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FINAL PROSPECTUS
Dated February 27, 2006
Please read Section 60B of the Companies Act, 1956
100% Book Built Issue

GITANJALI GEMS LIMITED

(The Company was incorporated on August 21, 1986 as a private limited company under the Companies Act. For details of changes in name, please refer to "History and Certain Corporate Matters" beginning on page 90 of this Prospectus)
Registered Office: 801/802 Prasad Chambers, Opera House, Mumbai 400 004
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PUBLIC ISSUE OF 17,000,000 EQUITY SHARES OF RS.10 EACH OF GITANJALI GEMS LIMITED ("GITANJALI GEMS" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS.195 PER EQUITY SHARE, AGGREGATING RS.3,315 MILLION (THE "ISSUE"). 150,000 EQUITY SHARES OF RS.10 EACH WILL BE RESERVED IN THE ISSUE FOR SUBSCRIPTION BY PERMANENT EMPLOYEES AND DIRECTORS OF THE COMPANY WHO ARE INDIAN NATIONALS AND ARE BASED IN INDIA (THE "EMPLOYEE RESERVATION PORTION", AND THE ISSUE OF EQUITY SHARES OTHER THAN THE EMPLOYEE RESERVATION PORTION, THE "NET ISSUE").

THE FACE VALUE OF THE EQUITY SHARES IS RS.10. THE ISSUE WILL CONSTITUTE 28.81% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF THE COMPANY.

ISSUE PRICE : RS. 195 PER EQUITY SHARE OF FACE VALUE RS.10 EACH.

THE ISSUE PRICE IS 19.5 TIMES THE FACE VALUE

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") and by issuing a press release and also by indicating the change on the websites of the Book Running Lead Managers and the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process where up to 50% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, at least 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 150,000 Equity Shares shall be available for allocation on a proportionate basis to the permanent Employees and Directors of the Company, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is 19.5 times the face value . The Issue Price should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares issued in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Prospectus. Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page viii of this Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares issued through this Prospectus are proposed to be listed on the BSE and NSE. We have received in-principle approvals from these Stock Exchanges for the listing of the Company's Equity Shares pursuant to letters dated January 23, 2006 and January 25, 2006, respectively. For the purposes of the Issue, the Designated Stock Exchange is BSE.

BOOK RUNNING LEAD MANAGERS (BRLMs)		REGISTRAR TO THE ISSUE
ICICI SECURITIES LIMITED ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020 Tel: +91 22 2288 2460 Fax: +91 22 2282 6580 E-mail: gitanjali_ipo@isecltd.com Website: www.icicisecurities.com	**KEYNOTE CORPORATE SERVICES LIMITED** 307, Regent Chambers Nariman Point Mumbai 400 021 Tel : +91 22 2202 5230 Fax: +91 22 2283 5467 Email: gitanjali_ipo@keynoteindia.net Website: www.keynoteindia.net	**KARVY COMPUTERSHARE PRIVATE LIMITED** Karvy House, 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad 500 034 Tel: +91 40 2343 1546 Fax: +91 40 2343 1551 Email: gitanjali.ipo@karvy.com Website: www.karvy.com

ISSUE PROGRAM

BID/ISSUE OPENED ON : THURSDAY, FEBRUARY 16, 2006	BID/ISSUE CLOSED ON : TUESDAY, FEBRUARY 21, 2006

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DEFINITIONS AND ABBREVIATIONS

General Terms

Term	Description
"GGL" or "the Company" or the "Issuer" or "Gitanjali Gems Limited"	Gitanjali Gems Limted, a public limited company incorporated under the Companies Act.
"we" or "us" or "our"	Unless the context otherwise requires, Gitanjali Gems Limited and its Subsidiaries, Joint Ventures and Associate Companies, on a consolidated basis as described in this Prospectus.
Associate Companies	Brightest Circle Jewellery Private Limited and Gili India Limited (Formerly Gitanjali Jewels Limited).
Joint Venture	D'Damas Jewellery (India) Private Limited.
Subsidiaries	CRIA Jewellery Private Limited, Fantasy Diamond Cuts Private Limited, Gitanjali Exports Corporation Limited, Hyderabad Gems SEZ Limited and Mehul Impex Limited.

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Allottee	The successful Bidder to whom Equity Shares are/ have been allotted.
Articles/Articles of Association	Articles of Association of the Company.
Auditors	Ford, Rhodes, Parks & Co.
Banker(s) to the Issue	ICICI Bank Limited, The Hongkong and Shangai Banking Corporation Limited
Bid	An indication to make an Issue during the Bidding/Issue Period by a prospective investor to subscribe to the Company's Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper.
Bid cum Application Form	The form in terms of which the Bidder shall make an Issue to subscribe to/purchase the Equity Shares and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Prospectus and the Bid cum Application Form.
Bidding/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Bid/Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper and Hindi national newspaper.
Board of Directors/ Board	The board of directors of the Company or a committee constituted thereof.
Book Building Process	The book building process as provided in Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made.
BRLMs/ Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being ICICI Securities Limited and Keynote Corporate Services Limited.

Term	Description
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956, as amended.
Cut-off Price	Any price within the Price Band finalized by the Company in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended.
Depositories Act	The Depositories Act, 1996, as amended.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account of the Company to the Issue Account, after the Prospectus is filed with the RoC, following which the Board allots Equity Shares to successful Bidders.
Designated Stock Exchange	BSE.
Director(s)	The director(s) of GGL, unless otherwise specified.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are Issued and the size of the Issue. Upon filing with the RoC at least three days before the Bid/Issue Opening Date it will be termed as the Red Herring Prospectus. It will be termed the Prospectus upon filing with RoC after the Pricing Date.
Eligible Employee	Permanent employees and directors of the Company who are Indian nationals and are based in India
Eligible NRI	NRIs from such jurisdiction outside India where it is not unlawful to make an Issue or invitation under the Issue and in relation to whom the Prospectus constitutes an Issue to sell and an invitation to subscribe to the Equity Shares Issued thereby.
Equity Shares	Equity shares of the Company of face value of Rs.10 each, unless otherwise specified in the context thereof.
Escrow Account	An account opened with an Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among the Company, the Registrar, the Escrow Collection Bank(s), and the BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account will be opened, in this Issue comprising ICICI Bank Limited, The Hongkong and Shangai Banking Corporation Limited.
Fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
FVCIs	Foreign Venture Capital Investors, as defined and registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended.
GIR Number	General Index Registry Number.
Indian National	As used in the context of the Employee Reservation Portion, a citizen of

Term	Description
	India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Industrial Policy	The industrial policy and guidelines issued thereunder by the Ministry of Industry, Government of India, from time to time.
Issue	Issue of 17,000,000 Equity Shares at the Issue Price by the Company.
Issue Price	Rs. 195 per Equity Share
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, which may be 10% or 100% of the Bid Amount, as applicable.
Memorandum/ Memorandum of Association	The memorandum of association of the Company, as amended from time to time.
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have bid for an amount more than Rs.100,000.
Non Institutional Portion	The portion of the Issue being up to 4,212,500 Equity Shares available for allocation to Non Institutional Bidders.
Non-Residents	All eligible Bidders, including Eligible NRIs, FIIs registered with SEBI and FVCIs registered with SEBI, who are not persons resident in India.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended. OCBs are not permitted to invest in this Issue.
Pay-in Date	The Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in Period	(1) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid Closing Date, and (2) With respect to QIBs, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	The price band with a minimum price (Floor Price) of Rs.170 per Equity Share and the maximum price (Cap Price) of Rs.195 per Equity Share.
Pricing Date	February 24, 2006
Promoter	Mr. Mehul C. Choksi.
Prospectus	The prospectus, filed with the RoC after pricing containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive money from the Escrow Account for the Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million and pension funds with a minimum corpus of Rs.250 million.

Term	Description
QIB Margin	An amount representing 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid.
QIB Portion	The portion of the Issue being up to 8,425,000 Equity Shares available for allocation to QIBs.
Refund Account	Account opened with an Escrow Collection Bank from which refunds of the whole or part of the Bid Amount, if any, shall be made.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited.
Retail Individual Bidders	Bidders who have bid for Equity Shares of an amount less than or equal to Rs.100,000.
Retail Portion	The portion of the Issue being up to 5,897,500 Equity Shares available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The Red Herring Prospectus dated February 3, 2006 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are Issued and the size of the Issue. The Red Herring Prospectus filed with the RoC at least three days before the Bid/Issue Opening Date will become a Prospectus upon filing with the RoC after the Pricing Date.
RoC	Registrar of Companies, Maharashtra, located at Mumbai.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI MAPIN Regulations	The SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time.
Stock Exchanges	BSE and NSE.
Syndicate or members of the Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Company and the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	ICICI Brokerage Services Limited and Keynote Capitals Limited.
TRS or Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	The BRLMs and the Syndicate Members.
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.
VCFs	Venture Capital Fund as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended from time to time.

Industry/Company Related Terms

Term	Description
GJEPC	Gem & Jewellery Export Promotion Council
SEEPZ	Santacruz Electronic & Export Processing Zone
SEZ	Special Economic Zone
DTC	The Diamond Trading Company Limited
DTA	Domestic Tariff Area
ITAT	Income Tax Appelate Tribunal
CIT(A)	Commissioner of Income Tax (Appeal)
DGFT	Director General of Foreign Trade
MIDC	Maharashtra Industrial Development Corporation

Abbreviations

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
BSE	The Bombay Stock Exchange Limited.
CAGR	Compound Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
EEFC	Exchange Earners Foreign Currency
EGM	Extraordinary general meeting.
EOU	Export Oriented Unit
EPS	Earnings per share.
EPZ	Export Processing Zone
EXIM Policy	Export Import Policy of India
FCNR Account	Foreign Currency Non-Resident Account.
FEMA	The Foreign Exchange Management Act, 1999, as amended, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board.
FOB	Free on board
FSI	Floor Space Index
HUF	Hindu Undivided Family.
IEC	Importer Exporter Code
I-SEC	ICICI Securities Limited.
LIBOR	London Interbank Issued Rate.
NAV	Net Asset Value.
NRE Account	Non-Resident External Account.
NRO Account	Non-Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
p.a.	per annum.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
PAT	Profit after Tax.
PBT	Profit before Tax.
PLR	Prime Lending Rate.
RBI	The Reserve Bank of India.
RoNW	Return on Net Worth.
SICA	Sick Industrial Companies (Special Provisions) Act, 1985.
UIN	Unique Identification Number.

PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

Unless indicated otherwise, the financial data in this Prospectus is derived from the consolidated financial statements as of and for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and the six months ended September 30, 2005 prepared in accordance with Indian GAAP and the Companies Act, restated in accordance with applicable SEBI Guidelines and included in this Prospectus. Unless indicated otherwise, the operational data in this Prospectus is presented on a consolidated basis. In accordance with SEBI requirements, we have also presented in this Prospectus unconsolidated financial statements of the Company as of and for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and the six months ended September 30, 2005, prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with applicable SEBI Guidelines.

The Company's fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements (consolidated or unconsolidated) included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and SEBI Guidelines on the financial disclosures presented in this Prospectus should accordingly be limited. The Company has not attempted to quantify those differences or their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on our financial data. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP", which appears on page 211 of this Prospectus.

Currency of Presentation

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "U.S.$" or "U.S. Dollar(s)" are to United States Dollars, the official currency of the United States of America, "JPY" Japanese Yen the official currency of Japan, "BHAT" official currency of Thailand, "RENIMBI" official currency of Republic of China, "Dhirams" official currency of United Arabic Emirates.

This Prospectus contains translations of certain U.S. Dollar, Japanese Yen, Thai Baht and other currency amounts into Indian Rupees (and certain Indian Rupee amounts into U.S. Dollars) that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These convenience translations should not be construed as a representation that those Indian Rupee or U.S. Dollar or other amounts could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate, the rate stated below or at all.

Except as otherwise stated in this Prospectus, all translations from Rupees to U.S. Dollars and from U.S. Dollars to Rupees contained in this Prospectus is as per the RBI Reference Rate on September 30, 2005, which was Rs.43.99 per U.S.$1.00.

Market Data

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Prospectus is reliable, it has not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward looking statements". These forward looking statements can generally be identified by words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions.

Similarly, statements that describe the Company's objectives, strategies, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India;
- A decrease in the availability and an increase in the price of diamonds and other materials;
- The ability to successfully implement our expansion strategy and manage our expanded operations;
- The ability to manage our growth and integrate our operations;
- Increasing competition in the diamonds and jewellery manufacturing and retail businesses;
- The ability to successfully expand our product offerings and integrate our existing product offerings;
- Demand for our diamonds and jewellery products;
- The ability to retain existing customers or encourage repeat purchases;
- Consumer tastes and preferences for diamonds and fine jewellery;
- Changes in the value of the Indian Rupee and other currency changes; and
- Changes in the Indian and international interest rates.

For further discussion of factors that could cause our actual results to differ, see the sections "Risk Factors", "Business" and "Management's Discussion of Financial Condition and Results of Operations" beginning on pages viii, 71 and 218, respectively, of this Prospectus.

The Company and the BRLMs are obliged to update the Prospectus and, in accordance with SEBI requirements, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to the Issue.

RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. You should carefully consider all information in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. To obtain a complete understanding of the Company, you should read this section in conjunction with the sections entitled "Business" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" beginning on pages 71 and 218 of this Prospectus as well as other financial information contained in this Prospectus. If any of the following risks or any of the other risks and uncertainties discussed in this Prospectus actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Internal Risk Factors

We have not provided for certain receivables in the books of accounts

The auditors in the Audit Report in page 191 have qualified the accounts in respect of an amount of Rs. 211.83 million outstanding since 2001. We did not provide for these debtors/receivables and the auditors have drawn attention of non-provisioning, which has been duly explained in the notes to accounts. The Company has now been advised to provide for the same in its profit and loss account for the year ending March 2006 as per Generally Accepted Accounting Principles (GAAP) and Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI). Our financial condition and profits for the year ending March 31, 2006 would as such be adversely affected to the extent of this provisioning.

A decrease in the availability or an increase in the price of diamonds may make it difficult for us to procure enough diamonds at competitive prices to supply our customers.

The supply and price of rough (uncut and unpolished) diamonds in the global market have been and continue to be significantly influenced by a small number of diamond mining firms, including The Diamond Trading Company Limited ("DTC"), the rough diamond marketing arm of the De Beers group. We currently source a significant percentage of our supply of rough diamonds through one of our Promoter group companies, Digico Holdings Limited ("Digico"), which enjoys a "sightholder" status with the DTC. In fiscal 2005 and the six months ended September 30, 2005, rough diamonds sourced from DTC constituted approximately 25.00% and 20.00% of our total rough diamond procurement cost. As a result, any decisions made to restrict the supply of rough diamonds by the DTC could substantially impair our ability to procure diamonds at reasonable prices. We source our remaining rough diamond requirements through secondary market purchases. The availability and price of diamonds may fluctuate depending on the political situation in diamond-producing countries. Sustained interruption in the supply of rough diamonds, an overabundance of supply or a substantial change in our relationship with the DTC and other diamond mining and wholesale trading firms, including the loss of Digico's sightholder status, could adversely affect us. A failure to secure diamonds at reasonable commercial prices and in sufficient quantities would lower our revenues and adversely impact our results of operations. In addition, increases in the price of diamonds may adversely affect consumer demand, which could cause a decline in our sales.

There may be conflicts of interest between us and certain of our Promoter group companies.

The business and operations of certain of our Promoter group companies that belong to the Chetan Choksi group of companies described on page 121 of this Prospectus are controlled by Mr. Chetan Choksi, brother of our Promoter Mr. Mehul C. Choksi. Mr. Mehul C. Choksi does not exercise any control over the business and operations of these companies. These Chetan Choksi group companies are also engaged in the diamond and jewellery business, although their operations and markets have until now been outside India. There can be no assurance that any of these Chetan Choksi group companies will not compete with us in the Indian or international markets or that the business interests of these companies will not conflict with ours.

In addition, both our operations and the operations of the Chetan Choksi group companies are significantly dependent on the rough diamonds procured from DTC through Digico as a sightholder with DTC. Our Promoter Mr. Mehul C. Choksi does not have any direct control over the operations of Digico, although he is a director of Digico. Both the Company and Diminco N.V. ("Diminco") were sightholders with DTC until 2002, when, pursuant to DTC initiatives for the consolidation of its allocation structure to sightholders and to capitalize on potential operational benefits from a consolidated sightholder status, the sightholder status of the Company and Diminco were consolidated into Digico as the single sightholder for both our operations as well as the operations of the Chetan Choksi group companies. However, operationally we continue to place our rough diamond orders directly with DTC, and receive consignments directly from and pay for such consignments directly to, DTC. As a result, any decrease in DTC allocation to Digico as the consolidated sightholder may adversely affect the allocation of rough diamonds between our operations and the operations of the Chetan Choksi group companies. The allocation of the DTC diamonds sourced through Digico between our operations and the operations of the Chetan Choksi group companies varies from period to period, depending on the requirements of the respective operations. In fiscal 2003, 2004 and 2005 and in the six months ended September 30, 2005, approximately 50.95%, 51.52%, 52.37% and 43.13%, respectively, of the total DTC rough diamonds sourced through the Digico sight was used in our operations. There can be no assurance that the allocation of rough diamonds in such proportion will continue in the future or that there will be no conflicts of interest in such allocation between us and the Chetan Choksi group companies.

We have experienced negative cash flows in the past

We have experienced negative cash flows of Rs. 80.65 million, Rs. 9.70 million and Rs. 153.16 million in FY 2001, FY 2004 and FY 2005, respectively. We make no assurance that we will not have negative cash flows in the future that may have an adverse impact on our results of operations.

An inability to manage our growth and integrate our operations pursuant to our recent corporate restructuring could disrupt our business and reduce our profitability.

We have experienced significant growth in recent years and expect our business to grow significantly especially in view of our proposed expansion plans for retail operations. We expect this growth and the expansion of our retail operations as well as the recent amalgamation of certain of our Promoter group companies, Gemplus Jewellery India Limited ("Gemplus"), Prism Jewellery Private Limited ("Prism") and Giantti Jewels Private Limited ("Giantti") into the Company with effect from April 1, 2005, to place significant demands on us. To effectively manage the integration of our operations pursuant to the recent merger and our future expansion plans, we will need to further strengthen and integrate our existing operational and financial systems and managerial controls and procedures, which include inventory management, customer support, operational, financial and managerial controls, reporting procedures and training, supervision, retention and management of our employees. In particular, continued expansion increases the challenges involved in:

- maintaining high levels of customer satisfaction;
- recruiting, training and retaining sufficient skilled management and marketing personnel;
- adhering to quality and process execution standards that meet customer expectations;
- developing and preserving a uniform culture, values and work environment in our operations; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

An inability to manage our expanded operations or maintain and integrate our operations pursuant to our recent corporate restructuring could adversely affect our business, financial condition and results of operations.

