

Annual Report

2012-2013

**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

ANITA KATE
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
Citibank N.A.

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.: 25946970-78 Fax: 25946969
e-mail: rnt.helpdesk@linkintime.co.in

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 SIXTH ANNUAL GENERAL MEETING

will be held on Friday, 6th September, 2013
at 3.00 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 COMMUNICATIONS TO THE MEMBERS

- A) As per the Securities and Exchange Board of India (SEBI) circular no.CIR/MRD/DP/10/2013 dated March 21, 2013, for distribution of dividend or other cash benefits in electronic mode of payments like National Electronic Clearing Service (NECS), Electronic Clearing Services (ECS), RTGS and NEFT shall be used, for which registrar and transfer agent of the Company shall be required to maintain the bank account details of the investors.

Also as per the SEBI Circular, in case the details like MICR no., IFSC no. etc. required for effecting electronic mode of payments are not available, physical payment instrument i.e. dividend warrants etc., will be used and on such physical payment instrument the bank account details of the investor shall mandatorily be printed.

Therefore, 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.

- B) 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 SIXTH ANNUAL GENERAL MEETING of the Members of GOLDIAM INTERNATIONAL LIMITED will be held on Friday, 6th September, 2013 at 3.00 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, 2013, the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare final dividend on equity shares for the year ended on 31st March, 2013.
3. To appoint a Director in place of Dr. R. Srinivasan, who retires by rotation and, being eligible, offers himself for re-appointment.
4. 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.

SPECIAL BUSINESS:

5. To pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

"RESOLVED pursuant to Section 293(1)(d) and subject to compliance with all other applicable provisions, if any, of the Companies Act, 1956 that the Board of Directors be and is hereby authorised and shall be deemed to have always been so authorised to raise or borrow from time to time at its discretion either from the Company's bankers or from Company's Directors or from elsewhere on such terms and conditions as to repayment, interest or otherwise as it thinks fit such sums as may be necessary for the purposes of the Company's business upto limit of Company's paid-up capital and free reserves from time to time, outstanding at any one time and that such borrowings shall be exclusive of temporary loans obtained or to be obtained by the Company from Company's bankers in the ordinary course of business."

By Order of the Board of Directors

Place: Mumbai
Date: 24th May, 2013

Regd. Office: **ANITA KATE**
Gems & Jewellery Complex, Company Secretary
SEEPZ (SEZ), Andheri (E),
Mumbai - 400 096.

NOTES:

- 1) A member entitled to attend and vote at the annual general meeting (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, should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.

- 2) The Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
- 3) 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.
- 4) 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.
- 5) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
- 6) The Register of Members and Share Transfer Books will remain closed from Monday, 26th August, 2013 to Friday, 6th September, 2013 (both days inclusive).
- 7) Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the Meeting, will be paid on 16th September, 2013 to those members whose names appear on the Register of Members as on 24th August, 2013.
- 8) 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 Participants with whom they are maintaining their demat accounts and not to the Company/Registrar and Transfer Agents, for shares held in electronic form.
- 9) Non-Resident Indian Members are requested to inform M/s. Link Intime India Private Limited, immediately of :
 - a. Change in their residential status on return to India for permanent settlement.
 - b. Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
- 10) 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.
- 11) 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 Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can

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submit their PAN details to the Company/Registrar and Transfer Agents, M/s. Link Intime India Pvt. Ltd.

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

13) (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 2004-2005 (Final Dividend) and Interim Dividend for the financial year 2005-2006 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 the financial year 2005-2006 (Final Dividend), 2006-2007 (I & II Interim Dividends) 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.

14) 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.

15) 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.

EXPLANATORY STATEMENT

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 and forming part of the Notice dated 24th May, 2013.

ITEM NO. 5

The Company has approval under Section 293(1) (d) of the Companies Act, 1956 to borrow money from time to time at its discretion either from the Company's bankers or from Company's Directors or from elsewhere. As the Company has grown in the years after formation, its Reserves and Surplus and Paid-up capital of the Company has multiplied to many fold even after distribution of good dividend to the members. The Board of Directors deemed it fit to fix the borrowing limits to the extent as permitted under the provisions of Section 293(1) (d) which will take care of Company's requirements for business.

The Directors recommended this enabling resolution for approval of the shareholders.

Directors of the Company, are deemed to be interested in the resolution to the extent of their landing to the Company.

