 249.46 |
| Provision for Tax on Proposed Dividend | — | 41.43 |
| Balance carried forward to Balance Sheet | <u>7,720.67</u> | <u>7,377.17</u> |

OPERATIONS:

The operations of the Company have shown considerable improvement as compared to the previous year. The Company has achieved a turnover of ₹7,862.22 lacs during the year under report as compared to ₹5,935.17 lacs during the previous year reflecting a growth of 32.47% over the previous year. The profits of the Company have also shown a remarkable increase with the Company earning a net profit of ₹634.39 lacs after tax as compared to a net profit after tax of ₹511.23 lacs for the previous year registering an increase of 24.09%.

DEPOSITS:

The Company has not invited/ accepted any deposit from the public during the year ended 31st March, 2011. There were no unclaimed or unpaid deposits as on 31st March, 2011.

DIVIDEND:

The Board has, considering the payment of an interim dividend of ₹1/- per equity share of ₹10/- each fully

paid-up (10%) for the year under report, decided not to recommend further dividend.

SUBSIDIARY COMPANIES:

In accordance with the General Circular no. 2/2011 File no. 51/12/2007-CL-III dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, granting general exemption to the companies under Section 212(8) of the Companies Act, 1956, the Balance Sheet, Profit and Loss Account and other Reports and statements of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the annual accounts of the subsidiary companies and the related detailed information to any shareholder of the Company seeking such information at any point of time. The annual accounts of the subsidiary companies are also available for inspection by any shareholder at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements of the Company and all the subsidiaries duly audited by the Statutory Auditors of the Company are presented in the Annual Report of the Company. A summary of the financial information of the subsidiary companies is also attached to the Annual Report of the Company.

During the year under report, one of the subsidiaries, Diagold Designs Limited, had initiated the process for de-bonding its unit as a 100% Export Oriented Unit (EOU) and has subsequently been de-bonded. This would enable the Company to offer its products to the ever growing domestic jewellery market. Diagold Designs Limited has, during the year under report, divested its entire stake in its Russian subsidiary company "OOO Tiara Jewels" and its Joint Venture Company in Malaysia, Goldiam Jewels SDN BHD, has closed its business and its name has been struck off as per the provisions of the country of incorporation.

DEMATERIALIZATION:

More than 97% of the shares of the Company are in dematerialized form. Your Directors request all the members who have not yet got their holdings dematerialized to do so to enable easy trading of the shares as the shares of the Company are compulsorily traded in dematerialized form.

DIRECTORS:

As per the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rajesh G. Kapadia and Mr. Ajay M. Khatlawala, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

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- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and 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 or loss of the Company for the year under review;
- (iii) that the directors had 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 had prepared the accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

AUDITORS:

M/s. Pulindra Patel & Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and being eligible for re-appointment, have furnished their eligibility certificate to the effect that reappointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act. The Board recommends their re-appointment.

REPORT ON CORPORATE GOVERNANCE:

A separate report on Corporate Governance is attached to this report along with Statutory Auditors' certificate on its compliance.

(A) CONSERVATION OF ENERGY, (B) TECHNOLOGY ABSORPTION, (C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars as prescribed under 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 are as furnished herein below:

A. CONSERVATION OF ENERGY:

As the Gems & Jewellery Industry is not covered by the Schedule prescribed by the said Rules, disclosure of particulars on conservation of energy is not applicable to the Company.

B. TECHNOLOGY ABSORPTION:

The particulars regarding absorption of technology are annexed in the prescribed Form B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Company's main line of business is manufacturing and exporting studded gold jewellery. The Company has achieved Export Turnover of ₹7,216.03 lacs during the year under report, 2010-2011, as compared to ₹5,218.33 lacs in the previous year, 2009-2010.