Our business and future results of operations may be adversely affected if we are unable to implement our expansion strategy or successfully manage our expanded retail operations.

As part of our growth strategy, we intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad and also continue to expand our retail operations. Our expansion plans are subject to various potential problems and uncertainties, including changes in economic conditions, delays in completion, cost overruns, the possibility of unanticipated future regulatory restrictions and diversion of management resources. There can be no assurance that we will complete any or all of our proposed expansion plans. There can also be no assurance that the proposed facilities will achieve the production levels that we expect or that we will be able to achieve our targeted return on investment on these projects. We anticipate that we will incur capital expenditure of approximately Rs.999.70 million for the development of our proposed diamond and jewellery manufacturing facilities and for the proposed expansion of our retail operations.

In addition to the net proceeds of this Issue and our internally generated cash flow, we may need other sources of financing to meet our capital expenditure and working capital requirements, which may include entering into new debt facilities with lending institutions or raising additional debt in the capital markets. If we decide to raise additional funds through the incurrence of debt, our interest obligations will increase, and we may be subject to additional covenants, which could further limit our ability to access cash flows from our operations. Such financings could cause our debt to equity ratio to increase or require us to create charges or liens on our assets in favor of lenders. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of these projects. Our business and future results of operations may be adversely affected if we are unable to implement our expansion strategy or successfully manage our expanded retail operations.

Our proposed expansion plans for our retail operations may not be successful.

The growth of our retail operations, whether directly or through the operations of our subsidiaries, joint ventures and associate companies, will continue to be dependent principally upon, the opening of new stores and capitalizing on our existing marketing and distribution network, increased sales volume and profitability from our existing and new stores, franchises and other distribution and selling arrangements. The ability to operate our existing and new stores profitably is subject to various contingencies, many of which are beyond our control. These contingencies include our ability to secure suitable locations for our outlets on a timely basis and on satisfactory terms, our ability to hire, train and retain qualified personnel and the successful integration of our new outlets with our existing marketing and distribution network. There can be no assurance that suitable locations will be available for our proposed outlets or that our proposed expanded retail operations will be successfully implemented or integrated with our existing operations. There is no assurance that we will be able to achieve the targeted sales levels and profitability margins for our newly opened stores and outlets or that we will be able to achieve our targeted return on investment from our proposed retail operations. The costs associated with acquiring, assimilating and opening new stores may adversely affect our profitability. In addition, an inability to continue our existing arrangements with host stores such as shopping malls and department stores where we currently have outlets could adversely affect our retail operations and our business. Furthermore, lease arrangements with our host stores are typically medium term leases and there can be no assurance that such leases will continue to be renewed, or, if renewed, will be on existing or comparable terms. Certain of these lease arrangements also give our host stores termination rights based on certain performance and other factors.

Our business is dependent on a continuing relationship with our customers.

Our business is dependent on certain market segments, including wholesalers, distributors and retail jewelers. Our top 10 customers provided 41.85% and 39.07% of our income from sales of products in fiscal 2005 and the six months ended September 30, 2005, respectively. Furthermore, our customers purchase our diamonds and diamond jewellery under specific purchase orders raised from time to time and we do not have any long-term contracts with our customers, nor are our customers subject to any contractual provisions or other restrictions that preclude them from purchasing products from our competitors. Our business and results of operations will be adversely affected if we are unable to maintain and or further develop a continuing relationship with our customers. The loss of a significant customer or a number of significant customers may have a material adverse effect on our results of operations. The extent of this material adverse effect on our results of operation is not disclosed as it cannot be quantified.

Our substantial indebtedness and the conditions and restrictions imposed by our financing agreements could adversely affect our ability to conduct our business and operations.

As of September 30, 2005, we had total debt of approximately Rs.8,350 million. In addition, we may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow may be used towards repayment of our existing debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements;

- our ability to obtain additional financing in the future at reasonable terms may be restricted;

- fluctuations in market interest rates may affect the cost of our borrowings, as most of our indebtedness are at variable interest rates;

- there could be a material adverse effect on our business, financial condition and results of operations if we are unable to service our indebtedness or otherwise comply with financial and other covenants specified in the financing agreements; and

- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Our financing arrangements are secured by a pari passu charge on our fixed assets and current assets which include inventory and receivables. Many of our financing agreements also include conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to obtain these consents could have significant consequences on our business and operations. Specifically, under certain circumstances, we require, and may be unable to obtain, lender consents to incur additional debt, issue equity, change our capital structure, increase or modify our capital expenditure plans, undertake any expansion, make any corporate investments or investment by way of share capital or debentures, lend or advance funds, provide additional guarantees, change our management structure, or merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements. Under certain of these agreements, in an event of default, we are also required to obtain the consent of the relevant lender to pay dividends and the relevant lender also has the right to appoint a director on the Company's Board. In addition, under certain of our financing arrangements, our lenders are entitled to appoint nominee directors on our Board.

We believe that our relationships with our lenders are good, and we have in the past obtained consents from them to undertake various actions and have informed them of our activities from time to time. Compliance with the various terms is, however, subject to interpretation and we cannot assure you that we have requested or received all consents from our lenders that are required by our financing documents. As a result, it is possible that a lender could assert that we have not complied with all terms under our existing financing documents. Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other financing agreements, and may adversely affect our ability to conduct our business and operations or implement our business plans.

Restrictions imposed by our shareholders' agreements could adversely affect our ability to conduct our business and operations.

The Company is party to a shareholders agreement dated April 23, 2005 relating to the shareholding in Brightest Circle Jewellery Private Limited ("Brightest circle"). According to this agreement, the Company, if it is desirous of selling its equity in Brightest Circle, shall offer the shares held by it to Unidesign and/or Kirtilal in the first instance in equal proportion. Unidesign and/or Kirtilal may either accept the offer or name another entity to accept the offer. However, such other entity must be a DTC Sightholder and the transfer of shares shall be with the prior consent of the DTC. If Unidesign and/or Kirtilal decline to accept the offer and fail to nominate another entity in the manner aforementioned, the Company shall be entitled to offer its equity to any third party with the prior approval of the DTC. Furthermore, the subscription agreement provides that if the Company or other shareholders cease to be DTC sightholders, they can only continue to remain shareholders of Brightest Circle with the approval of DTC. This shareholders agreement may be terminated, inter alia, when the license given by DTC to use or market the products under the name 'Nakshatra' is withdrawn. The Company is also a party to a shareholders' agreement dated July 14, 2004 relating to the shareholding in D'Damas Jewellery (India) Private Limited ("D'Damas"). The agreement provides that the shareholding of the Company and Damas in the issued, subscribed and paid up capital shall at all times be in the ratio 1:1 respectively and that neither party to the agreement can transfer their shares without first making an offer to the other. The agreement shall cease to be in effect where the D'Damas is wound up or if either the Company or Damas holds less than 25% of the shareholding in the joint venture undertaking.

There are various regulatory and other procedures that are required to be completed with respect to the recent amalgamation of certain of our group companies with the Company.

Pursuant to the scheme of amalgamation sanctioned by the High Court of Judicature at Bombay by its order dated September 30, 2005, three of our group companies, Gemplus Jewellery India Limited, Prism Jewellery Private Limited and Giantti Jewels Private Limited were merged into the Company with effect from April 1, 2005. The order of the High Court of Judicature at Bombay dated September 30, 2005 sanctioning the scheme of amalgamation was filed with the Registrar of Companies, Maharashtra, on November 7, 2005. Pursuant to such order, an aggregate of 9,988,495 Equity Shares of the Company were issued to the existing shareholders of Gemplus, Prism and Giantti on October 14, 2005 and all rights, duties and obligations of Gemplus, Prism and Giantti stood transferred to the Company with effect from April 1, 2005. There are, however, various regulatory and other procedures that are required to be completed with respect to such scheme of amalgamation and the transfer of the assets, properties, regulatory approvals and licenses, employees and employee benefit schemes and contractual arrangements of Gemplus, Prism and Giantti to the Company pursuant to such scheme of amalgamation. There can be no assurance that we will complete any or all of such procedures and proceedings prior to the completion of this Issue.

Certain of our properties have not been executed in our favour, failure to ensure execution may adversely affect our results of operations.

One of our subsidiaries, Hyderabad Gems SEZ Limited, has been allotted land for which down payment has already been paid as part of the consideration. The remaining consideration for this property is scheduled to be paid in a phased manner. However, the property has yet to be executed in favour of Hyderabad Gems SEZ Limited. We also have facilities situated in certain properties in SEEPZ, Andheri, which were allotted to the erstwhile Gemplus Jewellery India Limited prior to being merged with the Company, pursuant to an agreement to lease. However, while we have been authorized to use the properties no lease agreement has been executed in favour of the Company.

We have high working capital requirements. If we experience insufficient cash flows to meet required payments on our debt and working capital requirements, there may be an adverse effect on our results of operations.

Our business requires a significant amount of working capital. In many cases, significant amounts of our working capital are required to finance the purchase of raw materials in the form of rough diamonds and gold and for maintaining our distribution and retail outlets. Moreover, we may need to incur additional indebtedness in the future to satisfy our working capital needs. Our working capital requirements are also affected by the significant credit lines that we typically extend to our customers in line with industry practice. All of these factors have resulted, or may result, in increases in the amount of our receivables and short-term borrowings. There can be no assurance that we will continue to be successful in arranging adequate working capital for our existing or expanded operations, which may adversely affect our financial condition and results of operations.

We may not succeed in continuing to establish our brands and branded products, which would prevent us from acquiring additional customers and increasing our sales.

A significant component of our business strategy is the continued establishment and promotion of our existing brands. In addition, while we are the owners of most of the brands under which we sell our branded jewellery lines, we also sell our jewellery products under the *Nakshatra* and *Asmi* brands that are currently owned by DTC. There can be no assurance that we will be permitted to continue to sell our jewellery products under these or any other brands owned by DTC. Due to the competitive nature of the diamonds and fine jewellery industry, if we do not continue to sustain and further develop our brand equity and branded product lines, we may fail to build the critical mass of customers required to substantially increase our sales. Promoting and positioning our brands will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high quality customer experience. To promote our brands and branded products, we have incurred and will continue to incur substantial expense related to advertising and other marketing efforts as well as in relation to our distribution channels and retail outlets. Our failure to provide our customers with high quality products and experiences for any reason could substantially harm our reputation. The failure of our brand promotion activities could adversely affect our ability to attract new customers and maintain customer relationships, and, as a result, substantially harm our business and results of operations.

We face significant competition in our business from Indian and international diamond and jewellery manufacturing and retailing companies.

We sell our diamonds and jewellery products in highly competitive markets, and competition in these markets is based primarily on the quality, design, availability and pricing of such products. To remain competitive in our markets, we must continuously strive to reduce our procurement, production and distribution costs and improve our operating efficiencies. If we fail to do so, other producers of diamonds and jewellery may be able to sell their products at prices lower than our prices, which would have an adverse affect on our market share and results of operations.

We compete with various diamond and jewellery manufacturing companies including companies that are sightholders with DTC. Current and potential competitors include independent jewellery stores, retail jewellery store chains, online retailers that sell jewellery, department stores, chain stores and mass retailers, and discounters and wholesale diamond traders that may enter the retail markets in the future. Because of the continued focus on branding and retail sales under DTC's Supplier of Choice program and the higher margins associated with branded jewellery sales as compared to the sale of processed diamonds, other DTC sightholders may enter the business of retailing of branded jewellery. In addition, any deregulation in restrictions on foreign ownership in the retail sector by the Government of India could bring new competition to the Indian market. Some of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition, existing customer relationships, and significantly greater financial, marketing and other resources, all of which could have a material adverse effect on our results of operations and financial condition. They may also benefit from greater economies of scale and operating efficiencies. There can be no assurance that we can continue to effectively compete with such competitors in the future, and failure to compete effectively may have a material adverse effect on our business, financial condition and results of operations. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified.

The success of our business may depend on our ability to successfully expand our product offerings and integrate our existing product offerings.

Our ability to significantly increase our sales and maintain and increase our profitability may depend on our ability to successfully expand our product lines beyond our current offerings as well as to successfully integrate existing product lines from our subsidiaries, joint ventures and associate companies. If we offer a new product category that is not accepted by consumers or fail to successfully integrate product offerings from our subsidiaries, joint ventures and associate companies, our brand equity and reputation could be adversely affected, our sales may fall short of expectations and we may incur substantial expenses that are not offset by increased net sales.

If our manufacturing facilities are interrupted for any significant period of time, our business and results of operations would be adversely affected.

Our success depends on our ability to successfully manufacture and deliver our products to meet our customer demand. Our diamond cutting and polishing facilities and our jewellery manufacturing facilities are susceptible to damage or interruption from human error, fire, flood, power loss, terrorist attacks, acts of war, break-ins, earthquake and similar events. Any interruptions in our manufacturing operations for any significant period of time could damage our reputation and brand and adversely affect our business and results of operations.

If we are unable to accurately manage our inventory of fine jewellery, our reputation and results of operations could suffer.

Substantially all of the fine jewellery we sell is from our physical inventory. Changes in consumer tastes for these products subject us to significant inventory risks. The demand for specific products can change between the time we manufacture an item and the date it is shipped to our retail outlets. If we under-stock one or more of our products, we may not be able to obtain additional units in a timely manner, which could adversely affect our reputation, business and results of operations. In addition, if demand for our products increases over time, we may be forced to increase inventory levels. If one or more of our products does not achieve widespread consumer acceptance, we may be required to take significant inventory markdowns, or may not be able to sell the product at all, which would substantially harm our results of operations.

Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or our inability to attract and retain skilled personnel.

As of September 30, 2005, we had more than 2,300 employees including contract employees, of which more than 1,800 employees were employed at our manufacturing facilities and more than 250 employees were employed in our retail operations. Currently, the Company's employees are not represented by any labor unions. While we consider our current labor relations to be good, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

We typically enter into contracts with independent contractors for our contract employees. All contract employees engaged at our manufacturing facilities and retail operations are assured minimum wages that are fixed by the respective state governments. Any upward revision of wages required by such state governments to be paid to such contract employees, or offer of permanent employment or the unavailability of the required number of contract employees, may adversely affect our business and results of operations.

Our ability to meet future business challenges depends on our ability to attract and recruit skilled personnel for our diamond cutting and polishing operations and for our retail marketing efforts, and we face strong competition to recruit and retain skilled and professionally qualified staff, especially for our retail operations. The loss of key personnel or any inability to manage the attrition levels in different employee categories may materially and adversely impact our business, our ability to grow and our control over various business functions. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified.

We may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful.

In the future, we may consider making strategic acquisitions of other diamond or jewellery manufacturing companies whose resources, capabilities, brand equity and strategies are complementary to and are likely to enhance our business operations. It is possible that we may not identify suitable acquisition or investment candidates, or that if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects.

In addition, our ability to complete acquisitions will depend on the availability of both suitable target businesses and acceptable financing. Any future acquisitions may result in a potentially dilutive issuance of additional equity securities, the incurrence of additional debt or increased working capital requirements. Any such acquisition may also result in earnings dilution, the amortization of goodwill and other intangible assets or other charges to operations, any of which could have a material adverse effect on our business, financial condition or results of operations. Such acquisitions could involve numerous additional risks, including, without limitation, difficulties in the assimilation of the operations, products, services and personnel of any acquired company and could disrupt our ongoing business, distract our management and employees and increase our expenses. There can be no assurance that we will be able to achieve the strategic purpose of such acquisition or operational integration or our targeted return on investment. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified.

If we are not able to renew or maintain our statutory and regulatory permits and approvals required to operate our business, it may have a material adverse effect on our business.

We require certain statutory and regulatory permits and approvals to operate our business. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. While we believe that we will be able to renew or obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. For example, letter of permission from SEZ authority. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified. For further information, please refer to the section "Government and Other Approvals" on page 241 of this Prospectus.

The loss of the services of our Chairman or other key management personnel could adversely affect our business.

Our success depends in part on the continued services of our Chairman, Mr. Mehul C. Choksi and other key members of senior management. Our future success is also dependent upon our ability to attract and retain qualified senior and mid-level managers for our management team. If we lose the services of key senior management personnel, it may be difficult to find replacement personnel in a timely manner. Mr. Mehul C. Choksi, in particular, is closely involved in the overall strategy, direction and management of our business. The loss of the services of Mr. Mehul C. Choksi or any other members of senior management could impair our ability to implement our strategy and may have an adverse effect on our business and results of operations. In addition, if any of these key executives or employees joins a competitor, we could incur additional expenses to recruit and train personnel. Our inability to retain and attract qualified personnel in the future, or delays in hiring additional personnel, could make it difficult to meet key objectives, such as current and future expansion of our business.

Members of our Promoter and Promoter Group will continue to retain majority control in the Company after the Issue, which will enable them to influence the outcome of matters submitted to shareholders for approval. We may continue to enter into transactions with related parties.

Upon completion of the Issue, members of the Promoter and Promoter group will beneficially own approximately 65.00% of the Company's post-Issue equity share capital. As a result, the Promoter and Promoter Group will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of our officers and directors. This control could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company even if it is in the Company's best interest. In addition, for so long as the Promoter and the Promoter Group continues to exercise significant control over the Company, they may influence the material policies of the Company in a manner that could conflict with the interests of our other shareholders. The Promoter and Promoter Group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

Certain transactions take place between the Company and other Promoter Group companies, on an arm's length basis, during the ordinary course of our business activities. During fiscal 2005, the Company purchased goods and services of an aggregate value of Rs.611.58 million from other Promoter group companies. In addition, as of March 31, 2005, Rs.352.22 million was due to the Company from certain Promoter group companies shown under sundry debtors and the Company owed approximately Rs.24.23 million to other Promoter group companies shown under sundry creditors. The Company also has investments in other Promoter group companies amounting to Rs.30.65 million. We cannot be sure that the Company will be able to collect any amounts due to the Company from other members of the Promoter group on time or at all or that the Company may not be required to pay amounts due from it without adequate notice or on demand. The Company may enter into additional transactions with its affiliates in the future. There can be no assurance that the terms of such transactions with its affiliates will benefit the Company.

There can be no assurance that the Company will pay dividends to its shareholders in the near future.

The Company has not paid any dividends in the last five fiscal years and there can be no assurance that dividends will be paid in the near future. The declaration and payment of any dividends in the future will be recommended by the Company's Board of Directors, in its discretion, and will depend on a number of factors, including Indian legal requirements, its earnings, cash generated from operations, capital requirements and overall financial condition.