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

Particulars	Dr. R. Srinivasan
Date of Birth	30 th May, 1931
Date of Appointment	02 nd May, 2002
Qualifications	Ph.D., CAIIB, FIB, Doctorate in Banking & Finance
Expertise in specific functional area	Wide experience in Banking & Finance
Directorships held in other Public Companies (excluding Foreign Companies and Section 25 Companies)	J Kumar Infraprojects Limited Elder Pharmaceuticals Limited Mcleod Russel India Limited Graphite India Limited Shalimar Paints Limited Williamson Magor & Co. Limited Shubhalaxmi Polysters Limited.
Memberships/Chairmanships of Committees of other Public Companies (includes only Audit and Shareholders/Investor Grievance Committees)	J Kumar Infraprojects Limited Elder Pharmaceuticals Limited Mcleod Russel India Limited Graphite India Limited Shalimar Paints Limited Williamson Magor & Co. Limited
Number of Shares held	Nil

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting this Twenty - Sixth Annual Report on the affairs of the Company together with the Audited Statements of Accounts for the year ended on 31st March, 2013.

FINANCIAL RESULTS:

	Year ended 31.03.2013	Year ended 31.03.2012
	(₹ in Lakhs)	
Sales for the year	<u>9,745.77</u>	<u>9,159.83</u>
Profit before Interest & finance charges, depreciation & taxation	<u>1306.14</u>	1280.54
Less: Interest & finance Charges	<u>70.97</u>	63.67
Operating profit before depreciation & taxation	<u>1235.17</u>	1216.87
Less: Depreciation, amortization & impairment of asset	<u>137.98</u>	134.68
Profit before Exceptional Items	<u>1097.19</u>	1082.19
Add: Exceptional Items	<u>180.33</u>	—
Profit before taxation	<u>1277.52</u>	1082.19
Current Tax & Prior Year	<u>257.58</u>	197.79
Deferred Tax Liability	<u>170.80</u>	32.21
Profit after taxation	<u>849.15</u>	852.19
Add: Balance brought forward	<u>8082.96</u>	7720.66
Profit available for appropriation	<u>8932.10</u>	8572.85
Less: Appropriation:		
Transfer to General Reserve	<u>50.00</u>	55.00
Interim Dividend	<u>249.46</u>	274.41
Tax on Interim Dividend	<u>40.47</u>	44.52
Proposed Dividend	<u>124.73</u>	99.78
Provision for Tax on Proposed Dividend	<u>21.20</u>	16.19
Balance carried forward to Balance Sheet	<u>8446.25</u>	<u>8082.96</u>

OPERATIONS:

The operations of the Company have shown improvement as compared to the previous year. The Company has achieved a turnover of ₹ 9745.77 lakhs during the year under report as compared to ₹ 9159.83 lakhs during the previous year reflecting a growth of 6.40% over the previous year. The net profit of the company decreased by 0.36% from ₹ 852.19 lakhs to ₹ 849.15 lakhs in the previous year. The decline in the profit is due to increase in the cost of materials, manufacturing and other expenses and decrease in the foreign exchange earning.

DEPOSITS:

The Company has not invited/ accepted any deposit from the public during the year ended 31st March, 2013. There were no unclaimed or unpaid deposits as on 31st March, 2013.

DIVIDEND:

The Board consider the payment of Interim Dividend @₹1/- per share (10%) has decided to recommend a final dividend @₹0.50 per share (5%), thus giving total dividend of ₹1.50 per share (15%) for the year under report.

The dividend payout for the year under review has been formulated in accordance with shareholders' aspirations and the Company's policy to pay sustainable dividend linked to long term growth objectives of the Company to be met by internal cash accruals.

SUBSIDIARY COMPANIES:

In accordance with the General Circular no. 2/2011 File no. 51/12/2007-CL-III dated 24th May, 2012 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.

GOLDIAM JEWELS:

During the year under report, the company has exited on 28.09.2012 completely from M/s. Goldiam Jewels Limited, through the sale of its stake in equity investment (29,85,000 Equity Shares) held in that company and the said company is no more a subsidiary with effect from 28th September, 2012.

DEMATERIALISATION:

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.

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DIRECTORS:

As per the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Dr. R. Srinivasan, Director of the Company, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-appointment. Your Directors recommend his 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:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2013, 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company 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, 2013 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 ₹ 9,745.77 lakhs during the year under report, 2012-2013, as compared to ₹ 9,159.83 lakhs in the previous year, 2011-2012.

(₹ in Lakhs)

Particulars	2012-2013	2011-2012
1) Foreign Exchange Earned		
Export of Goods on F.O.B. basis	9,227.77	8,572.02
2) Outgo of Foreign Exchange		
i) Raw Materials	3,642.49	3,345.90
ii) Consumable Stores	10.73	15.22
iii) Capital Goods	17.42	28.79
iv) Foreign Travels	8.30	15.83
v) Others	20.12	19.32

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: 24th May, 2013

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. In addition to the new casting crucibles, the company has also purchased new micro pave hand set technology a Machine set product which will improve the speed of setting of diamonds and also new high speed laser marker for faster productivity, all this new machineries will together increase the productivity of the Company.

