



GITANJALI

TRUST FOREVER

Gitanjali Gems Limited

Annual Report 2013 - 14

LETTER TO SHAREHOLDERS



Dear Shareholders,

The financial year 2014 has been a year of consolidation for your company. The macroeconomic environment necessitated certain measures to be taken by the company in terms of restructuring and re-aligning its business model. A couple of factors including increase in customs duty, restrictions on gold imports imposed by the Reserve Bank of India and weakening of the Indian Rupee against the US Dollar had significant impact on the Jewellery Industry, especially the organized players.

The country's widening current account deficit (CAD) compelled the Government to take certain measures to contain the CAD. One of the steps in this direction entailed restricting gold imports by increasing the customs duty on gold to 10% in August 2013. This increased the purchase cost for the end consumer which, in turn, impacted the overall demand. Additionally, the RBI regulations in the months of May and June 2013, disallowed gold imports on consignment for domestic consumption. This led to a significant shortage in supply of gold. Another factor that impacted business was the regulation which disallowed gold metal lease which led to increased finance costs for the company as well as for the industry on the whole. However, your company has been evaluating strategies with its lenders to reduce the same to previous levels.

One more macroeconomic factor that impacted business was the huge volatility in the value of rupee against the US dollar which imposed another challenge on the purchase of raw material. The rupee devaluation by 26% within 5-6 months, increased the overall input costs substantially and at the same time the domestic demand for jewellery also tapered.

Gitanjali being one of the largest players in the Indian jewellery space was also impacted by these regulations. During the year, the company witnessed a decline in turnover due to the reduced gold jewellery sales. These regulatory changes also impacted the margins of the company. Further, the company had to significantly rationalize its operational costs primarily the manpower and administration costs. However, even in these challenging times, as a well entrenched player in this industry for more than 5 decades, your company has been able to focus on identifying opportunities for growth by bringing about significant changes to its business model. The company has been re-aligning its strategy to focus more on studded jewellery which is not only margin accretive but has also been its core competency while offering better value addition. The focus is also on segments like alternate metals and low carat gold. However, this change in focus would require a major rejig in its operations and financials and would take at least 12-18 months to come through. We believe that with its strong portfolio, manufacturing capabilities, and wide-spread distribution, your company is very well positioned to undergo this transformation.

As an effort towards this transition, your company has enhanced its studded jewellery manufacturing facilities. The company has a proven track record and success in manufacturing jewellery with an impeccable finish to cater to its distribution and retail network globally.

During the financial year 2014, the company also further strengthened and consolidated its international presence in markets like the US, Middle East, Japan and China. The recent regulations attributed to the company shifting focus to its international business, which grew to contribute to around 60% of the group's revenue in FY14. The company intends to increase its international business with complementary categories like platinum, precious stones and silver jewellery. The focus is on capitalizing on the high margin mature markets such as USA and Japan and also on the rapidly growing markets like the Middle East. As a step in this direction, the company recently entered into a strategic alliance with Paris Gallery, Dubai to retail its jewellery brands to the Indian diaspora in UAE.

The company also intends expanding in emerging markets such as Russia, Africa and South East Asia through its distribution channels.

Over the years, we have succeeded by aggressively expanding our presence in smaller Indian cities and towns. The success and popularity that our brands enjoyed in these regions proved that branded jewellery is rapidly becoming the preferred choice for consumers in these regions as well. Developing markets in terms of smaller towns and cities and changing consumer preferences are matched by our manufacturing and designing mettle which allows us to constantly innovate and address emerging and evolving choices and trends. This shall ensure that we not only optimize our operations by catering to the existing clientele, but also, create new markets for jewellery in India.

Our strategy is to position multiple brands uniquely. Gitanjali has always strived to provide an offering for every geography, socio-economic class, occasion and price point. This strategy has been successfully supported by strong marketing and distribution of brands across regions through a diverse mix of company owned stores, shop-in-shops and franchisee owned stores. Gitanjali's portfolio of multiple brands aims to ensure that there are no needs left unaddressed in the market.



Our portfolio of brands is a renowned one. The group's popular brands such as Gill, Asmi, Nakshatra, D'damas and Sangini are names that reckon with Jewellery in India. These are supported by a wide range of supplementary brands to cater to a wider audience across price points and occasions.

During the year, your company embarked upon new ventures extending its brands to include other lifestyle categories such as apparels and accessories. Diya and Gill apparel collections have been launched and have been reasonably successful ventures, while other categories like bags, accessories and eye wear are also being explored. This extension to the next level is going to fuel cross category synergies which shall serve as a propeller for growth for the company.

We are constantly innovating & creating new designs, new collections, introducing new channels for the sale of Jewellery, supporting new product launches with promotional campaigns thus reaching out to consumers in a variety of ways. One such recent endeavor was the launch of Viola Italia. With an already well-established portfolio of fine jewellery brands, your company has now added a wide range of vibrant offerings under the "Viola Italia" - Fine Gioielli range. Viola Italia offers affordable fine Jewellery that has an International feel fused with Indian sensibilities. With state of the art manufacturing and designs to keep a woman "in style", Viola Italia offers an impeccable finish giving it a distinct visual appeal and unique designs with stunning colored gemstones & diamonds.

Gitanjali Group has been ever-evolving and inventive and has always adapted to changing trends. One such endeavour is the group's online presence through individual and multi-brand portals as well as through a market place (jewelsouk.com) thereby offering a wide choice, trust, quality and convenience to consumers. Gitanjali also has strategic tie-ups with major online retailers to offer Jewellery through these portals.

We remain focused on the quality of growth, to achieve better realizations from our branded Jewellery business. Your company's key focus, going forward, is to expand the diamond and studded jewellery retail and distribution business worldwide in existing as well as new geographies where margins are higher. Gitanjali plans to capitalize on the tremendous recall its brands enjoy and continue to further explore brand extensions to include other lifestyle categories. Your company plans on optimising the production facility at each centre and also put in concentrated efforts to reduce the interest burden and bring it back to manageable levels.

Our deep understanding of the market and efforts towards maintaining our strong brand recall, constant innovations and design concepts will fuel our growth. With a strong portfolio of leading Indian and international jewellery brands, one of the world's largest manufacturing facilities and a wide-spread distribution network in India and overseas, we are confident we would be able to successfully execute our strategy.

In these trying times, I would like to place on record my sincere appreciation to all employees, lenders, shareholders and other stakeholders, for their dedication, support and faith in your company. We are committed to improving the efficiencies in our operations and differentiating ourselves in the market-place so as to build a stronger and sustainable organisation.

Warm regards,
Mehul C. Choksi
Chairman and Managing Director



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PROFILE OF DIRECTORS

A brief profile of all the Board members are as under:-

Mr. MEHUL C. CHOKSI



A commerce graduate has been associated with the gems and jewellery industry for over three decades. He has wide experience in the diamond and jewellery industry having an exposure to the entire range of activities, from buying roughs to jewellery sales. He has been instrumental in branding jewellery in India and has launched several successful jewellery brands. He has also been a pioneer in corporatising the jewellery industry in India. He steers the group vision and strategy with his deep knowledge and foresight

Mr. DHANESH V. SHETH






A Commerce Graduate has been associated with Gitanjali for more than two decades, having been a Director for almost 24 years. He advises the company on its marketing operations, the buying and selling of rough diamonds and other aspects of Business Development.

Mr. NEHAL MODI



He is BA finance and marketing from Boston University having experience of 12 years in the industry at top management positions. He has been instrumental in Company's growth through its subsidiaries in United States since last decade.

Mr. SWAMINATHAN SUNDARARAJAN MITTUR	
	He is a banking consultant, economist and was previously the head of Indian Bank. Mr. Rajan is a M.A. (Econ), CAIIB and A.C.S. He is a visiting faculty to many institutions. His core expertise is in investment banking, project finance, corporate restructuring and capital market
Mr. S. KRISHNAN	
	A Masters Degree holder in commerce besides being a D.M.M., M.F.M., he is a leading professional in the financial services industry and has vast experience in banking, fund management and capital market operations. He has held top management positions in TAIB Bank E.C., TAIB Securities, Everest Fund, Aldercrest Trading Limited and First Bank with Professional experience in USA, Europe, Middle East, Africa and India.
Ms. NAZURA AJANEY	
	A commerce graduate has been involved with an NGO , Helix Aids Foundation that works in the Field of HIV/AIDS. Her responsibilities included rehabilitating women and children with HIV/AIDS along with providing support, advice and creating awareness on these cases for maximum relief to the affected. She is currently CEO of Childology which is involved in the CSR activities where children from underprivileged background are offered targeted intervention to improve their academic grades and improve their chances of success in life.

COMPANY INFORMATION

Board of Directors

Mr. Mehul Choksi	Chairman & Managing Director
Mr. Nehal Modi	Non -Executive Director
Mr. Dhanesh Sheth	Non -Executive Director
Mr. Swaminathan Sundararajan Mittur	Independent Director
Mr. S. Krishnan	Independent Director
Ms. Nazura Ajaney	Independent Director

Company Secretary & Compliance Officer

Ms. Pankhuri Warange

Chief Financial Officer

Mr. Chandrakant Karkare

Audit Committee

Mr. Swaminathan Sundararajan Mittur
(Chairman)
Mr. S. Krishnan
Mr. Mehul Choksi

Stakeholders Relationship Committee

Mr. Swaminathan Sundararajan Mittur
(Chairman)
Mr. S. Krishnan

Nomination and Remuneration Committee

Mr. Swaminathan Sundararajan Mittur (Chairman)
Mr. S. Krishnan
Mr. Dhanesh Sheth

Corporate Social Responsibility (CSR) Committee

Mr. Swaminathan Sundararajan Mittur
(Chairman)
Mr. S. Krishnan
Mr. Dhanesh Sheth

Internal Complaints Committee

Ms. Alpa Talsania (Chairman)
Ms. Pankhuri Warange
Ms. Chetna Jhaveri

Management Committee

Mr. Mehul Choksi (Chairman)
Mr. Dhanesh Sheth

Statutory Auditors

M/s Ford, Rhodes, Parks & Co.
Sai Commercial Building, 312/313, 3rd Floor,
BKS Devshi Marg, Govandi (East), Mumbai – 400088

Sr. No.	Name of Bank
1	Allahabad Bank
2	Andhra Bank
3	Bank of Baroda
4	Bank of India
5	Bank of Maharashtra
6	Canara Bank
7	Catholic Syrian Bank
8	Central Bank of India
9	Corporation Bank
10	Dena Bank
11	EXIM Bank
12	ICICI Bank Ltd
13	IDBI Bank
14	Indian Overseas Bank
15	IndusInd Bank Ltd
16	Jammu and Kashmir Bank Ltd
17	Karnataka Bank Ltd
18	Karur Vysya Bank
19	Lakshmi Vilas Bank Ltd
20	Oriental Bank of Commerce
21	Punjab & Sind Bank
22	Punjab National Bank
23	Standard Chartered Bank
24	State Bank of Bikaner & Jaipur
25	State Bank of Hyderabad
26	State Bank of India
27	State Bank of Mauritius
28	Syndicate Bank
29	Union Bank of India
30	United Bank of India
31	Vijaya Bank

Registered Office

A-1, 7th Floor, Laxmi Tower, Bandra – Kurla Complex,
Bandra (E) Mumbai – 400051
Tel: +91-022-40354600 Fax: +91-022-40354602
e-mail: investors@gitanjaligroup.com

Registrar & Transfer Agent

Karvy Computershare Private Limited
Unit: Gitanjali Gems Limited
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500081
Tel: +91-040-23420818 Fax: +91-040-23420814
e-mail: einward.ris@karvy.com
Website: www.karvy.com

NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the Members of Gitanjali Gems Limited will be held on Monday, September 29, 2014 at 10.00 A.M. at Boundary Hall, First Floor, MCA Recreation Centre, RG-2, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss for the year ended March 31, 2014, together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Dhanesh Sheth (holding DIN 00120257), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, having ICAI firm registration no. 102860W, Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till conclusion of next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder, (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 Mr. Swaminathan Sundararajan Mittur (holding DIN 00169775), Director of the Company, who in accordance with Companies Act, 2013 is required to be appointed as an Independent Director and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years commencing from September 29, 2014.”

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder, (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 Mr. S. Krishnan (holding DIN 00015745), Director of the Company, who in accordance with Companies Act, 2013 is required to be appointed as an Independent Director and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years commencing from September 29, 2014.”

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT Ms. Nazura Ajaney (holding DIN 06947881) who was appointed as an Additional Director of the Company by the Board of Directors with effect from August 13, 2014 and who holds office upto the date of the forthcoming Annual General Meeting under Section 161 of the Companies Act, 2013 (‘the Act’), but who is eligible for appointment and has consented to act as Director of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Act and the Rules made there under, as amended from time to time, Ms. Najura Ajaney, a Non-Executive Director of the Company, who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term upto September 30, 2018”

NOTICE

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.

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

By Order of the Board of Directors

Pankhuri Warange
Company Secretary

Place: Mumbai

Date: August 14, 2014

NOTES:

- a) The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of the special business set out in the Notice, wherever applicable, is annexed hereto.
- b) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- c) Proxies 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 time for holding the Annual General Meeting.
- d) A person can act as a proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or Shareholder.
- e) Corporate Members intending to send their authorised representative(s) to attend the Meeting are requested to send a certified copy of the Board resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.
- f) Members desirous of obtaining any information as regards accounts of the Company are requested to write to the Company at least one week before the Meeting, so that the information required will be made available at the Annual General Meeting.
- g) Documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during normal business hours (10:00 am to 6:00 pm) on all working days except Saturdays, Sundays and Public Holidays up to the date of the Annual General Meeting.
- h) Pursuant to clause 16 of listing agreement, the Register of Members and Share Transfer Books of the Company will remain closed from Saturday, September 20, 2014 to Monday, September 29, 2014 (both days inclusive) for the purpose of AGM.
- i) Members/Proxies are requested to bring the Attendance Slip(s) duly filled in.

- j) Electronic copy of annual report alongwith notice of the 28th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the annual report alongwith Notice of the 28th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
- k) Members may also note that the Notice of the 28th Annual General Meeting and the Annual Report for 2014 will also be available on the Company's website www.gitanjaligroup.com for their download. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, free of cost. For any communication, the shareholders may also send requests to the Company's designated email id: investors@gitanjaligroup.com.

l) Voting through electronic means

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 28th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Karvy Computershare Private Limited (Karvy):

The instructions for e-voting are as under:

I. In case a Member receives an email from Karvy [for members whose email IDs are registered with the Company/Depository Participants(s)]:

- (i) Open your e-mail. The login credentials (i.e., user-id & password) will be mentioned in the mail. Please note that the password is an initial password.
- (ii) Launch internet browser by typing the following <https://evoting.karvy.com>
- (iii) Put user ID and password as initial password noted in step (i) above. Click Login.
- (iv) Members holding shares in Demat/ Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through **Karvy Computershare Private Limited e-Voting platform**. System will prompt you to change your password and update any contact details like mobile number, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (v) You need to log in again with the new credentials
- (vi) On successful login system will prompt to Select the evoting event number of Gitanjali Gems Limited.
- (vii) If you are holding shares in Demat form and had logged on to “<https://evoting.karvy.com>” and casted your vote earlier for any company, then your exiting login id and password are to be used.
- (viii) Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
- (ix) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (x) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail scrutinizer@mgconsulting.in with a copy marked to evoting@karvy.com

II. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:

- i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:
- ii) Please follow all steps from Sl. No. (ii) to Sl. No. (ix) mentioned in the above section, to cast vote.
- m. please contact toll free No. **1-800-34-54-001** for any further clarifications. If you are already registered with Karvy Computershare Private Limited for e-voting then you can use your existing user ID and password for casting your vote.
- n) The e-voting period commences on Tuesday, September 23, 2014 (9:30 am) and ends on Thursday, September 25, 2014 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of August 22, 2014 may cast their vote electronically. The e-voting module shall be disabled by Karvy for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- o) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date i.e August 22, 2014
- p) Mr. Manish Ghia, Partner, of M/s Manish Ghia & Associates, Practicing Company Secretaries, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- q) The Scrutinizer shall within a period not exceeding 3 (three) working days from the conclusion of the e-voting period unblock the votes in the presence of at least 2 (two) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- r) As the voting of members is through electronic means, members who do not have access to e-voting, may request a physical ballot form from the registered office of the Company by writing it to Company Secretary. You are requested to fill the ballot form and send it to Scrutinizer M/s. Manish Ghia & Associates, Practising Company Secretaries at C/o Add : Karvy Computershare Pvt. Ltd., Unit : Gitanjali Gems Ltd., Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, so as to reach not later than September 25, 2014 at 6.00 p.m. Ballot form received after this date will be treated as invalid. A member can opt only one mode of voting, i.e. either through e-voting or by ballot. If members cast vote by both modes then voting done through e-voting shall prevail and ballot shall be treated as invalid.
- s) The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.gitanjaligroup.com within 2 (two) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited and National Stock Exchange of India Limited where shares of the Company are listed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

ITEM NO. 4:

Mr. Swaminathan Sundararajan Mittur , is a Non Executive Independent Director of the Company. He is also chairman of Audit Committee of the Board of Directors of the Company.

Mr. Swaminathan Sundararajan Mittur is a leading banking consultant and economist. He is M.Com, CAIIB and A.C.S and his core expertise lies in investment banking, project finance, corporate restructuring and capital markets. He is visiting faculty at many institutions and was previously head of Indian Bank.

As per the provisions of Section 149 of the Act which has come into force with effect from 1st April, 2014, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company and is not liable to retire by rotation.

Mr. Swaminathan Sundararajan Mittur has given a declaration to the Board that he meets the criteria of independence as provided under Section 149 (6) of the Act. He is not disqualified from being appointed as director in terms of section 164 of the act and has given his consent to act as director. In the opinion of the Board, Mr. Swaminathan Sundararajan Mittur

fulfills the conditions specified in the Act and the Rules made there under for appointment as Independent Director and he is independent of the management.

The matter regarding the appointment of Mr. Swaminathan Sundararajan Mittur as Independent Director was placed before the Nomination & Remuneration Committee, which recommends his appointment as Independent Director for a term of 5 consecutive years commencing from September 29, 2014.

The Company has received notice in writing from members alongwith deposit of requisite amount under section 160 of the act proposing candidature of Mr. Swaminathan Sundararajan Mittur as director of the company.

The copy of draft letter for appointment of Mr. Swaminathan Sundararajan Mittur as independent director setting out the terms and conditions are available for inspection by members at the registered office of the Company during normal business hours on any working day of the Company.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Swaminathan Sundararajan Mittur as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Swaminathan Sundararajan Mittur as an Independent Director, for the approval by the shareholders of the Company.

Mr. Swaminathan Sundararajan Mittur is not holding any shares in the Company. Except Mr. Swaminathan Sundararajan Mittur, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested financially or otherwise, in the resolution set out at Item No. 4.

ITEM NO. 5:

Mr. S. Krishnan, is a Non Executive Independent Director of the Company. He holds a master degree in commerce. Besides being a D.M.M, M.F.M, he is also a leading professional in financial services industry. He was in top management positions at TAIB Bank E.C, TAIB Securities, Everest Fund, Aldercast Trading Limited and First Bank.

As per the provisions of Section 149 of the Act which has come into force with effect from 1st April, 2014, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company and is not liable to retire by rotation.

Mr. S. Krishnan has given a declaration to the Board that he meets the criteria of independence as provided under Section 149 (6) of the Act. He is not disqualified from being appointed as director in terms of section 164 of the act and has given his consent to act as director. In the opinion of the Board, Mr. S. Krishnan fulfills the conditions specified in the Act and the Rules made there under for appointment as Independent Director and he is independent of the management.

The matter regarding the appointment of Mr. S. Krishnan as Independent Director was placed before the Nomination & Remuneration Committee, which recommends his appointment as Independent Director for a term of 5 consecutive years commencing from September 29, 2014.

The Company has received notice in writing from members alongwith deposit of requisite amount under section 160 of the act proposing candidature of Mr. S. Krishnan as director of the company.

The copy of draft letter for appointment of Mr. S. Krishnan as independent director setting out the terms and conditions are available for inspection by members at the registered office of the Company during normal business hours on any working day of the Company.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. S Krishnan as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. S. Krishnan as an Independent Director, for the approval by the shareholders of the Company.

Mr. S. Krishnan is not holding any shares in the Company. Except Mr. S Krishnan, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested financially or otherwise, in the resolution set out at Item No. 5.

ITEM NO. 6:

Ms. Nazura Ajaney was appointed as an Additional Director by the Board with effect from August 13, 2014, pursuant to Section 161 of the Companies Act, 2013. She is CEO of Childology which is involved in CSR activities where children from under privileged background are offered targeted intervention to improve their academic grades and improve their chances of success in life.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Ms. Nazura Ajaney will hold office up to the date of the ensuing AGM. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with deposit of requisite amount proposing the candidature of Ms. Nazura Ajaney for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

Ms. Nazura Ajaney has given a declaration to the Board that she meets the criteria of independence as provided under Section 149 (6) of the Act. She is not disqualified from being appointed as director in terms of section 164 of the act and has given her consent to act as director. In the opinion of the Board, Ms. Nazura Ajaney fulfills the conditions specified in the Act and the Rules made there under for appointment as Independent Director and she is independent of the management.

The matter regarding the appointment of Ms. Nazura Ajaney as Independent Director was placed before the Nomination & Remuneration Committee, which recommends her appointment as Independent Director for a term upto September 30, 2018.

The copy of draft letter for appointment of Ms. Nazura Ajaney as independent director setting out the terms and conditions are available for inspection by members at the registered office of the Company during normal business hours on any working day of the Company.

The Board considers that her association would be of immense benefit to the Company and it is desirable to avail services of Ms. Nazura Ajaney as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Ms. Nazura Ajaney as an Independent Director, for the approval by the shareholders of the Company.

Ms. Nazura Ajaney is not holding any shares in the Company. Except Ms. Nazura Ajaney, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested financially or otherwise, in the resolution set out at Item No. 6.

ITEM NO. 7

The Articles of Association ("AoA") of the Company as presently in force were adopted on September 30, 2005 by members of the Company in exclusion of then existing articles of association. The existing AoA are based on the Companies Act, 1956 and several regulations in the existing AoA contain references to specific sections of the Companies Act, 1956 and some regulations in the existing AoA are no longer in conformity with the Act.

The Companies Act, 2013 is now largely in force. On September 12, 2013, the Ministry of Corporate Affairs ("MCA") had notified 98 Sections for implementation. Subsequently, on March 26, 2014, MCA notified most of the remaining Sections (barring those provisions which require sanction / confirmation of the National Company Law Tribunal ("Tribunal") such as variation of rights of holders of different classes of shares (Section 48), reduction of share capital (Section 66), compromises, arrangements and amalgamations (Chapter XV), prevention of oppression and mismanagement (Chapter XVI), revival and rehabilitation of sick companies (Chapter XIX), winding up (Chapter XX) and certain other provisions including, inter alia, relating to Investor Education and Protection Fund (Section 125) and valuation by registered valuers (Section 247).

However, substantive sections of the Act which deal with the general working of companies stand notified. With the coming into force of the Act several regulations of the existing AoA of the Company require alteration or deletions in several articles. Given this position, it is considered expedient to wholly replace the existing AoA by a new set of Articles. The new AoA to be substituted in place of the existing AoA are based on Table 'F' of the Act which sets out the model articles of association for a company limited by shares.

The proposed new draft AoA is being uploaded on the Company's website for perusal by the shareholders.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested financially or otherwise, in the resolution set out at Item No. 7.

The board recommends the special resolution as set out at item no 7 of notice for approval of shareholders.

By Order of the Board of Directors

(Pankhuri Warange)
Company Secretary

Place : Mumbai
Date : August 14, 2014

Details of directors seeking appointment/reappointment in Annual General Meeting pursuant to Clause 49 of Listing Agreement of Stock Exchanges

Name of the Director	Mr. Swaminathan Sundararajan Mittur	Mr. S. Krishnan	Ms. Nazura Ajaney	Mr. Dhanesh Sheth
Date of Birth	15/03/1950	13/12/1945	12/11/1970	11/7/1957
Date of Appointment	21/03/2012	25/10/2005	13/08/2014	01/08/1990
Expertise in specific function area	He has core expertise in investment banking, project finance, corporate restructuring and capital market. He won the Golden Peacock Award on behalf of Indian Bank in October 2009. He has also been part of several key strategic initiatives at Indian Bank including launching of initial IPO, introduction of Biometric ATM and introduction of touch screen kiosk across various Indian bank branches in India. According to The Economic Times press release, Mr. Rajan was ranked 45th in the Economic Times India Inc's most powerful CEOs list in the year 2009. He was ranked No.2 among the CEOs of Nationalized Banks and No.6 among the CEOs of Commercial banks. He is ex CMD of Indian Bank.	He is a leading professional in the financial services industry and has vast experience in banking, fund management and capital market operations. He has held top management positions in TAIB Bank E.C., TAIB Securities, Everest Fund, Aldercrest Trading Limited and First Bank with Professional experience in USA, Europe, Middle East, Africa and India.	Ms. Ajaney is a commerce graduate and over the years, She has been involved with an NGO, Helix Aids Foundation that works in the field of HIV/AIDS. Her responsibilities included rehabilitating women and children with HIV/AIDS along with providing support, advice and creating awareness of these cases for maximum relief to the affected. She is currently CEO of Childology, which is involved in the CSR activities where children from underprivileged background were offered targeted intervention to improve their academic grades and improve their chances of success in life	He is a commerce graduate and has been associated with the Company for more than two decades. He advises the Company on its marketing operations, buying and selling of rough diamonds and other aspects of business development.
Qualification	M. Com., CAIIB and A.C.S.	M. Com, D.M.M, M.F.M	B.Com	B.com

List of outside Directorships held	<ol style="list-style-type: none"> 1. Kisan Moulding Ltd 2. My Mobile Payments Limited 3. NSDL Database Management Ltd. 4. The Clearing Corporation of India Limited 5. Capital First Limited 6. BGR Energy Systems Ltd 7. Sundaram Trustee Company Limited 8. Royal Sundaram Alliance Insurance Company Limited 9. Sharada Cropchem Ltd 10. Centbank Financial Services Ltd 11. Aadhar Housing Finance Pvt Ltd. 12. Computer Age Management Services Pvt. Ltd 13. Happy Insurance TPA Services Pvt. Ltd 14. MSA Holdings Pvt. Ltd 15. RevTec Technologies Pvt. Ltd 	<ol style="list-style-type: none"> 1. Binani Metals Limited 2. Interactive Entertainment Private Limited 3. Sangamam Homes Private Limited 4. iRealities Technology Private Limited 	-	<ol style="list-style-type: none"> 1. Nakshatra Brands Limited 2. GILI India Limited 3. Gitanjali Lifestyle Limited 4. Gitanjali Brands Limited 5. MMTC Gitanjali Limited 6. Hyderabad Gems SEZ Limited 7. Gitanjali Gold and Precious Limited 8. Priyanka Gems Private Limited 9. Rohan Diamonds Private Limited 10. Audarya Investments Private Limited 11. Mozart Trading Private Limited
Chairman/ Member of the Committee of the Board of Directors of the Company	<ol style="list-style-type: none"> 1. Chairman of Audit Committee 2. Chairman of Nomination and Remuneration Committee 3. Chairman of Stakeholders Relationship Committee 4. Chairman of Corporate Social Responsibility Committee 	<ol style="list-style-type: none"> 1. Member of Audit Committee 2. Member of Nomination and Remuneration Committee 3. Member of Stakeholders Relationship Committee 4. Member of Corporate Social Responsibility Committee 	-	<ol style="list-style-type: none"> 1. Member of Nomination and Remuneration Committee 2. Member of Corporate Social Responsibility Committee 3. Member of Management Committee

Chairman/ Member of the Committee of the Board of Directors of other Companies	<ol style="list-style-type: none"> 1. Sundaram Trustee Company - Member of Audit Committee 2. Royal Sundaram Alliance Insurance Limited - Member of Investment Committee and Chairman Customer Grievance Committee. 3. Capital First Limited - Member of Audit Committee and Remuneration committee 4. Sharada Cropchem Limited –Chairman of audit committee and member of remuneration Committee 5. Computer Age Management Services Pvt Ltd – Chairman of Audit Committee and member of remuneration 	<ol style="list-style-type: none"> 1. Binani Metals Limited – Member of Audit Committee 	-	<ol style="list-style-type: none"> 1. GILI India Limited – Member of Audit Committee 2. MMTC Gitanjali Limited – Member of Audit Committee 3. Gitanjali Brands Limited – Member of Audit Committee 4. Gitanjali Lifestyle Limited – Chairman of Audit Committee
Number of shares held in the Company as on March 31, 2014	NIL	NIL	NIL	NIL

DIRECTORS' REPORT

Dear Members

Your Directors are pleased to present the 28th Annual Report on the business and operations of the Company for the year ended March 31, 2014.

FINANCIAL RESULTS

(₹ in lacs)

	Standalone		Consolidated	
	2013-14	2012-13	2013-14	2012-13
Sales & Other Income	734308.46	1039978.77	1244555.98	1642847.75
Expenditure	694670.98	989147.91	1163401.76	1530983.24
Finance Cost	41418.56	23873.57	73631.46	46131.99
Depreciation & Ammortisation Expenses	476.14	487.85	3827.33	3665.66
Exceptional Items	(137.37)	9.77	(73.47)	9.77
Profit / (loss) before Taxes	(2394.59)	26479.21	3621.97	62076.64
Provision for Current Tax	-	5188.20	769.37	10408.77
Provision for Deferred Tax	(129.38)	74.85	(367.10)	187.97
Provision for MAT	-	(5300.00)	(374.60)	(8042.79)
Net Profit / (loss) for the year	(2265.21)	26516.16	3594.30	59522.69

COMPANY'S PERFORMANCE

It was one of the toughest years for the Indian economy with the GDP growth falling below 5%. Your Company is no exception and faced a challenging time during the year 2013-14. Customer sentiments were affected by the inflation and uncertain economic conditions. During the year under review, Reserve Bank of India initiated measures to contain the Current Account Deficit by imposing restrictions on gold import for domestic consumption. At the same time customs department increased the import duty on gold to 10%. Further, the Indian Rupee weakened considerably during the year.

During the year, financial performance of the Company stood as follows:

- Sales and Other Income as on March 31, 2014 stood at ₹ 734308.46 lakhs as against ₹ 1039978.77 lacs
- Net Loss as on March 31, 2014 is ₹ 2265.21 lacs as against profit of ₹ 26516.16 lakhs of previous year.

It can be seen from the above that in the trying times also, percentage level of gross margins has been maintained. However, finance cost shot up significantly resulting in the loss for the current year.

BUSINESS REVIEW

1. DIAMOND AND JEWELLERY MANUFACTURING SEGMENT

Gitanjali is a vertically integrated player in the jewellery industry and is engaged in diamond and jewellery manufacturing, jewellery branding and retailing. Its presence across the entire value chain gives it the scale that it enjoys. It is engaged in the entire process from sourcing rough diamonds, cutting and polishing them to manufacturing jewellery. The diamond cutting and polishing process is labour-intensive and requires a special skill set. The Group's factories are strategically located in surat and Hyderabad where the diamond industry thrives. Rough diamonds which are procured are sorted or graded on the basis of colour, shape, clarity, cut and weight. In order to ensure optimum yield of polished stones from the rough diamonds, the cutting process is carefully planned. The key steps in the process are Marking, Cleaving, Sawing, Cutting and Polishing. The final stages of the diamond manufacturing process consist of checking for damage, cleaning by boiling in various acids and the final sorting before marketing to the customer.