Our insurance may not be adequate to protect us against all potential losses to which we may be subject.

We maintain insurance for standard fire and special perils policy and jewellers' block insurance policy, which provides insurance cover against loss or damage by fire, explosion, lightning, riot and strikes, malicious damage, terrorism, burglary, theft, robbery and hold up risks, which we believe is in accordance with customary industry practices. Our policies also insure against loss or damage suffered during transit of our stock and stock in trade except cash and currency notes under certain circumstances. However, the amount of our insurance coverage may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses that we may suffer should a risk materialize. Further, there are many events that could significantly impact our operations, or expose us to third-party liabilities, for which we may not be adequately insured. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our results of operations and financial position. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified.

Failure to adequately protect our intellectual property could substantially harm our business and results of operations.

We have registered or have applied for registration of 24 trademarks in India in connection with our branded jewellery lines. Several of our trademarks are in the application stage and have not been formally approved by the appropriate authorities. Certain of these trademarks and brand names are currently used by us in connection with our jewellery business. For further information, see "Business – Our Branded Jewellery; Intellectual Property" and "Government and Other Approvals" on pages 82 and 241 of this Prospectus, respectively. Our results of operations may be adversely affected in the event that we do not have continued access to the use of these brands. In addition, two of the significant brands that we sell our jewellery products under, *Nakshatra* and *Asmi*, are owned by DTC and we currently sell our jewellery products under these brands under permission from DTC. A Registered User Agreement has been entered into between Damas Jewellery LLC, D'Damas and the Company. Damas LLC has granted to D'Damas a non-exculsive, non-transferable, royalty-free license to use the mark Damas for a period of ten years in India. There can be no assurance that we will be permitted to continue to sell our jewellery products under these or any other brands.

The Company is involved in certain legal and regulatory proceedings that, if determined against the Company, could have a material adverse impact on the Company.

The Company and its subsidiaries are party to various legal proceedings including suits which proceedings are pending at different levels of adjudication before the appropriate forums and if determined against us, could have a material adverse impact on our business, financial condition and results of operations.

A summary of the litigation involving the Company is given below:

- We have filed a Special Civil Suit in the City Civil Court at Ahmedabad in respect of recovery of Rs. 108.99 million in respect of goods supplied to Archana Exim Ltd., particulars of which are detailed at page 235 of this Prospectus and which suit is pending.

- We have filed a Special Civil Suit in the City Civil Court at Ahmedabad in respect of recovery of Rs. 13.19 million in respect of goods supplied to Mansing Amritlal Chokshi, particulars of which are detailed at page 235 of this Prospectus.

- We have received a notice from the Trade Marks Registry in respect of our application made to it for registration of our trade mark 'Christy', thereby intimating to us the date of hearing being February 23, 2006. At the hearing held before the learned officer at the Trademark Registry on February 23, 2006 for the trademark "Christy", the learned officer was pleased to order advertisement of the mark before acceptance. Accordingly, the mark will now be advertised in the Trademark Journal in due course.

There are certain legal proceedings against the Company's Promoters, Directors and group companies

- Mr. Mahesh Parikh has filed a Suit being Suit No. 3370 of 1990 in the Bombay High Court against Vijay Deep Developments and others wherein one of our Directors has been impleaded as a party as being a member of Gokul Condominium and reliefs have been claimed against him. The Written Statement of our director has been filed before the Court and the Suit is pending in the Bombay High Court.

- An appeal has been filed by the Commissioner of Customs against Gemplus Jewellery India Limited in the Supreme Court against the Order of the Customs, Excise and Gold Council Appellate Tribunal in respect of setting aside the order of payment of customs duty by Gemplus Jewellery India Limited. The Appeal is pending.

- Mr. Nicholas Pereira has filed a complaint against Gitanjali Exports Corporation Limited before the Labour Court pursuant to which Gitanjali Exports Corporation Limited has filed a Revisions Application before the Industrial Court at Mumbai which is pending.

Details of all such litigation has been provided under the section "Outstanding Litigation" set out on page 234 of this Prospectus.

The Company is involved in certain tax related disputes that, if determined against the Company, could have a material adverse impact on the Company.

The Company is party to various legal proceedings, including recovery suits, customs duty cases, sales tax cases and income tax proceedings. The income tax liability in dispute aggregates to approximately Rs.30.03 million. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals and if determined against us, could have a material adverse impact on our business, financial condition and results of operations. For further details on these proceedings, see the section "Outstanding Litigation" on page 234 of this Prospectus. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified

There are certain legal proceedings against the Company's Directors, Promoters and group companies.

The Company's Directors, Promoters and group companies are parties to certain legal proceedings initiated by or against such parties. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals. For more information regarding legal proceedings against the Directors, Promoters and group companies, see the section "Outstanding Litigation" beginning on page 234 of this Prospectus.

We have certain contingent liabilities which may adversely affect our financial condition.

As on September 30, 2005, contingent liabilities not provided for aggregated to Rs.491.87 million. These included liabilities on account of guarantees provided by us to banks and financial institutions of Rs.220.00 million, outstanding letters of credit of Rs.139.35 million, bills discounted with banks and financial institutions (supported by export related letters of credit) of Rs.100.45 million and income tax liability of Rs.32.07 million. In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected. For further information, please see note 3.2 of the consolidated financial statements of the Company beginning on page 131 of this Prospectus.

Certain of the Company's subsidiaries, joint ventures and associate companies and Promoter group companies have incurred losses in recent periods.

Certain of the Company's subsidiaries, joint ventures and associate companies and Promoter group companies have incurred losses in recent periods. The table sets forth information relating to such losses in the periods indicated:

	Year ended March 31,		
Subsidiaries, Joint Ventures and Associate Companies	**2003**	**2004**	**2005**
	(Rupees in Millions)		
Fantasy Diamond Cuts Private Limited	(0.01)	(0.03)	(0.02)
CRIA Jewellery Private Limited	(1.47)	(2.47)	(3.38)

D'Damas Jewellery (India) Private Limited	-	(9.77)	(72.91)
Brightest Circle Jewellery Private Limited	-	-	(1.16)

Fantasy Diamond Cuts Pvt. Ltd., did not have any substantial business operation till September 30, 2005 and the losses are attributed to its fixed overheads. CRIA Jewellery Private Limited operates through a jewellery boutique at Mumbai. CRIA Jewellery Private Limited incurred losses in the financial perioids specified above due to significant fixed overhead costs although sales of its products are on the increase. The losses in case of D'Damas Jewellery (India) Private Limited and Brightest Circle Jewellery Private Limited are mainly on account of heavy advertisement expenditure incurred during the initial years of brand promotion. Till date the company has spent an amount of approximately Rs,80.00 million towards advertisement and brand promotion. Initally these expenses were amortised over a period of time but due to change in accounting standards the company had to debit the entire amount spent to profit and loss account.

	Year ended March 31,		
Promoter Group Companies	**2003**	**2004**	**2005**
	(Rupees in Millions)		
Audarya Investments Private Limited	(0.53)	(0.04)	(1.03)
Gitanjali Gold and Precious Limited	(0.26)	-	-
Gitanjali Realty Private Limited	(0.01)	(0.02)	(0.02)
Maitreyi Impex Private Limited		(0.24)	(0.04)
Mozart Investments Private Limited	-	(0.54)	-
Naviraj Estates Private Limited	(0.51)	(0.07)	(0.08)
Prism Bullion Private Limited	-	(0.03)	(0.05)
Rohan Mercantile Private Limited		(0.03)	(0.01)
Rohan Diamonds Private Limited	(0.02)	-	(0.01)
Trans Expo Trade Private Limited	(0.02)	(0.04)	(0.06)

The Promoter group companies specified above do not have any substantial operations and are primarily investment companies with investments in other group companies. The losses incurred by these companies are primarily on account of fixed expenses relating to its operations.

	Year ended December 31, In millions		
Promoter Group Companies belonging to Chetan Choksi Group of Companies	**2002**	**2003**	**2004**
D'Damas Japan KK	-	-	(6.09) JPY
Qingdao Diminco Pacific (Manufacturing) Company Limited	-	(0.11) USD	(0.40) USD
Qingdao Diminco Jinghua Company Limited		(0.03) USD	

D'Damas Japan KK is engaged in the manufacture, import and sales of branded jewellery. The losses incurred by D'Damas Japan KK is primarily on account of advertisement expenditure and the fixed nature of manufacturing overheads which are greater than the current sales volume.

Qingdao Diminco Pacific (Manufacturing) Company Limited and Qingdao Diminco Jinghua Company Limited operate diamond cutting and polishing facilities. These companies commenced operations in the recent past and are yet to become profitable.

For more information, please see "History and Certain Corporate Matters" and "Promoters and Promoters Group" beginning on pages 90 and 109 of this Prospectus.

We have in the last 12 months issued Equity Shares at a price which could be lower than the Issue Price.

We have in the last 12 months made the following issuances of Equity Shares at a price which could be lower than the Issue Price:

Date of allotment and date on which fully paid up	Number of Equity Shares	Issue price	Consideration	Reasons for allotment
October 14, 2005	99,88,495	10.00	Consideration other	Issued and allotted for

than cash	consideration other than cash to the shareholders of Gemplus Jewellery India Limited, Prism Jewellery Private Limited and Giantti Jewels Private Limited pursuant to the scheme of amalgamation sanctioned by the High Court of Judicature at Bombay by its order dated September 30, 2005.

Out of the shares allotted on October 14, 2005 182,291 shares were allotted to the Promoter

We have not entered into any definitive agreements to utilize a substantial portion of the net proceeds of the Issue.

We intend to use the net proceeds of the Issue, among others, for investment in certain of our Subsidiaries, Joint Ventures and Associate Companies, for capital expenditure for expansion of our retail operations, for setting up of additional diamond and jewellery manufacturing facilities and for future acquisitions. See "Objects of the Issue" beginning on page 25 of this Prospectus. We have not entered into any definitive agreements to utilize the net proceeds for such investments, and our capital expenditure plans are based on management estimates and have not been appraised by any bank or financial institution or any other independent organization. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns and changes in the management's views of the desirability of current plans, among others. There can also be no assurance that we will be able to identify acquisition targets in which we wish or are able to invest. There can be no assurance that we will be able to conclude definitive agreements for such investments in our Subsidiaries, Joint Ventures and Associate Companies, for the expansion of our retail operations or for the establishment or expansion of our manufacturing facilities, on terms anticipated by us or at all.

Our estimated fund requirement is based on our current business plan. However, we operate in a highly competitive and dynamic industry and may have to revise our business plans from time to time on account of new business ventures that we may pursue including consolidation initiatives. We may also need to alter our capital outlay plans in order to accommodate newer and fast track business ventures or proposed ventures which may be delayed due to external conditions. We intend to use a portion of the net proceeds of the Issue for setting up new facilities. However, the proposed projects have not been appraised by any bank or financial institution.

Pending utilization of the proceeds out of the Issue for the purposes described in this Prospectus, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks or temporarily deploy the funds in working capital loan accounts. Such investments would be in accordance with the investment policies approved by our Board from time to time.

A portion of the Issue Proceeds will be utilised for general corporate purposes including further acquisitions.

We intend to use a portion of the Issue Proceeds for financing future acquisitions. We have not identified any specific acquisition opportunities as on date. We make no assurance that such acquisitions will be identified without delay or that such acquisitions will be completed successfully. Pending utilisation of the funds for the general corporate purposes, we intend to temporarily invest the funds in quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration as per the policies formulated by our Board. For further details, please refer to the section "Objects of the Issue" at page 25 of this Prospectus.

External Risk Factors

Our future operating results are difficult to predict.

Our operating results may fluctuate in the future due to a number of factors, many of which are beyond our control. Our results of operations during any fiscal year and from period to period are difficult to predict. Our business and results of operations may be adversely affected by, among other factors:

- demand for our products;
- our ability to retain existing customers or encourage repeat purchases;
- our ability to manage our inventory;
- consumer tastes and preferences for diamonds and fine jewellery;
- general economic conditions;
- advertising and other marketing costs;
- the costs to acquire rough diamonds and precious metals;
- our, or our competitors' pricing and marketing strategies; and
- conditions or trends in the diamond and fine jewellery industry.

Due to all or any of these factors, you should not rely on past performance to predict our future performance. Unfavorable changes in any of the above factors may significantly affect our business and results of operations, which may vary significantly from the expectations of shareholders, market analysts and the investing public.

We rely exclusively on the sale of diamonds and fine jewellery for our sales, and demand for these products could decline.

Luxury products, such as diamonds and fine jewellery, form part of the discretionary purchases for consumers. The volume and value of such purchases may significantly decrease during economic downturns. The success of our business depends partly on macroeconomic factors such as economic growth, employment levels, income levels, tax rates and credit availability, all of which affect consumer spending and disposable income. Any reduction in consumer spending or disposable income may affect us more significantly than companies in other industries.

Our sales and results of operations are highly dependent on the demand for diamonds and diamond jewellery. Should prevailing consumer tastes for diamonds and jewellery decline, demand for our products would decline and our business and results of operations would be adversely affected.

From time to time, attempts have been made to develop and market synthetic stones and gems to compete in the market for diamonds and diamond jewellery. We expect such efforts to continue in the future. If any such efforts are successful in creating widespread demand for alternatives to diamond products, demand and price levels for our products would decline and our business and results of operations would be substantially harmed.

Our jewellery offerings must reflect the tastes and preferences of a wide range of consumers whose preferences may change regularly. Our strategy has been to offer a wide variety of styles of fine jewellery, but there can be no assurance that these styles will continue to be popular with consumers in the future. If the styles we offer become less popular with consumers and we are not able to adjust our inventory in a timely manner, our sales may decline or fail to meet expected levels.

Our profitability may be affected by commodity price sensitivity.

The jewellery industry in general is affected by fluctuations in the prices of precious metals and precious and semi-precious stones. The availability and prices of gold, diamonds and other precious metals and precious and semi-precious stones may be influenced by cartels, political instability in exporting countries and inflation. Shortages of these materials or sharp changes in their prices could have a material adverse effect on our results of operations or financial condition. Our future revenue and profitability will be dependent to a significant extent upon prevailing spot market prices for gold and diamonds. In the past, gold prices have been volatile. Prices are subject to wide fluctuations in response to changes in supply and demand for gold and diamonds, market uncertainty and a variety of additional factors that are beyond our control.

We set retail prices for our branded diamond and jewellery products on a cost plus mark-up basis, and generally do not reprice items based on normal fluctuations in the price of diamonds or gold, especially since we set a fixed maximum retail price for our products. As a result, there may be an adverse effect on our gross profit margin if the price of diamonds or gold increases. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified

We are subject to seasonal fluctuations in our sales.

We have experienced and expect to continue to experience seasonal fluctuations in our sales. In particular, we have historically experienced higher jewellery sales during the third and fourth quarters of our fiscal year, as a result of the Diwali and the Christmas holiday season, and we expect this seasonality to continue in the future. In fiscal, 2005, approximately 60% of our jewellery sales were generated during the third and fourth quarters of the year. In anticipation of increased sales activity during the third quarter of our fiscal year, we may incur significant additional expenses, including higher inventory of jewellery and additional staffing in our customer support operations. If we were to experience lower than expected sales during any future third quarter, it would have a disproportionately large impact on our operating results and financial condition for that year. We also experience considerable fluctuations in sales in the periods preceeding other special annual occasions such as Diwali, Rakshabandhan and the New Year festivities. In the future, our seasonal sales patterns may become more pronounced, may strain our personnel activities and may cause a shortfall in sales as compared to the expenses incurred in a given period, which could adversely affect our business and results of operations.

We are subject to international market and regulatory risks.

Developments in the international diamonds and jewellery markets could have an impact on our export sales. From time to time, tariffs, quotas and other tariff and non-tariff trade barriers may be imposed on our products in jurisdictions in which we operate and/or seek to sell our products. There can be no assurance that the United States or any other jurisdiction in which we seek to sell our products will not impose trade restrictions in the future. Any such imposition of trade barriers may have a material adverse effect on our financial condition and results of operations. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified

We are subject to risks arising from currency exchange rate fluctuations, which could adversely affect our business, financial condition and results of operations.

Changes in currency exchange rates influence our results of operations. We report results in our consolidated financial statements in Indian rupees, while significant portions of our revenues and expenses are denominated in currencies other than Indian rupees, most significantly the U.S. dollar. Almost all of our rough diamonds purchases and our exports are denominated in U.S. dollars. In fiscal 2005, approximately 70.00% of our total income was denominated in foreign currencies while approximately 72.34% of our total expenditure was denominated in foreign currencies. Accordingly, while our operations provide a degree of natural hedge protection against currency exchange fluctuations, to the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to increase more than the proportionate revenues on a given contract. For example, a rise in the value of Indian rupees against such foreign currencies, especially the U.S. dollar, could adversely affect our income from sales of products for the relevant fiscal period, given that we extend credit lines that range from 120 days to 180 days to our customers.

As of September 30, 2005, the Company had foreign currency borrowings aggregating U.S.$100.59 million (Rs.4,424.94 million). Therefore, declines in the value of the rupee against such other currencies could increase the rupee cost of servicing our debt. The exchange rate between the Indian rupee and the U.S. dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. While we enter into currency hedging arrangements as part of our treasury operations, there can be no assurance that these arrangements will successfully protect us from losses due to fluctuations in currency exchange rates.

We are subject to risks arising from interest rate fluctuations, which could adversely affect our business, financial condition and results of operations.

Changes in interest rates could significantly affect our financial condition and results of operations. As of September 30, 2005, Rs.5,944.00 million (U.S.$135.12 million) of our borrowings were at floating rates of interest. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows. Although we may in the future enter into hedging arrangements against interest rate risks, there can be no assurance that these arrangements will successfully protect us from losses due to fluctuations in interest rates.

Any future issuance of Equity Shares by the Company or sales of the Equity Shares by any of its significant shareholders may adversely affect the trading price of the Equity Shares.

Any future issuance of our Equity Shares by the Company could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Upon completion of the Issue, 20% of our post-Offer paid-up capital held by certain of our Promoters will be locked up for a period of three years from the date of allotment of Equity Shares in the Issue. For further information relating to such Equity Shares that will be locked up, please see Note 2 of the Notes to the Capital Structure in the section "Capital Structure" on page 19 of this Prospectus. All other remaining Equity Shares that are outstanding prior to the Offer will be locked up for a period of one year from the date of allotment of Equity Shares in the Issue.

The price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, our results of operations and performance, performance of our competitors, the Indian diamond and jewellery industry and the perception in the market about investments in the diamond and jewellery industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

Any acts of war or conflicts involving India or other countries could adversely affect business sentiment and the financial markets and adversely affect our business.