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 not
)	imported any
b) Year of import)	technology.
c) Has technology been)	
fully absorbed)	
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:

The gems and jewellery industry occupies an important position in Indian economy, It is a leading foreign exchange earner and also one of the fastest growing industries in the country. The two major segments of the sector in India are gold jewellery and diamonds. Gold jeweler's forms around 80 per cent of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamond studded as well as gemstone studded jewellery. A predominant portion of gold jewellery manufactured in India is consumed in the domestic market. In diamonds, however, a major portion of rough, uncut diamonds processed in India is exported, either in the form of polished diamonds or finished diamond jewellery. Besides being largest consumer of gold, India is also the leading diamond cutting nation in the world.

According to the Gems & Jewellery Export Promotion Council (GJEPC), the Gems & Jewellery industry has strived hard towards reducing India's current account deficit by controlling imports and increasing exports. The industry's contribution towards India's exchequer has also seen a staggering rise of 154 percent. The financial year 2012-2013 ended on a positive note with imports of rough diamonds going up by 12.65 percent indicating an increase in cutting, polishing and other manufacturing activities in India. The Industry also saw an increase in manufacturing activities indicated by the 33 percent growth in the export of gold jewellery contributing significantly to India's foreign exchange earnings and supported balance of payments. The year also witnessed a significant drop of 61.45 percent in the import of cut and polished diamonds indicating a huge cut in India's foreign exchange spending, thereby reducing the country's current account deficit. Total gems and jewellery exports for the year 2012-2013 was US \$ 39.033 billion.

Opportunities:

The jewellery industry is growing at a healthy rate, the shining metals of India brings more sparkle to the economy. Gems & jewellery export stands the second major foreign exchange earner for the country. Throughout the world, consumers are becoming far more selective in the products they buy and where they choose to shop. They are becoming more market savvy and socially aware, which in turn makes their shopping patterns far more selective and this gives Jewellery industry more challenges to manufacture best jewellery to attract its customer. India has the largest and the best artisan force for designing and crafting the jewellery in the world. There is considerable scope of value addition in terms of capacity building at the domestic front, quality management and professionalism.

Threats:

The Company is exposed to risk in exchange rate fluctuations as the Company is dependent on exports sales and import of raw material. However, the Company closely monitors and takes appropriate steps to reduce such risks. Competition which has always been a challenge is countered by better quality and designs, branding, catering to changing customer demands/styles and cost control measures. Increasing prices of raw materials have affected and can affect the profit margins. However, the Company continuously thrives for improved production efficiency to counter this risk as far as possible.

Segment-wise Performance:

The Company has two segments viz. jewellery manufacturing and investment activity. The Company has achieved a turnover of ₹ 9,851.53 lakhs in the jewellery segment and of ₹ 325.79 lakhs 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.

a) 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.

b) 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.

c) 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.

d) 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, have made the small beginning and diversified and tapped the markets in Middle East, Thailand, Europe, Russia and Japan.

Outlook:

The outlook for the Gems & Jewellery Industry looks positive. According to the Gems & Jewellery Export Promotion Council (GJEPC), India's Gems & Jewellery are expected to grow at a whopping rate of 12 to 15 percent in the financial year 2013-2014.

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.

Disinvestment of Stake in Subsidiary Company:

The Goldiam Jewels Limited, subsidiary of the company was incurring the losses since long period, therefore, the management has decided to exit completely from M/s. Goldiam Jewels Limited, through the sale of its stake in equity investment held in that company and the said company is no more a subsidiary with effect from 28th September, 2012.

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 ₹ 9,745.77 lakhs during the year under review as compared to ₹ 9,159.83 lakhs during the previous year reflecting a growth of 6.40% over the previous year. The profits of the Company has decreased from ₹ 852.19 lakhs to ₹ 849.15 lakhs. The decline in the profit can be attributed to increase in the cost of materials, manufacturing and other expenses and decrease in foreign exchange earning.

The consolidated turnover of the Company, its Subsidiaries and Joint Ventures has increased from ₹ 24,526.39 lakhs in the previous year to ₹ 26,566.65 lakhs during the year under review recording a growth of 8.32%. The consolidated net profit after tax has increased from ₹ 1,522.98 lakhs in the previous year to ₹ 1,865.96 lakhs in the year under review registering growth of 22.52%.

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, among others, 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.