The branded jewellery that Gitanjali manufactures includes diamond studded and other precious stones studded jewellery. The Group has produced branded jewellery in India for over 20 years. During the year Gitanjali upgraded all its diamond and studded jewellery manufacturing facilities based in Hyderabad, Mumbai, Jaipur, China and has also added the Thailand facility - which is one of the largest of its kind. Gitanjali is looking to further strengthen its manufacturing capabilities to enable it to constantly innovate and adapt to changing consumer trends.

2. **BRANDED JEWELLERY AND RETAIL SEGMENT**

Gitanjali over the years has graduated through the various stages of the value chain to move from the diamond manufacturing business to jewellery manufacturing and retailing to unlock maximum value which accrues through downstream expansion.

Having introduced the first diamond jewellery brand “Gili” in India in 1994, Gitanjali has pioneered the branded jewellery revolution in the country. It has changed the way jewellery was viewed in India. Ever since then, Gitanjali added a plethora of brands such as Nakshatra, Asmi, Sangini, D’damas to name a few to cater to diverse age groups, occasions, price points and geographies.

Recently Gitanjali made a foray into affordable fine jewellery with its Viola Italia range of jewellery. This vibrant new collection is the company’s endeavour to cater to a wider audience and ensure that need-gaps in the market are addressed.

Gitanjali’s brands enjoy tremendous recall and the group has leveraged upon this by extending its brands to include lifestyle categories such as apparels under the Gili and Diya brands which have been reasonably successful ventures.

The Group has actively pursued not only product and design innovations but also channel innovations. Currently the company distributes its jewellery through around 360 distributors, who cater to more than 3000 retailers. The company also enjoys a significant retail presence through around 239 Own Stores, 305 franchisees and 640 Shop-in-shops. Gitanjali is also strongly exploring newer channels

such as e-commerce and has launched exclusive as well as multi-brand portals and has also created an online market place. The Group’s retail operations are supported by a strong inventory management system.

3. **INTERNATIONAL DISTRIBUTION AND RETAIL SEGMENT**

The Group is present across in the top five global diamond jewellery markets – USA, Japan, Middle East, China and India.

USA is the largest diamond jewellery market in the world. Gitanjali enjoys a retail presence through over 104 doors of its retail chain Samuels Jewels Inc. The Samuels chain has exclusive designer jewellery collections and a large selection of loose and mounted diamonds under brands such as “Samuels Jewelers”, “Schubach Jewelers”, “Samuels Diamonds”, “Rogers Jewelers” and “Andrews Jewelers” which are primarily targeted at middle and upper middle class consumers in the United States. Samuels’ retail chain is positioned as a wedding jeweller with category focus on bridal collections in the United States. The Group also distributes its jewellery to other local players in the US. The Group’s US business has been witnessing a steady growth of around 10-12% on year on year basis. US being the largest diamond jewellery market with superior margins, is one of the most ambitious markets for Gitanjali.

UAE is another significant market for jewellery in the world. Gitanjali retails its Jewellery from the bouquet of Gitanjali’s Indian brands such as “Nakshatra”, “Gili”, “Asmi”, as well as the collection of Italian brands such as “Stefan Hafner”, “Nouvelle Bague”, “IO SI”, “Porratti” and “Valente”. Gitanjali also recently entered into a tie-up with Paris Gallery to retail its jewellery throughout UAE. The Group currently distributes its jewellery through 4 retail stores and over 50 SIS in local jewellers as well as through duty free stores at Dubai airport.

Japan is also one of the largest consumers of diamond jewellery in the world. The Group has a minority stake in a listed Japanese entity – Verite and supplies to over 100 stores of Verite in Japan. The Group also has 20% stake in Gems TV which is a jewellery selling TV channel in Japan. The

Group incorporated Leading Jewels of Japan KK (LJJ) which sources jewellery from Gitanjali Group's manufacturing facilities in India, China and Thailand and distributes this jewellery to some of the largest customers in Japan. The large team of Jewellery designers from India, China and Thailand supports to customize according to local tastes and requirements of Japan. LJJ also distributes the Group's Italian brands "Stefen Hafner", "Nouvelle Bague", "IO SI", "Porrati" and "Valente" to customers in Japan.

Other International Markets- The Company distributes its jewellery internationally through its subsidiaries in USA, Hong Kong, Thailand, Belgium, Italy and China. These subsidiaries supply within their local markets as well as other global markets such as Australia, Russia, UK and other parts of Europe. Its customers include jewellery manufacturers, wholesalers and large retailers.

DIVIDEND AND APPROPRIATION

As the Company has incurred a loss during the financial year 2013-14, your directors do not recommend any dividend. No appropriations to free reserves are proposed to be made for the year under consideration.

CAPITAL

On December 05, 2012, Company issued 1 (one) Zero Percent Fully Convertible Debenture (FCD) having face value of ₹ 39,00,00,000/- (Rupees Thirty Nine Crores only) on preferential basis to D. B. Corp Limited (DBCL). The said FCD were compulsorily convertible into such number of equity shares with face value of ₹ 10 each at the end of 18 months from the date of allotment at a price determined as per Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulations, 2009.

Accordingly, on June 4, 2014, 60,54,960 equity shares of ₹ 10 each were allotted at a price of ₹ 64.41/- to DBCL pursuant to conversion of said FCD. Consequent to aforesaid conversion the paid up capital of the Company has increased from ₹ 92,06,54,910/- consisting of 9,20,65,491 equity shares of ₹ 10 each to ₹ 98,12,04,510 consisting of 9,81,20,451 equity shares of ₹ 10 each.

AUDITORS & AUDITORS REPORT

M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, the present Statutory Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment. The

company proposes to re-appoint M/s. Ford, Rhodes, Parks & Co., Chartered Accountants as Statutory Auditors of the company from the conclusion of the ensuing Annual General Meeting up to the conclusion of the next Annual General Meeting of the company.

The Audit Committee and the Board recommend the appointment of M/s. Ford, Rhodes, Parks & Co., Chartered Accountants as Statutory Auditors of the company.

The Company has received letter from statutory auditors that their re-appointment, if made, would be within prescribed limits under section 141(3)(g) of companies act, 2013 and they are not disqualified for re-appointment.

The auditor in their report on standalone financial statements for the year ended March 31, 2014 have stated emphasis of matter. The response of your directors on the same are as follows:

Response to point (a)

The Company is passing through difficult financial conditions due to extraneous factors beyond its control viz, restrictions imposed in revised gold policy, increase in import duty on gold, adverse forex movement and significant weakening of rupee against dollar. The Company is in discussion with LIC for realignment of outstanding debt obligations in respect of non convertible debentures and the management is confident that the same will be realigned shortly. Once it is realigned, cash deposit will be created as required by circular 4/2013 dated February 11, 2013 issued by ministry of corporate affairs.

Response to point (b)

The overdue installment of ECB as at of March 31, 2014 was paid in June 2014. The delay was due to liquidity challenges which Company is facing as mentioned in above point.

Response to point (c)

Due to liquidity challenges as mentioned above, there have been occasions during FY 2013-14 where there were few overdrawn position in some accounts. However, from time to time, the Company tried to clear said overdrawn positions as and when it is possible.

Response to point (d)

The management is confident that Company will be successful in getting the order in its favour in respect of disputed outstanding taxes.

Response to point (e)

The Company has been regularly honoring all its debt obligations/ statutory dues. However, multiple factors as stated earlier, such as restrictions imposed in revised gold policy, increase in import duty on gold, adverse forex movement and significant weakening of rupee against dollar had significant impact on the Company. The Company is committed to pay all its outstanding undisputed statutory dues and will pay the same gradually.

Response to point (f)

The Company is in process of approaching expert in the field and will act according to the opinion it obtains.

With regard to points raised in audit report on consolidated financial statements for the year ended March 31, 2014, the directors comments on it are covered in reply on emphasis of matter on standalone financial statement for the year ended March 31, 2014.

SUBSIDIARIES

The Ministry of Corporate Affairs, Government of India vide circular no. 2/2011 dated 8th February, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company, as set out in sub-section (1) of Section 212 of the Companies Act, 1956. Accordingly, the Board of Directors in their Meeting held on May 30, 2014 passed a resolution giving consent for not attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2014 is included in the Annual Report.

The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be available for inspection at the registered office of the Company. The Company shall furnish a copy of details of annual accounts of subsidiaries to any member on demand. We believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition and are accepted globally. The Consolidated Financial Statements presented by the Company includes the financial results of its subsidiary companies.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Your Company continues to do its bit for the society in various fields such as health, education empowerment, etc. Few of the programs that company is undertaking as part of its corporate social responsibility initiative is as under:

SUJYOT : The Company conducts and actively support and participate in programs such as cataract eye camp, blood donation, etc. Under this initiative, Company also runs a medical van in palanpur village in the state of Gujarat.

SAKSHAR : The Company supports educational institutes in the form of material scholarships, food, tuition, etc

SAKSHAM : Its an initiative of Company for empowerment through training and employment of persons with disabilities. The Company has trained many rural disabled youth in diamond and jewellery manufacturing in Hyderabad.

SNEH: It aims to build relationships with organisations and individuals who are active in the field and execute projects for the upliftment of society by partnering with them.

SRUSHTI: It organises drive for conserving enrgy and water resources, organising tree plantations drive, etc

VIGIL MECHANISM

Subsequent to year under review, in terms of the section 177 of companies act, 2013 and rules framed thereunder, the Company has framed a 'Whistle Blower Policy' with an objective of encouraging the employees of the Company to raise any concern about Company's operations and working environment, including possible breaches of Company's policies and standards, without fear of adverse managerial action being taken against such employees.

It provides a channel to the employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of any code of conduct or policy in force. The mechanism provides for adequate safeguards against victimization of employees to avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The reported concerns, if found appropriate, would be fully investigated and acted upon.

BOOK CLOSURE

As mentioned earlier, the directors are not recommending any dividend for the year under review. However, the members and share transfer books will remain closed from Saturday, September 20, 2014 to Monday, September 29, 2014 (both days inclusive) in terms of clause 16 of listing agreement for the purpose of Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR)

Subsequent to the year under review, the Board of Directors at its meeting held on May 30, 2014 has constituted Corporate Social Responsibility (CSR) Committee in accordance with Section 135 of Companies Act, 2013 read with rules formulated therein with Mr. Swaminathan Sundararajan Mittur as its Chairman and Mr. S. Krishnan and Mr. Dhanesh Sheth as its members.

The role and responsibility of CSR Committee shall include the following:

- a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified;
- b) recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company as specified in Schedule VII of Companies Act, 2013.
- c) Monitor the implementation of Corporate Social Responsibility Policy of the Company from time to time;

NOMINATION AND REMUNERATION COMMITTEE

Your Directors, at their meeting held on May 30, 2014 reconstituted remuneration committee as "Nomination and remuneration Committee" in accordance with Section 178 of Companies Act, 2013 read with rules formulated therein with Mr. Swaminathan Sundararajan Mittur as its Chairman and Mr. S. Krishnan and Mr. Dhanesh Sheth as its members.

The role of and responsibility of Nomination and Remuneration Committee is as follows:

- a) To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

- b) To formulate the criteria for determine qualification, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, KMPs and other employees.
- c) To formulate criteria for evaluation of Independent Directors and the Board.

STAKEHOLDERS RELATIONSHIP COMMITTEE

In terms of section 178(5) of Companies Act, 2013, your directors have reconstituted Shareholders/Investor's Grievance Committee as Stakeholders Relationship Committee with Mr. Swaminathan Sundararajan Mittur as its Chairman and Mr. S. Krishnan as other member of the Committee. The role of the Committee is to deal with matters relating to transfer/transmission of shares and monitor redressal of the grievances of the security holders of the Company relating to transfers, non-receipt of Balance Sheet, non-receipt of dividends declared, etc.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the consolidated financial statement pursuant to Clause 32 of the Listing Agreement entered into with Stock Exchange and prepared in accordance with applicable accounting standards prescribed by Institute of Chartered Accountants of India in this regard.

RELATED PARTY TRANSACTIONS

Related party transactions have been disclosed in the notes to accounts.

FIXED DEPOSITS

During the year under review, the Company accepted fixed deposit from the public pursuant to provisions of section 58A, 58AA and other relevant provisions of Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 made thereunder. The Company accepted total amount of ₹ 2,38,59,000/- as deposit from public during financial year 2013-14. Till date, company has refunded ₹ 46,00,000/- to deposit holders. As on date, outstanding deposits received from public stood at ₹ 1,92,59,000/- .

TRANSFER OF AMOUNT TO INVESTOR EDUCATION AND PROTECTIN FUND

In terms of Section 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed and due for refund for seven years to the Investor Education and Protection

Fund (IEPF) after the period of seven years. Shareholders are requested to ensure that they claim the dividend(s) from the company before transfer to the IEPF.

The cumulative amount transferred to IEPF during the financial year 2013-14 is ₹ 1,27,916/-. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies), Rules 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the company on the website of Ministry of Corporate Affairs.

DIRECTORS

Ms. Nazura Ajaney is appointed as Additional Director on August 13, 2014. Ms. Nazura Ajaney is a Non Executive Independent Director. As per the provisions of Section 161 of companies act 2013, Ms. Nazura Ajaney hold office only up to the date of the forthcoming Annual General Meeting (AGM) of the Company and is eligible for appointment as Director. The Company has received notices under Section, 160 of companies act 2013, in respect of Ms. Nazura Ajaney, from a member of the Company proposing her appointment as a Director of the Company. Resolution seeking approval of the members for the appointment of Ms. Nazura Ajaney as Director of the Company have been incorporated in the Notice of the forthcoming AGM along with brief details about her.

Mr. Sujal Shah retired by rotation on September 30, 2013 and did not offered himself for reappointment. Mr. Sunil Varma, Whole Time Director, tendered his resignation from the board with effect from November 14, 2013. Mr. Sunil Varma has taken a complete charge of the overseas business and affairs of the Company. Further, Mr. Nitin Potdar, Independent Director tendered his resignation from the board as a Director with effect from February 14, 2014. The Board recorded its appreciation for the valuable services rendered by them during their tenure.

Mr. Dhanesh Sheth is retiring by rotation and being eligible have offered himself for reappointment. Your Directors recommend his re-appointment for your approval.

A Brief profile of all the Directors on the Board has been given in Separate Section of the Annual Report.

KEY MANAGERIAL PERSONNEL

In view of resignation of Mr. Kapil Khandelwal as Chief Financial Officer of the Company, the board of directors

of the Company at its meeting held on May 30, 2014 appointed Mr. Chandrakant Karkare as Chief Financial Officer (in the category of key managerial personnel) of the Company, in terms of Section 203 of the Companies Act, 2013 read with Companies(Appointment & Remuneration of Managerial Personnel) Rules, 2014. Mr. Chandrakant Karkare is MBA in Finance stream with professional experience of over 28 years. He has very rich experience in Financial Operations, Accounts, Administration, Banking & Treasury Operations, and Cash & Forex Management. He also has in depth exposure of heading Corporate Finance and Treasury activities including Fund raising mobilization, cash flow monitoring, credit rating, due diligence.

The Board recorded its appreciation for the valuable service rendered by Mr. Kapil Khandelwal during his tenure as Chief Financial Officer of the Company.

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 March 31, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) that the Directors have 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 as at March 31, 2014 and of the loss of the Company for the said period;
- (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; and
- (iv) that the Directors have prepared the accounts for the financial year ended March 31, 2014 on a 'going concern' basis.

The above statements have been reviewed by the Audit Committee at its meeting held on 30 May, 2014.

POLICY FOR PREVENTION OF SEXUAL HARASSMENT

Gitanjali's quest for competitive excellence consists of its commitment to lawful and ethical conduct and adherence to its values. Integrity, honesty and respect for people remain some of its core values. The Company is committed to provide a safe & conducive work environment to its employees and has formulated 'Policy for Prevention of Sexual Harassment' to prohibit, prevent or deter any acts of sexual harassment at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment, thereby providing a safe and healthy work environment.

During the year under review, no case of sexual harassment was reported.

POSTAL BALLOT

The Board of Directors of the Company at its meeting held on August 1, 2014, inter alia, has proposed to seek approval of shareholders of the Company through postal ballot pursuant to section 110 of companies act, 2013 for the following matters:

1. To raise funds upto ₹ 175 crores by issue of Convertible Warrants to persons other than Promoters by way of preferential allotment in accordance with provisions of Companies Act, 2013 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and other applicable statutory provisions.
2. To borrow upto a limit of ₹ 10,000 crores pursuant to provisions of section 180(1)(c) of the Companies Act, 2013.
3. To create charge /hypothecation/mortgage of movable and immovable properties of the Company under Section 180(1)(a) of Companies Act, 2013 upto a limit not exceeding ₹ 10,000 crores.
4. To Make loans(s) and/or give any guarantee (s) / provide any security(ies) under section 186 of Companies Act, 2013 upto a limit not exceeding ₹ 7,500 crores.

The process of postal ballot is currently underway and the results of the same will be announced on Tuesday, September 9, 2014 at the registered office of the Company.

DISCLOSURE PURSUANT TO CLAUSE 5A OF LISTING AGREEMENT

Pursuant to insertion of clause 5A in listing Agreement as per SEBI notification no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009 the details in respect of the shares lying in the Gitanjali Gems Limited – Unclaimed Shares Demat Suspense Account till March 31, 2014 is as under:

Sl. NO.	Description	No. of Cases	No. of Shares
i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying as on April 1, 2013	24	973
ii)	Number of shareholders who approached the Company for transfer of share from suspense account during the year 2013-14	0	0
iii)	Number of shareholders to whom shares were transferred from suspense account during the year 2013-14	0	0
iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying as on March 31, 2014	24	973

All the corporate benefits in terms of securities, accruing to on these unclaimed shares shall be credited to such account. Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report of financial condition and results of operations of the Company for the year under review as required under Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement forming part of this Annual Report.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the

Corporate Governance requirements set out by SEBI. The Company has also implemented several best corporate governance practices as prevalent globally. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to this Report.

EMPLOYEE RELATIONS

Employee relations continued to be cordial during the year. The Company continued its thrust on Human Resource Development. The Board wishes to place on record its sincere appreciation to all the employees of the Company for their sustained efforts and immense contribution to the Company.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. Any member interested in obtaining such particulars may write to the Company Secretary of the Company.

INFORMATION UNDER SECTION 217(1)(e) OF COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988:

A. CONSERVATION OF ENERGY

The Disclosure of particulars with respect to conservation of energy pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to the Company. However, the Company makes its best efforts for conservation of energy.

B. TECHNOLOGY ABSORPTION, ADAPTATIONS & INNOVATION

The Company has not carried out any specific research and development activities. The Company uses indigenous technology for its operations.

Accordingly, the information related to technology absorption, adaptation and innovation is reported to be NIL.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year (₹ in lacs)	Previous Year (₹ in lacs)
Foreign Exchange Earnings:		
FOB Value	3,53,749.10	3,15,267.58
Foreign Exchange Outgo:		
Value of Imports on CIF basis	1,69,319.51	4,04,477.52
Expenditure in Foreign Exchange	4785.61	5385.62

ACKNOWLEDGEMENT

We thank our customers, vendors, investors and bankers for their continued support during the year. We place on record our appreciation of the contribution made by the employees at all levels. Our consistent growth was made possible by their hard work, solidarity, co-operation, and support.

We thank the Governments of various countries where we have operations. We also thank the Government of India, Ministry of Commerce & Industry, Ministry of Corporate Affairs, Ministry of Finance, Department of Economic Affairs, Customs & Excise Departments, Income Tax Department, Reserve Bank of India, BSE, NSE, NSDL, CDSL and various bankers, various State Governments and other Government Agencies for their support, and look forward to their continued support in the future.

For and On behalf of the Board of Directors

Mehul C. Choksi
Chairman & Managing Director

Place : Mumbai
Date : August 14, 2014

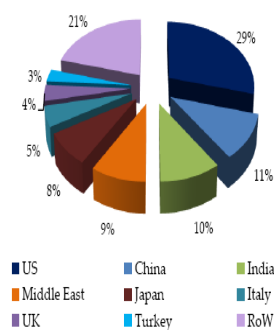
MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Gems and Jewellery (G&J) is one of the oldest industries in the world that has gone through a transition in the last decade with the rise of emerging markets and recessionary scenario in the traditional developed markets. Among the various types of jewellery viz. gold, silver, platinum, palladium jewellery, diamond studded jewellery, gemstones etc, diamond studded jewellery accounts for the largest share of the global jewellery market, followed by plain gold jewellery. Geographically, USA continues to be the largest consumer for gems and jewellery, followed by China, India, the Middle East and Japan. In Western Europe, the UK and Italy are the largest consumers and Italy is also one of the world's largest jewellery fabrication centers. The emerging markets, like China, India which have been traditional hubs of jewellery consumption, are expected to develop as the largest consumption markets for both traditional as well as branded jewellery. The global market for gems and jewellery has major contribution coming from India, Italy, China, Thailand and USA. By CY 2015, India and China are expected to together equal the USA jewellery market and global G&J trade is expected to touch USD 230 bn.

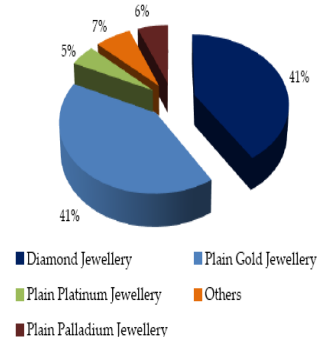
The industry is primarily classified into segments like cut & polished (C&P) diamonds, gemstones, gold and diamond jewellery, pearl & synthetic stones & others which include precious metal jewellery (other than gold), synthetic stones and lastly costume fashion jewellery. Gold and diamond jewellery are the two major segments of the industry globally and India dominates in both of them.

Key World Markets for Gems & Jewellery



*RoW- Rest of World
Source: CARE Research

Global Jewellery Segmentation by CY2015e



Source: CARE Research estimates

India has many natural advantages to emerge as the Gems & Jewellery hub of the world. 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, quality management and professionalization. India leads global consumption of gold annually, and has emerged as the 6th largest consumer of diamonds in the world. India occupies top position in importing, processing and exporting diamonds, with its cut and polished diamonds, colored gemstones, gold jewellery, pearls, non-gold jewellery and fashion jewellery.

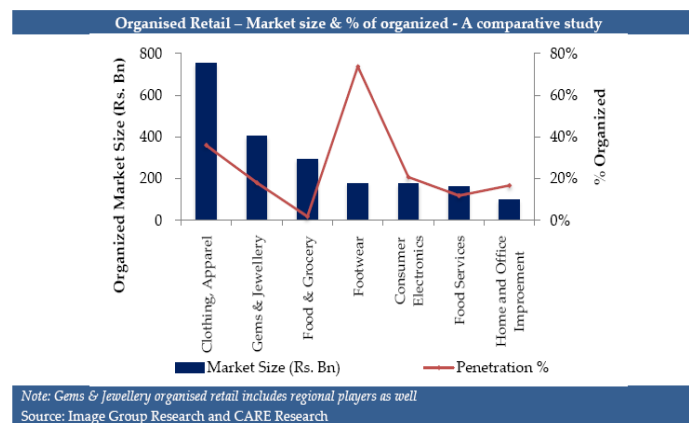
The gems and jewellery sector is one of the most important sectors of the Indian economy and has also been one of the fastest-growing sectors in the past few years. The sector is highly export-oriented, labour-intensive and a major contributor to employment, GDP and foreign exchange earnings.

The industry provides direct employment to roughly 2.5 million people - majority being workers, also known as 'karigars' who are mostly self-employed or are working in the Micro & Small Sector thus ensuring inclusive growth. The sector has the potential to generate employment of 0.7–1.5 million over the next five years. Considering its immense potential and contributions, the Indian Government has also declared the sector as a thrust area for export promotion. In 2012–2013, the industry drove jewellery exports to the tune of INR 227,000 Cr. The Gems & Jewellery sector has been playing a very important role in the Indian economy and has been contributing to 6% to 7% of the country's GDP, apart from large scale employment generations and foreign exchange earnings. The industry also drove value addition of more than INR 99,000 Cr, which is comparable to several large industries. The value created by Gems & Jewellery sector is much higher than many other sectors in India.

- India holds nearly 50% of the international gems and jewellery market.
- Gems and jewellery sector contributes nearly 19% of India's aggregate exports.
- It accounts for nearly 55% of the world's net exports of cut and polished diamonds in value terms, 90% in terms of pieces and 80% in terms of carats.
- India now processes 85% of the world's polished diamonds, far ahead of other competitors.
- Every 11 of 12 diamonds sold around the globe are processed in India regardless of where these are mined.

The Indian jewellery industry has been evolving over the past few years. Traditionally a gold dominated industry, it is now showing a greater acceptance towards diamond and other precious stones jewellery as well. The new age consumers, who are well travelled, prefer frequenting the modern retail formats like malls and departmental stores. A relatively higher affinity towards branded products coupled with higher disposable incomes and a preference for trusted fine quality products are also significant contributors to the growth of the branded jewellery segment.

The branded retail jewellery market is growing at a robust rate and going forward, many domestic and international brands would capture substantial market size given number of factors like increased urbanizations and changing demographics. As a matter of on-going practice, the masses still prefer to purchase jewellery from their tried and trusted jewellers but the constant exercise of 'branding' through advertising and other sales promotional activities has ensured steady inflow of new customers in this segment of organised retailing. India's small and independent jewellers are starting to organize themselves and expand in size to share a common brand identity and marketing strategy.



Gems & Jewellery in India

- Growth of organised retailing is expected to be fuelled by increasing spend on discretionary segments i.e. clothing, gems & jewellery, etc
- The plain gold jewellery is giving way to diamonds, platinum, silver and other precious/ semi-precious gemstones studded jewellery.
- The luxury jewellery exports from India and demand of luxury jewellery will grow given factors like talented pool of jewellery designers and artisans, low-cost but quality base and understanding the likes and dislikes of end-user market.
- The Indian luxury market is expected to jump from US\$3.5 billion in 2010 to approximately US\$30 billion by 2015 and a significant majority of about US\$9 billion will be jewellery (Source: Solitaire Magazine - GJEPC, May 2011 issue).
- In India major driver for luxury jewellery is wedding related primarily bridal jewellery which forms over 50% of jewellery sales. The other major drivers are festivals and special occasions
- India is carving a niche for itself in the international markets for exclusive high-end jewellery which can appeal to global audiences.

Future Outlook

The Indian gems and jewellery exports have slowed down in the last few months, due to the various measures implemented by the Government. India's gold imports declined from 1013.9 tonnes in FY2012-13 to 670.4 tonnes in the fiscal year ended March 2014, which is about 34% decrease, following the curb on import of precious metals by the government. The recent steps taken by the Government to restrict gold imports are having a negative impact on the Gems & Jewellery sector. However, this is only a short term measure and the Government is contemplating normalizing gold imports and exports.

The sector constitutes about 19% of the total exports from India. The Indian gold jewellery market is growing at 15% p.a. and the diamond jewellery market at 27% p.a. India's luxury goods market is growing at over double the pace of the global luxury market. The Indian luxury sector is estimated to be close to \$6 billion a year and growing at 15-20% a year, according to a March 2013 survey by Bain and Company.

Challenges to jewellery retail growth

- *Limited availability of high-end real estate which is less than 3% of total retail space.*
- *Localization, customization and adapting to changing local tastes which is undergoing a revolution.*
- *Volatile raw material prices*
- *Falling demand at any point in time would stall the expansion plans of organized retail players.*
- *Competing luxury products may eat into jewellery sales.*
- *Organized G&J retailing takes a long time in building the brand and trust among consumers and has a long gestation period.*

Corporate Profile

Established in 1966, Gitanjali is one of the largest integrated branded jewellery players in India with revenues of over USD 2 Bn. The Group is present across the entire value chain from sourcing to manufacturing to branding to retailing. Gitanjali has state of the art diamond polishing and jewellery manufacturing facilities across India, China and Thailand. The group has been a pioneer in the branded jewellery segment in India, with the launch of Gili in 1994 and today owns a strong portfolio of Indian as well as international brands which are retailed through an extensive distribution network of around 360 distributors selling to over 3,000 retailers and around 1,100 retail outlets across the channels of own stores, franchisees and shop in shops.

Competitive Strengths

- **Vertical Integration** - Integrated presence in the entire value chain right from diamond sourcing to jewellery manufacturing, branding and retailing allows us synergies of supply chain efficiency.
- **Manufacturing Prowess** - In-house manufacturing capacity of nearly half a million pieces of finished jewellery per month ensures consistent supply, economies of scale and flexibility to adapt to changing consumer needs rapidly.
- **Design Bank** - Our designs are our key assets. Our pool of talented Indian as well as Italian designers from top league fashion designing institutes constantly churn out new designs keeping in with the latest trends. Italy is our international design centre. Our manufacturing and designing strengths allow us to constantly innovate and cater to the evolving consumer trends.
- **Strong Portfolio of Brands** - Our extensive bouquet of Indian and International brands caters to various requirements across occasions, price points, age groups as well as geographies
- **Extensive Retail Footprint** - Having explored multiple retail channels and formats has allowed us to gain not only a deeper penetration into the hinterlands of the country but the same has also happened in an economically sustainable way. Gitanjali has a well established nationwide sales and distribution network that comprises over 3000 retailers and 544 outlets, including 239 Company-owned stores, 305 stores set up through franchisee arrangements. It also has 640 shop-in-shops located in department stores. Gitanjali also recognizes the growing

importance of the online space and also retails its jewellery through its exclusive brand, multi-brand portals as well as through its marketplace jewelsouk.com

- **International Presence** – Gitanjali has 104 stores of Samuels in the USA, spread across the south-west coast, a minority stake in the 3rd largest chain in Japan (Verite) and a 20% stake in Gems TV (One of Japan's largest jewellery selling TV channels). Gitanjali also supplies jewellery to 50 retail stores in China and is present via 50 points of sale in the Middle East. Our diversified presence across geographies helps in de-risking our portfolio.
- **Strong Marketing Capabilities**- Gitanjali has a strong marketing and distribution network in India. As part of the marketing strategy the company engages prominent “Bollywood” celebrities as brand ambassadors to promote its key brands. The company is one of the largest investors in media in the diamond jewellery sector in the country. These aggressive efforts have led to the brands enjoying the strong recall that they do.
- **Ability to attract and develop a highly skilled workforce** - The company places strong emphasis on training the necessary talent for its operations. The diamond and the jewellery manufacturing industry requires highly skilled labour and the company has a dedicated training center at Hyderabad SEZ which presently has capacity to train up to 1,500 workers in diamond cutting and polishing and jewellery manufacturing.

Development Plans

Our strategic objective is to continue to build on our position as a leading integrated jewellery manufacturing and retailing group. We intend to achieve this by implementing the following strategies:

Continue to grow retail operations

The Group is focused on retail expansion. In particular, the major focus for growth is expected to be through the franchise model with a number of flagship stores for support. Gitanjali intends to penetrate Tier 2 and Tier 3 markets in India primarily through franchising. The Group shall continue to increase its online presence through its own portals as well as through strategic tie-ups. In addition, there are plans to further strengthen and consolidate the international presence.

Expand market penetration for branded jewellery

Gitanjali will continue to expand the existing range of products to cater to different customers and price segments. The company will continue working closely with suppliers, distributors and customers and participate in jewellery fairs, trade shows and other industry forums and introduce new designs. Gitanjali plans to further develop its existing branded jewellery lines in India and internationally.

Explore growth opportunities focusing on different jewellery products

Gitanjali plans to diversify its jewellery products beyond diamond and gold jewellery to include different metals such as platinum and silver, as well as a wider variety of stones such as rubies and emeralds into jewellery designs. In addition, the group intends developing affordable jewellery lines which make use of natural coloured gemstones and silver. This is Gitanjali's endeavour to reach out to a wider target audience. Gitanjali also plans to explore innovative distribution channels especially for its new affordable jewellery brands.