(In ₹)

| | 2010-2011 | 2009-2010 |
|----------------------------------|--------------------|-------------|
| Total Foreign Exchange received: | 718,791,747 | 515,607,572 |
| Total Foreign Exchange used | | |
| i) Raw Materials | 275,244,322 | 169,979,301 |
| ii) Consumable Stores | 771,181 | 2,186,147 |
| iii) Capital Goods | 2,082,396 | — |
| iv) Foreign Travels | 1,109,658 | 732,000 |
| v) Others | 2,612,668 | 82,496 |

PARTICULARS OF EMPLOYEES:

None of the employees has received remuneration/ salary exceeding the limit as stated in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to place on record their appreciation and sincere gratitude to Government of India, Government of Maharashtra, SEEPZ (SEZ) Authorities and the Bankers to the Company for their valuable support and look forward to their continued co-operation in the years to come.

Your Directors acknowledge the support and co-operation received from the employees and all those who have helped in the day-to-day management.

For and on behalf of the Board of Directors

Place: Mumbai
Dated: 28th May, 2011

MANHAR R. BHANSALI
CHAIRMAN

ANNEXURES FORMING PART OF THE DIRECTORS' REPORT

ANNEXURE – I

FORM B

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R & D) as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Research & Development:

1. Specific areas in which R & D is carried out by the Company

The Company's R & D is focused on offering high quality, competitively priced, innovative design jewellery to its customers. It places emphasis on latest technologies for manufacturing diamond studded jewellery which can lead to improved quality. Goldiam has carried out extensive research in gold recovery. With the implementation of better techniques of gold recovery, the efficiency of gold recovery method has improved. The Company has also carried out in-depth research on casting crucibles. With the advent of the new casting crucibles, the life of the crucibles has increased resulting in an increase in the output by almost 300% per casting. In addition to the invisible setting in diamond, the Company has also introduced new micro pave hand set technology.

2. Benefits derived as a result of the above R & D

The R & D activities will enable the Company to reduce the cost of manufacturing jewellery and offer high quality, innovative design jewellery which is competitively priced to its customers thereby increasing customer satisfaction, revenue and profitability.

3. Future plan of action

The Company intends to continue the research in its pursuit for bringing attractively priced, finer quality products to the customers.

4. Expenditure on R & D

R&D is a continuous process and the expenditure is not specifically earmarked for the same and is

debited to the general manufacturing expenses.

- | | |
|---|------|
| (a) Capital | NIL |
| (b) Recurring | NIL |
| (c) Total | NIL |
| (d) Total R & D expenditure as a percentage of total turnover | N.A. |

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

The Company endeavours to keep itself abreast with the technical developments, innovations and trends in its line of business and constantly strives to incorporate the same in manufacturing jewellery and improve the design & quality of its products and reduce the costs.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

The benefit will be reflected in the areas of substantial cost reduction and higher customer satisfaction through improved product quality.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- | | |
|--|--------------------|
| a) Technology imported |) The Company has |
| b) Year of import |) not imported any |
| c) Has technology been fully absorbed |) technology. |
| d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action |) |

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and developments:

India is gaining prominence as an international sourcing destination for high quality designer jewellery and is one of the largest exporters of gems and jewellery and is the diamond polishing capital of the world. Indian Gems & Jewellery Industry can be classified into various sub-segments like diamonds, coloured stones, gold and silver jewellery, pearls, etc. However, the two major segments in India are gold and diamonds. India dominates the diamond processing trade with 11 out of 12 diamonds being cut and polished in India. India also dominates the gold and silver consumption globally with consumption of approximately 700 tonnes (gold) p.a. A major foreign exchange earner, the industry is also notable in providing employment to 1.5 million people directly and indirectly. The Industry is characterised by a significantly large unorganised sector, labour-intensive operations, high working capital & raw material intensiveness, gold price volatility and export orientation.

The Gems & Jewellery Industry is a significant contributor to the steady growth of the Indian economy. Gems & Jewellery sector accounted for 16.67% of India's total merchandise exports. India has several well recognized strengths which have made it a significant force in the global Gems and Jewellery business, viz. highly skilled yet low-cost labour, established excellence in manufacturing jewellery and diamond polishing, the most technologically advanced diamond cutting center in the world and an ability to leverage India's strengths to address the demands of the global markets.