India has from time to time experienced hostilities with neighbouring countries. Such events could create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a adverse effect on the market for securities of Indian companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

Political instability and significant changes in the Government of India's policy on liberalization of the Indian economy and nationalization could impact economic conditions in India, our financial results and prospects.

Our business, and the market price and liquidity of our Equity Shares may be affected by foreign exchange rates and controls, interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1996, the Government of India has changed six times. The current Indian government is a coalition of many parties. The withdrawal of one or more of these parties or any dispute between groups of these political parties could result in political instability. Any political instability could delay or otherwise adversely affect the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares and on our results of operations. The extent of this material adverse effect on our business, financial condition and results of operation is not disclosed as it cannot be quantified

We are subject to risks associated with changes in the Indian patent regime.

We rely on several unpatented production processes in our manufacturing and finishing operations. The Government of India recently has enacted legislation providing for product patent protection for, among others, pharmaceuticals and agro-chemicals. While we believe our industry is not directly affected by this legislative change, it is possible that further legislative changes could be enacted in the near to medium term which would further modify the Indian patent regime and result in our either having to apply for patent protection for or being required to modify certain of our manufacturing and finishing processes. We also could be required to make payments to third parties whose patents we may need to utilize in such processes.

Notes to Risk Factors

- The book value per Equity Share of Rs.10 each was Rs.86.51 as of September 30, 2005, as per our consolidated financial statements under Indian GAAP.
- The tangible net worth of the Company was Rs. 3,460.37 million as of September 30, 2005, as per our consolidated financial statements under Indian GAAP.
- For related party transactions, see "Related Party Transactions" on page 129 of this Prospectus.
- The average cost of acquisition of the Equity Shares by the Company's Promoters is Rs.0.30. The average cost of acquisition of Equity Shares by our Promoter has been calculated by taking the weighted average of the amount paid by our Promoter to acquire the Equity Shares issued by the Company, the amount paid by our Promoter to acquire the shareholding as well as the cost of acquisition of Equity Shares by our Promoter pursuant to the scheme of amalgamation amalgamating Gemplus, Prism and Giantti into the Company with effect from April 1, 2005.
- This is a public issue of 17,000,000 Equity Shares of Rs.10 each of the Company for cash at a price of Rs.195 per Equity Share, aggregating Rs.3,315 million. 150,000 Equity Shares of Rs.10 each will be reserved in the issue for subscription by permanent Employees and Directors of the Company who are Indian nationals and are based in India. The Issue comprises a Net Issue to the public of 16,850,000 Equity Shares and an Employee Reservation Portion of 150,000 Equity Shares. The Issue will constitute 28.81% of the fully diluted post-Issue capital of the Company. For more information, see "Issue Structure" on page 253 of this Prospectus.
- In the event of oversubscription in the Issue, allotment will be made on a proportionate basis to QIBs, Non-Institutional Bidders and Retail Individual Bidders. For details please see "Basis of Allocation" on page 277 of this Prospectus.
- Other than the transactions mentioned in the preceding sentence, none of our Promoter or Promoter group entities, or the directors of our Promoter group companies or our Directors have purchased or sold any Equity Shares during a period of six months preceding the date on which this Prospectus is filed with SEBI.
- For any clarification or information relating to the Issue, investors are free to contact the BRLMs, who will be obliged to provide such clarification or information to the investors.
- Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.
- Investors are advised to see "Basis for Issue Price" on page 55 of this Prospectus.
- All information shall be made available by the BRLMs and the Company to the public and investors in any matter whatsoever.
- The Issue is being made through the 100% Book Building Process where up to 50% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, at least 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 150,000 Equity Shares shall be available for allocation on a proportionate basis to the permanent Employees and Directors of the Company who are Indian nationals and based in India, subject to valid Bids being received at or above the Issue Price.
- Consolidated value of related party transactions for FY 2005 and six month period ended September 30, 2005 is as follows:

For the six month period ended September 30, 2005 Rs. Million

Nature of transaction	**Subsidiary**	**Associate**	**Foreign Enterprises**	**Key Management Personnel**	**Relative of Key Management Personnel**
Sales	1.60	134.75	67.58	-	-
Purchases	284.83	4.44	64.73	-	-
Labour Charges Paid	14.85	-	-	-	-
Salary & Other Payment	-	-	-	2.20	-
Dividend Received	-	2.00	-	-	-
Amount Outstanding shown under advances to subsidiary	465.90	-	-	-	-
Advances Given	1269.82	130.05	-	-	-
Advance Given Received Back	757.29	16.36	-	-	-
Advances Received	-	225.85	-	-	-
Advance Received Given Back	-	88.57	-	-	-
Amount Outstanding shown under sundry debtors	12.93	493.30	71.76	-	-
Amount Outstanding shown under sundry creditors	3.72	156.87	31.81	29.93	18.45
Amount Outstanding shown under advances to suppliers	357.01	118.72	-	-	-
Amount Outstanding shown under advances from suppliers	11.65	67.74	-	-	-
Amount Outstanding shown under Unsecured Loan	-	8.14	-	80.94	-
Guarantee Given to Subsidiary	80.00	-	-	-	-
Purchase of Equity Shares	-	15.00	-	30.00	20.95
Other Expenses	-	1.52	-	-	-

For the year ended March 31, 2005 Rs. Million

Nature of transaction	Subsidiary	Associate	Foreign Enterprises	Key Management Personnel	Relative of Key Management Personnel
Sales	-	510.37	376.14	-	-
Purchases	145.37	611.58	95.87	-	-
Labour Charges Paid	62.22	-	-	-	-
Salary & Other Payment	-	-	-	3.26	-
Rent Received	-	0.23	-	-	-
Amount Outstanding shown under advances to subsidiary	66.75	-	-	-	-
Advances Given	863.89	1,421.73	-	-	1.24
Advance Given Received Back	721.76	1,237.76	-	-	1.24
Advances Received	-	790.32	-	-	-
Advance Received Given Back	-	713.19	-	-	-
Amount Outstanding shown under sundry debtors	-	352.22	155.17	-	-
Amount Outstanding shown under sundry creditors	-	24.23	8.14	-	-
Amount Outstanding shown under advances to suppliers	-	43.89	-	-	-
Loan Taken	-	-	-	8.45	-
Loan Taken Given Back	-	-	-	8.45	-
Guarantee Given to Subsidiary	80.00	-	-	-	-

For full details of all related party transactions please refer to page 129 in this Prospectus.

SUMMARY

You should read the following summary together with the Risk Factors and the more detailed information about us and our financial statements included in this Prospectus.

Overview

We are an integrated diamond and jewellery manufacturing company and one of the largest manufacturers and retailers of diamonds and jewellery in India. Our operations include sourcing of rough diamonds from primary and secondary source suppliers in the international market, cutting and polishing the rough diamonds for export to our international markets and the manufacture and sale of diamond and other jewellery through our retail operations in India as well as in international markets.

Diamond procurement, manufacturing and sales

We procure a significant part of our rough diamonds at competitive prices from DTC, the rough diamond marketing arm of De Beers S.A., through Digico Holdings Limited, one of our Promoter group companies that enjoys a "sightholder" status with DTC. We have, either directly or through our Promoter group companies, enjoyed sightholder status with DTC for more than three decades. We source our remaining rough diamond requirements from secondary source suppliers in the international market.

We export our cut and polished diamonds to various international markets in Europe including to Antwerp and Italy, the United States, the Middle East as well as to several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand. We have two modern diamond manufacturing facilities located at Borivali in Mumbai and at the Special Economic Zone in Surat in the state of Gujarat. Our diamond cutting and polishing facility at Borivali is spread over an area of 40,000 square feet with modern diamond processing equipment, employs more than 1,200 skilled employees and is one of the largest diamond manufacturing facilities in India. Our facility at Surat is an export oriented facility aimed at our export markets.

Jewellery manufacturing and sales

We have a sophisticated 80,000 square feet jewellery designing and manufacturing facility for diamond studded jewellery at the Santacruz Electronic Export Processing Zone ("SEEPZ") at Andheri, Mumbai that employs more than 800 employees. This 100% export oriented facility also produces gold and platinum diamond studded jewellery. We also have two modern jewellery manufacturing facilities at MIDC at Andheri, Mumbai that primarily produces branded jewellery lines for our retail operations in India. We intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone ("GJSEZ") in Hyderabad.

We sell our branded diamond and other jewellery products in India through our nationwide sales and distribution network that as of September 30, 2005 consisted of 26 exclusive distributors across India, approximately 620 outlets, including outlets in host stores, 5 stand alone stores and 17 stores set up through franchisee arrangements spread across 30 cities and towns in India. Our strong marketing and distribution network also benefits from the operations of our Promoter group companies outside India involved in the diamond and jewellery business. We have a large customer base spread across India and international markets that includes various jewellery manufacturers, large department store chains, retail stores and wholesalers.

Branded jewellery

Our branded jewellery lines were among the first branded jewellery products introduced in India. Our brands and sub-brands are aimed at different customer profiles, various market and price segments and for various uses and occasions and enjoy significant brand equity and market share in their respective market segments. According to the July 2005 edition of Solitaire International, a publication of the Gem and Jewellery Export Promotion Council of India, four of the brands under which we sell our branded jewellery, *Nakshatra*, *Asmi*, *Gili* and *D'Damas*, feature among the ten best known jewellery brands in India. Our first jewellery brand *Gili* was selected as a "Superbrand" in 2004 by the Indian Consumer Superbrands Council established by Superbrands India Private Limited, an independent arbiter in branding.

As of September 30, 2005, we had more than 2,300 employees including contract employees, of which more than 1,800 employees were employed at our manufacturing facilities and more than 250 employees were employed in our retail operations.

In fiscal 2003, 2004 and 2005, our total income from sales of diamonds and jewellery products was Rs.11,720.76 million, Rs.13,061.11 million and Rs.13,520.96 million, respectively, representing a CAGR of 4.88%. In the six months ended September 30, 2005, our total income from sales of diamonds and jewellery products was Rs.8151.57 million. In fiscal 2003, 2004 and 2005, our net profit was Rs.184.17 million, Rs.114.55 million and Rs.87.18 million, respectively, while in the six months ended September 30, 2005, our net profit (as adjusted) was Rs.235.60 million.

Our Strengths

We are an integrated diamond and jewellery companies in India having an international presence.

We are an integrated diamond and jewellery manufacturing company and are manufacturers and retailers of diamonds and jewellery in India. Our ability to source rough diamonds at competitive prices, our well established export markets, our strong jewellery designing and manufacturing capabilities, our significant experience in branding and sale of branded jewellery lines, our strong marketing capabilities and our well developed retail operations in India enable us to capture inherent operational synergies and focus on maximizing our margins.

We export a significant part of our cut and polished diamonds and our branded and unbranded diamond and other jewellery products to various international markets in Europe, including to Antwerp and Italy, the United States, the Middle East as well as to several diamond and jewellery markets in Asia, including Japan, China, Hong Kong and Thailand. The design and quality of our diamond and jewellery products and our large customer base outside India, including jewellery manufacturers, large department store chains, retail stores and wholesalers, have enabled us to develop strong credentials in our international markets. We believe that we are well positioned to capitalize on the growing demand for diamonds and jewellery in the Indian and international markets.

Sightholder status with DTC and access to other primary source diamond suppliers.

We source a significant part of our rough diamond requirements from the DTC, the rough diamond sales arm of De Beers S.A. and the primary world-wide marketing mechanism of the rough diamond industry. We have, either directly or through our Promoter group companies, enjoyed sightholder status with the DTC for more than three decades. Digico, one of our Promoter group companies, is currently a sightholder with DTC, one of 92 sightholders worldwide that include 37 sightholders in India. As a sightholder under the DTC's Supplier of Choice program, we benefit from an assured and steady source of quality rough diamonds from the DTC at competitive prices, continued advertising and marketing support from DTC to develop the brands that we sell our diamonds and jewellery under and access to DTC's consumer research knowledge base. In fiscal 2005 and the six months ended September 30, 2005, rough diamonds sourced from DTC constituted approximately 25.00% and 20.00% of our total rough diamond procurement cost. Our remaining rough diamond requirements are procured from secondary source suppliers in the international market to ensure that there is no shortfall in the supply of rough diamonds for our operations. We believe that we have good relations with our suppliers, including the DTC, and that our reputation and established customer base will continue to ensure access to primary sources of diamonds. We believe that our sources of supply of rough diamonds are sufficient to enable us to meet our present and foreseeable needs.

Significant manufacturing capabilities.

We have two modern diamond manufacturing facilities located at Borivali in Mumbai and at the Special Economic Zone in Surat in the state of Gujarat. Our diamond cutting and polishing facility at Borivali employs more than 1,200 skilled employees or labourers while the facility at Surat is an export oriented facility aimed at our export markets. We also have a large sophisticated jewellery designing and manufacturing facility at the SEEPZ at Andheri, Mumbai and two jewellery manufacturing facilities at MIDC at Andheri, Mumbai. We also intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad. Our sophisticated manufacturing facilities, strong design capabilities and focus on stringent quality control enable us to produce quality certified diamonds and jewellery for our customers.

Strong brand equity.

Our *Gili* brand of jewellery introduced in 1994 was among the first branded jewellery introduced in India. We have over the years strengthened our brand portfolio with the launch of new brands and sub-brands aimed at different customer profiles, various market and price segments and for various uses and occasions. According to the July 2005 edition of Solitaire International, a publication of the Gem and Jewellery Export Promotion Council of India, four of the brands under which we sell our branded jewellery, *Nakshatra*, *Asmi*, *Gili* and *D'Damas*, feature among the ten best known jewellery brands in India. While we either directly or indirectly through our subsidiaries, joint ventures and associate companies own the *Gili* and *D'Damas* brands, we also market and sell our jewellery products under the *Nakshatra* and *Asmi* brands that are owned by DTC.

In view of the significant potential for branded jewellery in India and our success in developing branded jewellery lines, in 2000 DTC permitted us and three other sightholders in India to market and sell jewellery products under the *Nakshatra* brand. The four sightholders have formed a joint venture company, Brightest Circle Jewellery Private Limited. In November 2005, *Nakshatra* was licensed to Brightest Circle Jewellery Private Limited, by the virtue of which Brightest Circle has the sole right and interest to market the brand. *Gili*, our oldest brand was selected as a super brand by Times of India in 2004. In 2004, we began selling branded gold jewellery to different consumer segments (in association with the World Gold Council) under the brand names that include *Collection g, Gold* Expressions and *Vivaha Gold.* Our brands enjoy significant brand equity in their respective market segments developed through aggressive advertising and marketing campaigns and we believe that we enjoy a competitive advantage over our competitors due to our significant brand equity.

Highly qualified and motivated employee base and proven management team.

We believe that a motivated and empowered employee base is key to our competitive advantage. As of September 30, 2005, we had more than 2,300 employees including contract employees, of which more than 1,800 employees were employed at our manufacturing facilities and more than 250 employees were employed in our retail operations. This also includes employees from our subsidiaries, joint ventures and associate companies.

Our well-qualified senior management with significant industry experience has been instrumental in the consistent growth in our revenues and operations. In addition, our Board includes a strong combination of management as well as independent members that bring significant business experience to the Company. Our Chairman and Managing Director has been involved in the diamond and jewellery industry for more than 25 years and has driven the strong growth the Company has experienced since inception. In addition, our subsidiaries, joint ventures and associate companies operate as professionally managed operationally independent units under the supervision of their respective senior management who have significant experience in the industry.

Strong marketing and distribution network.

We have independent sales and distribution networks for our diamonds and jewellery products. A substantial majority of our cut and polished diamonds are exported to diamond wholesalers and large jewellery manufacturers in our international markets. We also benefit from the operations and presence of certain of our Promoter group companies outside India to further develop strong relationships with our customers in these markets. A significant part of our jewellery export sales are effected through wholesalers in our international markets that act as procurement agents for jewellery retailers in these markets. We are also able to leverage our long-term relationships with jewellery retailers in our international markets to sell our jewellery products directly to such retailers rather than through the wholesalers.

We have a strong sales and distribution network in India. Our sales and distribution channels for jewellery products include sales effected through exclusive distributors for our jewellery products, direct sales to large department stores and reputed jewellery stores and direct sales to end customers through our retail operations. In order to increase visibility of our branded jewellery lines, we continue to operate through our extensive distributor network to enable us to display our jewellery products at jewellery retailers at several cities and towns across India. We sell our jewellery products to large department stores and reputable jewellery retailers in major cities and towns and also sell our branded jewellery products directly to end customers through our significant retail operations. Our retail operations include several exclusive retail stores in major metropolitan areas that are owned by us as well as shop-in-shop outlets in various host stores such as large department store chains and shopping malls. We also continue to develop on our franchisee network and as of September 30, 2005, we had 17 retail outlets for our various brands that were established as franchises.

As of September 30, 2005, we had 26 distributors across India, 5 exclusive stand alone stores owned by us and approximately 620 outlets, including brand kiosks in large department stores, retail store chains and shopping malls. Our outlets are typically located in high customer concentration areas. Our retail operations network are supported by an inventory management system that enables us to move our inventory to and from, and channel our sales through, our various outlets depending on the relevant festive and other occasions and the demographic nature of the customers for specific outlets. Our operations through host stores benefit from lower capital investment in fixed assets typical of stand alone stores.

Broad range of certified diamond and jewellery products.

We offer our customers a comprehensive product range of diamond and other jewellery products aimed at various jewellery categories, different customer and price segments, various festive and social occasions as well as jewellery products for regular use. We also offer custom made jewellery to our customers. In addition, our branded diamond and jewellery products are all certified for caratage, authenticity and quality and carry a suggested maximum retail price that enable us to develop customer loyalty. Development of new products and designs is a key element of our business strategy. Innovative designs and product lines enable us to develop our brand and increase our retail sales. We upgrade our designs regularly to service the changing preferences of our consumers. Our brands encompass the entire product range and we were amongst the first in India to develop the concept of occasion jewellery. For most of our products, we provide authenticity certificates to establish the quality of our brands.

Our Strategies

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

Further increase our market share in the diamonds and jewellery businesses in India.

The sustained growth in the Indian economy and growing employment levels, income levels and availability of credit in India resulting in greater consumer spending and disposable income, together with the strong growth in retail operations in India provides significant opportunities for our diamond and jewellery businesses. These factors are expected to result in an increased demand for our products. We intend to leverage our significant diamond processing and strong jewellery design and manufacturing capabilities, our ability to provide a wide range of branded and unbranded diamond and jewellery products of various grades, designs and price segments, our strong branded jewellery lines and our wide retail distribution operations to increase our market share in the diamonds and jewellery business in India. We also intend to capitalize on the gradual shift of consumer preferences in India from traditional unbranded gold jewellery to diamond studded and other branded jewellery.