Brand Extension

Gitanjali plans to leverage on the strong brand recall its brands enjoy to extend them to include lifestyle categories such as apparels and accessories.

Innovative marketing strategies

The Group constantly seeks new opportunities to increase brand and product presence through innovative marketing strategies such as increasing online presence and being more accessible to the target consumer.

Human Capital

Gitanjali recognizes that its employees are integral to its success. The company therefore, constantly attempts, to motivate its staff through its robust HR policies to develop a milieu, that breeds professionalism and also one which is employee centric. Gitanjali helps employees nurture ambitions and progress through learning and skill development.

Internal Controls

The Company's internal audit system is geared towards ensuring adequate internal controls to meet the increasing complexity of business, for safeguarding the assets of the Company, identifying weaknesses and areas of improvement and to meet with all compliances.

Potential Risks and Concerns

At Gitanjali, risks are identified and managed through a range of measures and initiatives that have allowed the company to achieve success across markets.

- Macro economic factors such as a downturn and changes in the regulatory environment do play an important role in affecting the company's business and earnings. However the company has ensured that its vertically integrated model and geographically diversified presence immunizes the business against these risks to a great extent.
- Manufacturing risks could arise from the inability to maintain a stable operating environment. The company mitigates this risk by operating state-of-the-art diamond cutting and polishing facilities and jewellery manufacturing units. Also, the facilities are spread across geographies which helps mitigate the risk of region-specific uncertainties in terms of the regulatory environment, calamities - natural or otherwise and any other such issues.
- Competitor risks could arise from a growing presence of local, national and international jewelers in terms of its impact on growth and market share. However, Gitanjali's size and integration allow it to capture additional margins across the value chain. Its strong brand portfolio and widespread and growing presence enables it to preserve and increase its market share.
- Innovation risks could arise from an inability to innovate which could weaken the sales cycle. Gitanjali is known for its constant innovative initiatives such as channel innovations, design innovations and product innovations. Such initiatives help Gitanjali mitigate the risk of constantly changing consumer trends.
- Commodity price fluctuation risks could arise on account of changes in diamond and gold prices and inconsistency in the availability of the same. These could adversely impact earnings. However, the Company is a DTC Sightholder which enables it to procure rough diamonds in a timely and cost-effective manner. The company's strong brands enable it to charge a premium which helps mitigate commodity price fluctuation risks.
- Forex risks could arise from the company being exposed to foreign currency fluctuations which could impact its rupee earnings. Gitanjali imports rough diamonds but since it is a net exporter of diamonds and jewellery, it only needs to hedge the net exposure which it adequately does via hedging instruments such as forward contracts etc.
- Intellectual Property risks could arise if the Company is unable to protect its intellectual property rights. Gitanjali has invested considerable effort in protecting its intellectual property rights, including trademark registrations, designs and domain names.
- Human Capital risks could arise from the non-availability of an adequately trained and skilled workforce. In order to mitigate this risk the Company has in-house training and management development programmes, workshops and constant mentoring from domain experts to stimulate motivation in employees and to attract and retain skilled personnel. The company also has processes and systems in place to help assess and rationalize manpower and other operational costs in order to enhance operational efficiencies and sustain and grow in a challenging business environment.

Corporate Performance

- Consolidated revenues declined from ₹ 1,641,849.63 lacs in 2012-13 to ₹ 1,243,600.03 lacs in 2013-14. The decline in revenues has been due to reduced gold jewellery sales on account of non availability of gold which was a result of the regulations brought in force to control the Current Account Deficit.
- Consolidated PBT declined from ₹ 62,076.64 lacs in 2012-13 to ₹ 3,621.97 lacs in 2013-14. PAT declined from ₹ 59,169.34 lacs in 2012-13 to ₹ 3,352.20 lacs in 2013-14. These were on account of the increased interest burden due to additional working capital requirement to support the company's shift in business focus during the year.

- The Jewellery segment revenues declined from ₹ 10,16,554.35 lacs in 2012-13 to ₹ 6,52,043.27 lacs in 2013-14. The diamond segment grew from ₹ 688,512.83 lacs in 2012-13 to ₹ 719,157.92 lacs in 2013-14.
- The overall Indian business declined to ₹ 510,548.89 lacs in 2013-14 from ₹ 959,876.69 lacs in 2012-13, while the international business grew to ₹ 733,051.14 lacs in 2013-14 from ₹ 681,972.94 lacs in 2012-13.
- The Depreciation & Amortisation expenses increased from ₹ 3,665.66 lacs in 2012-13 to ₹ 3,827.33 lacs in 2013-14.
- The finance cost increased from ₹ 46,131.99 lacs in 2012-13 to ₹ 73,631.46 lacs in 2013-14 on account of an increase in long term borrowings from ₹ 62,141.87 lacs in 2012-13 to ₹ 74,269.37 lacs and short term borrowings from ₹ 4,61,744.09 lacs to ₹ 7,63,200.57 lacs in 2013-14.
- Basic Earnings per share decreased from ₹ 64.50 in 2012-13 to ₹ 3.64 in 2013-14.
- Diluted Earnings per share decreased from ₹ 64.20 in 2012-13 to ₹ 3.40 in 2013-14.
- The Reserves & Surplus grew from ₹ 3,67,645.52 lacs in 2012-13 to ₹ 3,85,212.98 lacs in 2013-14.
- Inventories decreased from ₹ 4,34,733.92 lacs in 2012-13 to ₹ 3,50,301.31 lacs in 2013-14.
- Sundry debtors increased from ₹ 7,18,918.01 lacs in 2012-13 to ₹ 9,48,403.35 lacs in 2013-14.

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is viewed as both, the structure and the relationship which determine corporate direction and performance. It is a systematic process by which organizations are directed to manage their operations with the objective of enhancing stakeholder value.

Your Company has always practiced Corporate Governance of the highest standard and follows a culture that is built on core values and ethics.

Your company is committed towards transparency in all its dealings and places high emphasis on business principles and believes the good corporate Governance goes beyond working results and financial priority and is pre-requisite for attainment of excellent performance. The Company's business practices are based on the conviction that good business sense underpins good ethics.

The report of Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of Clause 49 of the Listing Agreement.

BOARD OF DIRECTORS

Composition of the Board

Clause 49 of the Listing Agreement stipulates that 50 percent of the Board should comprise of non-executive directors and where the Chairman of the Board is Executive Director, at least half of the Board should comprise of Independent Directors. As on March 31, 2014 the Company's Board comprises Five Directors, including two Independent Directors. Mr. Nitin Potdar, Independent director of the Company resigned from the Board on 14th February, 2014. As per Clause 49 (C) (iv) of the listing agreement the vacancy caused by the resignation of independent director shall be filled within 180 days.

Your Company is in process to appoint an independent director on the Board of the Company as on March 31, 2014.

The composition and the category of Directors on the Board of the Company as on March 31, 2014 were as under:

Name of Director	Category	Designation
Mr. Mehul Choksi	Promoter & Executive	Chairman & Managing Director
Mr. Dhanesh Sheth	Non-Executive and Non-Independent Director	Director
Mr. Nehal Modi	Non-Executive and Non-Independent Director	Director
Mr. S. Krishnan	Independent Director	Director
Mr. Swaminathan Sundararajan Mittur	Independent Director	Director

Changes in the Board of Directors during the year

The following are the changes in the composition of Board of Directors during the year:

Resignation / Cessation

Name of Director	Category	Date of Cessation/Retirement
Mr. Sujal Shah	Independent Director	30th September, 2013
Mr. Sunil Varma	Whole-Time Director	14th November, 2013
Mr. Nitin Potdar	Independent Director	14th February, 2014

Conduct of Board Proceedings

The day to day matters concerning the business is conducted by the executives of the Company under the direction of Executive Director with the supervision of the Board. The Board holds its meetings at regular intervals to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

During the year, the company duly complied with the requirement of four meetings in terms of Clause 49 of the Listing Agreement and Section 285 of the Companies Act, 1956. The dates on which the Board meetings were held are: 28 May, 2013, 14 August, 2013, 14 November, 2013 and 14 February, 2014.

Board Agenda

Meetings are governed by a structured agenda. All agenda items are backed by comprehensive background information to enable the Board to take informed decisions. The Board Members are presented in advance with the detailed agenda in respect of all Board meetings.

Availability of information to Board members

The Board has unfettered and complete access to any information within the Company, and to any of our employees. At Board meetings, managers who can provide additional insights into the items being discussed are invited. Regular updates provided to the Board include:

- Annual operating plans and budgets, capital budgets and updates.
- Quarterly results of our operating divisions or business segments.
- Minutes of meetings of all Committee of Board as well as circular resolutions passed during the two Board Meeting.
- The Board minutes of the subsidiary companies
- General notices of interest received from directors
- Dividend data
- Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of the CFO and Company Secretary.
- Materially important litigations, show cause, demand, prosecution and penalty notices
- Fatal or serious accidents, dangerous occurrences, and material effluent or pollution problems
- Any materially relevant defaults in financial obligations to and by us.
- Any issue that involves possible public or product liability claims of a substantial nature
- Details of joint ventures, acquisitions of companies or collaboration agreements
- Transactions that involve substantial payments toward goodwill, brand equity or intellectual property
- Any significant development on the human resources aspect
- Sale of material nature of investments, subsidiaries and assets, which are not in the normal course of business
- Details of foreign exchange exposure and the steps taken by the Management to limit risks of adverse exchange rate movement
- Non-compliance of any regulatory, statutory or listing requirements, as well as shareholder services such as non-payment of dividend and delays in share transfer.

Attendance of the Directors at Board Meetings and at previous AGM

Name of the Director	Status	No. of Board meetings held during year 2013-14	No of Board Meetings attended	Attendance at last AGM
Mr. Mehul Choksi	C.M.D.	4	4	Yes
Mr. Sunil Varma ¹	W.T.D	4	3	Yes
Mr. Dhanesh Sheth	N.E.D.	4	4	Yes
Mr. Nehal Modi	N.E.D.	4	0	No
Mr. Sujal Shah ²	I. N.E.D.	4	1	No
Mr. S. Krishnan	I. N.E.D.	4	4	Yes
Mr. Nitin Potdar ³	I. N.E.D.	4	2	Yes
Mr. Swaminathan Sundararajan Mittur	I.N.E.D	4	4	Yes

C.M.D. - Chairman & Managing Director

W.T.D- Whole Time Director

N.E.D.- Non Executive Director

I. N.E.D. - Independent Non Executive Director

- Notes: 1. Resigned with effect from November 14, 2013
 2. Retired by rotation on September 30, 2013 and did not offer himself for reappointment
 3. Resigned with effect from February 14, 2014

Board Meetings held during the year 2013 - 2014

The Board held four meetings during the year. The meetings of the Board of Directors are scheduled well in advance. The intervening period between two Board meetings was well within the maximum period of four months prescribed under Cause 49 of the Listing Agreement. The details of Board Meetings are as under:

Sr. No.	Date	Board Strength	No. of Directors present
1.	May 28, 2013	8	7
2.	August 14, 2013	8	5
3.	November 14, 2013	7	6
4.	February 14, 2014	6	4

The Board in addition to the review of the corporate plans, strategies and financials, takes periodical review of compliance reports of all laws applicable to the Company.

Details of Directorships and Committee Membership

None of the Directors holds Directorships in more than fifteen Public Limited Companies nor is any Director, Chairman of more than 5 Committees. The details of Directorship and Committee Membership & Chairmanship held by the Directors as on March 31, 2014 are as follows:

Name of the Director	No. of Directorships (Including GGL)	Committee (Including GGL)	
		Member	Chairman
Mr. Mehul Choksi	12	5	1
Mr. Dhanesh Sheth	11	4	1
Mr. Nehal Modi	1	0	0
Mr. S. Krishnan	2	2	0
Mr. Swaminathan Sundararajan Mittur	11	2	2

Notes:

- The Directorships held by Directors as mentioned above, do not include Alternate Directorships, Directorships of Foreign Companies, Section 25 Companies as per Companies Act, 1956 (Companies covered under section 8 of the Companies Act, 2013) and Private Limited companies.
- In accordance with Clause 49 of the Listing Agreement, Membership/ Chairmanship of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public Limited Companies have been considered.

Audit committee

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment.

The terms of reference of the Committee, inter alia, are as follows:

- To review compliance with internal control systems;
- To hold periodic discussions with the Statutory Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors;
- To review quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To make recommendations to the Board on any matter relating to the financial management of the Company;
- Recommending to the Board, the appointment, re-appointment and if required, the replacement and removal of Statutory Auditors and fixation of Audit fees.

Composition

As on March 31, 2014 the Audit Committee comprised of Mr. Swaminathan Sundararajan Mittur, as its Chairman and Mr. S. Krishnan and Mr. Mehul Choksi as its members.

The Chairman of the audit Committee should be an independent director as per clause 49 (II) (A) (iii). Mr. Swaminathan Sundararajan Mittur being an independent director is the Chairman of the Committee. Ms. Pankhuri Warange, Company Secretary is Secretary of the Committee. The Composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956, applicable provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement with the Stock Exchanges. All the members of the Audit Committee are financially literate.

Meetings and Attendance

During the financial year ended March 31, 2014, four meetings of the committee were held. The attendance of committee members at the meetings was as follows:

Name of Member	Status	No. of Meetings Held during the year 2013-14	No. of Meetings Attended
Mr. Swaminathan Sundararajan Mittur	Chairman	4	3
Mr. S. Krishnan	Member	4	4
Mr. Mehul Choksi	Member	4	3
Mr. Nitin Potdar ¹	Member	4	2
Mr. Sujal Shah ²	Member	4	1
Mr. Dhanesh Sheth ³	Member	4	1

Notes: 1. Resigned as Director and audit committee member with effect from February 14, 2014

2. Retired by rotation on September 30, 2013 and did not offer himself for reappointment

3. Resigned as committee member with effect from August 14, 2013

Shareholders' / Investors' Grievance Committee

The Committee looks into the redressal of shareholders'/investors' complaints, issue of duplicate/consolidated share certificates, allotment and listing of securities and review of cases for refusal of transfer/ transmission of shares and reference to statutory and regulatory authorities. The Committee oversees the performance of the Registrars and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services.

Composition of Shareholders' / Investors' Grievance Committee

As on March 31, 2014, the Shareholders' / Investors' Grievance Committee comprises of Mr. Dhanesh V. Sheth, Non-Executive Director and Mr. Mehul Choksi, Managing Director of the Company. The Committee was constituted in terms of the mandatory requirements under Clause 49 of the Listing Agreement with the Stock Exchanges

Mr. Dhanesh Sheth is Chairman of the Committee. Ms. Pankhuri Warange, Company Secretary is Secretary of the Committee.

Meetings and Attendance

During the financial year ended March 31, 2014, twelve meetings of the committee were held. The attendance of Committee members at the meetings was as follows:-

Name of Member	No. of Meetings Held during the year 2013-14	No. of Meetings Attended
Mr. Dhanesh Sheth	12	12
Mr. Mehul Choksi	12	12
Mr. Nitin Potdar*	12	7

* Resigned with effect from February 14, 2014

Status of Shareholders'/Investors' Complaints

Particulars	No. of Complaints
Complaints pending as on April 1, 2013	NIL
Complaints received during the period April 1, 2013 to March 31, 2014	54
Complaints disposed off during the period April 1, 2013 to March 31, 2014	54
Complaints outstanding as on March 31, 2014	NIL

Remuneration committee

The Remuneration Committee recommends the remuneration payable to Executive Directors in accordance with section 198, 269, 310 and 311 read with schedule XIII of the Companies Act, 1956, applicable provisions and any increments thereof with in the maximum limits as approved by the shareholders from time to time.

Composition

Till February 14, 2014 the Remuneration Committee comprised of Mr. S. Krishnan, Mr. Swaminathan Sundararajan Mittur and Mr. Nitin Potdar, all Independent Directors. After the resignation of Mr. Nitin Potdar and as on March 31, 2014 the remuneration committee comprises of Mr. S. Krishnan and Mr. Swaminathan Sundararajan Mittur. Ms. Pankhuri Warange, Company Secretary is Secretary of the Committee.

Remuneration of Non-Executive Directors and their shareholding

Name of Directors	Sitting Fees Paid (₹)		No. of Shares held as on March 31, 2014
	Board Meeting	Audit Committee	
Mr. Dhanesh Sheth	NIL	NIL	NIL
Mr. Nehal Modi	NIL	NIL	NIL
Mr. S. Krishnan	80,000	80,000	NIL
Mr. Nitin Potdar*	40,000	40,000	NA*
Mr. Swaminathan Sundararajan Mittur	80,000	40,000	NIL
Mr. Sujal Shah**	20,000	20,000	NA**

* Resigned with effect from February 14, 2014

**Retired by rotation on September 30, 2013 and did not offer himself for reappointment

Apart from the sitting fees that are paid to the non-executive directors for attending the board / committee meetings, no other fees / commission were paid during the year. No significant material transactions have been made with the Non-Executive Directors vis-à-vis the Company.

Remuneration of Executive Directors and their shareholding

Name of the Directors	Remuneration paid during the year 2013-14	Number of shares held as on March 31, 2014
Mr. Mehul Choksi	₹ 48,00,000/-	3,07,95,125
Mr. Sunil Varma*	₹ 33,20,550/-	NIL

- All decisions relating to the remuneration of Directors are taken by the Remuneration Committee in accordance, with the approval received from Board as well as the members of the Company.
- The Directors' remuneration as mentioned above consists of fixed salary component payable to them. There is no performance linked incentives payable to directors for achievement of targets.
- During 2013– 14, the Company did not issue any stock options neither did it advance any loans to any of its Directors.

* Resigned with effect from November 14, 2013.

Name, designation, address of the compliance officer**Name** : Ms. Pankhuri Warange**Designation** : General Manager - Legal & Secretarial and Company Secretary**Address** : A-1, 7th Floor, Laxmi Tower, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051**Tel.** : +91- 022 – 40354600/601**Fax** : +91- 022 - 40354602**Email** : investors@gitanjaligroup.com**General Body Meetings****(A) Annual General Meetings:**

Location, time and date where the three immediately preceding Annual General Meetings of the Company were held are given below:

General Meeting	Day & Date	Time	Venue	Special Resolutions passed
25 th AGM	Monday, September 26, 2011	3.00 p.m	M.C. Ghia Hall, 2 nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Kala Ghoda, Mumbai-400 001	NIL
26 th AGM	Friday, September 28, 2012	10.00 a.m	MCA Recreation Centre, RG-2, G block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051	Issue of Fully Convertible Debentures to D.B. Corp Limited (DBCL) on preferential basis.
27 th AGM	Monday, September 30, 2013	9.00 a.m	MCA Recreation Centre, RG-2, G block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051	NIL

(B) Extra Ordinary General Meetings

No Extraordinary General Meeting was held during the financial year 2013-14.

DISCLOSURES**(i) Related Party Transactions**

The Register of Contracts containing the transactions in which Directors are interested is placed before the Board at every meeting for its approval. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed separately as Annexure in the Notes to Accounts in the Annual Report.

(ii) Compliance

There were no instances of non-compliance on any matter related to the capital markets, during the last three years.

Means of communication

During the year, Quarterly results and Annual results have been published in leading newspaper such as 'The Free Press Journal' in English and 'Navshakti' in Marathi.

Annual report containing inter alia Audited Annual Accounts, Consolidated Financial Statements, Director's Report, Management Discussion & Analysis (MD&A) Report, Auditor's Report and other information is circulated to members and others who are entitled to it.

All important information relating to Company and its performance including the financial results and shareholding pattern are displayed on the Company's website www.gitanjaligroup.com. The website also displays all official press releases issued by the Company.

The Company puts all the price sensitive information's in to public domain by way of intimating the same to Stock Exchange immediately.

The Corp Filing & Dissemination System (CFDS) portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by listed companies. All disclosures and communications to BSE and NSE are filed electronically through the CFDS portal and hard copies of the said disclosures and correspondence are also filed with the stock exchanges.

The Company has designated an e-mail id for registering investor complaints viz., investors@gitanjaligroup.com.

Compliance with other mandatory requirements

(a) Management Discussion and Analysis

A management discussion and analysis report forms part of the Annual Report and includes discussion on various matters specified under clause 49(IV) (F) of the Listing Agreement.

(b) Subsidiaries

All the Subsidiary Companies are managed by their respective Boards who have the rights and obligations to manage the Company in the best interest of the stakeholders. As a majority stakeholder, the Company monitors the performance of such companies.

(c) Secretarial Audit for reconciliation of capital

A qualified Practicing Company Secretary has carried out secretarial audit for every quarter to reconcile the total admitted capital with both the depositories; viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate total number of shares in physical form, shares allotted & advised for demat credit but pending execution and the total number of dematerialized shares held with NSDL and CDSL. The Company had submitted the secretarial audit report for reconciliation of capital to BSE and NSE within 30 days from the end of each quarter in accordance with the SEBI requirements.

(d) Code for prevention of Insider Trading

The Company has a comprehensive code on prevention of insider trading. The Code is in compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

(e) CEO/CFO Certification

A certificate as required under clause 49(V) of the listing agreement from Managing Director and Chief Financial Officer was placed before the Board.

(f) Risk Management

The Company has laid down procedures to inform the members of the Board about the risk assessment and minimization procedures which is periodically reviewed by the Board.

(g) Code of Conduct

As provided under Clause 49 of the Listing Agreement and in line with the Company's objective of following the best Corporate Governance Standards the Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The code has been circulated to all the members of the Board and Senior Management and the same had been put on the Company's website www.gitanjaligroup.com. The Board Members and the Senior Management personnel have affirmed their compliance with the Code of Conduct for the year ended March 31, 2014.

Compliance with non- mandatory requirements

a) Board

The Board has an executive Chairman.. The Independent directors on the Board hold requisite qualifications and experience which enables them to make effective contribution to the Company in their capacity as an Independent director, which is very useful to the Company.

b) Remuneration Committee

The Company has set up a remuneration committee which is vested with the powers to recommend the remuneration payable to Managerial Personnel in accordance with section 198, 269, 310 and 311 read with schedule XIII of the Companies Act, 1956 and any increments thereof with in the maximum limits as approved by the shareholders from time to time. All the members of remuneration committee are independent directors.

c) Shareholder's Right

The Company publishes its results on its website at www.gitanjaligroup.com, which is accessible to the public at large.

General Shareholders Information

a) Annual General Meeting

Date & Time : September 29, 2014 at 10.00 A.M

Venue : Boundry Hall, First Floor, MCA Recreation Centre RG-2, , G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400 051

b) Financial Year : The financial year of the Company is from April 1 to March 31.

c) Dates of Book Closure

Our register of members and share transfer books will remain closed from Saturday, September 20, 2014 to Monday, September 29, 2014 (both days inclusive).

d) Listing on Stock Exchanges

(i) Equity Shares:

Name of Stock Exchange	Stock Code/ Symbol	Address	ISIN
National Stock Exchange of India Limited (NSE)	GITANJALI	Exchange Plaza, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.	INE346H01014
BSE Limited	532715	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001.	INE346H01014

(ii) Non Convertible Debentures

Name of Stock Exchange	Stock Code/ Symbol	Address	ISIN
BSE Limited	946260	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001.	INE346H07011

e) Listing Fees

Listing fees as required have been paid to the above stock exchanges.

f) Market Price Data

The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited. The monthly high low of the Company's price is as follows:

Month	Bombay Stock Exchange Limited*		National Stock Exchange of India Limited*	
	High ₹	Low ₹	High ₹	Low ₹
April-13	649.50	575.00	649.70	575.00
May-13	628.00	572.00	628.90	572.00
June-13	580.00	236.50	585.05	233.90
July-13	224.70	73.05	222.25	72.15

Month	Bombay Stock Exchange Limited*		National Stock Exchange of India Limited*	
	High ₹	Low ₹	High ₹	Low ₹
August-13	84.90	56.50	84.30	55.80
September-13	76.90	50.45	77.00	50.50
October-13	71.00	51.55	70.60	51.10
November-13	66.45	51.80	66.60	51.60
December-13	78.50	48.10	78.50	48.25
January-14	74.45	61.55	74.50	61.50
February-14	68.50	61.15	68.50	61.00
March-14	64.65	56.70	64.65	56.95

*Source - Respective websites of BSE & NSE.

g) Registrars & Share Transfer Agents

Karvy Computershare Private Limited
Gitanjali Gems Limited Unit,
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500081
Tel: +91-040-2342 0818
Fax: +91-040-2342 0814
e-mail: einward.ris@karvy.com
Website: www.karvy.com

h) Debentures Trustee

Axis Trustee Services Limited
2nd Floor, AXIS house, Bombay Dyeing Mills compound,
Panduranga Budhkar Marg,
Worli, Mumbai – 400 025

i) Share Transfer System

Transfer of the shares held in the dematerialized form is done through the Depositories with no involvement of the Company. As regards transfer of shares in physical form, the transfer documents can be lodged with Registrars & Share Transfer Agents of the Company, Karvy Computershare Private Limited at the address mentioned above. Transfer of shares in physical form is normally processed within 15 days from the date of receipt, if the documents are complete in all respects.

j) Distribution of Share Holding as on March 31, 2014

No. of Shares	Shareholders		Shares held	
	Nos.	%	Nos.	%
001 to 5000	56535	91.39	5755680	6.25
5001 to 10000	2903	4.69	2351380	2.55
10001 to 20000	1241	2.01	1893409	2.06
20001 to 30000	365	0.59	947162	1.03
30001 to 40000	183	0.30	658790	0.72
40001 to 50000	157	0.25	739412	0.80
50001 to 100000	228	0.36	1718826	1.87
100001 and above	252	0.41	78000832	84.72
TOTAL	61864	100	92065491	100

k) Dematerialization of equity shares

As on March 31, 2014, 684 Equity shares of the Company constituting 0.01 per cent of the share capital were held in physical form and the balance 92064807 equity shares constituting 99.99 per cent of the share capital were held in dematerialized form.

l) Liquidity

The equity shares of the Company are actively traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

m) Outstanding GDRs / ADRs / Warrants or any convertible instruments

i) Fully Convertible Debentures

On December 5, 2012, Company issued 1 (one) zero percent Fully Convertible Debenture (FCD) having face value of ₹ 39,00,00,000/- (Rupees Thirty Nine Crores only) on preferential basis to D.B. Corp Limited (DBCL). The said FCD was outstanding as on March 31, 2014. As per terms of issue, the said FCD is compulsorily convertible into equity shares at the end of 18 months from the date of allotment at a price determined as per Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

n) Corporate Identification Number (CIN)

The Corporate Identification Number (CIN) allotted by Ministry of Corporate Affairs, Government of India is L36911MH1986PLC040689 and Company registration number is 11- 040689. The Company is registered in the state of Maharashtra with Registrar of Companies, Mumbai, Maharashtra.

o) Plant Locations

LOCATION	ADDRESS
Mumbai	1. Plot No.61, SEEPZ, Andheri (E), Mumbai - 400096 2. Plot no 131/90, Marol Co-operative Industrial Estate, M.V. Road, opp Star Audio, Marol Bhawan, Marol, Andheri (E), Mumbai – 400 059 3. Plot no 20, Marol Co-operative Industrial Estate, M.V. Road, opp Star Audio, Marol Bhawan, Marol, Andheri (E), Mumbai – 400 059
Surat	Diamond Part 2, 2 nd & 3 rd floor, opp. Savani Estate, Varachha Road, Surat – 395006
Hyderabad	Survey No.1/1, Raviryal Village Road, Maheshwaram Mandal, R.R. District, Hyderabad – 501510.
Jaipur	Basement & Ground floor, G-185, EPIP, Sitapura Industrial Area, Jaipur-302022.
China	4 th Floor, Pacific Luxury, A Building, Xinya no. 123, Yinjian Road, Shataou Street, Dalou tang, Shiqiao Panyu – 511800 , Guanshou, China
Thailand	99/29, Moo 5, Tambon Pasak, Amphur Muang, Lamphun 51000, Thailand

p) Shareholding Pattern as on March 31, 2014

Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	Percentage of Shareholding
(A)	Shareholding of Promoter and Promoter Group			
	1) Indian			
	a) Individuals/ Hindu Undivided Family	1	30795125	33.45
	b) Central Government/ State Government(s)	0	0	0
	c) Bodies Corporate	4	4664610	5.07
	d) Financial Institutions/ Banks	0	0	0
	e) Any Other (specify)	0	0	0
	Sub-Total (A)(1)	5	35459735	38.52
	2) Foreign			
	a) Individuals (Non- Resident Individuals/ Foreign Individuals)	0	0	0
	b) Bodies Corporate	0	0	0
	c) Institutions	0	0	0
	d) Any Other (specify)	0	0	0
	Sub-Total (A)(2)	0	0	0
	Total Shareholding of Promoter and Promoter Group A= (A)(1)+(A)(2)	5	35459735	38.52

(B)	PUBLIC SHAREHOLDING			
	(1). Institutions			
	a) Mutual Funds/ UTI	2	4805	0.01
	b) Financial Institutions/ Banks	5	5124081	5.57
	c) Central Government/ State Government(s)	0	0	0
	d) Venture Capital Funds	0	0	0
	e) Insurance Companies	0	0	0
	f) Foreign Institutional Investors	62	17083161	18.56
	g) Foreign Venture Capital Investors	0	0	0
	h) Any Other	0	0	0
	Sub-Total (B)(1)	69	22212047	24.13
	(2) Non-Institutions			
	(a) Bodies Corporate	850	18891031	20.52
	(b) Individuals			
	i. Individual shareholders holding nominal Share capital up to ₹1 lakh	58770	12101915	13.14
	ii. Individual shareholders holding nominal share capital in excess of ₹1 lakh	68	1419751	1.54
	(c) Any Other			
	NRI	629	1048436	1.14
	Clearing Member	197	345706	0.38
	Foreign Companies	0	0	0
	Trust	2	237612	0.26
	HUF	1274	349258	0.38
	Sub-Total (B)(2)	61790	34393709	37.36
	Total Public Shareholding (B)= (B)(1)+(B)(2)	61859	56605756	61.48
	Total (A)+(B)	61864	92065491	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0
	Grand Total (A)+(B)+(C)	61864	92065491	100.00

q) Address for Correspondence

Shareholding related queries

Karvy Computershare Private Limited
Gitanjali Gems Limited Unit,
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500081
Tel: +91- 040-2342 0818
Fax: +91-040-2342 0814
E-mail: einward.ris@karvy.com
Website: www.karvy.com

General correspondence:

Gitanjali Gems Limited
A-1, 7th Floor, Laxmi Tower,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Tel: +91-022-40354600/601
Fax: +91-022-40354602
Email: investors@gitanjaligroup.com

Depository

National Securities Depository Limited,

Trade World, A Wing, 4th and 5th Floor
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400013
Tel – 022-24994200
Fax – 022-24976351
e-mail – info@nsdl.co.in
website – www.nsdl.co.in

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers,
16th Floor, Dalal Street, Fort
Mumbai – 400001
Tel – 022-22723333
Fax – 022-22723199
e-mail – investors@cdslindia.com
website – www.cdslindia.com

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

1. We have examined the compliance of conditions of Corporate Governance by Gitanjali Gems Limited for the year ended on March 31, 2014 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.
2. 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 the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanation given to us and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Ford, Rhodes, parks & Co.
Chartered Accountants
Firm Registration No. 102860W

A.D.Shenoy
Partner
Membership No. 11549

Place : Mumbai
Date : August 14, 2014

CERTIFICATE UNDER CLAUSE 49(V) OF LISTING AGREEMENT

We, Mehul C. Choksi, Chairman & Managing Director and Chandrakant Karkare, Chief Financial Officer of Gitanjali Gems Limited, to the best of our knowledge and belief, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2014 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
- (d) We further certify that :
 - (i) There was no significant change in internal control system during the year;
 - (ii) There was no significant change in accounting policies during the year; and
 - (iii) There was no instance of significant fraud during the year.