According to the Gems & Jewellery Export Promotion Council (GJEPC), the volume of exports for the financial year 2010-2011 have shown a remarkable increase over the previous financial year. The exports for the financial year 2010-2011 stood at US\$ 43,139.24 million as compared to US\$ 29,358.49 million thus indicating an increase of 46.89%. Further, the Council indicates that India's Gems & Jewellery exports are expected to grow at a whopping 15%-20% in the financial year 2011-2012.

Opportunities and Threats:

The Company anticipates that the economic growth in emerging markets like Europe, Hong Kong, Russia and Middle-East, with increasing dispensable incomes, conscious marketing efforts, rising young population with the urge to spend on jewellery since it's regarded as fashion accessory will lead to an increase in demand of diamond studded jewellery. The resurgence of the established global economies will provide a further impetus to the demand for jewellery. The Company's manufacturing excellence, high skilled labour, creation of exquisite designs and ability to manufacture high volumes at low cost will also enable the Company to leverage the opportunities.

Increasing efforts to climb the value chain by the neighbouring countries have posed a threat. China is

fast emerging as a significant competitor for the Indian Gems & Jewellery Industry with economical labour, modern and automated factories for manufacturing high quality, competitively priced jewellery. Also, the absence of any substantially favourable Government policy, incentive or stimulus for the jewellery industry and in particular the exporters, will reduce India's competitive position as diamond and jewellery exporter.

Segment-wise Performance:

The Company has two segments viz. jewellery manufacturing and investment activity. The Company has achieved a turnover of ₹7,954.33 lacs in the jewellery segment and of ₹411.02 lacs in investment activities.

Risks and Concerns:

The nature of the Company's business exposes it to several inherent risks and concerns. The Company strives to closely monitor the risks and to mitigate them by adopting suitable, pragmatic strategies.

Bullion Risk: The volatility in the gold prices exposes the Company to bullion risk as gold forms approximately 30% of the cost of the finished product. The Company hedges its outstanding position mitigating the risk associated with the volatility in the gold prices.

Raw Material Supplies Risk: Though India plays a dominant role in the Gems & Jewellery Industry in terms of processing and consumption, mining of gold and diamond is amongst the lowest in the world. India imports gold and rough diamonds along with other precious metals. The high dependence on raw materials from foreign countries increases the production costs especially since raw materials constitute around 90% of production costs in manufacturing of jewellery and impacts the demand. Such dependence on overseas mining and trading centers for its raw material supplies and security of supplies is an important concern for all players.

Currency Risk: Currency risk arises from exposure to foreign currencies and the volatility associated therewith. 100% of our exports have been transacted in US Dollars. While the Company hedges majority of its receivables, any sharp fluctuation in currency is likely to affect the cash flow of the Company as well as its profitability.

Geography Risk: Dependence on any geographic location makes the Company's business in that region vulnerable to the economic slowdown therein. While USA continues to be our prime export destination, we have, with a view to manage the risks, diversified and tapped the markets in Middle East, Thailand, Europe, Russia and Japan.

Outlook:

The outlook for the Gems & Jewellery Industry looks extremely positive. The revival of the global economies has helped resurrect the demand for jewellery world over

and is expected to continue the upward trend. According to the Gems & Jewellery Export Promotion Council (GJEPC), India's Gems & Jewellery exports are expected to grow at a whopping 15%-20% in the financial year 2011-2012. The Company is well placed to cater to the growing demands.

Internal Control and its adequacy:

The Company has an internal control system commensurate with its size and nature of business to ensure efficiency of operations, compliance with internal control policies and applicable laws and regulations, protection of resources and assets and accurate reporting of financial transactions.

Certified by the Internal Auditors and the Statutory Auditors of the Company, the internal control system is also supplemented by extensive internal audits, regular reviews by the management and standard policies and guidelines to ensure reliability of financial and other records.