Continue to maintain focus on our international markets.

We export a significant part of our cut and polished diamonds and our branded and unbranded diamond and other jewellery products to various international markets in Europe including Antwerp and Italy, the United States, the Middle East as well as to several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand. In fiscal 2005 and the six months ended September 30, 2005, revenues from sales of our products in our international markets accounted for approximately 70.00% and 68.00% of our total income from sales of products. Exports have been an important source of our growth and we intend to continue to focus on our international markets. Sales to international markets have enabled us to access a wider customer base and reduce our dependence on domestic customers. We intend to continue to leverage our quality products and our long-standing relationships and credentials with our international customers to further develop our international markets. Our diamond manufacturing facility at Surat, Gujarat and jewellery manufacturing facility at SEEPZ, Mumbai are 100% export oriented units and are dedicated to developing our export markets. We also intend to continue to leverage the operations of some of our Promoter group companies involved in the diamond and jewellery business to further develop our export markets.

Continue to further develop our branded jewellery lines.

We intend to continue to further develop our existing branded jewellery lines and introduce additional brands and product offerings to cater to various customer and price segments in the diamonds and jewellery markets. We intend to capitalize on our significant experience in developing the branded jewellery market in India and the goodwill associated with the brands that we sell our products under such as *Nakshatra*, *Gili*, *Asmi* and *D'Damas* to further develop our various brands and sub-brands in target markets and product segments in India and internationally. We seek to achieve this through targeted marketing initiatives, innovative promotional campaigns and international and Indian public relations management and through increased emphasis on key merchandise items and on holiday and event-driven promotions through participation in host store marketing programs. We intend to actively pursue marketing initiatives to enhance the value of our brands internationally and to introduce reputed global brands in the Indian market to strengthen our product offerings.

Continue to expand our retail operations.

We intend to further expand our retail operations by leveraging our existing sales and distribution network and apply innovative retail marketing initiatives in marketing our diamond and fine jewellery products. We intend to introduce several large exclusive retail stores in the larger cities in India to offer a comprehensive product range of diamond and other jewellery products to target various jewellery categories and different customer and price segments as well as to provide custom made jewellery. These exclusive retail stores are intended to showcase our entire range of product offerings under our various brands and sub-brands. We also intend to introduce smaller independent exclusive stores in larger cities and towns in India.

We also intend to increase our brand and product visibility and sales and distribution network through smaller stores and outlets that will enable us to benefit from an increased store density through a lower capital outlay. These smaller outlets will enable us to offer jewellery aimed at the customer demography of the specific outlet and enable frequent renewal of our inventory. We intend to set up smaller outlets including brand zones and brand kiosks at host stores such as shopping malls and larger department stores to showcase our range of branded jewellery. We also intend to develop and further strengthen our relationships with various host stores to add additional outlets in new locations opened by such host stores. We intend to continue to develop our existing network of independent jewelers in various cities that sell our products through the appointment of additional distributors for various cities and towns.

Continue to expand our product offerings and maintain high quality customer service.

We intend to continue to expand our existing range of product offerings to cater to different customer and price segments and aimed at various uses and occasions such as work-wear jewellery, regular use jewellery, casual jewellery, wedding jewellery, jewellery for the new-born, as well as gifting jewellery aimed at specific holiday seasons. We intend to continue to improve the quality of our products and services and address specific customer requirements to meet highest international standards. In order to accomplish this strategy and to stay informed of changing styles and tastes, our design and marketing personnel continue to work closely with suppliers, distributors and customers and participate in jewellery fairs, trade shows and other industry forums to enable us to introduce new designs and variations of these designs to extend the length of time each design is marketable.

Increase our production capacities and revenues and harness inherent synergies of our integrated operations.

We intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad and also continue to expand our retail operations. We intend to make capital investments of approximately Rs. 999.70 million for the development of our proposed diamond and jewellery manufacturing facilities and for the proposed expansion of our retail operations. These investments are expected to increase our production capacities and volume, and therefore revenues and we believe will add to our cost competitiveness. Increased production capability would enable us to service our sales and distribution network within a shorter span of time and enable us to capture the growing demand for our products. We intend to capitalize on our integrated operations that include the ability to source rough diamonds at competitive prices from the DTC as well as from other secondary markets, our significant manufacturing capabilities, our well established jewellery brands and our extensive marketing and distribution network to harness inherent synergies and reduce operating costs.

Pursue strategic acquisitions and alliances.

In order to expand our operations, we seek to identify acquisition targets and/or joint venture partners whose resources, capabilities and strategies are complementary to and are likely to enhance our business operations. We seek to pursue strategic acquisition opportunities to enhance our capabilities and address specific industry opportunities and to further enhance our industry and technical expertise, expand our operations geographically, benefit from other well established brands in the diamond and jewellery businesses and enable us to control operating costs and price our products competitively. We intend to focus on strategic acquisitions that are of appropriate size with minimal risk of integration into our existing operations. We also intend to explore opportunities to develop strategic alliances with local partners in our international markets to benefit from their established marketing and distribution networks.

THE ISSUE

Equity Shares offered:	
Fresh Issue by the Company	17,000,000 Equity Shares
Total	17,000,000 Equity Shares
Of which:	
Employee Reservation Portion	150,000 Equity Shares
Therefore:	
Net Offer to the Public	16,850,000 Equity Shares
QIB Portion [1]	Up to 8,425,000 Equity Shares (allocation on a proportionate basis)
Of which:	
Reservation for Mutual Funds	421,250 Equity Shares (allocation on proportionate basis)
Balance for all QIBs including Mutual Funds	8,003,750 Equity Shares (allocation on proportionate basis)
Non Institutional Portion	Atleast 2,527,500 Equity Shares (allocation on a proportionate basis)
Retail Portion	Atleast 5,897,500 Equity Shares (allocation on a proportionate basis)
Equity Shares outstanding prior to the Offer	41,998,495 Equity Shares
Equity Shares outstanding after the Offer	58,998,495 Equity Shares
Objects of the Issue	Please see "Objects of the Issue" on page 25 of this Prospectus.

[1] As per recent amendments to the SEBI Guidelines, allocation to QIBs is proportionate as per the terms of this Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

SUMMARY FINANCIAL INFORMATION

The following summary financial information is derived from the restated consolidated financial statements of the Company as of and for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and as of and for the six months ended September 30, 2005 as described in the Auditors Reports in the section entitled "Financial Statements" beginning on page 131 of this Prospectus. The consolidated financial statements have been prepared in accordance with Indian GAAP, the Companies Act and have been restated in accordance with SEBI Guidelines.

The summary financial and operating information presented below should be read in conjunction with the financial statements, including the notes thereto included in "Financial Statements" and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 131 and 218, respectively, of this Prospectus. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP", beginning on page 215 of this Prospectus.

CONSOLIDATED BALANCE SHEET OF GITANJALI GEMS LIMITED

Rs. in Million

Particulars	As at March 31,					As at
	2001	2002	2003	2004	2005	30-09-2005
A. Fixed Assets						
Gross block	137.07	139.19	139.76	141.63	143.77	454.25
Less Depreciation	26.67	32.87	38.20	42.74	47.04	121.27
Net Block	**110.40**	**106.32**	**101.56**	**98.89**	**96.73**	**332.98**
B. Investments	25.28	24.12	33.49	44.85	58.77	62.04
C Goodwill	0.02	-	-	-	-	-
D. Current Assets, Loans and Advances						
Inventories	1,692.01	2,497.28	2,232.97	1,069.55	923.06	2,056.49
Sundry Debtors	3,450.91	3,803.80	3,825.08	5,045.72	5,889.74	11,566.87
Cash and Bank Balances	188.67	303.75	424.89	415.19	262.03	1,066.73
Loans and Advances	73.72	120.81	77.52	192.68	339.51	659.48
	5,405.31	**6,725.64**	**6,560.46**	**6,723.14**	**7,414.34**	**15,349.56**
E. Liabilities and Provisions:						
Secured Loans	2,450.51	2,534.91	2,777.74	2,991.60	3,138.08	5,944.08
Unsecured Loans	32.65	5.04	5.30	8.45	-	312.45
Current Liabilities and Provisions	1,462.57	2,496.60	1,896.28	1,722.74	2,186.15	5,421.55
Deferred Tax Liability	-	-	22.10	1.07	0.51	(0.12)
	3,945.73	**5,036.55**	**4,701.42**	**4,723.86**	**5,324.74**	**11,677.96**
F. Minority Interest	-	-	-	-	-	606.24

G	**Net Worth**	**1,595.28**	**1,819.53**	**1,994.09**	**2,143.02**	**2,245.10**	**3,460.37**
H.	**Represented by**						
	Share Capital	300.00	300.00	300.10	300.10	300.10	399.98
	Reserves	1,295.28	1,515.42	1,681.27	1,818.84	1,907.00	2,482.03
	Capital Reserve	-	4.11	12.72	24.08	38.00	581.08
	Total Reserves & Surplus.	1,295.28	1,519.53	1,693.99	1,842.92	1,945.00	3,063.11
	Total	**1,595.28**	**1,819.53**	**1,994.09**	**2,143.02**	**2,245.10**	**3,463.09**
I.	Misc. Expenditure to the extent not written off or adjusted	-	-	-	-	-	2.72
J	**Net Worth (H-I)**	**1,595.28**	**1,819.53**	**1,994.09**	**2,143.02**	**2,245.10**	**3,460.37**

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF GITANJALI GEMS LIMITED

ANNEXURE I - STATEMENT OF CONSOLIDATED RESTATED PROFIT AND LOSS ACCOUNT

Rs. in Million

Particulars	**Year ended March 31,**					**Six month period ended**
	2001	**2002**	**2003**	**2004**	**2005**	**30-09-2005**
Income						
Sales of Products	40,170.47	10,204.46	11,713.84	13,310.57	13,711.56	11,531.34
Other Income	4.78	45.87	3.66	4.16	20.20	6.63
Increase (Decrease) in inventories	331.23	804.79	(262.76)	(1,163.42)	(146.49)	(15.65)
	40,506.48	**11,055.12**	**11,454.74**	**12,151.31**	**13,585.27**	**11,522.32**
Expenditure						
Raw Materials Consumed	39,342.10	10,275.62	10,670.14	11,261.28	12,587.99	10,314.93
Staff Costs	10.48	10.72	10.93	13.36	16.92	40.71
Other Manufacturing Expenses	221.87	142.32	196.50	431.99	582.09	525.85
Administration Expenses	140.15	112.84	84.10	105.04	99.07	116.48
Selling & Distribution Expenses	5.72	3.55	13.60	32.00	22.43	21.77
	39,720.32	**10,545.05**	**10,975.27**	**11,843.67**	**13,308.50**	**11,019.74**
Profit Before Depreciation Interest & Tax	**786.16**	**510.07**	**479.47**	**307.64**	**276.77**	**502.58**
Depreciation	6.03	6.20	5.34	4.66	4.30	12.19
Interest	321.55	282.49	275.56	156.06	130.73	174.13
Profit Before Tax	**458.58**	**221.38**	**198.57**	**146.92**	**141.74**	**316.26**
Taxation						
Current tax	2.88	0.86	10.88	30.00	53.76	59.47
Deferred tax	-	-	1.43	(0.29)	(0.57)	(2.92)
Fringe Benefit Tax	-	-	-	-	-	0.59
Net Profit after tax	**455.70**	**220.52**	**186.26**	**117.21**	**88.55**	**259.12**
Less: Minority Interest	**-**	**-**	**-**	**-**	**-**	**17.96**
Add: Share of profit/(Loss) in Associate	**(0.02)**	**4.13**	**8.62**	**11.36**	**13.92**	**4.37**
Net Profit	**455.68**	**224.65**	**194.88**	**128.57**	**102.47**	**245.54**
Adjustments (Refer to Annexure III)	(280.79)	(0.38)	(0.38)	(0.38)	(0.38)	1.88
Restated Adjusted Net Profit	**174.89**	**224.27**	**194.50**	**128.19**	**102.09**	**247.42**

GENERAL INFORMATION

Registered Office of the Company

Gitanjali Gems Limited
801/802, Prasad Chambers
Opera House
Mumbai - 400 004

Registration Number: 011-40689

The Company is registered at the Registrar of Companies, Maharashtra, Mumbai.

Board of Directors

The Company's Board of Directors comprises of:

1. Mehul C. Choksi
2. G.K. Nair
3. Adrianus Voorn
4. Dhanesh Sheth
5. Prakash Shah
6. Sujal Shah
7. Vijay Kumar Jatia
8. S. Krishnan

For further details regarding the Board of Directors, see "Management" on page 101 of this Prospectus.

Company Secretary and Compliance Officer

Kishor Baxi, GM (Legal and Secretarial)
Gitanjali Gems Limited
6 Backbay View
Opera House
Mumbai 400 004
Tel: (91) (22) 2363 5344
Fax: (91) (22) 2369 6805
Email: ipo@gitanjaligroup.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refund orders etc.

Book Running Lead Managers

ICICI Securities Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020 Tel: +91 22 2288 2460 Fax: +91 22 2282 6580 E-mail: gitanjali_ipo@isecltd.com **Website: www.icicisecurities.com** **Contact Person: Harikishan Movva**	**Keynote Corporate Services Limited** **307, Regent Chambers** **Nariman Point** **Mumbai 400 021** **Tel : +91 22 2202 5230** **Fax: +91 22 2283 5467** **Email: gitanjali_ipo@keynoteindia.net** **Website: www.keynoteindia.net** **Contact Person: Vikram Subramaniam**

Syndicate Members

ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020 Tel: +91 22 2288 2460 Fax: +91 22 2283 7045 E-mail: gitanjali_ipo@isecltd.com Website: www.iseconline.com	**Keynote Capitals Limited** **301, Regent Chambers** **Nariman Point** **Mumbai 400 021** **Tel : +91 22 2202 5230** **Fax: +91 22 2283 5467** **Email: gitanjali_ipo@keynoteindia.net** **Website: www.keynoteindia.net**

Contact Person: Anil Mokashi	**Contact Person: Alpesh Shah**

Legal Advisors

Domestic Legal Counsel to the Company

Mustafa Motiwala, *Advocate and Solicitor*,
31 Maker Chamber VI,
Nariman Point,
Mumbai 400 021
Tel: +91 22 2288 6884
Fax: +91 22 2202 6295

Domestic Legal Counsel to the Underwriters

P&A Law Offices
I Floor Dr Gopaldas Bhavan,
28 Barakhamba,
New Delhi 110 001
Tel: +91 11 5139 3900
Fax: +91 11 2335 3761

International Legal Counsel to the Underwriters
(Advising on matters pertaining to the laws of the State of New York and the Federal law of the United States of America)

Jones Day
31F, Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong
Tel: +00 852 2526 6895
Fax: +00 852 2868 5871

Registrar to the Issue

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No.1
Banjara Hills, Hyderabad 500 034
Tel: +91 040 2343 1546
Fax: +91 040 2343 1551
Contact Person: Mr. Murali Krishna
Email: gitanjali.ipo@karvy.com
Website: www.karvy.com

Bankers to the Issue and Escrow Collection Banks

ICICI Bank Limited
Capital Markets Division
30,Mumbai Samachar Marg,
Mumbai 400 001.
Tel: (91 22) 2265 5207
Fax: (91 22) 2262 1138
Contact Person : Sidhartha Routray

The Hongkong and Shangai Banking Corporation Limited
52/60, Mahatma Gandhi Road
Mumbai 400 001
Tel: (91 22) 2268 1673
Fax: (91 22) 2273 4388
Contact Person: Dhiraj Bajaj

Statutory Auditors

Ford, Rhodes, Parks & Co.
Charterd Accountants
312/313 Sai Commerical Building,
BKS Devshi Marg, Govandi,
Mumbai 400 088

Independent Auditors

Grant Thornton
Chartered Accountants
313, Ahura Centre,
82, Mahakali Caves Road,

Mumbai 400 093

Bankers to the Company

ALLAHABAD BANK International Branch World Trade Centre, Cuffe Parade, Mumbai 400 005. Ph No.: + 91-22-22182973 Fax No.: + 91-22-22186235	**PUNJAB NATIONAL BANK** Mid Corporate Branch, Brady House, Fort, Veer Nariman Road, Mumbai 400 001. Ph No.: + 91-22-22040384 Fax No.: + 91-22-22049294 Website : www.pnbindia.com	**ICICI BANK LIMITED** ICICI Bank Towers, Bandra Kurla Complex, Mumbai 400 051. Ph No.: + 91-22-26596464 Fax No.: + 91-22-26531233 Website : www.icicibank.com
KARNATAKA BANK LIMITED Overseas Branch, Embassy Centre, Nariman Point, Mumbai – 400 021. Ph No.: + 91-22-22885016 Fax No.: + 91-22-22020463 Website : www.ktkbankltd.com	**SYNDICATE BANK** 26 A, Sir P. M. Road, Fort, Mumbai – 400 001 Mumbai 400 005. Ph No.: + 91-22-22616359 Fax No.: + 91-22-22626619 Website: www.syndicatebank.com	**DEVELOPMENT CREDIT BANK LIMITED** 8, Raja Bahadur Mansion, 16 Ambalal Doshi Marg, Fort, Mumbai 400 001. Ph No.: + 91-22-22701871 Fax No.: + 91-22-22678329 Website : www.dcbl.com
CANARA BANK Mittal Tower C Wing, Nariman Point, Mumbai – 400 021 Ph No.: + 91-22-22835110 Fax No.: + 91-22-22882492 Website: www.canbankindia.com	**UNITED BANK OF INDIA** Overseas Branch, 25, Sir. P. M. Road, Fort, Mumbai. Ph No.: + 91-22-22875212 Fax No.: + 91-22-22040120 Website : www.unitedbankofindia.com	**INDUSIND BANK LIMITED** IndusInd House 425, Dadasaheb Bhadkamkar Marg, Mumbai 400 004. Ph No.: + 91-22-23857474 Fax No.: + 91-22-23859913 Website : www.indusind.com
SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA Mumbai Branch Office, SME Development Centre, C-11, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051. Ph No.: + 91-22-55531100 Fax No.: + 91-22-55531175 Website: www.sidbi.com	**STATE BANK OF HYDERABAD** Overseas Branch, Ashok Mahal, Colaba, Mumbai 400 005. Ph No.: + 91-22-22820177 Fax No.: + 91-22-22851321	**PUNJAB AND SIND BANK** International Banking Division Dilwara Society, 8, M.K.Road, Nariman Point, Mumbai 400 021. Ph No.: + 91-22-22029492 Fax No.: + 91-22-22045455
CORPORATION BANK Overseas Branch, Earnest House, First Floor, NCPA Marg, Nariman Point, Mumbai 400 021. Ph No.: + 91-22-22886067 Fax No.: + 91-22-22851837 Website : www.corpbank.co.in	**ANDHRA BANK** Opera House, 9/15, Mama Parmanand Marg, Mumbai 400 004. Ph No.: + 91-22-23676834 Fax No.: + 91-22-23694637 Website :www.andhrabank-india.com	**EXPORT IMPORT BANK OF INDIA** Floor 21, Centre One, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 Ph No.: + 91-22-22185272 Fax No.: + 91-22-22183238 Website : www.eximbankindia.com
DENA BANK Industrial Finance Branch Maker Tower 'E', 10th Floor, Cuffe Parade, Mumbai 400 005	**STATE BANK OF INDIA** Diamond Branch, Majestic Shopping Centre, Girgaum, Mumbai 400 004 Ph No.: + 91-22-23891843	**UCO BANK** Nariman Point Br., Mafatlal Centre, 1st Floor, Nariman Point, Mumbai – 400 021.