For Gitanjali Gems Limited

(Mehul C. Choksi)
Chairman & Managing Director

Place: Mumbai
Date: May 30, 2014

For Gitanjali Gems Limited

(Chandrakant Karkare)
Chief Financial Officer

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

I, Mehul C. Choksi, Managing Director of the Company, hereby declare that the Company has adopted a Code of Conduct for its Board Members and Senior Management as provided under Clause 49 of the Listing Agreement with the Stock exchanges. The Board Members and Senior Management have confirmed compliance with the Code of Conduct for the year ended March 31, 2014.

For GITANJALI GEMS LIMITED

Place: Mumbai

Date: August 14, 2014

(Mehul C. Choksi)

Managing Director

INDEPENDENT AUDITOR'S REPORT

To

The members of Gitanjali Gems Limited

Report on the Financial Statements for the year ended 31st March, 2014

We have audited the accompanying financial statements of Gitanjali Gems Limited ("the Company") which comprise the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and the 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") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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, but not for the purpose of expressing an opinion on the effectiveness

of the entities internal control 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:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014;
- ii. in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

"Emphasis of matter"

We draw attention to

- a. Note No. 28a relating to 12% Non-Convertible Debenture issued to LIC where company has not paid 4 installments aggregating to ₹. 6,250.00 lacs and interest ₹.1,093.75 lacs which was overdue as at 31.03.2014. Further, the Company has not created cash deposit as required by Circular 4/2013 dated 11th February 2013 of GOI, MCA in respect of debentures installments maturing during the following year.
- b. Note No. 28c relating to delays in servicing of principal and interest of ECBs and overdue installment of USD 1 million and interest of USD 1.32 million as at 31.03.14
- c. Note No. 28d relating to overdrawn position in working capital borrowing from consortium of bankers.
- d. Note 29d,e & f relating to disputed income tax of ₹.1,352.56 lacs, non-payment/ short deduction of TDS of ₹. 300.59 lacs and disputed service tax of ₹. 550.77 lacs.
- e. Note No. 33 relating to non- payment of Self Assessment Tax for FY 2012-13.

- f. Note no. 34 relating to compliance with schedule XIII in respect of payment of managerial remuneration.

(As fully described in respective notes)

Our opinion is not qualified in respect of above matters.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of subsection (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:
 - i. 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;
 - ii. 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;
 - iii. 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;
 - iv. 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 read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - v. on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014, from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.

For Ford, Rhodes, Parks & Co.
Chartered Accountants
Firm Registration No.102860W

A.D. Shenoy
Partner
Membership No.11549

Place: Mumbai

Date: 30th May, 2014

Annexure to the Auditors' Report

[Referred to in paragraph pertaining to "Report on Other Legal and Regulatory Requirement" of our Report of even date to the members of

Gitanjali Gems Limited on the financial statements for the year ended 31st March, 2014]

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the Company have been physically verified by the management at specified intervals during the year which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets and no material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off any substantial part of fixed assets so as to affect the going concern.
2. (a) The inventory has been physically verified by the management during the year and also at the year end.
- (b) The procedures of physical verification of inventory followed by the management is 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. No material discrepancies were noticed on physical verification.
3. (a) The Company has granted unsecured loans / advances to companies, firms or other parties covered in the register maintained under section 301 of the Act. The numbers of parties are nineteen and amount outstanding as at 31st March 2014 is ₹.40,997.06 Lacs (Previous Year ₹. 64,470.86 Lacs and Number of Parties: Nineteen)
- (b) The above loans are interest free except in respect of one of the wholly owned subsidiary companies. In respect of the said wholly owned subsidiary company, the principal amount has been repaid during the year and only interest of ₹. 383.32 Lacs is outstanding. The interest charged to the subsidiary company is not prejudicial to the interest of the Company.
(Refer note no. 46)
- (c) In respect of other companies, as no stipulation as to repayment of principal amounts have been mentioned, the question of repayment being regular does not arise. However in respect of one subsidiary company, loan of ₹. 11,574.15 Lacs was to be received on or before 31/03/2014 but the same is outstanding.
(Refer note no. 46)
- (d) The Company in earlier years had taken unsecured loans from Companies, firms and other parties covered under section 301 of the Act, the same has been repaid during the year Amount outstanding as at 31st March 2014 is NIL (PY ₹.481.24 Lacs and No. of party: One). The said loan was interest free and there were no stipulations as to repayment hence, clauses 4 (iii) (f) & (g) do not apply.
4. (a) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.
- (b) During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. (a) On the basis of our examination of the books of accounts and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act 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, all the transactions made in pursuance of such contracts or arrangements entered into the register maintained under section 301 of the Companies Act, 1956, and exceeding the value of Rupees Five Lakhs in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market price at the relevant time, except that in respect of purchases and sales of some of the products, no comparison

of prices could be made because of the unique and specialized nature of items involved and the absence of any comparable prices. We are unable to comment whether these transactions were made at prevailing market prices at the relevant time.

6. During the year, the Company has accepted deposits from the public within the meaning of provisions of Section 58A and 58AA of the Companies Act, 1956. In our opinion and according to the information and explanations given to us, the Company has complied with the provision of Section 58A of the Companies Act, 1956 and the Companies [Acceptance of Deposits] Rules, 1975.
7. The Company has engaged an independent Chartered Accountant firm to carry out the internal audit of the Company. In our opinion, the internal audit system is commensurate with its size and nature of its business.
8. We have broadly reviewed the cost accounting records maintained by the company pursuant to the Companies (cost accounting records) Rules 2011, prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 ~~from this year~~. We are of the opinion that prima facie the prescribed cost records have been maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. (a) Undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, custom duty, cess and other statutory dues have been deposited with the appropriate authorities with some delays. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, service tax, custom duty, cess and other statutory dues were outstanding at the year end for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us by the Management and as per records of the Company examined by us there were no disputed dues in respect of Wealth-

tax, Excise Duty and Cess not deposited as at 31st March 2014 except in respect of following:

1. service tax dues of ₹.550.77 lacs pertaining to the period 2005 to 2008 in respect of Show cause cum notice demand filed with Service Tax Authorities .
 2. Income tax dues of ₹. 1352.56 lacs on completion of income tax assessments U/s. 153A of the Income Tax Act, 1961 up to Ay. 2007-08.
 3. Custom duty of ₹. 26.15 lacs
 4. Non- payment/ short deduction of Tax Deducted at Source amounting to ₹. 300.59 lacs
10. The Company is registered for over 5 years and has no accumulated losses as at the end of the financial year. The Company has incurred cash losses of ₹.1,918.45 lacs in the current year. However, there were no cash losses in the immediate preceding years.
 11. Based on our audit procedures and as per the information and explanations given to us by the management, during the year the Company has defaulted in timely repayment of its dues to financial institutions, banks and debenture holders. Further the following amount due during the year are outstanding as at 31st March 2014;
 - (a) In respect of 12% No-convertible Debentures issued to LIC of India, 4 installments aggregating to ₹. 6,250 Lacs and interest thereon of ₹.1,093.75 lacs.
 - (b) In respect of ICICI Dubai ECB, One installment amounting to USD 1 million of principal and interest of USD 1.32 million.
 - (c) Overdrawn bank facilities in 19 banks amounting to ₹. 12,739.78 lacs mainly on account of non-servicing of interest.
 12. As per the information and explanations given to us by the management, we are of the opinion that the Company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities.
 13. The provisions of Clause 4 (xiii) of the Order (as

amended) are not applicable as the Company is not a chit fund company or nidhi / mutual benefit fund/ society.

14. The Company has not dealt or traded in shares, securities, debentures or other investments during the year. Hence provisions of Clause 4 (xiv) of the Order) are not applicable.
15. According to the information given to us and managements' representation, the Company has given guarantees of ₹.345,573.15 lacs for the loans taken by its subsidiary companies from banks/ financial institutions.
16. The Company has not raised any new term loans during the year. The term loans outstanding at the beginning of the year have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and overall examination of the Balance Sheet and Cash Flow Statement of the Company we report that no funds raised on short term basis have been used for long term investments.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
19. The Company has outstanding non-convertible secured debentures issued to LIC, for which, as per the information and explanations given to us, the Company has already created security. During the earlier year, the Company has issued unsecured zero % fully convertible debenture of ₹.3,900 lacs on preferential basis to D.B. Corp Limited. As the debenture issued in earlier year is unsecured, no security needs to be created in respect of this debenture.
20. The Company has not raised any money by public issues during the year.
21. Based upon the audit procedure performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Ford, Rhodes, Parks & Co.
Chartered Accountants
Firm Registration No.102860W

A.D. Shenoy
Partner
Membership No.11549

Place: Mumbai
Date: 30th May, 2014

Gitanjali Gems Limited

BALANCE SHEET AS AT 31ST MARCH,

	Note	2014	(₹ in lacs) 2013
I. EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	9,206.55	9,206.55
Reserves and Surplus	3	2,72,173.17	2,71,207.01
		<u>2,81,379.72</u>	<u>2,80,413.56</u>
Non Current Liabilities			
Long Term Borrowings	4	63,717.87	62,623.11
Deferred Tax Liabilities (net)	40	63.66	193.04
Long Term Provisions	5	275.87	330.35
		<u>64,057.40</u>	<u>63,146.50</u>
Current Liabilities			
Short Term Borrowings	6	4,21,513.38	2,38,254.61
Trade Payables	7	66,372.81	2,66,621.87
Other Current Liabilities	8	25,860.63	37,194.81
Short Term Provisions	9	56.20	3,266.75
		<u>5,13,803.02</u>	<u>5,45,338.04</u>
TOTAL		<u>8,59,240.14</u>	<u>8,88,898.10</u>
II. ASSETS			
Non Current Assets			
Fixed Assets	10		
Tangible Assets		3,044.82	3,204.85
Capital Work in Progress		5.60	703.93
Non Current Investments	11	1,41,479.57	1,60,516.94
Long Term Loans & Advances	12	17,503.36	15,983.57
Other non Current Assets	13	11,270.06	12,482.65
		<u>1,73,303.41</u>	<u>1,92,891.94</u>
Current Assets			
Inventories	14	1,01,674.71	1,48,958.87
Trade Receivables	15	5,24,586.26	4,06,443.77
Cash and Bank Balance	16	13,049.30	55,077.07
Short Term Loans & Advances	17	46,626.46	85,526.45
		<u>6,85,936.73</u>	<u>6,96,006.16</u>
TOTAL		<u>8,59,240.14</u>	<u>8,88,898.10</u>

Significant Accounting Policies

1

Notes To Accounts

1 to 48

Significant Accounting Policies and Notes attached thereto form an integral part of Financial Statements

This is the Balance Sheet referred to in our report of even date.

As per our attached report of even date.

For and on behalf of the Board

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm Regn No : 102860W

A. D. Shenoy

Partner

M. No. 11549**Mehul C. Choksi**

Managing Director

Dhanesh Sheth

Director

Place : Mumbai

Dated : May 30, 2014

Pankhuri Warange

Company Secretary

Chandrakant Karkare

Chief Financial Officer

Gitanjali Gems Limited
STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH,

			(₹ in lacs)
	Note	2014	2013
Revenue			
Revenue From Operations	18	7,34,303.46	10,38,066.51
Other Income	19	5.00	1,912.26
Total Revenue		7,34,308.46	10,39,978.77
Expenses			
Purchase of Raw Material & Traded Goods	20	6,11,000.07	9,58,854.04
Changes in Inventories	21	47,284.16	(13,411.49)
Employee Benefit Expenses	22	2,026.06	2,385.60
Finance Cost	23	41,418.56	23,873.57
Depreciation & Amortization Expenses	10	476.14	487.85
Other Expenses	24	34,360.69	41,319.76
Total Expenses		7,36,565.68	10,13,509.33
Profit/(Loss) before Exceptional and Tax		(2,257.22)	26,469.44
Exceptional Items	25	(137.37)	9.77
Profit/(Loss) Before Tax		(2,394.59)	26,479.21
Tax Expenses			
(1) Current Tax		-	5,300.00
(2) MAT Credit		-	(5,300.00)
(3) Deferred Tax		(129.38)	74.85
(4) Excess / Short Provision for Income Tax		-	(111.80)
Profit/ (Loss) for the year		(2,265.21)	26,516.16
Earning per Share :			
(1) Basic	39	(2.46)	28.90
(2) Diluted	39	(2.30)	28.77
Significant Accounting Policies	1		
Notes To Accounts	1 to 48		
Significant Accounting Policies and Notes attached thereto form an integral part of Financial Statements			
This is the Balance Sheet referred to in our report of even date.			

As per our attached report of even date.

For and on behalf of the Board

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm Regn No : 102860W

A. D. Shenoy

Partner

M. No. 11549**Mehul C. Choksi**

Managing Director

Dhanesh Sheth

Director

Place : Mumbai

Dated : May 30, 2014

Pankhuri Warange

Company Secretary

Chandrakant Karkare

Chief Financial Officer

Gitanjali Gems Limited**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31,**

(₹ In Lacs)

Particulars	2014	2013
<u>CASHFLOW FROM OPERATING ACTIVITIES :</u>		
Net profit before Tax	(2,394.59)	26,479.20
<u>Adjustment for :</u>		
Depreciation	476.14	487.85
Interest (net)	41,418.56	23,873.57
Bad Debts W/off	7,831.15	448.92
Gratuity & Leave Salary Provision	4.59	26.19
Exchange (Gain)/Loss	(22,474.80)	(8,813.59)
Loss / (profit) on Sale of Shares	137.37	31.81
Loss / (Profit) on sale of Fixed Assets	-	(9.77)
	27,393.01	16,044.98
<u>Changes in Working Capital :</u>		
(Increase)/Decrease in Inventories	47,284.16	(13,411.49)
(Increase)/Decrease in Sundry Debtors	(94,550.92)	(83,887.60)
(Increase)/Decrease in Loans & Advances	41,345.28	19,371.34
Increase/(Decrease) in Current Liabilities / Provisions	(2,21,790.34)	90,656.08
	(2,27,711.82)	12,728.33
Income Tax Paid	(460.88)	(4,872.92)
	(2,00,779.69)	23,900.39
<u>CASHFLOW FROM INVESTING ACTIVITIES :</u>		
Purchase of Investments (Net)	18,900.00	(58,262.12)
Purchase of Fixed Assets	(335.53)	(630.54)
Sale of Fixed Assets	717.75	28.17
	19,282.22	(58,864.49)
<u>CASHFLOW FROM FINANCING ACTIVITIES :</u>		
Issue of Share Capital	-	70.75
Increase in Share Premium	-	2,929.24
Repayment of Non Convertible Debenture	-	(4,687.50)
Changes in Bank Borrowings	1,83,258.78	51,200.70
Repayment of External Commercial Borrowings	(972.61)	(508.80)
Proceeds of Unsecured Loans	(481.24)	(163.69)
Issue of Fully convertible Debentures	-	3,900.00
Issue of Fixed Deposit Scheme	227.29	0.00
Dividend and Dividend Tax Paid	-	(3,210.02)
Interest paid (net)	(40,167.93)	(25,025.58)
Net increase/(decrease) in cash and cash equivalents	(42,027.77)	16,020.20

Gitanjali Gems Limited**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31,**

(₹ In Lacs)

Particulars	2014	2013
Cash and cash equivalents at the beginning of the year	55,077.07	39,056.87
Cash and cash equivalents at the end of the year	<u>13,049.30</u>	<u>55,077.07</u>

Components of Cash and Cash equivalents at the year end**Balance with Banks**

In Currents Account	677.71	9,240.57
In Fixed Deposit Accounts	<u>12,363.70</u>	<u>45,794.34</u>
	13,041.41	55,034.91
Cash on Hand	7.89	42.16
	<u>13,049.30</u>	<u>55,077.07</u>

Notes :

- 1) Cash Flow statement has been prepared under the indirect method as set out in the accounting standard 3 as per the Companies (Accounting Standards) Rule 2006.
- 2) Previous Year figures have been restated and regrouped wherever necessary.
- 3) Figures in bracket indicates outflows.
- 4) Balance with banks includes unclaimed dividend of ₹ 16.91 Lacs (Previous Year ₹ 18.86 Lacs)
- 5) FD with banks includes deposit of ₹1,795.01 Lacs (Previous year : ₹ 2,533.00 Lacs) with maturity of more than 12 months.

As per our attached report of even date.

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm Regn No : 102860W

For and on behalf of the Board

A. D. Shenoy

Partner

M. No. 11549**Mehul C. Choksi**

Managing Director

Dhanesh Sheth

Director

Place : Mumbai

Dated : May 30, 2014

Pankhuri Warange

Company Secretary

Chandrakant Karkare

Chief Financial Officer

Notes Forming Part of the Financial Statements for the Year Ended March 31, 2014

NOTE – 01

Significant Accounting Policies:

1) Basis of Preparation of Financial Statements

The accounts have been prepared on accrual basis, in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, which have been prescribed by the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act 1956, to the extent applicable read with general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act 2013, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard or a more appropriate presentation of the financial statements requires a change in the accounting policy hitherto in use.

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 statement and the reported amount of revenue and expenses during the reporting periods. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

3) Fixed Assets

(a) Tangible Assets:

Fixed assets are recorded at cost of acquisition inclusive of freight, duties, taxes and incidental expenses related to acquisition. Expenditure incurred during construction period has been added to the cost of assets.

(b) Leased Assets:

- i. Assets taken on finance lease, including taken on hire purchase arrangements, wherein the Company has an option to acquire the asset, are accounted for as fixed assets in accordance with the Accounting Standard 19 on “Leases”, (AS 19).
- ii. Assets taken on lease under which the lessor effectively retains all the risk and rewards of ownership are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreement.
- iii. The cost of improvements to lease properties are capitalized and disclosed appropriately.

4) 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 Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

5) Depreciation / Amortisation

Depreciation is charged on the fixed assets under the written down value method in accordance with the provisions of Schedule XIV to the Companies Act, 1956. The expenditure incurred on improvement of assets acquired on lease is written off evenly over the period of the lease.

6) Investment

Long – term investments including investment in Subsidiaries are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

7) Foreign Currency Transactions

Transactions in foreign currency are recorded at the rate in force on the date of transactions.

Foreign currency assets, except investments and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the date of the Balance Sheet and resultant gains/losses are charged to the Statement of Profit and Loss.

Premium or discount arising at the inception of forward foreign exchange contracts is amortized as expense or income over the life of the contracts. Any profit or loss arising on cancellation or renewal of such forward contract is recognized as income or expense for the period.

Exchange differences arising on settlement or restatement of foreign currency denominated liabilities relating to the acquisition of fixed asset are recognized in the Statement of Profit and Loss.

8) Revenue Recognition

- a) Revenue on sale of products is recognized as and when the products are dispatched to customers or acknowledged by the customers. Sales are stated net of returns and excluding sales tax.
- b) Other revenue is recognized only when it is reasonably certain that the ultimate collection will be made.

9) Inventories

Inventories of raw materials, finished goods, rejections, trading goods and stores are valued as under: -

Raw Material	Lower of cost and net realisable value
Rough Diamond Rejections	At net realisable value
Trading Goods	Lower of cost and net realisable value
Finished Goods – Polished Diamonds	Lower of cost and net realisable value
Work in progress – Jewellery	Lower of market value and material cost plus proportionate labour and overheads.
Finished Goods – Jewellery	Lower of market value and material cost plus labour and overheads.
Finished Goods – Gold	Lower of cost and market value
Consumable Stores & Tools	At cost

10) Employee Benefits

i. Defined Benefit Plan – Leave Salary:

The company has provided for liability towards leave salary based on actuarial valuation. The Company's liability towards leave salary is determined on the basis of year end actuarial valuations applying the Projected Unit Credit Method done by an independent actuary. The actuarial gains or losses determined by the actuary are recognized in the Statement of Profit and Loss as income or expense.

ii. Defined Contribution Plans :

Contributions payable by the Company to the concerned Government authorities in respect of Provident Fund, Family Pension Fund and Employees State Insurance are charged to Statement of Profit & Loss.

iii. Defined Benefit Plan – Gratuity:

The Company's liability towards gratuity is determined on the basis of year end actuarial valuations applying the Projected Unit Credit Method done by an independent actuary. The actuarial gains or losses determined by the actuary are recognized in the Statement of Profit and Loss as income or expense.

11) Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying asset are capitalized as part of the cost of asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

12) Taxation

The Company is eligible for tax incentives under the Indian Taxation Laws. These incentives presently include an exemption from payment of normal Income Tax for operation in Special Economic Zones. Income from operations in SEZ is subject to MAT. Such MAT is eligible for set off as given hereunder. The management estimates the provisions for current tax after considering such tax benefits.

Deferred tax is recognized, subject to prudence, on timing differences, being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized for unabsorbed depreciation and carry forward losses to the extent there is virtual certainty that sufficient future taxable income will be available against which deferred tax assets can be realized.

Minimum Alternate Tax (MAT) credit: MAT is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and is shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

13) Earnings Per Share

Earnings per share (EPS) is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

Dilutive EPS is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares considered for deriving the basic EPS and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted at the beginning of the year and not issued at a later date.

14) Provisions for Contingent Liabilities and Contingent Assets

Contingent liabilities are not provided for and are disclosed by way of notes after careful evaluation by the management of the facts and legal aspects of the matters involved. Contingent assets are neither recognized nor disclosed in the financial statements.

	(₹ In Lacs)	
	2014	2013
NOTE 2 - SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of ₹ 10/- each	15,000.00	15,000.00
(Previous year 150,000,000 Equity shares of Rs 10/-each)		
	15,000.00	15,000.00
Issued, Subscribed & Paid up :		
9,20,65,491 (Previous Year 9,20,65,491)Equity Shares of ₹ 10 each fully paid up	9,206.55	9,206.55
TOTAL	9,206.55	9,206.55

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

	2014	(₹ In Lacs) 2013
NOTE 3 - RESERVES & SURPLUS		
Capital Reserve	3,120.00	3,120.00
Capital Redemption Reserve	79.29	79.29
Share Premium Account		
Balance as per Last Balance Sheet	1,29,677.40	1,25,771.74
Add : Addition on account of conversion of Share Warrants	-	3,905.66
Closing Balance	1,29,677.40	1,29,677.40
Debenture Redemption Reserve		
Balance as per Last Balance Sheet	10,000.00	7,500.00
Add : Transfer from Statement of Profit & Loss	-	2,500.00
Closing Balance	10,000.00	10,000.00
General Reserve		
Balance as per Last Balance Sheet	13,578.27	10,878.27
Add : Transfer from Statement of Profit & Loss	-	2,700.00
Closing Balance	13,578.27	13,578.27
Statement of Profit & Loss		
Balance as per Last Balance Sheet	1,14,752.05	96,712.33
Add : Surplus/(Loss) as per Statement of Profit & Loss	(2,265.21)	26,516.16
	1,12,486.84	1,23,228.49
<u>Less : Appropriations</u>		
General Reserve	-	2,700.00
Debenture Redemption Reserve	-	2,500.00
Proposed Dividend (Refer Note No. 27)	(2,761.97)	2,806.04
Tax on Dividend (Refer Note No. 27)	(469.40)	470.40
	(3,231.37)	8,476.44
	1,15,718.21	1,14,752.05
TOTAL	2,72,173.17	2,71,207.01
NOTE 4 - Long Term Borrowings		
Secured		
Bonds / Debentures	-	1,562.50
Other Loans from Banks - ECB	59,590.58	56,679.37
Unsecured		
Loans & Advance from Related Parties	-	481.24
Fully Convertible Debentures (Refer Note No. 28)	3,900.00	3,900.00
Fixed Deposit Scheme	227.29	-
TOTAL	63,717.87	62,623.11

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

(₹ In Lacs)

	2014	2013
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NOTE 5 - Long Term Provisions

Provision for Employee Benefits	275.87	330.35
(Includes provision for Gratuity & Leave Encashment) (Refer Note No. 41)		
TOTAL	275.87	330.35

NOTE 6 - Short Term Borrowings**Secured**

Working Capital Facilities from Banks	4,21,513.38	2,38,254.61
TOTAL	4,21,513.38	2,38,254.61

NOTE 7 - Trade Payables

Creditors for Goods	51,315.05	2,49,282.32
Creditors for Expenses	15,057.76	17,339.55
TOTAL	66,372.81	2,66,621.87

NOTE 8 - Other Current Liabilities

Interest Accrued but not Due on Borrowings	4,296.97	754.73
Unpaid Dividends	16.91	18.86

Current Maturity of Long Term Debts

Non Convertible Debentures	7,812.50	6,250.00
Other Loans From Banks - ECB (Refer Note No. 28)	3,163.01	1,512.82

Other Payables

Advance Received from Customers	10,284.54	28,165.94
Statutory Liabilities	286.70	492.46
TOTAL	25,860.63	37,194.81

NOTE 9 - Short Term Provisions

Provision for Employee Benefits (Refer Note No. 41)	56.20	35.38
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Provision for Others

Provision for Proposed Dividend	-	2,761.97
Provision for Dividend Tax	-	469.40
TOTAL	56.20	3,266.75

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

NOTE 10 - FIXED ASSETS - TANGIBLE

DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK		
	2013	Additions	Deductions / Transfer	2014	2013	Provided for the year	Deductions Transfer	2014	2013
Freehold land	817.88	-	-	817.88	-	-	-	0.00	817.88
Factory Building	1,122.38	233.87	-	1,356.25	678.03	52.90	-	730.93	625.32
Office Premises	623.12	-	-	623.12	141.80	24.07	-	165.87	457.25
Plant & Machinery	792.74	11.36	30.46	773.64	561.78	33.16	16.64	578.30	195.34
Furniture & Fixture	1,308.34	13.72	-	1,322.06	762.31	100.80	-	863.11	458.95
Office Equipments	200.93	3.95	-	204.88	120.73	11.50	-	132.23	72.65
Computers	1,137.35	67.03	-	1,204.38	608.09	237.28	-	845.37	359.01
Vehicles	196.16	-	-	196.16	145.91	13.01	-	158.92	37.24
Moulds & Master	129.84	-	-	129.84	105.24	3.42	-	108.66	21.18
TOTAL	6,328.74	329.93	30.46	6,628.21	3,123.89	476.14	16.64	3,583.39	3,044.82
Previous Year Figures	5,736.58	845.20	253.06	6,328.72	2,828.15	487.85	192.13	3,123.87	3,204.85

FIXED ASSETS - CAPITAL WORK IN PROGRESS

DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK	
	2013	Additions	Deductions / Transfer	2014	2013	Provided for the year	Deductions Transfer	2014	2013
Capital Work-in-Progress	703.93	5.60	703.93	5.60	-	-	-	-	703.93
TOTAL	703.93	5.60	703.93	5.60	-	-	-	-	703.93
Previous Year Figures	907.87	52.24	256.18	703.93	-	-	-	-	703.93

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

	(₹ In Lacs)	
	2014	2013
NOTE 11 - Non Current Investments		
Investment in Equity Instruments		
<u>Domestic Subsidiaries</u>		
99,000 Equity Shares of ₹100/- each fully paid up of eGitanjali Limited. (Formerly Known as Mehul Impex Limited) (Previous Year : 99,000 Equity Shares)	99.00	99.00
1,72,50,000 Equity Shares of ₹ 10/- each fully paid up of Gitanjali Exports Corporation Limited (Previous Year : 1,72,50,000 Equity Shares)	37,006.50	37,006.50
1,74,91,053 Equity Shares of ₹ 5/- each of Gitanjali Brands Ltd (Previous Year : 1,74,91,053 Equity Shares of ₹5/- each)	21,012.91	21,012.91
50,000 Equity Shares of ₹ 10/- Each of Hyderabad Gems SEZ Ltd. (Previous Year : 50,000 Equity Shares)	5.00	5.00
10,18,795 - 4% Non - Cumulative Redeemable Preference Shares of ₹ 100/- each of D'damas Jewellery (India) Pvt. Ltd (Previous Year : 10,18,795 Preference Shares)	1,018.80	1,018.80
10,00,000 Equity Shares of ₹ 10/- Each of Gitanjali Jewellery Retail Ltd (Formerly Known as Modali Jewels Pvt Ltd) (Previous Year : 10,00,000 Equity Shares)	80.00	80.00
5,00,00,000 Equity Shares of ₹ 10/- Each of Gitanjali Infratech Ltd (Previous Year : 5,00,00,000,Equity Shares)	5,000.00	5,000.00
2,50,00,000 Equity Shares of ₹ 10/- Each of Gitanjali Lifestyle Ltd (Previous Year : 2,50,00,000 Equity Shares)	5,280.00	5,280.00
50,000 Equity Shares of ₹ 10/- Each of Nashik Multi Services SEZ Ltd (Previous Year : 50,000 Equity Shares)	5.00	5.00
50,000 Equity Shares of ₹ 10/- Each of Eureka Finstock Pvt. Ltd (Previous Year : 50,000 Equity Shares)	5.00	5.00
NIL Equity Shares of ₹ 10/- Each of Gitanjali Capital Pvt. Ltd (Previously known as Bezel India Pvt Ltd) (Previous Year : 20,00,000 Equity Shares)	-	437.37
50,000 Equity Shares of ₹ 10/- Each of Decent Securities and Finance Pvt. Ltd (Previous Year : 50,000 Equity Shares)	5.00	5.00
50,000 Equity Shares of ₹ 10/- Each of N & J Finstock Pvt. Ltd (Previous Year : 50,000 Equity Shares)	4.50	4.50
85,02,600 Equity Shares of ₹ 10/- Each of MMTC Gitanjali Ltd (Previous Year : 85,02,600 Equity Shares)	850.26	850.26
20,00,000 Equity Shares of ₹ 10/- each of Decent Investment and Finance Pvt. Ltd (Previous Year : 20,00,000 Equity Shares)	1,630.00	1,630.00
<u>Overseas Subsidiary</u>		
200 Shares of AED 1000 each of Gitanjali Venture DMCC (Previous Year : 200 Shares)	11,749.63	11,749.63
100 Common Shares of Gitanjali USA Inc. (Previous Year : 100 Common Shares)	10,662.32	10,662.32

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

	(₹ In Lacs)	
	2014	2013
1960 Common Stock of USD 0.01 each of Samuels Jewelers Inc.USA (Previous Year : 1960 Common Stock)	31,801.47	31,801.47
29,071,690 Shares of USD 1 each of Aston Luxury Group Limited (Previous Year : 29,071,690 shares)	14,751.67	14,751.67
<u>Advance towards subscription to 9% Non-Cumulative Redeemable Preference Shares of</u>		
<u>Subsidiary</u>		
Gitanjali Brands Limited	-	7,600.00
<u>Step Down Subsidiaries</u>		
Asmi Jewellery India Limited	-	4,500.00
Gili India Limited	-	2,500.00
Nakshatra Brands Limited	-	4,000.00
<u>Others</u>		
Share App.Money - Gitanjali Jewellery Retail Ltd	12.50	12.50
10,00,000 Equity Shares of Diamond India Limited of ₹10 each (paid up ₹5/-) (Previous Year : 10,00,000 Shares)	500.00	500.00
25 Equity Shares of ₹ 25/- each of Shamrao Vithal Co-Op.Bank Ltd. (Previous Year : 25 Equity Shares)	0.01	0.01
TOTAL	1,41,479.57	1,60,516.94

NOTE 12 : Long Term Loans & Advances**Unsecured, Considered Good**

Advances recoverable in cash	9,945.22	8,527.45
Security Deposits	7,558.14	7,456.12
TOTAL	17,503.36	15,983.57