Financial Performance:

The resurgence of the global economies and the persistent efforts of the Company to sustain its trade relations besides expanding its base to other markets have helped the Company to show a considerable improvement in its performance during the year under review as compared to the previous year. The Company has achieved a turnover of ₹7,862.22 lacs during the year under review as compared to ₹5,935.17 lacs during the previous year reflecting a growth of 32.47% over the previous year. The profits of the Company have also shown a substantial increase with the Company earning a net profit of ₹634.39 lacs after tax as compared to a net profit after tax of ₹511.23 lacs for the previous year registering an increase of 24.09%.

The consolidated turnover of the Company, its Subsidiaries and Joint Ventures has increased from ₹17,871.14 lacs in the previous year to ₹23,906.70 lacs during the year under review recording a growth of 33.77%. The consolidated net profit after tax has also shown a remarkable increase of 161.13% from ₹714.86 lacs in the previous year to ₹1,866.69 lacs in the year under review.

Material developments in Human Resources/ Industrial Relations:

The Company considers its human resources as amongst its most valuable assets and continues to place emphasis on their development. It has been Company's constant endeavour to impart requisite training and thereby develop and hone the skills and talent of its personnel and enable them to realize their potential.

The overall Industrial Relations in the Company have been quite peaceful and cordial.

Cautionary Statement:

Statements in the Management Discussion and Analysis describing Company's objective, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, inter-alia, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws, statutes and other incidental factors.

REPORT ON CORPORATE GOVERNANCE

Your Directors are pleased to submit their report on the Corporate Governance of the Company for the Financial Year 2010-2011.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Goldiam benchmarks its Corporate Governance with the application of sound management practices and it conforms to the mandatory requirements. The Company is constantly striving to adopt the emerging good corporate governance practices.

MANAGEMENT DISCUSSION AND ANALYSIS:

This has been carried elsewhere in the Annual Report.

BOARD OF DIRECTORS:

Composition and Category of the Board of Directors as on 31st March, 2011 and the number of directorships and chairmanship/membership of the Board Committees in other public limited companies:

The composition of the Board is in conformity with Clause 49 of the Listing Agreement with Stock Exchanges.

| Name of Director | Category | No. of Directorships and Committee Memberships/ Chairmanship held in other Public Limited Companies | | |
|-------------------------|------------------------------|---|------------------------|----------------------|
| | | Directorship | Committee Chairmanship | Committee Membership |
| Mr. Manhar R. Bhansali | Chairman, Promoter-Executive | 3 | nil | nil |
| Mr. Rashesh M. Bhansali | Promoter-Executive | 3 | nil | nil |
| Mr. Rajesh G. Kapadia | Independent-Non-Executive | 7 | 4 | 3 |
| Mr. Ajay M. Khatlawala | Independent-Non-Executive | 2 | nil | nil |
| Dr. R. Srinivasan | Independent-Non-Executive | 8 | 4 | 5 |

Other directorships do not include directorships in Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

Chairmanship/ Membership of committees of Board of Directors include only Audit and Shareholders'/ Investors' Grievance Committees of other Public Limited Companies.

BOARD MEETINGS HELD:

Five Board meetings were held during the financial year ended on 31st March, 2011. These were held on 15th April, 2010, 30th May, 2010, 12th August, 2010, 28th October, 2010 and 11th February, 2011.

Attendance of each director at the Board meetings held during the financial year ended 31st March, 2011 and the last AGM:

| Director | No. of Board meetings held | No. of Board meetings attended | Whether last AGM attended (YES/NO) |
|-------------------------|----------------------------|--------------------------------|------------------------------------|
| Mr. Manhar R. Bhansali | 5 | 5 | YES |
| Mr. Rashesh M. Bhansali | 5 | 5 | YES |
| Mr. Rajesh G. Kapadia | 5 | 5 | YES |
| Mr. Ajay M. Khatlawala | 5 | 5 | YES |
| Dr. R. Srinivasan | 5 | 3 | YES |

COMMITTEES OF THE BOARD:

A) AUDIT COMMITTEE:

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee are broadly as under:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.