Ph No.: + 91-22-2215 4317 Fax No.: + 91-22-2216 2035	Fax No.: + 91-22-23892165	Ph No.: + 91-22-22026449 Fax No.: + 91-22-22025338

BANK OF BARODA
Shivaji Park Branch,
Sweet Home,
Mahim, Mumbai 400 016.
Ph No.: + 91-22-24452618
Fax No.: + 91-22-24449581
Website : www.bankofbaroda.com

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities among the BRLMs:

Activities	Responsibility	Coordination
Capital structuring with the relative components and formalities such as the type of instruments etc.	I-SEC and Keynote	I-SEC
Due diligence of the Company's operations/ management/ business plans/ legal matters etc. Drafting and design of the Prospectus and of the statutory advertisement including the memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with the stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of the Prospectus and the RoC filing.	I-SEC and Keynote	I-SEC
Drafting and approval of all publicity material other than statutory advertisements as mentioned above including corporate advertisements, brochures etc.	I-SEC and Keynote	I-SEC
Appointment of other intermediaries i.e. Registrar to the Issue, printers, advertising agency and Bankers to the Issue.	I-SEC and Keynote	Keynote
Institutional marketing of the Issue, which will cover *inter alia*, finalizing the list and division of investors for one to one meetings and finalizing road show schedules and investor meeting schedules.	I-SEC and Keynote	I-SEC
Domestic institutional marketing of the Issue, which will cover *inter alia*, finalizing the list and division of investors for one to one meetings and finalizing road show schedules and investor meeting schedules.	I-SEC and Keynote	I-SEC
Non Institutional and retail marketing of the Issue, which will include, *inter alia*: 1. Formulating marketing strategies, preparation of publicity budget; 2. Finalizing media and public relations strategy; 3. Finalizing centers for holding conferences for brokers; 4. Finalizing collection centers; 5. Follow-up on distribution of publicity and Issue materials, including form, prospectus and deciding on the quantum of the Issue material; 6. Finalizing collection orders.	I-SEC and Keynote	I-SEC
Appointment of Syndicate members	I-SEC and Keynote	Keynote
Managing the book, co-ordination with stock exchanges for book building software, bidding terminals and stock trading and finalization of pricing and institutional allocation in consultation with the Company.	I-SEC and Keynote	I-SEC
The post bidding activities including management of Escrow Accounts, coordination of Non Institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post Issue activities will involve essential follow up steps, including finalization of trading and dealing instruments and dispatch of certificates and demat delivery of Equity Shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the banks handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable	I-SEC and Keynote	I-SEC

agreements with the Company.		

Credit Rating

As the Issue is of equity shares, credit rating is not required.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Monitoring of utilisation of funds
The Company has appointed Corporation Bank to monitor the utilization of funds on regular basis.

Book Building Process

The Book Building Process refers to the process of collection of Bids, on the basis of the Prospectus, within the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

(1) the Company;
(2) the Book Running Lead Managers;
(3) the Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs; and
(4) the Registrar to the Issue.

The Issue is being made through the 100% Book Building Process where up to 50% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, at least 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 150,000 Equity Shares shall be available for allocation on a proportionate basis to the permanent Employees and Directors of the Company who are Indian nationals and based in India, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, as per recent amendments to the SEBI Guidelines, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details, please refer to the "Terms of the Issue" on page 255 of this Prospectus.

The Company shall comply with guidelines issued by SEBI for this Issue. In this regard, the Company has appointed ICICI Securities Limited and Keynote Corporate Services Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

Illustration of Book Building and Price Discovery Process

(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue.)

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders, details of which are shown in the table below, the illustrative book would be as below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below indicates the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs.42 in the above example. The issuer, in consultation with the BRLMs will finalize the issue price at or below such cut-off price i.e. at or below Rs.42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

The process of Book Building under the SEBI Guidelines is relatively new and is subject to change from time to time. Accordingly, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Steps to be taken for Bidding:

1. Check eligibility for making a Bid (see "Issue Procedure- Who Can Bid" on page 258 of this Prospectus);
2. Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs.50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN to the Bid cum Application Form (see "Issue Procedure- PAN or GIR Number" on page 274 of this Prospectus); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Issue opening date but before Allotment, without assigning any reason therefore.

Bid/Issue Programme

Bidding Period / Issue Period

BID / ISSUE OPENED ON	Thursday, February 16, 2006
BID / ISSUE CLOSED ON	Tuesday , February 21, 2006

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

The Company reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a press release, and also by indicating the change on the website of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

The company has entered into an Underewriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs.)
ICICI Securities Limited ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020 Tel: + 91 22 2288 2460 Fax: + 91 22 2283 6580 E-mail:gitanjali_ipo@isecltd.com	12,749,900	2,486,230,500
Keynote Corporate Services Limited **307, Regent Chambers** **Nariman Point** **Mumbai 400 021** **Tel : +91 22 2202 5230** **Fax: +91 22 2283 5467** **Email: gitanjali_ipo@keynoteindia.net**	4,249,900	828,730,500
Syndicate Members		
ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020 Tel: + 91 22 2288 2460 Fax: + 91 22 2283 7045 E-mail: gitanjali_ipo@isecltd.com	100	19,500
Keynote Capitals Limited 301, Regent Chambers Nariman Point Mumbai 400 021 Tel : +91 22 2202 5230 Fax: +91 22 2283 5467 Email: gitanjali_ipo@keynoteindia.net	100	19,500

The amounts mentioned above are indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated February 24, 2006.

In the opinion of the BRLMs, the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/ subscribe to the extent of the defaulted amount.

As per recent amendments to the SEBI Guidelines, allocation to QIBs is proportionate as per the terms of this Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

CAPITAL STRUCTURE

The share capital of the Company as at the date of the Prospectus is set forth below:

(Rs. in Millions)

		Aggregate nominal value	Aggregate Value at Issue Price, except per share data
A.	**Authorized Capital**[(1)]		
	70,000,000 Equity Shares of Rs.10 each	700.00	
	500,000 Redeemable Preference Shares of Rs.100 each	50.00	
B.	**Issued, Subscribed and Paid Up Share Capital before the Issue**		
	41,998,495 Equity Shares of Rs.10 each[(2)]	419.98	
C.	**Present Issue in terms of this Prospectus**		
	Issue of 17,000,000 Equity Shares of Rs.10 each	170.00	3,315.00
	Out of the above:		
	(i) Employee Reservation Portion		
	150,000 Equity Shares of Rs10 each	1.50	292.50
	(ii) Net Issue to the Public		
	16,850,000 Equity Shares of Rs10 each	168.50	3022.50
D)	**Equity Capital after the Issue**		
	58,998,495 Equity Shares of Rs. 10 each fully paid up shares	589.98	
E)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	580.62	
	After the Issue	3,725.62	

(1) At the time of incorporation, the Company's authorized share capital was Rs.200,000, divided into 20,000 Equity Shares of Rs.10 each. Pursuant to a shareholders' resolution dated June 20, 1987, the Company's authorized share capital was further increased to Rs.7,000,000, divided into 700,000 Equity Shares of Rs.10 each. The Company's authorized share capital was further increased to Rs.9,950,000, divided into 990,000 Equity Shares of Rs.10 each and 5000 preference shares of Rs.10/- each pursuant to a shareholders' resolution dated January 8, 1991. The Company's authorized share capital was further increased to Rs.30,000,000, divided into 2,995,000 Equity Shares of Rs.10 each and 5000 preference shares of Rs.10/- each pursuant to a shareholders' resolution dated March 21,1992. 5000 preference shares of Rs.10/- each were re-classified as 5000 Equity Shares of Rs.10/- each pursuant to a shareholders' resolution dated June 8,1993. The Company's authorized share capital was further increased to Rs.150,000,000, divided into 15,000,000 Equity Shares of Rs.10 each pursuant to a shareholders' resolution dated July 20, 1994. The Company's authorized share capital was further increased to Rs.250,000,000, divided into 25,000,000 Equity Shares of Rs.10 each pursuant to a shareholders' resolution dated November 25, 1994. The Company's authorized share capital was further increased to Rs.750,000,000 divided into 50,000,000 Equity Shares of Rs.10 each and 2,500,000 Redeemable preference shares of Rs.100/- each pursuant to a shareholders' resolution dated March 30, 1999. The Company's authorized share capital was re-classified as 70,000,000 equity shares of Rs.10/- each and 500,000 redeemable preference shares of Rs.100/- each pursuant to shareholder's resolution dated September 30, 2005.

(2) Pursuant to order of the High Court of Judicature at Bombay dated September 30, 2005, for merger of Gemplus Jewellery India Limited, Prism Jewellery Private Limited and Giantti Jewels Private Limited with the Company. Shareholders of Gemplus Jewellery India Limited received 1 (One) equity share of the Company for every1 (one) equity shares held by them in Gemplus Jewellery India Limited, shareholders of Prism Jewellery Private Limited received 1 (One) equity share of the Company for every 50 (Fifty) equity share held by them in Prism Jewellery Private Limited and Shareholders of Giantti Jewels Private Limited received 1 (One) equity share of the Company for every 50 (Fifty) equity share held by them in Giantti Jewels Private Limited.

Notes to the Capital Structure

1. **Share Capital History of the Company:**

The following is the history of the equity share capital of the Company:

Date of allotment of the Equity Shares	No. Of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative Paid-up Capital (Rs.)	Securities Premium Account (Rs.)
21.08.1986	20,000	10	10	Cash	Subscriber	2,00,000	0
10.07.1987	480,000	10	10	Cash	Further Issue	50,00,000	0
09.01.1991	250,000	10	10	Cash	Further Issue	75,00,000	0
22.06.1993	2,250,000	10	NIL	Nil	Bonus	3,00,00,000	0
16.08.1994	7,000,000	10	NIL	Nil	Bonus	10,00,00,000	0
31.03.1999	20,000,000	10	NIL	Nil	Bonus	30,00,00,000	0
29.03.2003	10,000	10	71.55	Cash	Further Issue	30,01,00,000	6,15,514
14.10.2005	9,988,495	10	10	Consideration other than cash	Issued and allotted for consideration other than cash to the shareholders of Gemplus Jewellery India Limited, Prism Jewellery Private Limited and Giantti Jewels Private Limited pursuant to the scheme of amalgamation sanctioned by the High Court of Judicature at Bombay by its order dated September 30, 2005.	39,99,84,950	0
25.10.2005	2,000,000	10	300	NIL	Conversion of fully convertible debentures pursuant to agreement dated September 22, 2005.	41,99,84,950	58,06,15,514

2. Promoters' Contribution and Lock-in

All Equity Shares, which are being locked-in are not ineligible for computation of promoter's contribution and lock-in under Clause 4.6 of the SEBI Guidelines

Pursuant to the SEBI Guidelines, an aggregate of 20% of the shareholding of the Company's Promoter (Mr. Mehul C. Choksi) shall be locked up for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Date of Allotment/ Acquisition and when made fully paid-up	Nature of Consideration (Cash, bonus, kind, etc.)	No. of shares	Face Value (Rs.)	Issue Price/Purchase Price (Rs.)	Percentage of Post-Issue paid-up capital	Lock-in Period in years
14.10.2005	Pursuant to the scheme of amalgamation	182,291	10	10	0.31	3
21.04.2005	Cash	20,001	10	10	0.03	3
31.03.1999	Bonus	11,597,407	10	NIL	19.66	3
Total		**11,799,699**			**20.00**	

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to 20% of post-Issue shareholding of the Company held by the Promoters for three years, as specified above, the entire pre-Issue issued equity share capital of the Company (30,198,796 Equity Shares) will be locked in for a period of one year from the date of Allotment in this Issue.

Mr. Mehul C. Choksi has provided his written consent for inclusion of shares under the promoter's contribution.

Details of Shares held by Promoter and Promoter Group Locked in for 1 year

Name	Date of Allotment/Acquisition	Date when made fully paid up	Consideration	No. of Equity Shares	Face value	Issue/Acquisition Price	Lock-in Period
Promoter							
Mehul C Choksi	21.08.1986	21.08.1986	Cash	7,900	10	10	
	09.05.1987	09.05.1987	Cash	4,000	10	10	
	10.07.1987	10.07.1987	Cash	480,000	10	10	
	09.01.1991	09.01.1991	Cash	250,000	10	10	
	22.06.1993	22.06.1993	Bonus	2,225,700	10	Nil	
	16.08.1994	16.08.1994	Bonus	6,924,400	10	Nil	
	31.03.1999	31.03.1999	Bonus	19,784,000	10	Nil	
	21.04.2005	21.04.2005	Cash	20,001	10	10	
	14.10.2005	14.10.2005	Other than cash	182,291	10	10	
Total				29,878,292			1 YEAR
Promoter Group							
Priti M Choksi	30.11.1992	30.11.1992	Cash	4,000	10	10	
	22.06.1993	22.06.1993	Bonus	12,000	10	Nil	
	16.08.1994	16.08.1994	Bonus	37,333	10	Nil	
	31.03.1999	31.03.1999	Bonus	106,666	10	Nil	
	14.10.2005	14.10.2005	Other than cash	120,398	10	10	
	07.12.2005	07.12.2005	Cash	202,680	10	10	
Total				483,077			1 YEAR
Guniyal C Choksi	05.05.1993	05.05.1993	Cash	40	10	10	
	22.06.1993	22.06.1993	Bonus	120	10	Nil	
	16.08.1994	16.08.1994	Bonus	373	10	Nil	
	31.03.1999	31.03.1999	Bonus	1,066	10	Nil	
	14.10.2005	14.10.2005	Other than cash	5,952	10	10	
Total				7,551			1 YEAR
Digico Holdings Limited	29.03.2003	29.03.2003	Cash	10,000	10	71.55	
Total				10,000			1 YEAR
Priyanka Gems Private Limited	14.10.2005	14.10.2005	Other than cash	2,056,548	10	10	
Total				2,056,548			1 YEAR
Partha Gems Private Limited	14.10.2005	14.10.2005	Other than cash	2,068,452	10	10	
Total				2,068,452			1 YEAR
Rohan Diamonds Private Limited	14.10.2005	14.10.2005	Other than cash	1,974,226	10	10	
Total				1,974,226			1 YEAR
Mozart Investments Private Limited	14.10.2005	14.10.2005	Other than cash	651,262	10	10	
Total				651,262			1 YEAR

In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters prior to the Offer may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable. Further, in terms of clause 4.16(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and among the Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions.

3. Shareholding pattern of the Company

The table below presents our shareholding pattern before and after the proposed Issue

Shareholding Pattern	Pre-Issue		Post-Issue	
	Number	%	Number	%
Promoters				
Mehul C. Choksi	29,878,292	71.14	29,878,292	50.64
Sub Total	**29,878,292**	**71.14**	**29,878,292**	**50.64**
Promoter Group				
Priti M. Choksi	483,077	1.15	483,077	0.82
Guniyal C. Choksi	7,551	0.02	7,551	0.01
Priyanka Gems Private Limited	2,056,548	4.90	2,056,548	3.49
Partha Gems Private Limited	2,068,452	4.93	2,068,452	3.51
Rohan Diamonds Private Limited	1,974,226	4.70	1,974,226	3.35
Mozart Investments Private Limited	651,262	1.55	651,262	1.10
Digico Holdings Limited	10,000	0.02	10,000	0.02
Sub Total	**7,251,116**	**17.27**	**7,251,116**	**12.29**
Persons Acting in Concert (PAC)				
Sharad Mehta	20	0.00	20	0.00
Nishit Mehta	1200	0.00	1200	0.00
Sudhir A. Mehta	1,200	0.00	1,200	0.00
Trans Exim Limited	866,667	2.06	866,667	1.47
Nihar Trading Private Limited	2,000,000	4.76	2,000,000	3.39
Sub Total	**2,869,087**	**6.83**	**2,869,087**	**4.86**
Total Promoter, Promoter Group and PAC holdings	**39,998,495**	**95.24**	**39,998,495**	**67.80**
Bennett Coleman & Co. Ltd.	2,000,000	4.76	2,000,000	3.39
Total pre issue share capital	**41,998,495**	**100**	**41,998,495**	**71.19**
Public (Pursuant to the Issue)			**17,000,000**	**28.81**
Total Post Issue Capital			**58,998,495**	**100**

4. The Company, the Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.

5. In case of over-subscription in all categories, up to 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, at least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Retail or Non Institutional categories would be met with spill over from other categories or combination of categories at the sole discretion of the Company in consultation with

the BRLMs. From the existing QIB Portion, 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

6. The list of top ten shareholders of the Company and the number of Equity Shares held by them is as under:

(a) The top ten shareholders of the Company as on the date of the Prospectus are as follows

Sl	**Shareholder**	**Face Value**	**No. Of Shares Held**
1	Mehul C. Choksi	10	2,98,78,292
2	Nihar Trading Private Limited	10	2,000,000
3	Partha Gems Private Limited	10	2,068,452
4	Priyanka Gems Private Limited	10	2.056,548
5	Bennett, Coleman & Co. Limited	10	2,000,000
6	Rohan Diamonds Private Limited	10	1,974,226
7	Trans Exim Limited	10	866,667
8	Mozart Investments Private Limited	10	651,262
9	Priti M. Choksi	10	483,077
10	Digico Holdings Limited	10	10,000

(b) The top ten shareholders of the Company as of two years prior to the date of the Prospectus are as follows :

Sl	**Shareholder**	**Face Value**	**No. Of Shares Held**
1.	Mehul C. Choksi	10	29,676,000
2.	Priti M. Choksi	10	159,999
3.	Nirav Modi	10	140,001
4.	Pravin C. Mehta	10	20,001
5.	Digico Holdings Limited	10	10,000
6.	Guniyal C. Choksi	10	1,599
7.	Sudhir A. Mehta	10	1,200
8.	Nishit Mehta	10	1,200

(c) The top ten shareholders of the Company as on ten days prior to date of the Prospectus are as follows:

Sl	**Shareholder**	**Face Value**	**No. Of Shares Held**
1	Mehul C. Choksi	10	2,98,78,292
2	Nihar Trading Private Limited	10	2,000,000
3	Partha Gems Private Limited	10	2,068,452
4	Priyanka Gems Private Limited	10	2.056,548
5	Bennett, Coleman & Co. Limited	10	2,000,000
6	Rohan Diamonds Private Limited	10	1,974,226
7	Trans Exim Limited	10	866,667
8	Mozart Investments Private Limited	10	651,262
9	Priti M. Choksi	10	483,077
10	Digico Holdings Limited	10	10,000

7. The Directors, the Promoters, or the Promoter Group have not purchased or sold any securities of the Company, during a period of six months preceding the date of filing this Prospectus with SEBI except as stated below.