NOTE 13 : Other Non Current Assets

Service Tax Receivable	44.44	41.55
Income Tax - Tax deducted at source	9,540.11	9,079.23
VAT Receivable	334.13	-
Staff Advances	22.79	36.04
Prepaid Expenses	1,328.59	3,325.83
TOTAL	11,270.06	12,482.65

NOTE 14 : Inventories

Raw Materials	37,087.98	1,01,659.91
Work in Progress	392.71	412.54
Finished Goods	51,009.87	36,683.07
Trading Goods	13,184.15	10,203.35
TOTAL	1,01,674.71	1,48,958.87

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

(₹ In Lacs)

2014
2013

NOTE 15 - Trade Receivables

(Unsecured, Considered Good)

Outstanding for more than six months	3,12,612.17	1,31,369.24
Outstanding for more than six months Considered Doubtful	<u>-</u>	<u>529.25</u>
	3,12,612.17	1,31,898.49
Outstanding for Less than six months	1,80,551.38	2,57,936.13
Exports Receivables Translation Control Account	<u>31,422.71</u>	<u>17,138.40</u>
Sub Total	5,24,586.26	4,06,973.02
Less: Provision for doubtful debts	<u>-</u>	<u>529.25</u>
TOTAL	<u>5,24,586.26</u>	<u>4,06,443.77</u>

NOTE 16 - Cash and Bank Balances**Cash and Cash Equivalents**

Balances with Banks	677.71	9,240.57
Cash on Hand	<u>7.89</u>	<u>42.16</u>
	685.60	9,282.73

Other Bank Balances

Fixed Deposit / Margin Money	12,363.70	45,794.34
TOTAL	<u>13,049.30</u>	<u>55,077.07</u>

NOTE 17 : Short Term Loans & Advances**Advances Recoverable in Cash or Kind**

Advances to Suppliers	5,588.07	21,014.26
Loans & Advance to Related Parties	<u>41,038.39</u>	<u>64,512.19</u>
TOTAL	<u>46,626.46</u>	<u>85,526.45</u>

NOTE 18 - Revenue from Operations**Exports (Including Deemed Exports)**

Diamonds	2,60,025.88	2,17,459.12
Jewellery	<u>1,01,959.97</u>	<u>97,957.06</u>
	3,61,985.85	3,15,416.18

Local

Diamonds	2,03,765.67	2,24,181.41
Jewellery	<u>1,68,551.94</u>	<u>4,98,468.92</u>
	3,72,317.61	7,22,650.33
TOTAL	<u>7,34,303.46</u>	<u>10,38,066.51</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

	(₹ In Lacs)	
	2014	2013
NOTE 19 - Other Income		
Dividend Income	5.00	2.10
Exchange Difference Gain (Net)	-	1,910.16
TOTAL	5.00	1,912.26
NOTE 20 - Purchase of Raw Material & Traded Goods		
Diamonds	4,15,238.44	4,51,927.20
Jewellery	1,95,761.63	5,06,926.84
TOTAL	6,11,000.07	9,58,854.04
NOTE 21 - Changes in Inventory		
Opening Stock		
Diamonds	1,35,949.20	1,21,998.88
Jewellery	13,009.67	13,548.50
	1,48,958.87	1,35,547.38
Less : Closing Stock		
Diamonds	66,769.28	1,35,949.20
Jewellery	34,905.43	13,009.67
	1,01,674.71	1,48,958.87
Net (Increase) / Decrease in Inventory	47,284.16	(13,411.49)
NOTE 22 - Employee Benefit Expense		
<u>Payment to and Provision for Employees</u>		
Salary, Bonus & Allowances	1,873.02	2,241.03
Contribution To P.F.& Other Funds	51.38	69.38
Staff Welfare	97.07	49.00
Gratuity	4.59	26.19
TOTAL	2,026.06	2,385.60
NOTE 23 - Finance Cost		
Bank Interest (Net)	39,592.40	20,241.06
Other expenses	1,826.16	3,632.51
TOTAL	41,418.56	23,873.57

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

(₹ In Lacs)

	2014	2013
NOTE 24 - Other Expenses		
Labour Charges	10,155.29	16,062.69
Custom Duty	671.75	8,865.68
Octroi	19.64	219.36
Packing Materials Consumed	6.42	4.28
Advertisement	1,401.56	5,719.92
Event, Exhibition & Business Promotion Expenses	54.25	271.22
Auditor's Remuneration	28.43	29.49
Bad Debts W/off	7,831.15	448.92
Bank Commission	1,484.43	3,941.37
Commission & Assortment Charges	10.43	213.04
Computer Expenses	26.54	45.92
Consumable Expenses	94.13	102.71
Donation	108.35	197.77
E.C.G.C. Premium	417.61	374.05
Electricity Charges	143.66	192.01
Export Sales Charges	199.09	184.54
Fixed Assets W/off	-	17.46
Foreign Travelling Expenses	217.11	345.30
Import Expenses	35.81	51.46
Insurance	40.31	487.13
Legal, Professional And Service Charges	664.40	1,650.10
Local Travelling Expenses	160.17	218.62
Membership/Subscription	16.51	35.96
Postage & Angadia Expenses	9.53	15.43
Printing & Stationery	37.13	50.96
Rent, Rates & Taxes	506.89	675.21
Repairs & Maintenance - Others	16.66	17.20
Repairs & Maintenance - Plant & Machinery	5.92	10.88
Security Service Charges	67.88	74.68
Telephone Expenses	33.46	48.46
Loss on Sale of Investments	-	-
Exchange Difference (Net)	9,665.85	-
Miscellaneous Expenses	230.32	747.94
TOTAL	34,360.68	41,319.76

NOTE : 25 : Exceptional Item

Profit on Sale of Fixed Assets	-	9.77
Gain / (Loss) on Sale of Shares	(137.37)	-
(Refer Note No. 31)		
TOTAL	(137.37)	9.77

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

NOTE – 26:**a. SHARE CAPITAL****Details of Authorised, Issued, Subscribed and Paid up Capital**

	As at 31 st March 2014		As at 31 st March 2013	
	Number	₹	Number	₹
Share Capital				
Authorised				
Equity Shares of ₹10/- each.	150,000,000	1,500,000,000	150,000,000	1,500,000,000
Issued Subscribed & Paid up				
Equity Shares of ₹10/- each	92,065,491	920,654,910	92,065,491	920,654,910

b. Reconciliation of number of shares at the beginning and end of the year.

Particulars	As at 31 st March 2014 Equity Shares Numbers	As at 31 st March 2013 Equity Shares Numbers
Shares outstanding at the beginning of the year	92,065,491	91,122,095
ADD: Shares Issued during the year on conversion of Share Warrants	-	943,396
Shares outstanding at the end of the year	92,065,491	92,065,491

c. Shares held by Holding / Ultimate Holding and / their subsidiaries / Associates	N.A	N.A
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d. Rights, Preferences and Restriction of Share holders

The company has only one class of Equity shares having par value of ₹ 10/-. The equity share have rights, Preferences and restrictions which are in accordance with the provision of law, in particular the Companies Act 1956.

e. Details of share holders holding more than 5 % shares in the Company

Name of Shareholder	As at 31 st March 2014		As at 31 st March 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Mr. Mehul C Choksi	30,795,125	33.45%	47,527,628	51.62%
Macquarie Finance (India) Pvt Ltd	5,000,000	5.43%	NIL	

f. Particulars of shares issued for consideration other than cash, shares bought back and bonus shares in last five years :

- Company bought back 792,883 Equity shares in Financial year 2009-10;
- Issue of bonus shares –NIL.

g. There are no shares reserved for issuing under options, contracts / commitments for sale of shares / disinvestments**h. Particulars of calls in arrears by directors and officers of the company. – NIL****i. Security convertible into equity shares : During FY 2012-13, the Company has issued 1 (one) Zero percent Fully Convertible Debentures (FCDs) having face value of ₹ 39,00,00,000/- (Rupees Thirty Nine Crore Only) on a preferential basis to D.B Corp Limited. The said FCD will be compulsorily convertible into such number of equity shares with face value of ₹ 10/- each at the end of 18 months from the date of allotment at a price determined as per SEBI (ICDR) Regulations, 2009(i.e. 4th June 2014).**

Except this during the year, the company has not issued any security which are to be converted in to equity shares.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

NOTE – 27: Cancellation of Dividend for FY 2012-13

In the AGM held on 30th September 2013, the resolution related to proposed dividend was not approved by the shareholder's as per poll conducted at Annual General Meeting. Accordingly the company has reversed the appropriations towards the proposed dividend for the Financial Year 2012-13 of ₹ 2,761.97 Lacs and dividend distribution tax thereon of ₹ 469.40 Lacs in current Financial year 2013-14.

NOTE-28:**Borrowings:**

- (a) 12% Non-Convertible Debentures issued to LIC of India

The 12% Non-convertible debentures for an aggregate amount of Rs.125 crores was issued to LIC of India on 22nd June, 2009. The tenure of the debentures was five years and are redeemable in eight equal quarterly installments with initial moratorium of three years and the last installment is due on 21st June, 2014. The said debentures are secured by first pari passu charge over immoveable properties in Hyderabad (A.P.) belonging to Hyderabad Gems SEZ Limited, a wholly owned subsidiary.

As the company's business and the cash flows were severely affected by regulator's order on gold import, repayment of 4 installments aggregating to Rs. 6,250 Lacs and interest due thereon of Rs.1,093.75 Lacs was overdue as at 31.03.2014. The company has approached with LIC of India for revision in repayment schedule and expects revised repayment terms and action on the above notice would be dropped.

In view of Cash flow constraints, the company has not created cash deposit as required by Circular 4/2013 dated 11th February 2013 of GOI, MCA in respect of debentures installment maturing during the following year.

- (b) Fully Convertible Debenture issued to D.B. Corp Limited for Rs.39 crores

During FY 2012-13, the Company has issued 1 (one) Zero percent Fully Convertible Debenture (FCDs) having face value of Rs. 39,00,00,000/- (Rupees Thirty Nine Crores Only) on a preferential basis to D.B Corp Limited. The said FCD will be compulsorily convertible into such number of equity shares with face value of Rs. 10/- each at the end of 18 months from the date of allotment at a price to be determined as per SEBI (ICDR) Regulations, 2009. There was no conversion into equity shares as at 31st March, 2014 and last date of conversion is 4th June, 2014.

- (c) External Commercial Borrowings (ECB):

During the financial year 2011-12 the company raised ECBs aggregating USD 107.19 million from the following two banks

Sr.No	Name of Bank	Amount (USD millions)
1.	IDBI Bank Limited (Dubai)	57.19
2.	ICICI Bank Limited (Dubai)	50.00
Total		107.19

Terms of ECB :

The above ECBs carry interest at the rate of 4.90 + 6 months USD LIBOR per annum and is repayable in twelve half yearly installments of which first four installments are @ 0.667% of the principal and the remainder eight installments @ 12.167% of the principal. Repayment starts from 1st June 2013 and ends on 1st December 2018.

Out of the above ECB proceeds, USD 57.19 million was utilised to redeem the outstanding Foreign Currency Convertible Bonds (FCCBs) and balance USD 50 million was utilised towards capital expenditure in SEZ unit in Hyderabad and investment in overseas subsidiaries.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

Security for ECB :

The said ECBs are secured by first pari passu charge over certain immovable properties belonging to the company's subsidiaries and second charge on the company's assets, namely, raw materials, stock in progress, finished goods, all book debts, movable plant and machinery, consumable stores and stores and spares, both present and future. During the year the company also provided additional security by way of properties of various subsidiaries in respect of the said ECBs.

There have been delays in servicing the principal and interest in respect of these ECBs. One instalment amounting to USD 1 million of ECB principal and interest of USD 1.32 million to ICICI Bank was overdue as at 31st March 2014.

(d) Working Capital Borrowing – from consortium of bankers

The total outstanding balance of Working Capital Borrowing from consortium of bankers as at 31st March 2014 amounted to Rs. 4,21,513.38 Lacs. The above facility carries interest ranging from 5% to 14.5% per annum. The working capital borrowings are secured against certain immovable properties of the company and its subsidiaries and hypothecation by way of first charge on all present and future goods, movable assets, vehicles, furniture, stock in trade, fixed deposits, book debts along with the personal guarantee of the Managing Director.

In the month of May/June 2013, there have been changes in RBI Policy relating to issuance of BG/LC for purchase of gold. Due to this restriction, there has been sudden and severe impact on cashflow which in turn has resulted in non-payment of BG and LC liability. As at 31st March 2014, the facilities in 19 banks are overdrawn by Rs.12,739.78 Lacs mainly on account of non-servicing of interest.

(e) Public deposits:

During the year under review the Company has accepted deposits of 227.29 Lacs from the public within the meaning of section 58A of the Companies Act, 1956. Fixed deposit are for the period from 1 year to 3 year and carries interest ranging from 11.50% to 12.50%. The outstanding balance as on 31.03.14 is Rs. 227.29 lacs. The amount due within 1 year is Rs 39.45 Lacs.

NOTE-29:**Contingent Liabilities not provided in respect of**

- a) Corporate Guarantees given by the Company to the extent of **Rs. 345,573.15 Lacs** (Previous year: Rs.315,380.00 Lacs) for Working capital facilities availed by its subsidiaries.
- b) Outstanding Letter of Credit : **Rs.NIL** (Previous year : NIL)
- c) The Company has received show cause notice from Custom department disputing the rate of custom duty in respect of import of jewelry by unrelated party, duty differential being Rs. 26.15 lacs. Since the material is not imported by the company, no duty would be payable. The company, based on tax consultant's assessment, is confident that the case is likely to be decided favourably.
- d) Disputed Income Tax : **Rs.1,352.56 lacs** (Previous Year: NIL) as under:

Sr.No.	Assessment years	Disputed Tax (Rs. In Lacs)
1	AY 2006-07	473.90
2	AY 2007-08	878.66

The company's income tax assessments are completed U/s. 143 of the Income Tax Act, 1961 up to AY 2007-08 with demand of Rs. 1,730.46 Lacs. The Company had filed appeals with the tribunal against the said demand. The appeals were decided in favour of the company. In the meantime, the company received notice u/s 153A of the Income Tax Act, 1961, and on completion of assessment for 2 years, demand for 1,352.56 Lacs was received. The Company has filed appeals against the said assessment orders and appeals are pending before CIT (A).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

- e) The company has received notices for delayed filing of TDS returns, non-payment/ short deduction of TDS amounts demanding Rs 300.59 Lacs. . The company, in consultation with tax consultant, is attending to the above notices.

- f) Disputed Service Tax : **Rs. 550.77 Lacs** (Previous Year : Rs. 619.90 Lacs)

The Company has replied the show cause notices and based on the internal assessment of the company, the demand is not likely to be crystalised.

NOTE -30 :

GDR :

The company raised USD 180.00 million through issuance of GDR on December 14, 2007. The proceeds have been fully utilized as per objects of the issue by the end of March 31, 2013.

NOTE – 31:

Investments

- a) Considering the current gloomy scenario in gems and jewellery industry during the year, the following subsidiaries have refunded back advance given towards subscription to 9% Non Cumulative Redeemable Preference shares during FY 2012-13 :

Name of the Subsidiary	Amount (In Lacs)
Gitanjali Brands Ltd.	7,600
Asmi Jewellery India Ltd.	4,500
Gili India Ltd.	2,500
Nakshatra Brands Ltd.	4,000

- b) **Disinvestments in Subsidiaries:**

During the year the company sold its 100% equity stake in Gitanjali Capital Private Ltd to another wholly owned subsidiary Gitanjali Lifestyle Ltd for an amount of ₹ 300 lacs. The loss on account of above sale of investment amounted to ₹137.37 lacs and is shown as exceptional item in Statement of Profit & Loss.

- c) The company, with a view to consolidate the business model , appointed reputed firm of consultants to advise on future business model and restructuring of domestic and overseas subsidiaries. Based on the recommendations, as part of restructuring of overseas subsidiaries, the company has plans of disinvestment in equity share of three of the foreign subsidiaries to it's another overseas wholly owned subsidiary namely Aston Luxury Group Ltd, Hong Kong. However the above restructuring is subject to approval by lenders and from Reserve Bank of India under FEMA. On signing off unbinding term sheet, the company has received part payment in earlier years. Pending necessary approval, the amount received of USD 6.44 Million as part consideration has been kept in Other Current liabilities.

- d) **Investment during the year:**

The company has committed Investment of ₹ 0.85 Lacs towards subscription to 17% of equity capital of newly formed company namely GEMTA Coal Mines Limited .

NOTE – 32:

Purchase of Raw Material and Traded Goods:

The Company is engaged in business of trading and manufacturing of Plain Gold Jewellery, Diamond Studded Jewellery, Diamond Cutting and Polishing. For this purpose Company has its own manufacturing facility and also undertakes job work for others. The company also purchases jewelery produced by reputed manufacturers. Considering the nature of product and type of business, cost of material consumed includes value of traded goods purchased for trading.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

NOTE – 33:**Undisputed Statutory dues:**

As a result of government policy on gold imports, the company's cash flow was severely affected from mid May 2013 onwards. There was overdrawn position in working capital bank loans also. As a result, the company could not meet the statutory payments in time. There were delays in payment of TDS leading to late filing of necessary returns with tax authorities.

The tax liability as per I.T. return for the assessment year 2013-14 (financial year 2012-13) amounted to ₹ 5,702.94 Lacs against which the total payment along with advance tax and TDS amounted to ₹ 3539.62 Lacs. The self-assessment tax of ₹2,163.32 Lacs was payable on or before 30th November, 2013 and said amount is outstanding.

NOTE – 34:**Particulars of Remuneration to Managing Directors & Executive Director during the year****(₹ In Lacs)**

Managing Director	FY 2013-14	FY 2012-13
Salary & Other Allowances	48.00	48.00
Contribution to PF	NIL	NIL
Other Perquisites	NIL	NIL
Total	48.00	48.00

(₹ In Lacs)

Whole Time Director	FY 2013-14	FY 2012-13
Salary & Other Allowances	33.16	39.61
Contribution to PF	0.04	3.75
Other Perquisites	NIL	NIL
Total	33.20	43.36

(₹ In Lacs)

Independent Director	FY 2013-14	FY 2012-13
Director Sitting Fees	4.00	4.80

Notes:

The remuneration does not include Provision for Leave, Gratuity and Post-Retirement Benefits as per revised Accounting standard-15 since the same were not ascertained for individual employees.

The computation of Net profit under section 198 / 349 of the Companies Act 1956 has not been given since no commission is paid or payable to any director during current year.

The remuneration to managing director was fixed at ₹ 60 lacs p.a. plus perquisites vide resolution passed in Annual General Meeting held on 28th September, 2012. In view of the loss incurred during the current year, the remuneration is limited to ₹ 48 lacs p.a. under the provision of schedule XIII to the Companies Act, 1956. The company is seeking legal advice regarding compliance of schedule XIII requirements, if any in this regard.

Mr. Sunil Varma resigned as Whole Time Director (WTD) of the Company on November 14, 2013. His remuneration as executive director was fixed at Rs.57.36p.a.as per resolution passed in Annual General Meeting held on 28th September, 2012. The said remuneration is exempted from the purview of limit specified under section 198, 309, Schedule XIII and other applicable provisions of Companies Act, 1956 in terms of notification no GSR 534(E) dated July 14, 2011 issued by ministry of corporate affairs.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

NOTE – 35:

Interest received during the year was ₹3,163.27 Lacs (Previous Year ₹ 4,197.65 Lacs) and Tax Deducted at Source from interest income was ₹315.90 Lacs for the year ended 31st March 2014. (Previous Year ₹513.28 Lacs). Bank Interest is net of Interest received.

NOTE – 36:**Trade Receivable**

- a) Trade Receivable as on 31st March, 2014 includes ₹NIL (Previous year ₹ NIL) due from concerns in which Directors are interested as Directors/Partners.
- b) Trade Receivable as on 31st March, 2014 includes ₹66,364.76 Lacs (Previous year ₹40,522.38 Lacs) due from group subsidiaries- domestic and overseas.
- c) There are some cases where the export receivables are outstanding for more than permissible limits for which the company is in process of filing application to authorized dealer / Reserve Bank of India.
- d) The receivable and payable from same party have been netted off for purpose of presentation in financial statement.
- e) During the year the company has written off export receivable of ₹ 6,740.43 Lacs as Bad debts which is within the permissible limit of Reserve Bank of India.
- f) Debtors have been reviewed by the reputed independent firm of Chartered Accountants appointed by consortium of bankers and they have not reported any adverse comments.

NOTE – 37:**Loans and Advances**

- a) Advances to suppliers includes ₹ 7.45 Lacs (Previous year ₹ 15,598.08 Lacs) given to concerns in which Directors are interested as Directors/Members/Partners.
- b) Advances to suppliers includes ₹ Nil (Previous year: ₹ 7.45 Lacs) given to Associates.
- c) Loans & Advances to other than group companies included ₹ 4,162.62 lacs out of which ₹ 1,477.46 lacs was considered irrecoverable and written off during the year management considers the balance loans and advances as good and recoverable.

NOTE – 38:**Remuneration to Auditors****(Rupees in Lacs)**

Particulars	Current Year	Previous Year
a) Audit Fees	21.50	23.50
b) Tax Audit Fees	3.80	2.75
c) Service Tax	3.13	3.24
Total	28.43	29.49

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

NOTE – 39:**Earning per share (after Tax provision)**

	Current Year	Previous Year
Net profit/(Loss) for the period attributable to equity shareholders (₹ In Lacs)	(2,265.20)	26,516.16
Weighted Average No. of Equity shares outstanding during the year (Nos.)	92,065,491	91,742,410
Basic earnings per share	₹ (2.46)	₹ 28.90
Weighted average number of Diluted equity Shares (Nos.)	98,576,342	92,167,694
Diluted earnings per share (Face value of ₹10 each)	₹ (2.30)	₹ 28.77

NOTE – 40:**Deferred Tax Assets & Liabilities as on 31st March 2014 are as under:****(Rupees in Lacs)**

	Current Year	Previous Year
Deferred Tax (Liability)		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(170.82)	(200.55)
Gross Deferred Tax (Liability)	(170.82)	(200.55)
Deferred Tax Asset		
Provision for Retirement Benefits	107.16	7.51
Gross Deferred Tax Asset	107.16	7.51
Net Deferred Tax Asset/(Liability)	(63.66)	(193.04)

NOTE – 41:**Gratuity****Defined Benefit Plan:**

The Company has applied the revised Accounting Standard AS-15 Employee Benefits notified under the Companies (Accounting Standard) Rules, 2006. Consequent to the application of the revised AS-15 the following disclosures have been made as required by the said standard

I. Assumptions	For the Year (%)	Previous Year (%)
Discount Rate Previous	8.06%	8.06%
Salary Escalation Previous	7.00%	7.00%
Attrition Rate Previous Year	7.00%	7.00%
Discount Rate Current	9.19%	8.06%
Salary Escalation Current	6.70%	7.00%
Attrition Rate Current	6.50%	7.00%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

II. Table Showing Change in Benefit Obligation	For the Year (₹ In Lacs)	Previous Year (₹ in Lacs)
Liability at the beginning of the year	300.14	295.19
Interest Cost	22.93	23.17
Current Service Cost	47.28	59.41
Past Service Cost (Non Vested Benefit)	-	-
Past Service Cost (Vested Benefit)	-	-
Liability Transfer in	-	-
Liability transfer out	-	-
Benefit Paid	(31.29)	(15.80)
Actuarial (gain)/loss on obligations	(65.62)	(56.38)
Liability at the end of the year	273.45	300.14

III. Recognition of Transitional Liability	For the Year (₹)	Previous Year (₹)
Transition Liability at start	-	-
Transition Liability recognised during the year	-	-
Transition Liability at end	-	-

IV. Amount Recognized in the Balance Sheet	For the Year (₹)	Previous Year (₹)
Liability at the end of the year	273.45	300.14
Fair Value of Plan Assets at the end of the year	-	-
Difference	(273.45)	(300.14)
Unrecognised Past Service Cost	-	-
Unrecognised Transition Liability	-	-
Amount Recognised in the Balance Sheet	(273.45)	(300.14)

V. Expenses Recognised in the Income Statement		
Current Service Cost	47.28	59.41
Interest Cost	22.93	23.16
Expected Return on Plan Assets	-	-
Past Service Cost (Non Vested Benefit) Recognised	-	-
Past Service Cost (Vested Benefit) Recognised	-	-
Recognition of Transition Liability	-	-
Actuarial (Gain) or Loss	(65.62)	(56.38)
Expense Recognised in Profit & Loss Account	4.59	31.63

VI. Balance Sheet Reconciliation		
Opening Net Liability	300.14	300.14
Expense as above	4.59	26.19
Employers Contribution	(31.29)	(15.80)
Amount Recognised in Balance Sheet	273.45	300.14

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

VII. Other Details		
Gratuity is payable at the rate of 15 days		
Salary for each year of service subject to maximum of ₹3,50,000/-		
Salary escalation is considered as advised by the		
Company which is in line with the industry practice		
Considering promotion and demand and supply of the Employees		
Number of Members	390	535
Salary Per Month	93.06	111.42
Contribution for next year	-	-
VIII. Experience Adjustment		
On Plan Liability Gain / (Loss)		

NOTE – 42:**Segment Reporting (Accounting Standard –17)**

The Management of the company identifies two major reportable segments as Diamond business & Jewellery Business.
(Refer to Annexure I)

NOTE –43:**Related Party Transaction (Accounting Standard -18) - (Refer to Annexure – II)****NOTE – 44:****Disclosure as per Accounting Standard (AS – 19) on “Leases”, issued by the ICAI, are given below:**

- i. The Company has taken various office premises and fixed assets under operating lease or leave and license agreements. These are generally non-cancelable and ranges between 11 months and 5 years under leave and license, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.
- ii. Lease payments are recognised in the Statement of Profit and Loss under ‘Rent’ in Note 23 and are net of recoveries from group companies.
- iii. The future minimum lease payments under non-cancelable operating lease :
 - a. not later than one year **₹ 733.10 Lacs** (Previous year : ₹ 529.83 Lacs)
 - b. later than one year and not later than five years **₹ 1,743.29 Lacs**
(Previous year: ₹2,083.09 Lacs)
 - c. More than five years **₹ 2,450.45 Lacs** (Previous year : ₹ 2,450.45 Lacs)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

NOTE – 45:**Value of import on CIF basis (₹ In Lacs)**

Particulars	Current year	Previous year
Diamonds & Jewellery	169,319.51	404,477.52

Expenditure in foreign currency (₹ In Lacs)

Particulars	Current year	Previous year
Foreign travelling	85.09	345.30
Others	4,700.52	5,040.32
Total:	4,785.61	5,385.62

Earnings in foreign currency (₹ In Lacs)

Particulars	Current year	Previous year
FOB value of exports	353,749.10	315,267.58

Disclosure of Foreign Currency Exposures:

The details of outstanding foreign currency exposure of the company as at March 31, 2014 are as under:

Particulars	USD (In Million)
Debtors – covered by Forward Contract	111.43
Debtors – uncovered	676.42
Creditors – covered by Forward Contract	-
Creditors – uncovered	114.58
ECB – uncovered	104.42
Bank Facility – uncovered	116.11

Forward contracts for debtors and creditors are not intended for trading or speculation.

NOTE – 46:**Disclosure of Loans and Advances to Subsidiaries, Associates and Others****(Pursuant to Clause 32 of Listing Agreement)****(₹ In Lacs)**

Name of the Company	Amount outstanding as at 31 st March, 2014	Maximum O/s. during the year
Gitanjali Capital Ltd.	0.73	0.73
Decent Securities & Finance Pvt. Ltd.	923.19	948.31
Eureka Finstock Pvt. Ltd.	1,095.56	1,118.59
Gitanjali Exports Corporation Ltd.	8,171.19	19,765.05
Gitanjali Infratech Ltd.	11,957.48	11,958.21
Gitanjali Jewellery Retail Ltd.	3,773.36	3,773.36
Gitanjali Lifestyle Ltd.	359.32	18,711.76
Gitanjali USA INC	9.12	9.12
Gitanjali Ventures DMCC	4.97	4.97
Hyderabad Gems SEZ Ltd.	7,061.36	7,107.77

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

e-Gitanjali Ltd. (Formerly known as Mehul Impex Limited)	300.35	300.35
MMTC Gitanjali Ltd.	675.12	772.51
Decent Investment & Finance Pvt. Ltd.	301.01	301.01
Mobilnext Teleservices Pvt Ltd.	132.53	132.53
N & J Finstocks Pvt. Ltd	2,026.06	2,055.10
Nasik Multi Services SEZ Ltd.	817.00	817.00
Maya Retail Ltd.	2,905.77	3,041.23
Spectrum Jewellery Ltd.	228.51	823.79
Tri Star Worldwide LLC	254.43	254.43

Considering that the subsidiaries overseas and domestic have been formed for promoting company's business, the above Loans and advances to its various subsidiaries are interest free and carry no stipulation as to repayment. The Company has not given loans & advances for a term exceeding 7 years.

The above statement excludes:

₹ 41.33 lacs advanced to the subsidiary companies by way of trade advance.

NOTE – 47:

- Based on the details regarding the status of the suppliers, to the extent obtained, no supplier is covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). The auditors have relied on the management's information.
- To the extent information available with the company, the company does not owe any sum to small scale industrial unit as defined in clause (j) of Section 3 of the Industrial (Development & Regulation) Act, 1951. The Auditors have relied on management's information.
- There is no amount due and outstanding towards Investor Education and Protection Fund.

NOTE – 48:

Previous year's figures have been regrouped/rearranged/reworked wherever necessary and possible so as to confirm to current year's classification.

As per our attached report of even date.
For **Ford, Rhodes, Parks & Co.**
Chartered Accountants
Firm Regn No : 102860W

For and on behalf of the Board

A. D. Shenoy
Partner
M. No. 11549

Mehul C. Choksi
Managing Director

Dhanesh Sheth
Director

Place : Mumbai
Dated : May 30, 2014

Pankhuri Warange
Company Secretary

Chandrakant Karkare
Chief Financial Officer

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

Annexure - I**Segmentwise Reporting Revenue, Results and Capital Employed for the year ended 31st March,****(₹ In Lacs)**

Particulars	2014	2013
A) Primary Segment (By Business Segment)		
Description		
1. Segment Revenue		
a. Segment - Diamond	4,68,602.28	4,46,969.89
b. Segment - Jewellery	2,70,511.91	5,96,425.98
TOTAL	7,39,114.19	10,43,395.87
Less: Inter Segment sales	4,810.73	5,329.36
Net Sales	7,34,303.46	10,38,066.51
2. Segment Results		
Profit/(Loss) before Tax and interest from each segment		
a. Segment - Diamond	23,719.89	10,748.03
b. Segment - Jewellery	15,441.45	39,594.98
TOTAL	39,161.34	50,343.01
Less: Finance cost	41,418.56	23,873.57
Total Profit/(Loss) Before Exceptional Item & Tax	(2,257.22)	26,469.44
3. Capital Employed		
a. Segment - Diamond	75,573.70	42,290.76
b. Segment - Jewellery	77,483.94	74,848.48
c. Unallocated net assets	1,28,322.08	1,63,274.32
Total Capital Employed	2,81,379.72	2,80,413.56
B) Secondary Segment (By Geographical Segment)		
Segment Revenue		
Geographical Location		
India	3,72,317.61	7,22,650.33
Rest of the world	3,61,985.85	3,15,416.18
Total Revenue	7,34,303.46	10,38,066.51

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

Annexure - II**Related Party Disclosures as per AS 18.****(A) Particulars of Enterprises Controlled By The Company where there are transactions**

Name of Related Party	<u>Relationship</u>
eGitanjali Ltd.(Formerly known as Mehul Impex Ltd.)	Subsidiary
Gitanjali Exports Corporation Ltd.	Subsidiary
Gitanjali Brands Ltd.	Subsidiary
Hyderabad Gems SEZ Ltd.	Subsidiary
Gitanjali Infratech Ltd.	Subsidiary
Gitanjali Lifestyle Ltd.	Subsidiary
Gitanjali Jewellery Retail Ltd.	Subsidiary
Nashik Multi Services SEZ Ltd.	Subsidiary
Gitanjali Ventures DMCC	Subsidiary
Samuels Jewelers Inc.	Subsidiary
Gitanjali USA Inc.	Subsidiary
MMTC Gitanjali Ltd.	Subsidiary
Decent Securities & Finance Pvt. Ltd.	Subsidiary
Eureka Finstock Pvt.Ltd.	Subsidiary
Gitanjali Capital Pvt. Ltd.	Subsidiary
N and J Finstock Pvt.Ltd.	Subsidiary
Decent Investment & Finance Pvt. Ltd.	Subsidiary
Aston Luxury Group Ltd.	Subsidiary
Tri-Star Worldwide LLC	Step Down Subsidiary
Shubhlavanyaa Jewel crafts Pvt.Ltd.	Step Down Subsidiary
Asmi Jewellery India Ltd.	Step Down Subsidiary
Gili India Ltd.	Step Down Subsidiary
D'Damas Jewellery (India) Pvt.Ltd.	Step Down Subsidiary
Nakshatra Brands Ltd.	Step Down Subsidiary
Spectrum Jewellery Ltd.	Step Down Subsidiary
Mobilenxt Teleservices Pvt.Ltd.	Step Down Subsidiary
Maya Retail Ltd.	Step Down Subsidiary
Diamlink Inc	Step Down Subsidiary
Alfred Terry Ltd. (Formerly Alfred Terry Holdings Ltd.)	Step Down Subsidiary
LJOW Holdings, LLC	Step Down Subsidiary
Gitanjali Resources BVBA	Step Down Subsidiary
GGL Diamond LLC	Step Down Subsidiary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

Leading Jewels of Japan K.K.	Step Down Subsidiary
Leading Singapore Jewels Pte Ltd	Step Down Subsidiary
Blue SRL	Step Down Subsidiary
Leading Italian Jewels SRL	Step Down Subsidiary
Aston Diamond Resources SA Proprietary Ltd.	Step Down Subsidiary
Abbeycrest (Thailand) Ltd.	Step Down Subsidiary
Diamlink Jewellery Inc	Step Down Subsidiary
Jewelery Marketing Company LLC	Step Down Subsidiary
Crown Aim Ltd.	Step Down Subsidiary

(B) Particulars of Key Management Personnel

<u>Name of Related Party</u>	<u>Relationship</u>
Mr. Mehul C.Choksi	Managing Director
Mr. Sunil Varma	Whole Time Director (Upto 14/11/2013)
Mr. Dhanesh V.Sheth	Director
Mr. Sujal Shah	Director (Upto 30/09/2013)
Mr. S.Krishnan	Director
Mr. Nehal Modi	Director
Mr. Nitin Potdar	Director (Upto 14/02/2014)
Mr. M.Sundarajan Mittur	Director

(C) Particulars of Enterprises Under Common Control of The Key Management Personnel where there are transactions

<u>Name of Related Party</u>
Priyanka Gems Pvt.Ltd.
Partha Gems L.L.P.
Lustre Industries Pvt.Ltd.(Formerly known as Lustre Manufactures Pvt.Ltd.)
Rohan Diamonds Pvt. Ltd.
Evergold Jewels Pvt.Ltd.(Formerly known as Trans Expo Trade Pvt. Ltd.)
The Next Diamond Company
Mozart Trading Pvt.Ltd. (Formerly known as Mozart Investment Pvt. Ltd.)
Gitanjali Gold & Precious Ltd.
Touchstone
Diamond Creations
Diminco Diamond India Pvt.Ltd. (Formerly known as Prism Bullion Pvt.Ltd.)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

Mast Jewellery Distributions Private Limited

Verite Co.Ltd.

Ivida Technologies Pvt.Ltd. (Step down subsidiary for part of the year)

(D) Particulars Of Enterprises Controlled By Relatives Of Key Management

Personnel where There Are Transactions

Diminco N.V.

(E) Particulars Of Relatives Of Key Management Personnel where there are Transactions

Priti M.Choksi

(F) Particulars of Transactions with Parties Referred to in (A)

(₹ In Lacs)

Above

Purchases	1,38,400.62
Labour Charges Paid	153.23
Sales	1,97,810.85
Sales of Fixed Assets (CWIP)	710.59
Interest Received	7.35
Sales Incentives	24.17
Advances given(Net)	1,663.97
Advances given received back	22,156.77
Advance Received(Net)	1,721.74
Loss On Sale of Investments	137.37
Sale of Shares (Investments)	300.00
Reimbursement of Expenses	137.08
Expenses Recovered	3,525.18
Share Application Money Received back	18,600.00
Rent Paid	71.70
Amount outstanding shown under Trade Payable	8,452.30
Amount outstanding shown under Trade Receivable	66,364.76
Amount outstanding shown under Advance to Subsidiary Co.	41,038.40
Amount outstanding shown under Advance from Customer	5,096.43
Corporate Guarantees given to the bankers for Letter of Credit facility	3,45,573.15

(G) Particulars of Transactions with Parties Referred to in (B)

Above

Salary and other payments	81.20
Sales	0.35
Loan returned	481.24

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST MARCH,

(H) <u>Particulars of Transactions with Parties Referred to in (C)</u>	(₹ In Lacs)
<u>Above</u>	
Sales	24,781.39
Labour Charges Paid	1,414.96
Purchases	36,884.80
Fixed Assets Purchase	219.58
Amount Outstanding Shown Under Trade Payable	52.46
Advances given(Net)	126.84
Advances given received back	126.80
Amount outstanding shown under Advances to Suppliers	7.45
Advances received Given back	202.16
Amount outstanding shown under Advances	0.04
Expenses Recovered	183.11
Amount outstanding shown under Trade Receivable	6,099.11
Amount outstanding shown under Advances from Customer	71.03
(I) <u>Particulars of Transactions with Parties Referred to in (D)</u>	
<u>Above</u>	
Sales	2,121.87
Purchases	1,438.28
Amount outstanding shown under Trade Receivable	2,218.02
Amount outstanding shown under Trade Payable	4,491.19
(J) <u>Particulars of Transactions with Parties Referred to in (E)</u>	
<u>Above</u>	
Sales	14.49

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF GITANJALI GEMS LIMITED

We have audited the accompanying consolidated financial statements of **GITANJALI GEMS LIMITED** (the "Company") and its subsidiaries (the Company and its subsidiaries constitute the "Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An

audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated 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, and based on the consideration of the reports of the other auditors on the financial statements / financial information of the subsidiaries referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

"Emphasis of matter"

We draw attention to

- a. Note No. 29a relating to 12% Non-Convertible Debenture issued to LIC of India, where company has not paid four installments aggregating to ₹ 6,250.00 lacs and interest ₹1,093.75 lacs which was overdue. Further, the Company has not created cash deposit as required by Circular 4/2013 dated February 11, 2013 of GOI, MCA in respect of debentures installments maturing during the following year.
- b. Note No. 29c relating to overdrawn position in working capital borrowing from consortium of bankers and financial institution.
- c. Note No. 29d relating to delays in servicing of principal installment of USD 1.00 million and overdue interest of USD 1.32 million of ECBs.
- d. Note No. 33 relating to disputed Income Tax, T.D.S and Service Tax.

- e. Note No. 43 relating to non- payment of Self-Assessment Tax for Financial Year 2012-13 and other statutory liability overdue for more than six months from respective due dates.

(As fully described in respective notes).

Our opinion is not qualified in respect of above matters.

Other Matter

We did not audit the financial statements of 11 (Eleven) Subsidiaries included in the consolidated year to date financial results, whose consolidated financial statements reflect total assets of ₹ 324,119.04 lacs as at March 31,2014; as well as the total revenue from sales of ₹ 352,368.63 lacs for the year April 1,2013 to March 31,2014. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the year to date financial results, to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

We have relied on the unaudited financial statements of 10 (Ten) subsidiaries, included in the consolidated year

to date financial results, whose consolidated financial statements reflect total assets of ₹ 134,840.17 lacs as at March 31,2014, as well as the total revenue from sales of ₹ 76,313.88 lacs for the year April 1,2013 to March 31,2014. These financial statements and other financial information as approved by the Board of Directors, have been furnished to us by the Management, and our opinion on the year to date financial results, to the extent they have been derived from such financial statements is based solely on such approved unaudited financial statements.

Our opinion is not qualified in respect of this matter.

For **FORD, RHODES, PARKS & CO.**

Chartered Accountants

Firm Registration No. 102860W

A.D.SHENOY

Partner

Membership No. 11549

May 30, 2014

Mumbai

CONSOLIDATED BALANCE SHEET AS AT MARCH 31,

	Note	2014	(₹ in Lacs) 2013
I. EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	9,206.55	9,206.55
Reserves and Surplus	3	3,85,212.98	3,67,645.53
		<u>3,94,419.53</u>	<u>3,76,852.08</u>
Minority Interest		6,096.44	6,402.59
Non Current Liabilities			
Long Term Borrowings	4	74,269.37	62,141.87
Other Long Term Liabilities	5	10,103.29	6,651.85
Long Term Provisions	6	1,380.00	1,291.65
		<u>85,752.66</u>	<u>70,085.37</u>
Current Liabilities			
Short Term Borrowings	7	7,63,200.58	4,61,744.09
Trade Payables	8	1,66,019.35	4,33,819.04
Other Current Liabilities	9	50,680.46	35,343.00
Short Term Provisions	10	3,258.51	7,623.29
		<u>9,83,158.90</u>	<u>9,38,529.42</u>
TOTAL		<u><u>14,69,427.53</u></u>	<u><u>13,91,869.46</u></u>
II. ASSETS			
Non Current Assets			
Fixed Assets (Net)			
Tangible Assets	11	19,577.09	17,094.30
Intangible Assets	11	4,071.67	4,467.17
Capital W-I-P	11	8,139.48	8,823.13
Intangible Assets under development	11	-	0.88
Goodwill on consolidation	-	9,002.40	6,734.46
Non Current Investments	12	8,590.00	10,228.68
Deferred Tax Assets (Net)	36	1,943.44	1,438.17
Long Term Loans & Advances and Other Assets	13	39,927.33	55,175.93
		<u>91,251.41</u>	<u>1,03,962.72</u>
Current Assets			
Inventories	14	3,50,301.31	4,34,733.91
Trade Receivables	15	9,48,403.35	7,18,918.01
Cash and Bank Balance	16	35,542.99	97,034.03
Short Term Loans & Advances and Other Assets	17	43,928.47	37,220.79
		<u>13,78,176.12</u>	<u>12,87,906.74</u>
TOTAL		<u><u>14,69,427.53</u></u>	<u><u>13,91,869.46</u></u>
Significant Accounting Policies	1		
Notes to Accounts	2 to 43		
Significant Accounting Policies and Notes attached thereto form an integral part of Consolidated Financial Statements.			
This is the Balance Sheet referred to in our report of even date.			

As per our attached report of even date.

For and on behalf of the Board

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm Regn No : 102860W

A. D. Shenoy

Partner

M. No. 11549**Mehul C. Choksi**

Managing Director

Dhanesh Sheth

Director

Place : Mumbai

Dated : May 30, 2014

Pankhuri Warange

Company Secretary

Chandrakant Karkare

Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31,

	Note	2014	(₹ in Lacs) 2013
<u>REVENUE</u>			
Revenue From Operations	18	12,43,600.03	16,41,849.63
Other Income	19	955.95	998.12
		12,44,555.98	16,42,847.75
<u>EXPENDITURE</u>			
Purchase of Raw Material & Traded Goods	20	9,52,568.80	14,72,455.25
Changes in Inventories	21	94,475.84	(60,822.67)
Employee Benefit Expenses	22	27,133.10	29,865.14
Finance Cost	23	73,631.45	46,131.99
Depreciation & Amortization Expenses	11	3,827.33	3,665.66
Other Expenses	24	89,224.02	89,485.51
		12,40,860.54	15,80,780.89
Profit Before Exceptional Item & Tax		3,695.44	62,066.87
Add: Exceptional Item	42	(73.47)	9.77
Profit Before Tax		3,621.97	62,076.64
Provision for Current Tax		769.37	10,408.77
Provision for MAT (Credit)		(374.60)	(8,042.79)
Provision for Deferred Tax		(367.10)	187.97
		27.67	2,553.95
Profit after Tax before adjustment for Consolidation		3,594.30	59,522.69
Less: Minority Interest		242.10	353.35
Profit after Tax after adjustment for consolidation		3,352.20	59,169.34
Balance Carried to Balance Sheet		3,352.20	59,169.34
Basic Earnings per Share of face value of ₹ 10 each (₹)		3.64	64.50
Diluted Earnings per Share of face value of ₹ 10 each (₹)		3.40	64.20

(Refer Note 34)

Significant Accounting Policies

1

Notes to Accounts

2 to 43

Significant Accounting Policies and Notes attached thereto form an integral part of Consolidated Financial Statements.
This is the Statement of Profit and Loss referred to in our report of even date.

As per our attached report of even date.

For and on behalf of the Board

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm Regn No : 102860W

A. D. Shenoy

Partner

M. No. 11549**Mehul C. Choksi**

Managing Director

Dhanesh Sheth

Director

Place : Mumbai

Dated : May 30, 2014

Pankhuri Warange

Company Secretary

Chandrakant Karkare

Chief Financial Officer

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED MARCH 31,

		(₹ in Lacs)
	2014	2013
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax as per Profit & Loss Account	3,621.97	62,076.64
Adjusted for:		
Depreciation, Amortisation & preliminary expenses written off	3,827.33	3,665.66
Provision for Bad Debts / w/off	18,607.47	1,073.15
Effect of Exchange Rate Change	(32,833.68)	(10,639.42)
Loss on sale of Investment	-	243.31
Loss on sale of Fixed Asset	13.97	216.65
Provision for Gratuity & Leave Encashment	(70.00)	166.11
Interest and Finance Charges - net	73,631.45	46,131.99
	63,176.54	40,857.45
Operating Profit before Working Capital Changes	66,798.51	102,934.09
Adjusted for:		
Trade and Other Receivables	(1,64,263.91)	(1,78,906.54)
Inventories	93,853.76	(60,419.90)
Trade Payables & Other Liabilities	(2,91,598.70)	1,42,125.71
Cash Generated from Operations	(3,62,008.85)	(97,200.73)
	(2,95,210.34)	5,733.36
Taxes Paid	(1,399.27)	(7,362.15)
Net Cash generated from Operations	(2,96,609.61)	(1,628.79)
Total (A)		
B: CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets - net	(3,413.96)	(7,081.43)
Net change in other assets	(645.08)	-
Investment in Subsidiaries / Joint Venture	259.21	(3,964.07)
Net Cash Used in Investing Activities	(3,799.83)	(11,045.50)
Total (B)		
C: CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital	-	70.75
Proceeds from Share Premium	-	2,929.24
Proceeds from Minority Interest	-	48.10
Proceeds / (Repayment) from Fixed Deposit Scheme - net	227.29	-
Proceeds / (repayment) of term loans & working capital loans	3,10,366.96	91,802.11
Dividend Paid including tax	-	(3,210.02)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, (CONTD.)

		(₹ in Lacs)
	2014	2013
Interest Paid - Net	(72,119.12)	(47,563.95)
Net Cash from Financing Activities	Total (C)	2,38,475.13
Net Increase / (Decrease) in Cash & Cash Equivalents	Total (A+B+C)	44,076.23
	(61,934.31)	31,401.94
Opening Balance of Cash & Cash Equivalents	97,034.03	65,244.80
Add: Adjustment on account of exchange rate	354.80	345.16
Add: Upon addition / exclusion of Subsidiaries / J.V.	88.47	42.13
	97,477.30	65,632.09
Closing Balance of Cash & Cash Equivalents	35,542.99	97,034.03

Note:

- 1) Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard - 3 of The Companies (Accounting Standards) Rules, 2006
- 2) Foreign currency exchange rate fluctuation includes exchange difference on account of translation of Foreign Subsidiary companies financial Statement.
- 3) Figures in bracket indicates outflows.
- 4) Previous year's figures have been restated and regrouped wherever necessary.
- 5) Balance with banks includes unclaimed dividend of ₹ 16.91 Lacs (Previous Year ₹ 18.86 Lacs)
- 6) Cash & Cash Equivalents for the purpose of cash flow statement comprise of Cash at Bank, in hand and Term Investments.

As per our attached report of even date.

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm Regn No : 102860W

A. D. Shenoy

Partner

M. No. 11549

Place : Mumbai

Dated : May 30, 2014

For and on behalf of the Board

Mehul C. Choksi

Managing Director

Pankhuri Warange

Company Secretary

Dhanesh Sheth

Director

Chandrakant Karkare

Chief Financial Officer

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

NOTE : 1**SIGNIFICANT ACCOUNTING POLICIES.****1.1 Basis of preparation of financial statements**

The Consolidated Financial Statements relate to Gitanjali Gems Limited (the Company) and its subsidiaries and Joint venture (together referred to as the “Gitanjali Group”). The Consolidated Financial Statements are prepared under the historical cost convention on accrual basis of accounting to comply in all material respects with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended (‘the Rules’), the relevant provisions of the Companies Act, 1956 (‘the Act’) and guidelines issued by Securities and Exchange Board of India (SEBI). The accounting policies have been consistently applied by the Group and the accounting policies not referred to otherwise are in conformity with Indian Generally Accepted Accounting Principles (‘Indian GAAP’).

1.2 Principles of consolidation

- a The Consolidated Financial Statements include the financial statements of Gitanjali Gems Ltd. (the Company) and all of its subsidiaries, which are more than 50% owned and controlled and as regards joint ventures its share of interest in joint venture which is accounted on the basis of proportionate line-by-line consolidation. All material inter-company accounts and transactions are eliminated on consolidation.
- b The management has classified its foreign operations as non – integral. In translating financial statements of non integral foreign operation for incorporation in financial statements, components of financial statements of foreign subsidiaries are translated into Indian Rupees in accordance with the Accounting Standards AS 21 / AS 11 as notified by the Companies (Accounting Standards) Rules, 2006. Briefly stated:
 - i. All income and expenses are translated at the average rate of exchange prevailing during the year.
 - ii. Assets and Liabilities are translated at the rate prevailing at the end of the year. Depreciation is accounted at the same rate at which assets are converted.
 - iii. The resulting exchange differences are accumulated in Exchange Fluctuation Reserve Account.
- c The difference between the cost of investment and net worth at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be. In case of Goodwill, it is tested for impairment annually. In case where loss is in excess of the minority interest in the equity of the subsidiary, it is adjusted against the majority interest.
- d Share of minority interest in the net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest’s share of net assets is presented separately in the balance sheet.

As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company’s separate financial statements.

1.3 Use of Estimates

The preparation of Consolidated Financial Statements, in conformity with the Generally Accepted Accounting Principles, requires estimates and assumptions to be made that affects the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known / materialized.

1.4 Revenue Recognition

- a Revenue on sale of products are recognized when the risk and rewards of ownership are passed onto the customers, which is generally on dispatch of goods. Sales are stated net of returns and net of sales tax and other taxes as applicable.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

- b Revenue is recognized only when it is reasonably certain that the ultimate collection will be made.
- c Interest income is recognized when it is rationally certain of recovery and on time basis taking into account the amount outstanding and rate applicable. Interest is shown as net of interest expense.

1.5 Fixed Assets and Intangibles

Fixed assets are recorded at cost of acquisition inclusive of freight, duties and taxes and incidental expenses related to acquisition. Expenditure incurred during construction period has been added to the cost of assets. In case of intangibles viz, trade marks and customer relationships, the same has been amortized by the foreign subsidiaries as per its accounting policy.

1.6 Leases

Assets taken on lease on or after April 1, 2001 are accounted for as Fixed Assets in accordance with Accounting Standard (AS) 19 on "Leases".

a Finance lease

Assets taken on finance lease, including taken on hire purchase arrangements, wherein the company has an option to acquire the asset, are accounted as fixed assets in accordance with the AS 19 on "Leases".

b Operating lease

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

c The costs of improvements to leased properties are capitalized and disclosed appropriately.
1.7 Impairment of Fixed Assets

The management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An asset is treated as impaired when the carrying amount of assets exceeds its recoverable value in accordance with AS 28. An impairment loss is determined by each company and charged to the respective Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

1.8 Depreciation and Amortization of Fixed Assets

Depreciation is charged on the fixed assets under the written down value method in accordance with the provisions of Schedule XIV to the Companies Act, 1956. The expenditure incurred on improvement of assets acquired on lease is written off evenly over the balance period of the lease. In respect of Fixed Assets of few Subsidiaries, the depreciation method and rates followed by the subsidiaries are different from those followed by the Parent Company.

Leasehold Land is amortized over the period of the lease.

1.9 Investments

Long – term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management. Investments in properties are subject to depreciation in accordance with the applicable local laws.

Current investments, if any, are valued at lower of cost and market value.

1.10 Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying asset are capitalized as part of the cost of asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

1.11 Foreign Currency Transactions

Transactions in foreign currency are recorded at the rate prevailing on the date of transactions. Foreign currency assets except investments and liabilities other than for financing fixed assets are stated at the rate of exchange

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

prevailing at the date of balance sheet and resultant gains/losses are charged to the statement of Profit and Loss. Premium or discount in respect of forward foreign exchange contracts is amortized as expense or income over the life of the contracts. Any profit or loss arising on cancellation or renewal of such forward contract is recognized as income or expense for the period. Exchange differences arising on settlement or restatement of foreign currency denominated liabilities relating to the acquisition of fixed asset are recognized in the statement of Profit and Loss.

1.12 Inventories

Inventories of raw materials, finished goods, rejections, trading goods and stores are valued as under:	
Raw Material	Lower of cost and net realizable value
Rough Diamond Rejections	At net realizable value
Trading Goods	Lower of cost and net realizable value
Finished Goods — Polished Diamonds	Lower of cost and net realizable value
Work in progress — Jewellery	Lower of market value and material cost plus proportionate labour and overheads
Finished Goods — Jewellery	Lower of market value and material cost / estimated cost plus labour and overheads
Finished Goods — Gold	Lower of cost and market value
Consumable Stores & Tools	At cost

1.13 Taxation

Tax expense for the year comprises of current income tax and deferred tax.

a Indian Companies

The company is eligible for tax incentive under the Indian Taxation Laws. These incentives presently include an exemption from payment of normal Income Tax for operation in Special Economic Zones. The said income is liable to Minimum Alternate Tax and such tax is eligible for set off as described in subsequent paragraph. The management estimates the provisions for current tax after considering such tax benefits.

Deferred tax is recognized, subject to prudence, on timing differences, being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized for unabsorbed depreciation and carry forward losses to the extent there is virtual certainty that sufficient future taxable income will be available against which deferred tax assets can be realized.

b Minimum Alternate Tax (MAT) credit: MAT is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and is shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

c Foreign Companies

Foreign companies recognize tax liabilities and assets in accordance with the applicable local laws.

1.14 Employee Benefit

The Company and its Indian subsidiaries account for the gratuity benefits payable in future based on independent actuarial valuation. The liability is not funded except in the case of one subsidiary, where the liability is funded. The company & its subsidiaries follow different assumptions as such the compilation would become unwieldy and for the sake of brevity details are not included in the consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

The Company and its Indian subsidiaries account for the liability towards Leave Salary on the basis of year end actuarial valuations applying the Projected Unit Credit Method done by an independent actuary. The actuarial gains or losses determined by the actuary are recognized in the statement of Profit and Loss as income or expense.

Contributions payable by the company to the concerned government authorities in respect of provident fund, family pension fund and employees state insurance are charged to the Statement of Profit and Loss.

In case of Foreign subsidiaries, employee benefits are accounted in accordance with the applicable local laws.

1.15 Earnings per Share

Earnings Per Share (EPS) is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

Dilutive EPS is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares considered for deriving the basic EPS and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential shares are deemed converted at the beginning of the year unless issued at later date.

1.16 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities are not provided for and are disclosed by way of notes after careful evaluation by the management of the facts and legal aspects of the matters involved. Contingent assets are neither recognized nor disclosed in the financial statement.

	(₹ in Lacs)	
	2014	2013
<u>NOTE 2 - Share Capital</u>		
Authorised :		
15,00,00,000 Equity Shares of ₹ 10/- each	1,500.00	1,500.00
(Previous year 15,00,00,000 Equity shares of ₹ 10/-each)	<u>1,500.00</u>	<u>1,500.00</u>
Issued, Subscribed & Paid up :		
9,20,65,491 (Previous Year 9,20,65,491) Equity Shares of ₹ 10 each fully paid up	9,206.55	9,206.55
(Refer Note No. 26)		
TOTAL	<u><u>9,206.55</u></u>	<u><u>9,206.55</u></u>

NOTE 3 - Reserves & Surplus
(I) Share Premium

Balance as per Last Balance Sheet	1,29,677.40	1,25,771.74
Add : Addition on account of conversion of share warrants	-	3,905.66
Closing Balance	<u>1,29,677.40</u>	<u>1,29,677.40</u>

(II) Capital Reserve on consolidation

Balance as per Last Balance Sheet	4,324.13	4,325.07
Add : During the Year	-	(0.94)
Closing Balance	<u>4,324.13</u>	<u>4,324.13</u>

(III) Exchange Fluctuation Reserve

Balance as per Last Balance Sheet	12,936.58	4,693.16
Add : During the Year	9,931.80	8,243.42
Closing Balance	<u>22,868.38</u>	<u>12,936.58</u>

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

	2014	(₹ in Lacs) 2013
(IV) Capital Reserve		
Balance as per Last Balance Sheet	3,120.00	3,120.00
Add : During the Year	-	-
Closing Balance	<u>3,120.00</u>	<u>3,120.00</u>
(V) Capital Redemption Reserve		
Balance as per Last Balance Sheet	129.29	112.62
Add : During the Year	-	16.67
Closing Balance	<u>129.29</u>	<u>129.29</u>
(VI) Debenture Redemption Reserve		
Balance as per Last Balance Sheet	10,000.00	7,500.00
Add : During the Year	-	2,500.00
Closing Balance	<u>10,000.00</u>	<u>10,000.00</u>
(VII) General Reserve		
Balance as per Last Balance Sheet	13,578.27	10,878.27
Add : During the Year	-	2,700.00
Closing Balance	<u>13,578.27</u>	<u>13,578.27</u>
(VIII) Profit & Loss Balance		
Balance as per Last Balance Sheet	1,93,879.86	1,44,455.70
Add : Surplus as per Statement of Profit & Loss	3,352.19	59,169.33
Add: Adj on account of consolidation	1,052.10	(1,268.74)
	<u>1,98,284.15</u>	<u>2,02,356.29</u>
Less : Appropriations		
General Reserve	-	2,700.00
Debenture Redemption Reserve	-	2,500.00
Proposed Dividend	(2,761.96)	2,806.04
Tax on Dividend	(469.40)	470.39
	<u>(3,231.36)</u>	<u>8,476.43</u>
Closing Balance	<u>2,01,515.51</u>	<u>1,93,879.86</u>
TOTAL	<u><u>3,85,212.98</u></u>	<u><u>3,67,645.53</u></u>

NOTE 4 - Long Term Borrowings**Secured**

Debentures	3,900.00	5,462.50
External Commercial Borrowings	59,590.58	56,679.37
Fixed Deposit Scheme	227.29	-
Term Loans From Banks	10,551.50	-
(Refer Note - 29)	<u>74,269.37</u>	<u>62,141.87</u>

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

(₹ in Lacs)

2014 2013

NOTE 5 - Other Long Term Liabilities

Loans & Advance from Related Parties	646.62	690.85
Other Loans & Advances	9,456.67	5,961.00
TOTAL	10,103.29	6,651.85

NOTE 6 - Long Term Provisions

Provision for Employee Benefits	695.04	892.18
(It includes provision for Gratuity & Leave Encashment)		
Provisions for expenses	684.96	399.47
TOTAL	1,380.00	1,291.65

NOTE 7 - Short Term Borrowings**Secured**

Working Capital Facilities from Banks	7,60,466.19	4,47,103.11
---------------------------------------	-------------	-------------

Current Maturity of Long Term Debts

- Debentures	-	6,250.00
- Term Loans	2,734.39	8,390.98
(Refer Note - 29)		
TOTAL	7,63,200.58	4,61,744.09

NOTE 8 - Trade Payables

Creditors for Goods / Labour	1,30,866.52	4,06,629.03
Creditors for Expenses	35,152.83	27,190.01
TOTAL	1,66,019.35	4,33,819.04

NOTE 9 - Other Current Liabilities

Current Maturities of Long Term Debt	10,975.51	-
Interest Accrued	4,800.61	965.01
Unpaid Dividends	16.91	18.86
Advance Received from Customers	25,958.41	28,101.54
Statutory Liabilities	1,971.31	2,491.02
Other Expenses	6,957.71	3,766.57
TOTAL	50,680.46	35,343.00

NOTE 10 - Short Term Provisions

Provision for Employee Benefits	372.36	187.29
Provision for Others		
Provision for Proposed Dividend	-	2,761.96
Provision for Dividend Tax	-	469.40
Provision for Expenses	735.60	993.12
Provision for Taxation	2,150.55	3,211.52
TOTAL	3,258.51	7,623.29

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

Note - 11
FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST)						DEPRECIATION				NET BLOCK	
	As at 31st March, 2013	Additions/ Adjustment on account of Acquisition	Additions	Deductions / Transfers	As at 31st March, 2014	As at 31st March, 2013	Additions / Adjustments on account of Acquisition	For the Year	Deductions / Transfers	As at 31st March, 2014	As at 31st March, 2014	As at 31st March, 2013
Tangible Assets												
Freehold land *	4,107.93	-	-	-	4,107.93	-	-	-	-	-	4,107.93	4,107.93
Leasehold Land	165.80	443.46	-	-	609.26	25.21	-	2.47	-	27.68	581.58	140.59
Factory Building	3,304.36	2,265.81	393.95	-	5,964.11	1,173.88	1,133.29	367.58	-	2,674.75	3,289.36	2,130.48
Office Premises	1,668.01	-	145.98	-	1,813.99	304.36	-	80.87	-	385.24	1,428.76	1,363.65
Plant & Machinery	3,348.19	2,437.14	591.52	178.83	6,198.02	1,849.25	2,088.20	419.22	71.35	4,285.32	1,912.70	1,498.94
Furniture & Fixture	7,012.18	950.10	1,112.53	483.58	8,591.24	3,323.91	935.13	716.75	79.76	4,896.03	3,695.21	3,688.27
Office Equipments	2,673.83	22.52	79.69	87.17	2,688.87	1,592.03	9.76	191.81	20.43	1,773.15	915.71	1,081.80
Computers	3,265.90	-	119.45	6.82	3,378.53	2,357.44	0.22	416.94	2.19	2,772.41	606.12	908.46
Vehicles	430.12	61.36	11.83	2.69	500.61	322.78	50.16	37.14	2.59	407.50	93.12	107.34
Electrical Equipment & Fittings	21.06	-	3.84	2.59	22.31	4.13	-	4.34	0.57	7.89	14.42	16.93
Motor Boat	147.17	-	-	-	147.17	102.28	-	8.98	-	111.26	35.92	44.89
Leasehold Improvements	7,937.95	-	1,520.85	-	9,458.80	5,932.94	-	629.59	-	6,562.53	2,896.27	2,005.01
Sub-Total	34,082.52	6,180.39	3,979.64	761.69	43,480.85	16,988.21	4,216.77	2,875.68	176.91	23,903.76	19,577.09	17,094.29
Intangible Assets												
Goodwill	438.80	-	-	-	438.80	-	-	-	-	-	438.80	438.80
Computer Software	360.43	22.65	15.85	-	398.93	177.50	1.37	75.35	-	254.22	144.70	182.93
Trademarks/ Patents etc.	2,796.62	(0.00)	0.81	-	2,797.43	1,698.53	1.35	356.88	0.13	2,056.63	740.80	1,098.08
Trade Names	2,747.36	-	-	-	2,747.36	-	-	-	-	-	2,747.36	2,747.36
Sub-Total	6,343.21	22.65	16.66	-	6,382.52	1,876.03	2.71	432.24	0.13	2,310.85	4,071.67	4,467.17
Capital Work-in-Progress	8,823.13	-	24.94	708.59	8,139.48	-	-	-	-	-	8,139.48	8,823.13
Intangible Assets under development	0.88	-	-	0.88	-	-	-	-	-	-	-	0.88
Grand Total	49,249.73	6,203.05	4,021.24	1,471.16	58,002.84	18,864.24	4,219.48	3,307.92	177.04	26,214.61	31,788.23	30,385.47
Previous Year Figures	45,196.99	(298.57)	6,933.38	2,582.09	49,249.72	16,710.96	(235.57)	3,438.97	1,050.12	18,864.24	30,385.47	

Note:

* Including cost of land, the title of which yet to be transferred in the name of the company.