Transferor	Transferee	Date on which Equity Shares purchased or sold	Number of Equity Shares	Par value (Rs.)	Nature of payment	Purchase/ Sale Price (Rs.)
Nihar Trading Private Limited	Priti M. Choksi	December 7, 2005	202,680	10	Cash	10

8. We have not granted any options or issued any shares under any employee stock option or employee stock purchase scheme

9. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

10. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

11. The Company does not intend or propose to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including the issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital solely to fund such activity or use Equity Shares as currency solely for acquisition or participation in such joint ventures. Also, the Company has agreed with the BRLMs that for a period of 180 days commencing from the date of listing of the Equity Shares allotted pursuant to this Offer, the Company shall not, and shall not announce any intention to, without the prior written consent of the BRLMs on behalf of the Underwriters, directly or indirectly, (1) issue, offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any equity or equity-linked securities of the Company or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such securities, whether any such transaction described in (1) and (2) herein is to be settled by delivery of any securities of the Company, in cash or otherwise. However, the restriction contained in the preceding sentence shall not apply to the pledge of securities of the Company for availing of financial facilities from banks/ financial institutions as may be permitted by relevant SEBI guidelines.

12. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

13. As on the date of the Prospectus, the total number of holders of Equity Shares was 14.

14. The Company has not raised any bridge loans against the proceeds of the Issue.

15. Except as disclosed in this Prospectus, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for the bonus equity shares issued out of free reserves.

16. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares.

17. The Equity Shares held by the Promoters are not subject to any pledge.

18. Only permanent employees and directors of the Company who are Indian nationals and are based in India, ("Eligible Employees"), will be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Persons who are not an Eligible Employees are not eligible to participate in the Employee Reservation Portion. Bids by Eligible Employees can also be made in the "Net Issue" to the public and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 150,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis subject to a maximum Allotment to any Employee of 10,000 Equity Shares. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and Allotment shall be made in accordance with the description in the section entitled "Issue Procedure" beginning at page 258 of this Prospectus.

19. Except as disclosed in this Prospectus, none of the Company's Directors and key managerial personnel holds any Equity Shares.

OBJECTS OF THE ISSUE

The objects of the Issue are to achieve the benefits of listing on the Stock Exchanges and to raise capital. We believe that listing will enhance the Company's brand image and provide liquidity to the Company's existing shareholders. Listing will also provide a public market for the Equity Shares in India.

The net proceeds of the Issue after deducting all Issue related expenses is Rs. 3,131.2 million. The Issue Amount will be determined based on the Issue Price discovered through the Book Building Process.

The Company intends to use the net proceeds of the Issue for the following purposes:

1. Investment in subsidiaries, joint ventures and associate companies;
2. Capital expenditure for expansion of retail operations;
3. Setting up a diamond manufacturing facility at the proposed Gems and Jewellery Special Economic Zone at Hyderabad;
4. Setting up a jewellery manufacturing facility at the proposed Gems and Jewellery Special Economic Zone at Hyderabad;
5. Setting up of an additional jewellery manufacturing facility at Andheri, Mumbai;
6. Expansion of the existing jewellery manufacturing facility at SEEPZ area, Mumbai;
7. Working capital purposes;
8. Future acquisitions and general corporate purposes and
9. Meeting Issue Expenses

In case of any shortfall / cost overrun, we intend to meet our estimated expenditure from our internal accruals and/or loans that may be availed from banks/financial institutions.

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association enable the Company to undertake its existing activities and the activities for which funds are being raised by the Company through the Issue.

The details of the proceeds of the Issue are summarized in the table below:

	(Rs. millions)
Gross proceeds of the Issue	3,315.0
Issue related expenses	200.3
Net proceeds of the Issue	3,114.7

The following table summarizes the proposed use of the net proceeds of the Issue:

Particulars	**Amount** (Rs. millions)
Investment in subsidiaries, joint ventures and associate companies	1,852.00
Capital expenditure for expansion of retail operations	67.20
Setting up of a diamond manufacturing facility at the Gems and Jewellery Special Economic Zone at Hyderabad	210.00
Setting up of a jewellery manufacturing facility at the Gems and Jewellery Special Economic Zone at Hyderabad	242.50
Setting up of an additional jewellery manufacturing facility at Andheri, Mumbai	232.50
Expanding jewellery manufacturing facility and setting up of diamond manufacturing facility at SEEPZ, Mumbai	247.50
Working capital purposes	1272.90
Future acquisitions and general corporate purposes	390.10
Issue expenses	200.30
Total	**3315.0**

The requirement of funds is proposed to be financed as provided below:

Particulars	**Amount** (Rs. Million)	**%**
Net proceeds of the Issue	3,114.7	69.0
Internal accruals	1,400	31.0
Total	4,514.7	100.00

1. Investment in Subsidiaries, joint ventures and associate companies

The Company proposes to make certain investments in its subsidiaries, joint ventures and associate companies to fund the establishment of operations of and/or the expansion of existing operations of such companies. The Company proposes to make the following investments in its subsidiaries, joint ventures and associate companies. These investments will aid the Company to expand its retail presence and also establish its manufacturing facility at Hyderabad

Particulars	Amount (Rs. millions)
Fantasy Diamond Cuts Private Limited	750.00
D'Damas Jewellery (India) Private Limited	500.00
Brightest Circle Jewellery Private Limited	102.00
Hyderabad Gems SEZ Limited	500.00
Total	1,852.00

Fantasy Diamond Cuts Private Limited

Fantasy Diamond Cuts Private Limited became a 99.04 % subsidiary of the Company with effect from October 5, 2005. Fantasy Diamond Cuts Private Limited proposes to set up retail outlets in medium and smaller cities in India. These outlets are expected to be of an area ranging from 1,200 to 1,500 square feet. These outlets will primarily sell our diamond and other jewellery products. The board of directors of Fantasy Diamond Cuts Private Limited has on October 5, 2005 approved a business plan relating to the proposed retail operations. The total funding requirement for these proposed retail operations are estimated at Rs.750 million. The Company proposes to invest Rs.750.00 million in Fantasy Diamond Cuts Private Limited for use in these proposed retail operations in the form of either debt or additional equity.

D'Damas Jewellery (India) Private Limited

D'Damas Jewellery (India) Private Limited is a 50% joint venture of the Company with Damas Jewellery LLC, a jewellery company based in the U.A.E. D'Damas Jewellery (India) Private Limited proposes to expand its retail operations through exclusive stand alone stores as well as outlets in host stores such as large department stores and shopping malls in major metropolitan areas and large cities and towns in India. It also proposes to expand its franchisee and distributor network. The board of directors of D'Damas Jewellery (India) Private Limited has on November 14, 2005 approved a business plan relating to such proposed expansion of its retail operations. The Company proposes to invest Rs.500.00 million in D'Damas Jewellery (India) Private Limited for use in the proposed expansion of its retail operations in the form of either debt or additional equity.

Brightest Circle Jewellery Private Limited

The Company has a 33.34% equity interest in Brightest Circle Jewellery Private Limited, which is a joint venture among the Company and two other DTC sightholders in India, and is primarily engaged in the manufacture, marketing and sales of diamond studded jewellery under the brand name Nakshatra. The Nakshatra brand name is owned by the DTC and Brightest Circle Jewellery Private Limited has been permitted by DTC to use the Nakshatra brand in connection with the sale of its diamond jewellery products. Brightest Circle Jewellery Private Limited proposes to expand its retail operations and also proposes to expand its distributor network. The board of directors of Brightest Circle Jewellery Private Limited has on October 5, 2005 approved a business plan relating to such proposed expansion of its retail operations. The Company proposes to invest Rs.102.00 million in Brightest Circle Jewellery Private Limited for use in the proposed expansion of its retail operations in the form of either debt or additional equity.

Hyderabad Gems SEZ Limited

Hyderabad Gems SEZ Limited, a wholly owned subsidiary of the Company was incorporated as Hyderabad Gems Special Economic Zone Limited on December 21, 2004. The company's name was changed to Hyderabad Gems SEZ Limited on December 2, 2005. Hyderabad Gems SEZ Limited has been established to undertake the development of the Gems and Jewellery Special Economic Zone at Hyderabad pursuant to an agreement with the government of the state of Andhra Pradesh.

By its order dated July 6, 2005, the government of the state of Andhra Pradesh has directed for allotment of 200 acres of land to the Company in three phases of 75 acres each in the first two phases and 50 acres in the third phase, for the development of a Gems and Jewellery Special Economic Zone at Hyderabad. The government of the state of Andhra Pradesh has already allotted 75 acres of land in the first phase to the Company. The title to the land is proposed to be transferred to Hyderabad Gems SEZ Limitedwhich would undertake the development of such land for purposes of establishing the Gems and Jewellery Special Economic Zone. The aggregate cost for the acquisition of the land is Rs.100 million of which Rs.37.50 million has been paid by the Company as of September 30, 2005 as an advance to the government of Andhra Pradesh. The developed land will be leased out to other gems and jewellery companies for setting up their operations. The estimated cost for the development of Gems and Jewellery Special Economic Zone is expected to be Rs. 400 million. The development of the Gems and Jewellery Special Economic Zone is expected to be executed in phases through fiscal 2008. The Company proposes to invest Rs. 500.00 million in Hyderabad Gems SEZ Limited.

2. Capital Expenditure for Expansion of Retail Operations

We propose to expand our retail operations for the sale of our jewellery products sold under the brand Asmi that is owned by DTC.

The aggregate estimated cost for the proposed expansion of our retail operations is as follows:

Particulars	Amount (Rs. million)
Setting up of exclusive retail outlets for the Asmi line of branded jewellery	37.20
Setting up of brand zones and distributor network for the Asmi line of branded jewellery	30.00
Total	67.20

Setting up of exclusive retail outlets for the Asmi line of branded jewellery

The Company proposes to set up exclusive retail outlets for the Asmi line of branded jewellery. Such exclusive retail outlets are expected to be of an area ranging between 700 square feet and 900 square feet and will exclusively sell the Asmi line of branded jewellery. The Company proposes to establish ten such exclusive retail outlets for the Asmi line of branded jewellery. The Company is in the process of identifying locations for setting up these proposed exclusive retail stores. The estimated average cost of setting up each such store is illustrated in the following table:

Particulars	**Cost per outlet** (Rs.)
Rent deposit (estimated as 11 months deposit with rent at the rate of Rs.150 per square foot per month)	1,100,000
Developing of interior of the retail outlets including flooring, plastering of walls, ceilings and partition work (estimated at Rs.1,288 per square foot)	803,300
Air-conditioning (estimated at Rs.30,000 per air conditioner for three machines)	90,000
Electrical work	188,100
Furniture and façade work	1,101,250
CC TV with recording facilities	240,000
Burglar alarms	30,000
Strong room safe	15,000
Strong room with door	30,000
RCC strong room construction (estimated at Rs. 350 per square foot for 150 square feet)	52,500
Telecommunication systems	70,000
Total	**3,720,150**
Total cost for 10 such outlets	**37,201,500**

The estimates have been arrived based on a quotation provided by Mr. Amar Rajadhyaksha, interior designer, for the purpose of setting up such stores on a turn-key contract basis.

Setting up of brand zones and distribution network

The Company proposes to have 100 brand zones which would display the Asmi branded jewellery lines located in host stores such as jewellery shops, shopping malls and department stores. Setting up such brand zones will involve costs for furniture and fixtures, security systems, computer systems, as well as weighing and assaying devices. The average cost of setting up each such brand zone including setting up of distribution network to service these brand zones is estimated at Rs.0.3 million per brand zone. Accordingly, the aggregate cost of setting up such brand zones will be Rs.30 million.

The following table illustrates the schedule of implementation proposed for setting up of retail operations for branded jewellery:

Rs. Million

Particulars	Feb 06 – Sep 06	Oct 06 – Mar 07	Apr 07 - Sep 07	Oct 07 – Mar 08	Total
Setting up of exclusive outlets for Asmi	11.16	11.16	11.16	3.72	37.20
Setting up of brand zones and distribution network for Asmi	9.00	12.00	9.00	-	30.00
Total	**20.16**	**23.16**	**20.16**	**3.72**	**67.20**

3. Development of Diamond Processing Factory at GJSEZ, Hyderabad

The Company proposes to set up diamond processing facilities to the proposed GJSEZ in Hyderabad.

The factory would have facilities for sawing, brutting, polishing, assortment of diamonds, quality control department, strong rooms, maintenance rooms for equipment and administrative offices. The size of the plot where the factory would be constructed is 50,000 square feet and the construction area is expected to be around 80,000 square feet. Furnishing and electrical installation and Air conditioning would be carried out on an area of around 64,000 square feet after exclusing area for staircase, lobby etc.

The following table illustrates the break up of costs for construction of the diamond processing facility

Particulars	**Amount (Rs. Million)**
Land use rights (Rs. 150 per square feet for 50,000 square feet)	7.5
Construction of factory / Office (Rs. 1000 per square feet for 80,000 square feet)	80.0
Furniture and fixtures including electrical installation (Rs. 1000 per square feet for 64,000 square feet)	64.0
Factory machinery and equipment	55.58
Pre-operating expenses	2.92
Total	**210.0**

The above estimates have been obtained from a quotation given by Barve S.R & Associates on October 20, 2005 for the construction of the diamond processing factory

The Company has received quotations for the plant and machinery equipment and other diamond processing equipment. The following table illustrates the estimated cost of each of the equipments based on the quotations received from Sunil Enterprises, Mumbai on October 20, 2005. The cost of the laser machines is based on the quotations received from Quantronix Corporation, New York, USA on October 28, 2005. The quotation for sawing machines was obtained from B.K & Co. on October 29, 2005.

Item	Description	Quantity	Rate/Piece (Rs)	Total Cost (Rs)
Rough Assortment*	Loups, Scales, Sieves etc.			500,000
Distribution (Main)*	Twezzers, Scales,Lamps etc.			500,000
Sawing Department	Sawing machines	750	11,000	8,250,000

Bruting	Machinery (Double Spindle), Table, Electric Sticks	300	35,000	10,500,000
Table Smoothing	Polishing Mills with dust suction, Diamond Scaives, Dops etc.	100	23,000	2,300,000
Bottom Assortment*	Loups, Scales, Sieves etc.			500,000
Bottom	Polishing Mills with dust suction, Diamond Scaives, Dops etc.	350	23,000	8,050,000
Top Assortment*	Loups, Scales, Sieves etc.			500,000
Top	Polishing Mills with dust suction, Diamond Scaives, Dops etc.	425	23,000	9,775,000
Polished Assortment*	Scoops, Sorting Pad etc.			500,000
Laser Machine		4	3,300,000	13,200,000
Maintenance & Stores*	Scouring, Carving etc.			1,000,000
Total				**55,575,000**

**Company Estimate*

The following table illustrates the proposed schedule of implementation for the diamond processing facility:

Particulars	**Feb 06 – Sep 06**	**Oct 06 – Mar 07**	**Apr 07 - Sep 07**	**Oct 07 – Mar 08**	**Total Rs. Million**
Land use rights	7.5	--	--	--	**7.5**
Construction of factory / Office	12	36	24	8	**80**
Furniture and fixtures including electrical installation	0	12.8	19.2	32	**64**
Factory machinery and equipment	0	0	16.67	38.91	**55.58**
Pre-operating expenses	2.92	--	--	--	**2.92**
Total	**22.42**	**48.8**	**60.174**	**79.61**	**210.00**

4. Development of Jewellery Manufacturing Factory at GJSEZ, Hyderabad

The Company proposes to have a jewellery manufacturing factory at GJSEZ Hyderabad to supplement its existing manufacturing facilities in Mumbai.

The factory would have facilities for waxing, casting, assorting, cleaning and polishing activities, quality control departments, strong rooms for storage, maintenance rooms for equipment and administrative offices. The size of the plot where the factory would be constructed is 75,000 square feet and the total construction area would be around 100,000 square feet. Furnishing and electrical installation and Air conditioning would be carried out on an area of around 80,000 square feet after exclusing area for staircase, lobby etc. The breakup of the estimated cost of the jewellery manufacturing facility is given below:

Particulars	**Amount (Rs. Million)**
Land use rights (Rs. 150 per square feet for 75,000 square feet)	11.25
Construction of factory / Office (Rs. 1000 per square feet for 100,000 square feet)	100.00
Furniture & Fixtures including Electrical Installation (Rs. 1000 per square feet for 80,000 square feet)	80.00
Factory machinery and equipment	38.70
CAD/CAM equipment	10.50

Pre-operating expenses	2.04
Total	**242.50**

The above estimates have been obtained from a quotation given by Barve S.R & Associates on October 20, 2005 for the construction of the jewellery manufacturing factory.