** In the above, necessary regrouping is done to have meaningful presentation.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

	2014	(₹ in Lacs) 2013
<u>NOTE 12 - Non Current Investments</u>		
(I) Investment properties		
Premises at 6, Laxmi Tower, B-wing, Mumbai	842.05	855.69
Premises at 3, Laxmi Tower, B-wing, Mumbai	949.57	968.79
Premises at 3, Laxmi Tower, A-wing, Mumbai	546.62	560.83
Premises at 7, Laxmi Tower, A-wing, Mumbai	1,964.13	1,997.22
(II) Investment in Equity Instruments		
- In affiliates - unquoted at cost		
50,000 equity shares of ₹ 10/- each of Damas Gems N Jewels (I) Private Limited (Previous Year - Nil)	-	5.00
2,550 equity shares of ₹ 10/- each of Shubalavanyaa Jewel Crafts Private Limited (Previous Year 2,550 equity shares)	17.83	17.83
Nil equity shares of ₹ 100/- each fully paid up of Diadem Ranka Desire Lifestyle Private Limited. (Previous Year 2,500 equity shares)	-	2.50
1,71,38,342 shares of Thb 10/- each of Abbeycrest (Thailand) Limited (Previous Year 1,71,38,342)	-	0.55
Gitanjali Jewels LLC	44.79	44.79
Gitanjali Gold & Precious Limited	41.59	41.59
- Others - unquoted at cost		
51 equity shares of Citizen Co-operative Bank of face value of ₹ 10 each fully paid-up. (Previous Year 51 equity shares)	0.01	0.01
10,00,000 equity shares of Diamond India Limited of ₹ 10/- each (paid-up ₹ 5/-)(Previous Year : 10,00,000 equity shares)	500.00	500.00
125 equity shares of Shoppers' Stop Limited of ₹ 10/- each (Previous Year 125 equity shares)	0.30	0.30
125 equity shares of ₹ 25/- each of Shamrao Vithal Co-op Bank Ltd. (Previous Year 125 equity shares)	0.03	0.03
Gems London	895.67	865.90
- Others - quoted at cost		
Verite Company Limited (NAV has on 31.03.2014 JPY 441.60 Mio)	2,565.68	2,565.68
(III) In Government Securities		
NSC (FV ₹ 10,000/- & 5,000/-) - under lien with Sales Tax authority	3.03	2.38
(IV) Investments in debentures / Bonds		
Redeemable Non-Convertible bond with Indus Ind Bank	-	1,000.00
(V) Investments in Mutual Funds		
Baroda Pioneer Tariff Plan - A growth Current year - Nil. (Previous Year 5,679.733 units)	-	75.00
Axis Treasury Advantage Fund collection account - Current year-Nil. (Previous Year 9,712.344 units)	-	125.00
500,000 units of Baroda Pioneer Liquid Fund (Mutual Fund) - (NAV as on 31.03.2014 ₹ 33,55,000/- for 500,000 units @ ₹ 6.71). (Previous year - 500,000 units)	36.85	36.85

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

		(₹ in Lacs)
	2014	2013
Union KBC Ultra Short term debt fund DIR (NAV as on 31.03.2014 ₹ 87,36,074/- for 7,339.451 units @ ₹ 1,190.29). (Previous year - 13,573.13 units)	75.36	145.00
Canara Robeco Mutual Fund - Current year-Nil. (Previous Year 178,582.545 units)	-	17.00
Union KBC Ultra Short term debt fund DIR (NAV as on 31.03.2014 ₹ 14,63,653/- for 1,231.022 units @ ₹ 1,188.97). (Previous year - NIL)	12.13	-
SBI-SHF-Ultra Short Term Fund - Current year-Nil. (Previous Year 17,125.255 units.)	-	243.91
Baroda Pioneer bank & fin services limited - (NAV as on 31.03.2014 ₹ 1,117,301/- for 99,492.537 units @ ₹ 11.23). (Previous Year 99,492.537 units.)	10.00	10.00
(VI) Others		
Share application money - Mannat Jewellery Manufacturing Pvt Ltd.	84.35	84.35
Advance towards acquisition of equity shares of Ivida Technologies Private Limited	-	2.50
Advance towards acquisition of equity shares of Gitanjali Realtors Private Limited	-	10.98
Advance towards acquisition of equity shares of Coronet Gems Private Limited	-	49.00
TOTAL	8,590.00	10,228.68

NOTE 13 - Long Term Loans & Advances and Other Assets**Unsecured, Considered Good**

Advances recoverable in cash or in kind	11,599.41	26,589.54
Deposits	10,417.57	9,212.82
Loans & Advance to Related Parties	243.23	3,869.86
Other Loans & Advances		
Balance with Revenue Authorities	459.93	527.66
Income Tax	11,321.26	10,809.74
Others	5,885.93	4,166.31
TOTAL	39,927.33	55,175.93

NOTE 14 - Inventories

Raw materials	86,134.16	1,62,140.34
Work in progress	713.81	412.54
Finished goods / Trading goods	2,52,557.97	2,65,673.91
Consumables, Stores & Tools	160.44	17.84
Others	10,734.93	6,489.28
TOTAL	3,50,301.31	4,34,733.91

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

(₹ in Lacs)

2014
2013

NOTE 15 - Trade Receivables

(Unsecured)

Outstanding for more than six months considered good
8,36,965.61
2,64,607.25

Outstanding for more than six months considered doubtful
1,279.37
1,998.25

8,38,244.98
2,66,605.50

Others considered good
69,602.32
4,35,470.24

Others considered doubtful
-
-

69,602.32
4,35,470.24

Exports Receivables Translation Control A/C
41,835.42
18,840.52

Sub Total
9,49,682.72
7,20,916.26

Less: Provision for doubtful debts
1,279.37
1,998.25

(Refer Note No. 30)

TOTAL
9,48,403.35
7,18,918.01

NOTE 16 - Cash and Bank Balance**Cash and Cash Equivalents**

Balances with Banks
3,363.77
22,780.04

Cash on Hand
756.85
973.50

Other Bank Balances

Fixed Deposit / Margin Money
31,422.37
73,280.49

TOTAL
35,542.99
97,034.03

NOTE 17 - Short Term Loans & Advances and Other Assets

Advances to Suppliers
22,707.32
23,986.98

Loans & Advance to Related Parties
6,029.39
187.86

Income Tax
2,776.10
2,505.40

Balance with Revenue authorities
1,796.34
1,477.91

Others
10,619.32
9,062.64

TOTAL
43,928.47
37,220.79

NOTE 18 - Revenue from Operations**Exports (Including Deemed Exports)**

Diamonds
3,88,808.73
3,54,246.73

Jewellery & Others
3,44,242.40
3,27,726.21

7,33,051.13
6,81,972.94

Local

Diamonds
1,95,384.70
2,66,963.01

Jewellery & Others
3,15,164.20
6,92,913.68

5,10,548.90
9,59,876.69

TOTAL
12,43,600.03
16,41,849.63

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

(₹ in Lacs)

2014 2013

NOTE 19 - Other Income

Dividend Received	5.00	2.10
Miscellaneous Income	950.95	996.02
TOTAL	955.95	998.12

NOTE 20 - Purchase of Raw Material & Traded Goods

Diamonds	4,66,206.75	6,11,278.14
Jewellery & Others	4,86,362.05	8,61,177.11
TOTAL	9,52,568.80	14,72,455.25

NOTE 21 - Changes in Inventories

Diamonds	1,14,181.18	(16,743.93)
Jewellery & Others	(19,705.34)	(44,078.73)
TOTAL	94,475.84	(60,822.67)

NOTE 22 - Employee Benefit Expenses**Payment to and Provision for Employees**

Salary, Bonus & Allowances	25,507.23	28,502.74
Contribution to P.F. & Other Funds	893.94	603.39
Gratuity	64.79	198.99
Staff Welfare	667.14	560.02
TOTAL	27,133.10	29,865.14

NOTE 23 - Finance Cost

Bank Interest (Net)	70,491.25	39,305.93
(Refer Note No. 29)		
Other expenses	3,140.20	6,826.06
TOTAL	73,631.45	46,131.99

NOTE 24 - Other Expenses

Advertisement, Selling & Distribution expenses	8,283.08	22,758.52
Auditor's Remuneration	122.62	142.24
Bank charges & Commission	6,082.27	8,511.51
Consumption of stores & spare parts	248.76	117.22
Custom Duty	721.07	9,090.61
Insurance	468.67	911.69
Labour Charges	19,919.76	27,389.95
Legal, Professional And Service Charges	4,174.50	4,990.33
Miscellaneous Expenses	16,574.58	8,967.04
Exchange Difference (Net)	1,015.44	(6,083.11)
Power & fuel	993.84	785.29
Provision for Doubtful debts & Bad Debts W/off	18,210.98	951.95
Rent, Rates & Taxes	7,336.49	6,677.47
Repairs to Machinery	1,082.65	773.76
Travelling Expenses	2,227.90	1,857.15
Postage, Telephones & Communication charges	1,761.41	1,643.89
TOTAL	89,224.02	89,485.51

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

NOTE – 25: INVESTMENTS**25.1**

a. **List of Companies considered in the Consolidated Financial Statement are as follows:**

	Name of the Companies	Country of Incorporation	Percentage of Ownership Interest as at 31-03-2014	Percentage of Ownership Interest as at 31-03-2013	Relationship
1	Gitanjali Exports Corporation Limited	India	100%	100%	Subsidiary
2	eGitanjali Limited (Formerly known as Mehul Impex Limited)	India	100%	100%	Subsidiary
3	Gitanjali Capital Private Limited	India	100%	100%	Subsidiary
4	Gitanjali Infratech Limited	India	100%	100%	Subsidiary
5	Hyderabad Gems SEZ Limited	India	100%	100%	Subsidiary
6	Nashik Multi Services SEZ Limited	India	100%	100%	Subsidiary
7	Eureka Finstocks Private Limited	India	100%	100%	Subsidiary
8	N&J Finstocks Private Limited	India	100%	100%	Subsidiary
9	Decent Securities & Finance Private Limited	India	100%	100%	Subsidiary
10	Decent Investment & Finance Private Limited	India	100%	100%	Subsidiary
11	Gitanjali Jewellery Retail Limited (Formerly known as Gitanjali Jewellery Retail Private Limited)	India	100%	100%	Subsidiary
12	MMTC Gitanjali Limited	India	74%	74%	Subsidiary
13	Gitanjali Lifestyle Limited	India	100%	100%	Subsidiary
14	Maya Retail Ltd.(Formerly known as Salasar Retail Limited)	India	95.94%	95.94%	Subsidiary
15	MobileNxt Teleservices Private Limited	India	70%	70%	Subsidiary
16	Gitanjali Brands Limited	India	99.99%	99.99%	Subsidiary
17	Nakshatra Brands Limited (Formerly known as Brightest Circle Jewellery Limited)	India	100%	100%	Subsidiary
18	D'Damas Jewellery (India) Private Limited	India	51%	51%	Subsidiary
19	Gili India Limited	India	100%	100%	Subsidiary
20	Asmi Jewellery India Limited	India	100%	100%	Subsidiary
21	Spectrum Jewellery Limited	India	99.60%	99.60%	Subsidiary
22	Aston Luxury Group Limited	Hongkong	100%	100%	Subsidiary
23	Crown Aim Limited	Hongkong	100%	100%	Subsidiary
24	Leading Italian Jewels SRL	Italy	100%	100%	Subsidiary
25	BLU SRL*	Italy	-	100%	Subsidiary
26	Leading Jewels of Japan Kabushiki Kaisha	Japan	100%	100%	Subsidiary
27	Alfred Terry Limited (Formerly Known as Alfred Terry Holdings Limited)**	United Kingdom	100%	100%	Subsidiary
28	Gitanjali Resources BVBA	Belgium	100%	100%	Subsidiary

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

	Name of the Companies	Country of Incorporation	Percentage of Ownership Interest as at 31-03-2014	Percentage of Ownership Interest as at 31-03-2013	Relationship
29	Leading Italian Jewels (Singapore) Pte. Ltd.	Singapore	100%	100%	Subsidiary
30	Samuels Jewelers, Inc.	USA	100%	100%	Subsidiary
31	Gitanjali USA, Inc.	USA	100%	100%	Subsidiary
32	Diamlink Inc	USA	51%	51%	Subsidiary
33	Diamlink Jewellery Inc	USA	51%	51%	Subsidiary
34	Jewelry Marketing Company LLC	USA	51%	51%	Subsidiary
35	LJOW Holdings, LLC	USA	51%	51%	Subsidiary
36	Tri-star Worldwide LLC	USA	100%	100%	Subsidiary
37	GGL Diamonds LLC	USA	100%	100%	Subsidiary
38	Gitanjali Ventures DMCC	UAE	100%	100%	Subsidiary
39	Abbeycrest (Thailand) Limited***	Thailand	99.99%	99.99%	Subsidiary
40	Giantti Jewellery Trading (SH) Co. Ltd	China	100%	-	Subsidiary
41	Tianxin Diamonds (Shanghai) Co. Ltd	China	100%	-	Subsidiary

- * During the year, BLU SRL was merged with Leading Italian Jewels SRL with effect from September 18, 2013.
- ** During the year, company has applied for voluntary liquidation in accordance with the provisions of Local Laws.
- *** The Company was not considered for consolidation in the Financial Year 2012-13.

b. List of companies considered in the Consolidated Financial Statements based on unaudited financial statement as approved by the Board of Directors of respective companies:

	Name of the Companies	Country of Incorporation	Percentage of Ownership Interest as at 31-03-2014	Percentage of Ownership Interest as at 31-03-2013	Relationship
1	Gitanjali USA, Inc.	USA	100%	100%	Subsidiary
2	Tri-star Worldwide LLC	USA	100%	100%	Subsidiary
3	Abbeycrest (Thailand) Limited	Thailand	99.99%	99.99%	Subsidiary
4	Gitanjali Lifestyle Limited	India	100%	100%	Subsidiary
5	E Gitanjali Limited	India	100%	100%	Subsidiary
6	Maya Retail Ltd.(Formerly known as Salasar Retail Limited)	India	95.94%	95.94%	Subsidiary
7	Aston Luxury Group Limited	Hongkong	100%	100%	Subsidiary
8	Crown Aim Limited	Hongkong	100%	100%	Subsidiary
9	Alfred Terry Limited (Formerly Known as Alfred Terry Holdings Limited)	United Kingdom	100%	100%	Subsidiary
10	Leading Italian Jewels (Singapore) Pte. Ltd.	Singapore	100%	100%	Subsidiary

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

- c. **List of the companies which are not included in the Consolidated Financial Statement being newly acquired or as the management is of the opinion that on comparison of the assets and revenues of such companies as a percentage to the total consolidated assets and revenue of the Group is not material.**

	Name of the Companies	Country of Incorporation	Percentage of Ownership Interest as at 31-03-2014	Percentage of Ownership Interest as at 31-03-2013	Relationship
1	Shubalavanyaa Jewel Crafts Private Limited	India	51%	51%	Subsidiary
2	Diadem Ranka Desire Lifestyles Private Limited	India	-	50%	Joint Venture
3	Gitanjali Jewels LLC	UAE	49%	49%	Associate
4	Gitanjali Gold & Precious LLC	UAE	49%	49%	Associate
5	Aston Diamond Resources SA (PTY) Ltd	South Africa	100%	NIL	Subsidiary

- d. The Consolidated Financial Statements includes accounts of eighteen (previous year: eleven) subsidiaries (direct / indirect) whose networth is negative. These being strategic investments, they continued to do business with the support of holding company. The holding company along with management of respective subsidiaries are considering various options for reviving and making them viable. Hence, the accounts of these subsidiaries are prepared on going concern basis.
- e. One of the subsidiary company namely Gitanjali Infratech Ltd applied vide CSD no – 611/2013 dated February 11, 2013 to hon'ble Bombay High Court for amalgamation with Gitanjali Gems Limited. During the year, the hon'ble Bombay High Court gave the order for dispensing shareholders' meeting. However due to change in economic scenario, now management has resolved not to pursue process of merger of said subsidiary.
- f. During the year, in respect of three companies acquired by a subsidiary company, a scheme of amalgamation was filed to hon'ble Bombay High Court. The hon'ble Bombay High Court gave the order for dispensing shareholders' meeting. However due to change in economic scenario, management decided not to pursue the process of merger and disposed off the investment.
- g. One of the subsidiary company namely Damas Gems – N – Jewels (I) Pvt. Ltd. had applied vide CSD no – 526/2013 dated May 8, 2013 to hon'ble Bombay High Court for amalgamation with Gitanjali Lifestyle Limited. During the year, the hon'ble Bombay High Court gave the order for dispensing shareholders' meeting. However due to change in economic scenario, now management has resolved not to pursue process of merger of said subsidiary.

25.2 During the year, the Company has invested / proposed to invest in following companies:

a. **Giantti Jewellery Trading (SH) Co. Ltd (Giantti)**

During the year, through one of the wholly owned subsidiary, the Company acquired 100% interest in Giantti. The Company's interest stands at 100% as at March 31, 2014.

b. **Tianxin Diamonds (Shanghai) Co. Ltd (Tianxin)**

During the year, through one of the wholly owned subsidiary, the Company acquired 100% interest in Tianxin. The Company's interest stands at 100% as at March 31, 2014.

c. **GEMTA Coal Mines Limited (GEMTA)**

The company has committed to invest ₹ 0.85 lacs as its share in the newly formed company GEMTA. GEMTA was incorporated on March 21, 2014. As at March 31, 2014 the Company is yet to pay for subscription to equity capital of the GEMTA. The Company's interest will be 17% of total capital in newly incorporated entity.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

25.3 During the year the company has disinvested in following companies:
a. Ivida Technologies Private Limited (Ivida)

During the previous year, one of the subsidiary company advanced sum towards acquisition of Ivida. Ivida was duly acquired during the year. However due to change in economic scenario, management decided to divest some of its non core business units and disposed off the investment. Post acquisition business was yet to expand and said investment was sold at par value.

b. Gitanjali Realtors Private Limited (GRPL)

During the previous year, one of the subsidiary company advanced sum towards acquisition of GRPL. GRPL was duly acquired during the year. However due to change in economic scenario, management decided to divest some of its non core business units and disposed off the investment. Post acquisition business was yet to expand and said investment was sold at par value.

c. Coronet Gems Private Limited (Coronet)

During the previous year, one of the subsidiary company advanced sum towards acquisition of Coronet. Coronet was duly acquired during the year. However due to change in economic scenario, management decided to divest some of its non core business units and disposed off the investment. Post acquisition business was yet to expand and said investment was sold at par value.

d. Diadem Ranka Desire Lifestyles Private Limited (Diadem)

During the previous year, due to change in economic scenario, management decided and disposed off the entire investment in joint venture company namely Diadem.

NOTE – 26: SHARE CAPITAL
a. Details of Authorised, Issued, Subscribed and Paid up Capital as at March 31,

Share Capital	2014		2013	
	Number	₹ in lacs	Number	₹ in lacs
Authorised				
Equity Shares of ₹ 10/- each.	15,00,00,000	15,000.00	15,00,00,000	15,000.00
Issued Subscribed & Paid up				
Equity Shares of ₹ 10/- each	9,20,65,491	9,206.55	9,20,65,491	9,206.55

b. Reconciliation of number of shares at the beginning and end of the year

Particulars	2014	2013
	Equity Shares Number	Equity Shares Number
Shares outstanding at the beginning of the year	9,20,65,491	9,11,22,095
ADD: Shares issued during the year on conversion of warrants	-	943,396
Shares outstanding at the end of the year	9,20,65,491	9,20,65,491

c. Shares held by Holding / Ultimate Holding and / their subsidiaries / Associates: Current Year – Not Applicable (Previous Year – Not Applicable).
d. Rights, Preferences and Restriction of Share holders

The company has only one class of Equity shares having par value of ₹ 10/-. The equity shares have rights, Preferences and restrictions which are in accordance with the provision of law, in particular the Companies Act 1956.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

- e. Details of share holders holding more than 5 % shares in the Company as at March 31,

Name of Share holder	2014		2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Mr.Mehul C Choksi	3,07,95,125	33.45%	4,75,27,628	51.62%
Macquarie Finance (India) Private Limited	50,00,000	5.43%	-	-

- f. Particulars of shares issued for consideration other than cash, shares bought back and bonus Shares in last five years :
- Company bought back 792,883 Equity shares in Financial year 2009-10;
 - Issue of bonus shares –NIL.
- g. There are no shares reserved for issued under options, contracts / commitments for sale of Shares / disinvestments.
- h. Particulars of calls in arrears by directors and officers of the company. – NIL
- i. Security convertible into equity shares :

During the previous financial year, the Company has issued 1 (one) Zero percent Fully Convertible Debentures (FCDs) having face value of ₹ 3,900.00 lacs on a preferential basis to D.B Corp Limited. The said FCD will be compulsorily convertible into such number of equity shares with face value of ₹ 10/- each at the end of 18 months from the date of allotment at a price determined as per SEBI (ICDR) Regulations, 2009. There was no conversion in to equity shares as at March 31, 2014 and the last date of conversion is June 4, 2014.

During the year, the company has not issued any convertible security.

NOTE – 27: GLOBAL DEPOSITORY RECEIPT (GDR)

The company raised USD 180.00 million through issuance of GDR on December 14, 2007. The proceeds have been fully utilized as per objects of the issue by the end of March 31, 2013.

NOTE – 28: Dividend for Financial Year 2012-13.

In the Annual General Meeting (AGM) of the Company held on September 30, 2013, the proposed resolution related to declaration of dividend was not approved by the share holders as per poll conducted at AGM. Accordingly in the Financial Year 2013-14, company has reversed the appropriations towards the proposed dividend for the Financial Year 2012-13 of ₹ 2,761.97 lacs and dividend distribution tax there on of ₹ 469.40 lacs.

NOTE – 29: BORROWINGS

- a. Non Convertible Debentures:

On June 22, 2009, the company issued 12% secured redeemable non convertible debentures of ₹ 12,500.00 lacs to LIC of India. The tenure of the debentures is five years (maturity date: June 21, 2014) and are redeemable in eight equal quarterly installments with initial moratorium of three years. The said debentures are secured by first pari passu charge over immoveable properties in Hyderabad (A.P.) belonging to one of the wholly owned subsidiary.

As the business and the cash flows were severely affected by regulator's order on gold import, as at March 31, 2014 repayment of 4 (four) installments aggregating to ₹ 6,250.00 lacs and interest due thereon of ₹ 1,093.75 lacs is overdue. On account of nonpayment of installments on due dates as above, the Company and security provider viz. Hyderabad Gems SEZ Limited has received notices under sec 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002. The company has approached LIC of India for revision in repayment schedule and expects revised repayment terms and action on the above notice would be dropped.

In view of cash flow constraints, cash deposit as required by circular number 4/2013 dated February 11, 2013 of GOI MCA in respect of debentures maturing the following year have not been made by the company.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

b. Convertible Debenture:

The company has on December 05th, 2012 allotted 1 (one) Zero percent unsecured Fully Convertible Debenture (FCDs) having face value of ₹ 3,900.00 lacs on a preferential basis to D.B Corp Limited. The said FCD will be compulsorily Convertible into such number of equity shares with face value of ₹ 10/- each at the end of 18 months from the date of allotment at a price determined as per SEBI (ICDR) Regulations, 2009. The last date of conversion is June 4, 2014.

c. Working Capital Borrowings :

Working capital borrowings from Banks/ Financial Institution are secured against certain immoveable properties of the company and its subsidiaries and hypothecation by way of a first charge on all the present and future goods, movable assets, vehicles, furniture, stock-in-trade, fixed deposits, book debts along with personal guarantee of the Managing Director. The facility carries interest ranging from 5% to 14.50%.

Trade payable includes ₹ 524.47 lacs (Previous Year ₹ 239,048.80 lacs) payable to bank under purchase arrangement for Gold. This facility is secured against Margin money, Fixed deposits and Bank Guarantee. This facility carries interest ranging from 2.25% to 6.25%.

During the year, there have been changes in RBI Policy relating to issuance of BG/LC for purchase of gold. Due to this restriction, there has been sudden and severe impact on cash flow which in turn has resulted in non-payment of BG and LC liability. As at March 31, 2014, the facilities in banks and financial institution are overdrawn by ₹ 18,079.55 lacs mainly on account of non-servicing of interest.

d. External Commercial Borrowings(ECB) :

During Financial Year 2011-12 the Company raised ECB aggregating to USD 107.19 million as under

- USD 57.19 million from IDBI Bank Ltd (Dubai). The said ECB carries Interest @ 4.90% p.a. + 6 months USD libor and is repayable in 12 half yearly installments of which first 4 installments are @ 0.667% of principal and remainder eight Installments @ 12.167% of principal. Repayment starts from June 1, 2013 and ends on December 01, 2018.
- USD 50.00 million from ICICI Bank Ltd (Dubai). The said ECB carries Interest @ 4.90% p.a. + 6 months USD libor and is repayable in 12 half yearly installments of which first 4 installments are @ 0.667% of principal and remainder eight Installments @ 12.167% of principal. Repayment starts from June 1, 2013 and ends on December 01, 2018.

Out of above ECB proceeds, USD 57.19 Million was utilised to redeem the outstanding FCCBs and balance USD 50.00 Million was utilized towards capital expenditure in SEZ unit at Hyderabad and investment in overseas subsidiaries.

The said ECBs are secured by first pari passu charge over certain immoveable properties of subsidiaries and second charge on the company's assets namely raw materials, stock in progress, finished goods and all book debts, movable plant and machinery, consumable stores and store and spares both present and future. During the year the company also provided additional security by way of properties of various subsidiaries in respect of the said ECB.

There have been delays in servicing the principal and interest in respect of these ECBs. One installments amounting to USD 1.00 Million of ECB principal and interest of USD 1.32 million to ICICI bank is overdue as at March 31, 2014.

e. Fixed Deposits (FD):

During the year, the Company accepted fixed deposit from the public pursuant to provisions of section 58A, 58AA and other relevant provisions of Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 made thereunder. The Company accepted total amount of ₹ 238.59 lacs as deposit from public. As at March 31, 2014 outstanding amount is ₹ 227.29 lacs. This facility carries interest ranging from 11.50% to 12.50% p.a.. Such deposits are repayable over a period of time, ranging from one year to three year. The total amount due within one year is ₹ 39.45 lacs.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

NOTE - 30: TRADE RECEIVABLES:

The trade receivables of subsidiary companies as at March 31, 2014 include dues of ₹ 1,193.65 lacs (Previous Year ₹ 977.70 lacs) where suits have been filed / are in the process of filing suits for recovery. The suits are maintainable in the court of Law. The management expects favourable outcome. The management is of the opinion that debts are good and recoverable and no provision is considered necessary at this stage.

The group considers all trade receivables as good and recoverable other than those in respect of which provision for doubtful debts is made. During the year the Company and a subsidiary company has written off export receivable of ₹ 16,855.75 lacs as bad debts and same is within the permissible limit of Reserve Bank of India.

There are some cases where the export receivables are outstanding for more than permissible limits for which respective companies are in the process of filing application to the requisite authority.

The receivables and payables from same party have been netted off for the purpose of presentation in the Consolidated Financial statements.

In case of holding company i.e. Gitanjali Gems Limited, trade receivables have been reviewed by the reputed firm of Chartered Accountants appointed by consortium of bankers and they have not reported any adverse comments.

NOTE - 31

In response to notices received under section 153 A of Income Tax Act, 1961 the assessment proceedings for group companies are in progress and in respect of completed assessments order have been received by the respective companies. In respect of demands raised in the assessment orders, based on advice received from consultants, the respective companies has filed appeal before Commissioner of Income Tax (Appeal).

NOTE – 32: PURCHASE OF RAW MATERIALS AND TRADED GOODS:

The company is engaged in business of trading and manufacturing of Plain Gold Jewellery, Diamond Studded Jewellery, Diamond Cutting and Polishing. For this purpose company has its own manufacturing facility and has job work manufacturing. The company also purchased jewellery produced by reputed manufacturers. Considering the nature of products, “Purchase of Raw Material and Traded Goods” also includes cost of materials consumed.

NOTE – 33: CONTINGENT LIABILITIES NOT PROVIDED IN RESPECT OF:

- a. Corporate Guarantees given by the Company for Working capital facilities availed by Subsidiary Companies to the extent of ₹ 345,573.15 lacs (Previous Year ₹ 315,380.00 lacs).
- b. Outstanding Letters of Credit: ₹ 97.94 lacs (Previous Year ₹ 90.40 lacs).
- c. Bank Guarantee: ₹ 51.28 lacs (Previous Year ₹ 10.90 lacs), excludes Bank guarantee against trade payable. Refer Note 29 C.
- d. Disputed Income tax ₹ 3,421.44 lacs (Previous Year : ₹ 90.50 lacs).
- e. Sales tax demand notice of ₹ 1,321.27 lacs.
- f. Guarantees given to revenue and legal authorities ₹ 29.12 lacs (Previous Year ₹ 918.30 lacs).
- g. Disputed Interest & Penalty on Stamp Duty ₹ 12.62 lacs (Previous Year ₹ 12.62 lacs).
- h. Claims / Suits against the company not acknowledged as debt ₹ 150.18 lacs (Previous Year ₹ 150.50 lacs).
- i. Disputed Service tax ₹ 818.05 lacs (Previous year ₹ 887.20 lacs). Group has replied to the show cause notice received and based on the opinion received demand is not likely to be crystallized.
- j. Non receipt of sales tax declaration forms ₹ 1,415.50 lacs (Previous Year ₹ 1,060.20 lacs).
- k. The Company and a subsidiary has received Notice from Income tax department demanding ₹ 358.89 lacs (previous Year ₹ Nil) on account of short deduction, non deduction and interest for delayed payment .The company is in process of filing rectification and is of the view that there would be no demand.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

- l. A subsidiary company has received summons from department of Customs in relation to determination of rate of custom duty in respect of import of Jewellery during Financial year 2009-10, 2010-11 and 2011-12. Pending determination of final rate of duty company has paid ₹ 40.00 lacs under protest. The quantum of duty and penalty is not determinable at this stage.
- m. Holding Company has received show cause notice from Custom department disputing the rate of custom duty in respect of import of jewellery by unrelated party, duty differential being ₹ 26.15 lacs. Since the material is not imported by the company, no duty would be payable. The company, based on tax consultant's assessment, is confident that the case is likely to be decided favourably.
- n. A subsidiary company has paid ₹ 32.19 lacs as deposit against assessment order for the year financial year 2009-10, 2010-11 and 2011-12 which was set aside by Madras high court for fresh assessment. Pending assessment, liability is not determinable at this stage.
- o. Disputed property tax of premises for which notices are received from society of ₹ 24.75 lacs. (Previous Year ₹ nil)

NOTE – 34 : CAPITAL COMMITMENTS

Estimated Amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances given) ₹ 655.74 lacs (Previous Year ₹ 655.20 lacs)

NOTE – 35 : EARNINGS PER SHARE**a. Basic Earnings per Share (After Tax Provision)**

Particulars	2014	2013
Net profit for the period attributable to Equity Shareholders (₹ in lacs)	3,352.20	59,169.34
Weighted average number of Equity Shares outstanding as at March 31, (Nos.)	9,20,65,491	91,742,410
Basic earnings per share (Face value of ₹ 10 each) (₹)	3.64	64.50

b. Diluted Earnings Per Share (After Tax Provision)

Particulars	2014	2013
Net profit for the period attributable to Equity shareholders (₹ In lacs)	3,352.20	59,169.34
Weighted average number of Equity Shares outstanding (Nos.)	9,85,76,342	92,167,694
Diluted earnings per share (Face value of ₹ 10 each) (₹)	3.40	64.20

NOTE – 36 : DEFERRED TAX ASSETS AND LIABILITIES AS AT MARCH 31,

(₹ in Lacs)

Particulars	2014	2013
Deferred Tax Liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	175.03	277.21
Gross Deferred Tax Liability	175.03	277.21
Deferred Tax Asset		
Provision for Retirement Benefits / Doubtful Debts	112.40	56.49
Disallowance under Section 43B of I. T. Act	89.62	115.51
Unabsorbed Business Losses/Depreciation	1,718.99	52.39
Provision for leave Salary/Gratuity	27.36	45.59
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	63.78	1,445.40

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

Others	106.32	-
Gross Deferred Tax Asset	2,118.47	1,715.38
Net Deferred Tax Asset/(Liability)	1,943.44	1,438.17

- The Gross Deferred Tax Liabilities and Deferred Tax Asset is shown above. The same is reported on net basis in the Consolidated Financial Statements.
- In case of eighteen subsidiaries (direct / indirect) considered in aforesaid Consolidated Financial Statement, due to losses incurred and in the absence of virtual certainty backed by convincing evidence, no deferred tax assets have been recognized.

NOTE – 37: SEGMENT REPORTING :

The management of the Company identifies two major reportable segments viz. Diamond Business and Jewellery Business. Activity in diamond business includes manufacturing and export of cut & polished diamonds and sales in local market. Activity in jewellery business includes manufacturing and export of plain gold and diamond studded jewellery and manufacturing and sales in local market of branded and unbranded jewellery. Refer Annexure- I

NOTE – 38: RELATED PARTY DISCLOSURE:

Refer to Annexure II

NOTE – 39: EMPLOYEE BENEFITS :

The company has followed Accounting Standard-15 Employee Benefits, notified under the Companies (Accounting Standard) Rules, 2006. Wherever applicable, the company and its subsidiaries accounted for the liability for gratuity benefits payable in future based on independent actuarial valuation. The liability is not funded. The disclosure based on AS 15 is not reproduced for sake of brevity .

NOTE – 40: DISCLOSURE OF FOREIGN CURRENCY EXPOSURES:

The details of outstanding foreign currency exposure of the Group as at March 31, is as under:

PARTICULARS	2014	2014	2013	2013
	USD (Mio)	INR (Mio)	USD (Mio)	INR (Mio)
Debtors – covered by Forward Contract	127.73	-	50.01	-
Debtors – uncovered	1,108.12	-	606.23	-
Creditors – covered by Forward Contract	-	-	29.00	-
Creditors – uncovered	230.40	-	369.67	-
ECB – uncovered	104.42	-	106.19	-
Advance from customers	2.03	-	2.03	-
Bank Facility – uncovered	121.14	-	117.25	-

Note: Forward contracts for debtors and creditors are not intended for trading and speculation.

NOTE – 41: LEASE DISCLOSURE:

- The Company has taken various office premises under operating lease or leave and license agreements. These are generally non-cancelable and ranges between 11 months and 5 years under leave and license, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The company has given refundable interest free security deposits under certain agreements.
- Lease payments are recognized in the Statement of profit & loss under the head ‘Rent’

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

- c. The future minimum lease payments as at March 31, 2014 are as follows:
- Not later than one year ₹ 10,211.86 lacs (Previous year ₹ 6,124.40 lacs)
 - Later than one year and not later than five years ₹ 25,619.04 lacs (Previous year ₹ 26,505.30 lacs)
 - More than five years ₹ 9,387.61 lacs (Previous year ₹ 8,430.50 lacs)
- d. The future minimum lease receivables as at March 31, 2014 are as follows:
- Not later than one year ₹ 268.23 lacs (Previous year ₹ 268.23 lacs)
 - Later than one year and not later than five years ₹ nil lacs (Previous year ₹ 262.10 lacs)
 - More than five years ₹ nil lacs (Previous year ₹ nil lacs)

NOTE – 42: OTEHRS:

- a. Exceptional item of ₹ (73.47) lacs in statement of profit & loss represents mainly on account of profit on sale of fixed asset. (Previous year ₹ 9.77 lacs on account of sale of fixed assets.)
- b. Loans and advances (other than group companies) of ₹ 1,477.46 lacs were w/off during the year as the same was considered irrecoverable.

NOTE – 43: UNDISPUTED STATUTORY DUES:

As a result of government policy on gold imports, cash flow was severely affected from May 2013 onwards. There was overdrawn position in working capital loans. As a result, the group could not meet the statutory payments in time.

As a result of the above, the self-assessment tax of the group for assessment year 2013-14 of ₹ 5,287.07 lacs which was payable on or before 30th November, 2013 has remained outstanding as at the date of signing the balance sheet. Further, for the same reason other statutory dues of ₹ 223.27 lacs was outstanding for period over six months from respective due dates as at year end.

Previous year's figures have been regrouped/rearranged/reworked wherever necessary and possible so as to conform to current year's classification.

As per our attached report of even date.

For Ford, Rhodes, Parks & Co.

Chartered Accountants

Firm Regn No : 102860W

For and on behalf of the Board

A. D. Shenoy

Partner

M. No. 11549

Mehul C. Choksi

Managing Director

Dhanesh Sheth

Director

Place : Mumbai

Dated : May 30, 2014

Pankhuri Warange

Company Secretary

Chandrakant Karkare

Chief Financial Officer

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

Annexure – I - Consolidated Segment wise Reporting Revenue, Results and Capital Employed

		(₹ in Lacs)	
		2014	2013
A)	Primary Segment (By Business Segment)		
1	Segment Revenue		
	a) Segment – Diamond	719,157.92	688,512.83
	b) Segment – Jewellery	652,043.27	10,16,554.35
	c) Segment – Others	7,363.33	4,130.82
	Total	13,78,564.52	17,09,198.00
	Less:- Inter Segment Revenue	134,964.49	67,348.37
	Net Sales	12,43,600.03	16,41,849.63
2	Segment Results		
	Profit / (Loss) before tax and interest from each segment		
	a) Segment – Diamond	34,668.58	26,879.05
	b) Segment – Jewellery	44,769.79	82,775.13
	c) Others	(2,111.48)	(1,455.33)
	Total	77,326.89	108,198.85
	Less:- Finance cost	73,631.45	46,131.99
	Total Profit Before Exceptional items and tax	3,695.44	62,066.86
3	Capital Employed		
	a) Segment – Diamond	156,835.98	117,686.54
	b) Segment – Jewellery	228,642.04	216,557.44
	c) Unallocated net assets	8,941.51	42,608.10
	Total	394,419.53	376,852.08
B)	Secondary Segment (By Geographical Segment)		
	Segment Revenue		
	India	510,548.89	959,876.69
	Rest of the world	733,051.14	681,972.94
	Total Revenue	12,43,600.03	16,41,849.63

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

Annexure II - Related Party Disclosure Statement**Related Party & their Relationship****1 Subsidiary Companies (Direct / Indirect)**

Abbeycrest (Thailand) Ltd
Alfred Terry Limited (Formerly Known as Alfred Terry Holdings Limited)
Aston Luxury Group Ltd.
Aston Diamond Resources SA (PTY) Ltd.
Asmi Jewellery India Ltd.
Crown Aim Ltd.
D'Damas Jewellery (India) Pvt Ltd.
Diamlink Inc.
Diamlink Jewelry Inc.
Decent Securities & Finance Pvt. Ltd.
Decent Investment & Finance Pvt. Ltd.
eGitanjali Ltd. (Formerly known as Mehul Impex Ltd.)
Eureka Finstock Pvt Ltd.
GGL Diamond LLC
Gili India Ltd.
Gitanjali Resources BVBA
Gitanjali Brands Ltd.
Gitanjali Capital Pvt. Ltd.
Gitanjali Exports Corporation Ltd.
Gitanjali Infratech Ltd.
Gitanjali Jewellery Retail Ltd. (Formerly known as Gitanjali Jewellery Retail Private Limited)
Gitanjali Lifestyle Ltd.
Gitanjali USA Inc.
Gitanjali Ventures DMCC
Giantti Jewellery (Shanghai) Co., Ltd.
Hyderabad Gems SEZ Ltd.
Jewelry Marketing Company LLC
Leading Italian Jewels SRL
Leading Jewels of Japan K.K.
Leading Italian Jewels (Singapore) PTE Ltd
LJOW Holdings LLC
Maya Retail Ltd.
MMTC Gitanjali Ltd.
MobileNxt Teleservices Pvt. Ltd.
Nakshatra Brands Limited (Formerly Known as Brightest Circle Jewellery Ltd.)
N & J Finstocks Pvt. Ltd.
Nashik Multi Services SEZ Ltd.
Samuels Jewelers Inc.
Spectrum Jewellery Ltd.
Shubalavanyaa Jewel Crafts Pvt. Ltd.
Tian Xin Diamonds (Shanghai) Co., Ltd.
Tri-star Worldwide LLC

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31,

2 Key Management Personnel

Mr. Mehul C. Choksi

3 Enterprises under Common Control of Key Management Personnel

Audarya Investments Pvt. Ltd.

A.P. Gems & Jewellery Park Pvt. Ltd.

Coronet Gems Pvt. Ltd. (Formerly known as Maitreyi Impex Pvt. Ltd.)

Diamond Creations

Damas Gems - N - Jewels (I) Pvt. Ltd.

Evergold Jewels Pvt. Ltd. (Formerly known as Trans Expo Trade Pvt. Ltd.)

Gitanjali Gold & Precious Ltd.

Gitanjali Impex Pvt. Ltd.

Gitanjali Realtors Pvt. Ltd.

Ivida Technologies Pvt. Ltd.

Lustre Industries Pvt. Ltd. (Formerly known as Lustre Manufacturers Pvt. Ltd.)

Mannat Jewellery Manufacturing Pvt. Ltd.

Mast Jewellery Distributions Pvt. Ltd.

Mozart Trading Pvt. Ltd.

Naviraj Estates Pvt. Ltd.

Partha Gems LLP

Priyanka Gems Pvt. Ltd.

Rohan Diamonds Pvt. Ltd.

Rohan Mercantile Pvt. Ltd.

Touchstone

4 Relative of Key Management Personnel

Mrs. Amita R. Bhansali

Mrs. Neena D. Sheth

Mrs. Priti M. Choksi

Mr. Rohan M. Choksi

5 Enterprises Controlled by Relatives of Key Management Personnel

Diminco N.V.

Verite Company Ltd.

6 Enterprises Controlled by the Investing Venturer of the Subsidiary Company

Damas Jewellery LLC

MMTC Limited

7 Joint Venture

Gitanjali Gold & Precious LLC

Gitanjali Jewels LLC

Diadem Ranka Desire Lifestyle Pvt. Ltd.

1. **Relationship:- Subsidiary companies**

Transaction with the Company	₹ in lacs
Corporate Guarantees given to the bankers for Letter of Credit facility	345,573.15
Amount outstanding shown under trade payable	(32.78)
Amount outstanding shown under loans and advances	41.33

2. **Relationship:- Key management personnel**

Transaction with the Company	₹ in lacs
Amount outstanding shown under other liabilities	2.44
Expenses	21.94
Loan taken returned back	544.11
Loan taken	0.40
Salary	48.00
Sales of products	19.34
Investments purchased	62.48
Guarantee given for working capital borrowing to the banks / financial institution	To the Extent of Borrowings

3. **Relationship:- Enterprises under common control of key management personnel**

Transaction with the Company	₹ in lacs
Advance towards share capital	84.35
Amount outstanding shown under trade receivable	6,099.13
Reimbursement of expenses	183.46
Loan given	537.78
Loan given received back	328.96
Loan taken returned back	860.68
Amount outstanding shown under loans and advance	2,669.82
Amount outstanding shown under advances from customers	6,361.12
Amount outstanding shown under advances to suppliers	507.37
Purchase of Fixed Assets	219.58
Sales of products	29,253.39
Expenses incurred	1,509.18
Purchase of products	45,775.55

4. **Relationship:- Relatives of key management personnel**

Transaction with the Company	₹ in lacs
Amount outstanding shown under other long term liabilities	88.95
Amount received against sale of products	25.82
Sales of products	41.37

5. **Relationship:- Enterprises controlled by relatives of key management personnel**

Transaction with the Company	₹ in lacs
Amount outstanding shown under trade receivable	10,575.53
Amount outstanding shown under other long term liabilities	1,524.31
Amount outstanding shown under trade payable	4,924.74
Sales of products	9,525.17
Purchase of products	1,438.28

6. **Relationship:- Enterprises controlled by investing venture of the subsidiary company**

Transaction with the Company	₹ in lacs
Amount outstanding shown under trade receivable	79.98
Amount outstanding shown under advance from customer	1,203.09
Amount outstanding shown under trade payable	32.31
Sales of products	144.94
Purchase of products	994.72
Expenses incurred	41.82

7. **Relationship:- Joint Venture**

Transaction with the Company	₹ in lacs
Amount outstanding shown under trade receivable	340.30
Amount outstanding shown under loans and advances	272.68
Amount outstanding shown under trade payable	1,985.65
Receipts during the year	54.62
Payments during the year	28.52
Sales of products	5,934.09
Purchase of products	41.86
Expenses incurred	42.10

**STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212 OF THE COMPANIES ACT, 1956
FOR THE YEAR 2013-2014.**

(₹ In Lacs)

Company Name	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
Gitanjali Exports Corporation Ltd.	INR	-	1,725.00	55,005.70	1,86,654.83	1,86,654.83	134.35	2,01,405.56	(1,623.93)	1.71	(1,625.64)	0.00
eGitanjali Ltd.	INR	-	99.00	(169.03)	1,198.42	1,198.42	0.10	1,195.86	(202.52)	0.00	(202.52)	0.00
Gitanjali Capital Pvt. Ltd.	INR	-	200.00	132.96	333.96	333.96	0.00	0.00	(0.72)	0.00	(0.72)	0.00
Gitanjali Infratech Ltd.	INR	-	5,000.00	(414.94)	27,581.90	27,581.90	0.00	0.00	(675.25)	0.20	(675.44)	0.00
Hyderabad Gems SEZ Ltd.	INR	-	5.00	(244.26)	9,552.08	9,552.08	0.00	0.00	(172.78)	0.00	(172.78)	0.00
Nashik Multi Services SEZ Ltd.	INR	-	5.00	(12.26)	810.08	810.08	0.00	0.00	(0.55)	0.00	(0.55)	0.00
Decent Securities & Finance Pvt. Ltd.	INR	-	5.00	(86.51)	842.91	842.91	842.05	0.00	(9.92)	2.07	(11.99)	0.00
Decent Investment & Finance Pvt. Ltd.	INR	-	200.00	47.78	551.86	551.86	546.62	0.00	(26.36)	0.00	(26.36)	0.00
Eureka Finstock Pvt. Ltd.	INR	-	5.00	(153.17)	949.88	949.88	949.57	0.00	(11.69)	0.77	(12.47)	0.00
N & J Finstocks Pvt. Ltd.	INR	-	5.00	(70.69)	1,965.55	1,965.55	1,964.13	0.00	(27.13)	1.30	(28.43)	0.00
Gitanjali Brands Ltd.	INR	-	874.55	30,341.18	87,728.12	87,728.12	0.03	1,49,438.17	466.87	(6.76)	473.63	0.00
Nakshatra Brands Limited	INR	-	275.00	15,873.84	82,988.66	82,988.66	0.30	1,24,048.24	786.77	7.89	778.87	0.00
Gili India Ltd.	INR	-	660.00	18,946.84	87,784.16	87,784.16	0.35	1,25,809.93	156.23	35.58	120.65	0.00
Asmi Jewellery India Ltd.	INR	-	85.00	12,713.86	66,690.22	66,690.22	0.00	1,14,292.43	72.46	(0.27)	72.74	0.00
D'Damas Jewellery (India) Pvt. Ltd.	INR	-	2,507.84	950.45	21,396.51	21,396.51	0.00	32,474.21	7.29	(4.73)	12.02	0.00
Spectrum Jewellery Ltd.	INR	-	5.00	(104.87)	5,807.88	5,807.88	0.00	4,698.13	29.92	(26.01)	55.94	0.00
Gitanjali Lifestyle Ltd.	INR	-	2,500.00	(2,782.78)	32,091.28	32,091.28	0.00	33,641.71	(2,193.10)	0.00	(2,193.10)	0.00
Maya Retail Ltd.	INR	-	2,406.93	(5,377.05)	3,886.16	3,886.16	0.00	3,617.48	(1,015.52)	0.00	(1,015.52)	0.00
Mobile NXT Teleservices Pvt. Ltd.	INR	-	330.75	(285.32)	466.43	466.43	0.35	0.00	(0.34)	0.00	(0.34)	0.00
Gitanjali Jewellery Retail Ltd.	INR	-	100.00	(1,222.87)	60,058.29	60,058.29	2.28	59,209.70	(1,391.24)	(228.70)	(1,162.54)	0.00
MMTC Gitanjali Ltd.	INR	-	1,149.00	(108.84)	3,443.74	3,443.74	0.00	3,184.97	(110.69)	(32.04)	(78.65)	0.00
Aston Luxury Group Ltd.	USD	59.36	17,255.50	(356.20)	31,624.69	31,624.69	3,924.16	0.00	(33.87)	0.00	(33.87)	0.00
Crown Aim Ltd.	USD	59.36	3,561.30	236.11	38,753.63	38,753.63	0.00	26,090.32	(174.41)	0.00	(174.41)	0.00
Samuels Jewelers, Inc.	USD	59.36	56,962.33	(20,760.66)	85,653.82	85,653.82	0.00	73,221.71	2,248.71	48.65	2,200.06	0.00
Gitanjali USA, Inc.	USD	59.36	14,142.75	137.25	17,517.65	17,517.65	0.00	14.95	14.23	0.00	14.23	0.00
Diamlink & Subsidiaries*	USD	59.36	11,053.58	2,919.25	54,575.66	54,575.66	0.00	79,617.79	856.72	340.97	515.75	0.00
Tri-star Worldwide LLC	USD	59.36	345.60	83.59	1,738.86	1,738.86	0.00	4,677.05	49.66	0.00	49.66	0.00

**STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212 OF THE COMPANIES ACT, 1956
FOR THE YEAR 2013-2014 (CONTD)**

(₹ In Lacs)

Company Name	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
GGL Diamond LLC	USD	59.36	1,958.72	44.35	6,724.99	6,724.99	0.00	10,122.12	8.69	0.00	8.69	0.00
Gitanjali Resources BVBA	USD	59.36	2,997.42	17.59	10,206.03	10,206.03	0.00	23,156.45	54.52	0.00	54.52	0.00
Gitanjali Ventures DMCC	USD	59.36	14,574.32	65,886.37	1,39,842.18	1,39,842.18	0.00	1,40,990.39	12,582.71	0.00	12,582.71	0.00
Leading Italian Jewels SRL	EUR	81.32	6,310.04	(1,228.35)	10,112.04	10,112.04	0.00	3,812.16	(1,093.11)	0.00	(1,093.11)	0.00
Leading Jewels of Japan Kabushiki Kaisha	JPY	0.58	57.96	37.94	5,510.72	5,510.72	0.00	9,085.06	14.69	9.99	4.70	0.00
Leading Italian Jewels (Singapore) PTE Ltd	SGD	47.42	47.42	(206.56)	35.32	35.32	0.00	80.85	(57.25)	0.00	(57.25)	0.00
Tian Xin Diamonds (Shanghai) Co. Ltd	RMB	9.79	162.11	123.03	4,758.42	4,758.42	0.00	2,877.05	11.59	0.00	11.59	0.00
Giantti Jewellery (Shanghai) Co. Ltd	RMB	9.79	1,488.01	(3,305.23)	2,452.69	2,452.69	0.00	873.25	(590.44)	0.00	(590.44)	0.00
Alfred Terry Holdings Ltd.	GBP	98.87	452.82	(338.82)	1,194.68	1,194.68	0.00	1,225.77	(1,143.14)	0.00	(1,143.14)	0.00
Abbeycrest (Thailand)Ltd	THB	1.84	3,144.89	(4,329.75)	6,799.47	6,799.47	0.00	5,135.32	(1,161.98)	0.00	(1,161.98)	0.00
Note: 1) *Represents consolidated figures of Diamlink Inc.,Diamlink Jewellery Inc.,Jewelry Marketing Company LLC and LJOW Holdings, LLC												
2) Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, are based on the exchange rates as on 31.03.2014												

As per our attached report of even date.

For **Ford, Rhodes, Parks & Co.**

Chartered Accountants

Firm Regn No : 102860W

A. D. Shenoy

Partner

M. No. 11549

Place : Mumbai

Dated : May 30, 2014

For and on behalf of the Board

Mehul C. Choksi
Managing Director**Pankhuri Warange**
Company Secretary**Dhanesh Sheth**
Director**Chandrakant Karkare**
Chief Financial Officer

GITANJALI

GITANJALI GEMS LIMITED

Regd. Office: A-1, 7th Floor, Laxmi Tower, Bandra – Kurla Complex, Bandra (E) Mumbai – 400051

CIN: L36911MH1986PLC040689

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member (s):

Registered address:

E-mail Id:

Folio No/ Client Id*:

DP ID*:

I / We, being the member(s) of Shares of Gitanjali Gems Limited, hereby appoint

1. Name: _____

Address: _____

Email Id: _____

Signature: _____

or failing him

2. Name: _____

Address: _____

Email Id: _____

Signature: _____

or failing him

3. Name: _____

Address: _____

Email Id: _____

Signature: _____

* Applicable for investors holding shares in electronic form

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held on Monday, September 29, 2014 at 10.00 a.m. at Boundary Hall, First Floor, MCA Recreation Centre, RG-2, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 and at any adjournment thereof in respect of such resolutions as are indicated below:

Sr. No	Resolutions
	Ordinary Business
1	Adoption of Audited Balance Sheet and Statement of Profit and loss for the year ended March 31, 2014 together with the reports of Board of Directors and Auditors thereon.
2	Re-appointment of Mr. Dhanesh Sheth as Director who retires by rotation and being eligible offers himself for re-appointment.
3	Appointment of M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, having ICAI firm registration no. 102860W as Statutory Auditors of the Company.
	Special Business
4	Appointment of Mr. Swaminathan Sundararajan Mittur as Independent Director for a term of 5 consecutive years commencing from September 29, 2014.
5	Appointment of Mr. S. Krishnan as Independent Director for a term of 5 consecutive years commencing from September 29, 2014.
6	Appointment of Ms. Nazura Ajaney as Independent Director for a term upto September 30, 2018.
7	Adoption of new set of Articles of Association.

Affix
revenue
Stamp

Signed this _____ day of _____ 2014

Signature of shareholder Signature of Proxyholder

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company at A-1, 7th Floor, Laxmi Tower, Bandra – Kurla Complex, Bandra (E) Mumbai – 400051, not less than 48 hours before the commencement of the Meeting.

BRAND PORTFOLIO



OVERVIEW

- Gili was launched to introduce the concept of branded jewellery for the first time in India in 1994
- First brand to start giving the customer a "Certificate of Authenticity" with every piece of jewellery bought
- Being the oldest brand in Gitanjali's portfolio, Gili has the most wide spread points of sale across SIS and distribution formats
- Gili was primarily sold through SIS formats and contributes to majority of the revenue from modern retail
- Gili has an integrated business model having its own manufacturing units and control over supply chain and distribution units
- Gili is targeting the young Indian consumers for self and gifting purpose

GILI WOMAN

- The Gili Woman is a sophisticated self-made woman and a style icon
- She epitomises competence, confidence, success and reliability
- Gili Jewellery is high quality, fine finished, machine-made, branded, diamond-studded designer jewellery
- The most popular collections are Classic Collection, Ethnic Collection, After Dark Collection, Work Collection and Casual Collection

GILI ACHIEVEMENTS

- Accorded "Superbrand" status in 2003, 2004 and 2009
- Won the "Best Platinum Jewellery of the Year" at Retail Jeweller Awards 2009 and 2011
- Crafted the smallest, heart-shaped diamond in the world, at 0.03 carats which is a unique accomplishment

OVERVIEW

- Nakshatra means "constellation of stars", symbolizes vastness and infinity, bestowing on the diamond, the classic qualities of beauty, radiance, immortality and power
- Nakshatra is the most precious brand in Gitanjali's Indian diamond jewellery portfolio
- Besides catering to Indian consumers, Nakshatra has successfully entered key international markets such as Middle East, Singapore, UK and Nepal

NAKSHATRA WOMAN

- The Nakshatra Woman is a combination of traditional charisma and contemporary style that makes her simply irresistible
- Her elegance is radiated with pieces of pure luxury
- Nakshatra is targeting elite women for their evening wear and their luxury purchases
- Nakshatra woman is self-rewarding and makes a statement
- Nakshatra is a circular cluster comprising six to nine stones, with the central stone larger than the stones surrounding it, signifying a constellation

NAKSHATRA ACHIEVEMENTS

- Accorded "Superbrand" status in 2004, 2009 and 2011
- Won accolades across the spectrum including the prestigious Effie (Silver) in 2001 and the Effie (Bronze) the following year
- The in-house designing team at Nakshatra has won multiple honours such as the JCK- New Delhi Gold Souk design award 2006, the IIGI Awards 2007 and the Tahitian Pearl Awards 2005, 2007, 2009 and 2011



NAKSHATRA
DIAMOND JEWELLERY





OVERVIEW

- Asmi in Sanskrit means "I AM", stands for the woman with a distinct Identity
- Asmi targets Independent and working women for their 9am to 5pm wear in tier 1 and tier 2 cities
- Asmi has the design signature of a curve and offers a wide range of light weight durable products
- Product innovation is the key strategy of the brand offering affordable 3 and 5 piece diamond sets, bangles and necklaces
- Asmi is available through multi channel and multi category formats across the country

ASMI WOMAN

- The Asmi Woman is sophisticated with a creative personality
- Asmi signifies the spirit of the modern Indian woman who is aware of her inner strength and has repeatedly proven that she can excel in any field she chooses
- She commemorates her success and aspires to attain higher goals
- The design and styling for the Asmi Jewellery has always been curvilinear forms around a central stone of the size above 5 points
- The Asmi collection is very contemporary, delicate and affordable. The designs have a distinct style and look,

ASMI ACHIEVEMENTS

- Awarded the Best 360 degree Marketing Campaign of the Year at Retail Jeweller Awards 2009
- In the year 2009, the first ever Asmi Women's Day event was held on a mega scale in association with Indian Television Academy and India times
- On the occasion of Women's Day in 2009 Asmi launched its Shakti Torch campaign to combat the problem of domestic violence in India

OVERVIEW

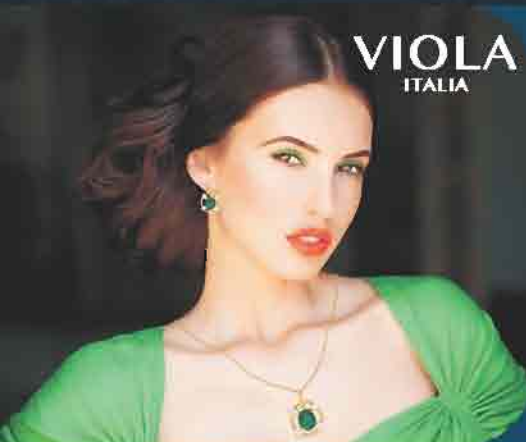
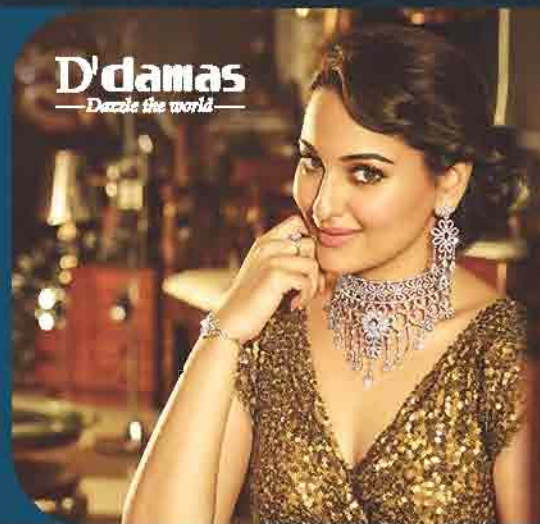
- D'damas has a strong positioning of international designs for Indian consumers
- D'damas focuses on selling largely via franchisee and distribution routes across India
- D'damas has multiple sub-brands, each unique in its positioning and offering
- It has products in all categories including rings, earring, nose pins, pendants, bangles, bracelets, necklaces, tanmanya, mangalsutra, half sets and full sets

D'DAMAS WOMAN

- The D'damas Woman is highly individualistic
- She celebrates her individuality and is always trying out new styles
- She is most loyal to the brand having access to collection of products across her lifecycle
- D'damas rapidly developed a range of gold as well as diamond studded jewellery through associated brands, sub-brands and collections
- D'damas exemplifies luxury and high aspirations, bestowing on the wearer an aura of exclusivity and refinement

D'DAMAS ACHIEVEMENTS

- D'Damas' designers have won a number of design awards: - Best Jewellery Designs - JCK, Best Vivaaha Gold Jewellery - Retail Jeweller and Fashion & Specialties Jewellery (2nd consumer reaction award)
- Only brand that has offerings in virtually all product categories, across all price points, for all occasions and emotions thus covering all consumers of different age-groups and demographic classes



OVERVIEW:

- Viola Italia is a youthful, stylish, vibrant and high perceived value brand having an international style
- Offers a range of affordable Jewellery to suit the distinct personality of today's modern woman
- Specially crafted by Italian designers, it has unique designs crafted in vivid natural colour gemstones
- This lightweight Jewellery is crafted using natural colour gemstones, diamonds, gold and sterling silver
- Viola Italia primarily has 4 collections - Bubbles, Torse, Noir and Melange. Each one having a unique concept; placement of coloured stones and diamonds to create aesthetic value
- Product mix includes Rings, Earrings, Pendants, Bracelets, Necklaces and Cufflinks

VIOLA ITALIA WOMAN:

- Trendsetter, Innovator and does not shy away from experimenting
- Brand conscious who looks for products which are extraordinary, of superior quality and unique craftsmanship
- A fashionista who loves appreciation for her new and unique styles

if undelivered please return to:

GITANJALI

REGISTERED OFFICE

**A-1, 7th Floor, Laxmi Towers,
Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
Tel: +91 22 40354600 / 601**

www.gitanjaligroup.com