The Company has sought quotations for the plant and machinery equipment and other jewellery manufacturing equipment. The following table illustrates the estimated cost of each of the equipments based on the quotations sought:

Description	**Qty**	**Rate/Piece (Rs)**	**Total Cost (Rs)**	**Name of the Supplier**	**Date of Receipt of Quotation**
Auto Clamp Wax Injector	10	160,000	1,600,000	Wintech International Inc	October 20, 2005
Vulcanizer	10	22,000	220,000	Wintech International Inc	October 20, 2005
Investment Mixer with Vacuum	3	500,000	1,500,000	Western Enterprises	September 21, 2005
Casting machine - Gold	2	3,000,000	6,000,000	Western Enterprises	September 21, 2005
Casting machine - Platinum	1	3,000,000	3,000,000	Western Enterprises	September 21, 2005
Water Jet	5	48,000	240,000	Wintech International Inc	October 20, 2005
Pneumatic spru cutter machine	10	30,000	300,000	Company Estimates	--
Burn out Furnacing Rotating	10	165,000	1,650,000	Wintech International Inc	October 20, 2005
Diamond Weighing Scale	25	30,000	750,000	Sartorius Mechatronics India Pvt Limited	--
Filing Motors	200	8,000	1,600,000	Gesswin	October 29, 2005
Dust Collector (per department)	10	225,000	2,250,000	Wintech International Inc	October 20, 2005
Spru Grinding Bench	8	10,000	80,000	Wintech International Inc	October 20, 2005
Torches (LPG & Oxygen)	50	6,000	300,000	Company Estimates	--
Micro TipBlazer	5	50,000	250,000	Company Estimates	--
Laser Machine	4	1,325,000	5,300,000	Western Enterprises	October 20, 2005
Diamond Sieve Set Box	5	50,000	250,000	Gesswin	October 29, 2005
Pneumatic Hammer	25	8,000	200,000	Company Estimates	--
Polishing Motors (Double spindle)	150	7,500	1,125,000	Vijay Machine Tools	October 29, 2005
Rhodium Machine	2	22,500	45,000	Wintech International Inc	October 20, 2005
Rhodium Pen Plating	5	5,000	25,000	Wintech International Inc	October 29, 2005
Ultrasonic Cleaner(30 Lts)	10	56,000	560,000	Wintech International Inc	October 20, 2005
Steam Machine (Auto)	10	65,000	650,000	Wintech International Inc	October 20, 2005
Magnetic Polisher	10	40,000	400,000	Wintech International Inc	October 20, 2005
Drum Polisher	10	95,000	950,000	Wintech International Inc	October 20, 2005
Rolling Machine	2	58,000	116,000	Wintech International Inc	October 20, 2005
Mould & Dies			2,500,000	Company Estimates	
Others - Soldering, Air compressor, Air pipe line, Refinery, scrubber etc,			5,000,000	Company Estimates	
Subtotal			**36,861,000**		

Add: Installation & Erection 5%			1,843,050		
Total			**38,704,050**		

Further our Company has also received a quotation for the CAD/CAM equipment from Empire Industries Limited, Mumbai and Hi-End CAD/CAM solutions on November 4, 2005 and October 20, 2005 respectively. These quotations estimate the cost of the equipment to be Rs. 10.5 million.

The following table illustrates the implementation schedule for the proposed Jewellery Manufacturing facility:

Rs. Million

Particulars	**Feb 06 – Sep 06**	**Oct 06 – Mar 07**	**Apr 07 - Sep 07**	**Oct 07 – Mar 08**	**Total**
Land use rights	11.25				**11.25**
Construction of factory / Office	15	45	30	10	**100**
Furniture & Fixtures including Electrical Installation	0	16	24	40	**80**
Factory machinery and equipment	0	0	11.61	27.09	**38.7**
CAD/CAM equipment				10.50	**10.5**
Pre-operating expenses	2.05				**2.05**
Total	**28.3**	**61**	**65.61**	**87.59**	**242.50**

5. Development of Diamond and Jewellery Manufacturing Facility at SEEPZ, Mumbai

The Company has a jewellery manufacturing facility at plot number 61 of SEEPZ, Mumbai which was allocated by SEEPZ authority to Gemplus Jewellery India Limited (which has been merged into Gitanjali Gems Limited with effect from April 1, 2005). As per the Government of Maharashtra notification no TPB/4302/2549/CR6/2003/UD11 dated April 2, 2004 there is a possibility of having an additional 24,210 square feet of construction area. The Company proposes to expand the existing facility to enhance the manufacturing capacity.

Pursuant to an agreement to assign dated November 30, 1999 Suraj Diamonds has agreed to assign 2,665 square metres of land located at plot number 16(P), 17, 28 and 29 (P) of SEEPZ, Mumbai to Gemplus Jewellery India Limited for a consideration of Rs. 32.07 million which has been fully paid. The SEEPZ authority vide its letter dated July 11, 2000 has granted permission for transfer of the structure admeasuring 2665 square metres on plot no 16(P), 17, 28 and 29 (P). The area of the existing construction is 37,685 square feet (which is partly constructed prior to the acquisition) and additional FSI available is 28,682 square feet. The 37,685 square feet area is partly constructed. The Company would construct a diamond processing facility in this area.

The breakup of the estimated cost of the jewellery manufacturing facility is given below:

Particulars	**Amount (Rs. Million)**
Construction of factory / Office	**96.66**
24,210 sq feet area in plot 61 at Rs. 1400 per square feet	33.89
Remodelling of existing 37,685 square feet at plot 16 at Rs. 600 per sq feet	22.61
28,682 sq feet area in plot 16 at Rs. 1400 per square feet	40.15
Furniture & Fixtures including Electrical Installation (72,461 square feet at Rs. 1000 per square feet)	72.46
Factory machinery and equipment	65.27
CAD/CAM equipment	10.5
Pre-operating expenses	2.61
Total	**247.5**

The following table illustrates the estimated cost of jewellery manufacturing equipment based on the quotations sought:

Description	Qty	Rate/Piece (Rs)	Total Cost (Rs)	Name of the Supplier	Date of Receipt of Quotation
Auto Clamp Wax Injector	6	160,000	960,000	Wintech International Inc	October 20, 2005
Vulcanizer	6	22,000	132,000	Wintech International Inc	October 20, 2005
Investment Mixer with Vacuum	3	500,000	1,500,000	Western Enterprises	September 21, 2005
Casting machine – Gold	2	3,000,000	6,000,000	Western Enterprises	September 21, 2005
Water Jet	3	48,000	144,000	Wintech International Inc	October 20, 2005
Pneumatic spru cutter machine	5	30,000	150,000	Company Estimates	--
Burn out Furnacing Rotating	6	165,000	990,000	Wintech International Inc	October 20, 2005
Diamond Weighing Scale	20	30,000	600,000	Sartorius Mechatronics India Pvt Limited	--
Filing Motors	125	8,000	1,000,000	Gesswin	October 29, 2005
Dust Collector (Per Department)	5	225,000	1,125,000	Wintech International Inc	October 20, 2005
Spru Grinding Bench	5	10,000	50,000	Wintech International Inc	October 20, 2005
Torches (LPG & Oxygen)	30	6,000	180,000	Company Estimates	--
Micro TipBlazer	3	50,000	150,000	Company Estimates	--
Laser Machine	2	1,325,000	2,650,000	Western Enterprises	October 20, 2005
Diamond Sieve Set Box	3	50,000	150,000	Gesswin	October 29, 2005
Pneumatic Hammer	20	8,000	160,000	Company Estimate	--
Polishing Motors (Double spindle)	125	7,500	937,500	Vijay Machine Tools	October 29, 2005
Rhodium Machine	2	22,500	45,000	Wintech International Inc	October 20, 2005
Rhodium Pen Plating	3	5,000	15,000	Wintech International Inc	October 29, 2005
Ultrasonic Cleaner(30 Lts)	6	56,000	336,000	Wintech International Inc	October 20, 2005
Steam Machine (Auto)	6	65,000	390,000	Wintech International Inc	October 20, 2005
Magnetic Polisher	6	40,000	240,000	Wintech International Inc	October 20, 2005
Drum Polisher	6	95,000	570,000	Wintech International Inc	October 20, 2005
Rolling Machine	2	58,000	116,000	Wintech International Inc	October 20, 2005
Mould & Dies			2,500,000	Company Estimates	--
Others - Soldering, Air compressor, Air pipe line, Refinery, scrubber etc,			2,500,000	Company Estimates	--
Subtotal			**23,590,500**		
Add: Installation & Erection 5%			1,179,525		
Total			**24,770,025**		

The following table illustrates the estimated cost of diamond manufacturing equipment based on the quotations received from Sunil Enterprises, Mumbai on October 20, 2005. The cost of the laser machines is based on the quotations received from Quantronix Corporation, New York, USA on October 28, 2005. The estimates for sawing machines were obtained from B.K & Co. on October 29, 2005

Item	Description	Quantity	Rate/Piece (Rs)	Total Cost (Rs)
Rough Assortment*	Loups, Scales, Sieves etc.			300,000
Distribution (Main)*	Twezzers, Scales,Lamps etc.			300,000
Sawing Department	Sawing machines	500	11,000	5,500,000
Bruting	Machinery (Double Spindle), Table, Electric Sticks	200	35,000	7,000,000
Table Smoothing	Polishing Mills with dust suction, Diamond Scaives, Dops etc.	75	23,000	1,725,000
Bottom Assortment*	Loups, Scales, Sieves etc.			300,000
Bottom	Polishing Mills with dust suction, Diamond Scaives, Dops etc.	350	23,000	8,050,000
Top Assortment*	Loups, Scales, Sieves etc.			300,000
Top	Polishing Mills with dust suction, Diamond Scaives, Dops etc.	275	23,000	6,325,000
Polished Assortment*	Scoops, Sorting Pad etc.			300,000
Laser Machine		3	3,300,000	9,900,000
Maintenance & Stores*	Scouring, Carving etc.			500,000
Total				**40,500,000**

**Company Estimates*

Further our Company has also received a quotation for the CAD/CAM equipment from Empire Industries Limited, Mumbai and Hi-End CAD/CAM solutions on November 4, 2005 and October 20, 2005 respectively. These quotations estimate the cost of the equipment to be Rs. 10.5 million.

The following table illustrates the implementation schedule for the proposed Jewellery Manufacturing facility:

Rs. Million

Particulars	Feb 06 – Sep 06	Oct 06 – Mar 07	Apr 07 - Sep 07	Oct 07 – Mar 08	Total
Construction of factory / Office	19.33	43.50	24.17	9.67	**96.66**
Furniture & Fixtures including Electrical Installation	-	25.36	32.61	14.49	**72.46**
Factory machinery and equipment	-	-	39.16	26.11	**65.27**
CAD/CAM equipment				10.50	**10.50**
Pre-operating expenses	2.61				**2.61**
Total	**21.94**	**68.86**	**95.94**	**60.77**	**247.50**

6. Development of Jewellery Factory at Mumbai

To support the domestic sales of jewellery, the company proposes to establish a jewellery factory at Andheri, Mumbai. The Company is yet to identify the land for setting up the factory.

The factory would have facilities for waxing, casting, assorting, cleaning and polishing activities, quality control departments, strong rooms for storage, maintenance rooms for equipment and administrative offices. The company proposes to purchase an existing building with approximately 25,000 square feet of area. The total construction area would be around 50,000 square feet. The breakup of the estimated cost of the jewellery manufacturing facility is given below:

Particulars	**Amount (Rs. Million)**
Land Cost (Land cost of Rs. 4500 per square feet)	112.5
Construction cost	**42.50**
Remodelling of existing structure (25,000 square feet at Rs. 500 per square feet)	12.50
Construction cost of Additional FSI available (25,000 square feet at Rs. 1200 square feet)	30.00
Furniture & Fixtures including Electrical Installation 40,000 square feet at Rs. 1000/- per Sq. Ft.	40.00
Factory machinery and equipment	24.77
CAD/CAM	10.50
Pre-operating expenses	2.23
Total	**232.50**

The Company has sought quotations for the plant and machinery equipment and other jewellery manufacturing equipment. The following table illustrates the estimated cost of each of the equipments based on the quotations sought:

Description	**Qty**	**Rate/Piece (Rs)**	**INR Cost (Rs)**	**Name of the Supplier**	**Date of Receipt of Quotation**
Auto Clamp Wax Injector	6	160,000	960,000	Wintech International Inc	October 20, 2005
Vulcanizer	6	22,000	132,000	Wintech International Inc	October 20, 2005
Investment Mixer with Vacuum	3	500,000	1,500,000	Western Enterprises	September 21, 2005
Casting machine – Gold	2	3,000,000	6,000,000	Western Enterprises	September 21, 2005
Water Jet	3	48,000	144,000	Wintech International Inc	October 20, 2005
Pneumatic spru cutter machine	5	30,000	150,000	Company Estimates	--
Burn out Furnacing Rotating	6	165,000	990,000	Wintech International Inc	October 20, 2005
Diamond Weighing Scale	20	30,000	600,000	Sartorius Mechatronics India Pvt Limited	--
Filing Motors	125	8,000	1,000,000	Gesswin	October 29, 2005
Dust Collector (Per Department)	5	225,000	1,125,000	Wintech International Inc	October 20, 2005
Spru Grinding Bench	5	10,000	50,000	Wintech International Inc	October 20, 2005
Torches (LPG & Oxygen)	30	6,000	180,000	Company Estimates	--
Micro TipBlazer	3	50,000	150,000	Company Estimates	--
Laser Machine	2	1,325,000	2,650,000	Western Enterprises	October 20, 2005
Diamond Sieve Set Box	3	50,000	150,000	Gesswin	October 29, 2005
Pneumatic Hammer	20	8,000	160,000	Company Estimates	--
Polishing Motors (Double spindle)	125	7,500	937,500	Vijay Machine Tools	October 29, 2005
Rhodium Machine	2	22,500	45,000	Wintech International Inc	October 20, 2005

Rhodium Pen Plating	3	5,000	15,000	Wintech International Inc	October 29, 2005
Ultrasonic Cleaner(30 Lts)	6	56,000	336,000	Wintech International Inc	October 20, 2005
Steam Machine (Auto)	6	65,000	390,000	Wintech International Inc	October 20, 2005
Magnetic Polisher	6	40,000	240,000	Wintech International Inc	October 20, 2005
Drum Polisher	6	95,000	570,000	Wintech International Inc	October 20, 2005
Rolling Machine	2	58,000	116,000	Wintech International Inc	October 20, 2005
Mould & Dies			2,500,000	Company Estimates	--
Others - Soldering, Air compressor, Air pipe line, Refinery, scrubber etc,			2,500,000	Company Estimates	--
Subtotal			**23,590,500**		
Add: Installation & Erection 5%			1,179,525		
Total			**24,770,025**		

Further our Company has also received a quotation for the CAD/CAM equipment from Empire Industries Limited, Mumbai and Hi-End CAD/CAM solutions on November 4, 2005 and October 20, 2005 respectively. These quotations estimate the cost of the equipment to be Rs. 10.5 million.

The following table illustrates the implementation schedule for the proposed Jewellery Manufacturing facility:

Rs. Million

Particulars	**Feb 06 – Sep 06**	**Oct 06 – Mar 07**	**Apr 07 - Sep 07**	**Oct 07 – Mar 08**	**Total**
Purchase Cost	112.50				**112.50**
Construction of factory / Office	10.63	19.13	12.75	-	**42.50**
Furniture & Fixtures including Electrical Installation	-	10.00	18.00	12.00	**40.00**
Factory machinery and equipment	-	-	18.58	6.19	**24.77**
CAD/CAM equipment				10.50	**10.50**
Pre-operating expenses	2.23				**2.23**
Total	**125.36**	**29.13**	**40.33**	**28.69**	**232.50**

7. Future acquisitions and general corporate purposes

Our management in accordance with the policies set up by the Board will have flexibility in applying the balance proceeds of this Issue, for general corporate purposes including future acquisitions and to finance working capital requirements. We seek to further enhance our position in the Gems and jewellery industry by acquiring more jewellery brands. While we have not identified any specific acquisition opportunity our senior management team is continuously identifying and evaluating such opportunities. As on date of this Prospectus, the Company has not entered into any letter of intent or definitive commitment for any such acquisitions. The interim use of the balance funds is explained in the paragraph titled "Interim use of funds".

8. Enhancement of Long Term Working Capital Requirement

The incremental working capital has been estimated based on our projections of future current assets and current liabilities. The table below provides incremental long term working capital requirement of the Company:

Rs. Million

	FY 2006	FY 2007	Incremental long term working capital
Current assets (excluding cash)	9,021.60	10,219.10	1,197.50
Less: Current liabilities	6,395.70	6,320.30	(75.40)
	2,625.90	3,898.80	1,272.90

Issue expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Amount (Rs million)	Estimated Percentage of Issue Expenses	Estimed Percentage of total Issue size
Lead Management, underwriting and selling commission	124.3	62.06%	3.75%
Advertisement and Marketing expenses	24.0	11.98%	0.72%
Printing and stationery	32.0	15.98%	0.97%
Others (Registrars fee, legal fee, listing fee, etc)	20.0	9.99%	0.60%
Total estimated Issue expenses	200.3	100.00%	6.04%

All expenses with respect to the Issue would be borne by the Company.

Interim Use of Funds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the net proceeds received by us from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration.

Expenses Incurred towards Objects of the Issue

As per the certificated dated January 1, 2006 issued by the Company's Auditors, the utilization of funds towards the objects of the issue and the sources of finance for the same as on December 31, 2005 is given below

Particulars	**Rs. in million**
Investment in Hyderabad Gems SEZ Limited	37.50
Fantasy Diamond Cuts Private Limited	10.40
Brightest Circle Jewellery Private Limited	21.55
D'Damas Jewellery (India) Limited	174.95
Total	**244.40**

The expenditure mentioned above has been funded through internal accruals.

Monitoring of utilisation of funds

The Corporation Bank vide its letter dated January 30, 2006 has given its consent to monitor the utilization on the Issue proceeds. Further the utilization of the Issue proceeds will also be monitored by our Audit Committee. We will disclose the utilization of Issue proceeds under a separate head in our balance sheets for FY 2006, FY 2007 and FY2008, and provide details if any in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any of such unutilized proceeds of the Issue.

No part of the Issue will be paid as consideration by us to our Promoters, Directors, Key Management Personnel or companies promoted by our Promoter except under the usual course of business.

Auditors Report with respect to the proposed investment by the Company in Brightest Circle Jewellery Pvt. Ltd.

The Board of Directors,
Gitanjali Gems Ltd.
801/802, Prasad Chambers,
Opera House,
India.

Dear Sirs

1. At your request we have examined the annexed financial information of Brightest Circle Jewellery Private Limited ('Brightest Circle') for the years ended 31st March, 2005 and six month period ended September 30th, 2005, including the significant accounting policies being the last date upto which the accounts of the Company have been made and audited by M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai (for the year ended 31st March 2005) and by us (for the six months period ended September 30, 2005). We understand that this financial information is required for the purpose of disclosure in the Offer Document being issued by Gitanjali Gems Limited in connection with the Initial Public Offering ('IPO') for the issue of 17,000,000 of its equity shares having a face value of Rs.10 each at an issue price to be arrived at by a book building process (referred to as 'the Issue').

2. This financial information has been prepared in accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act').

3. We report that the Unconsolidated Statements of Assets and Liabilities and Profits and Losses of Brightest Circle as at and for the year ended 31st March, 2005 (the company commenced business on 19th May, 2004) and six month period ended September 30, 2005 are as set out in Annexure I and Annexure II to this report respectively and are to be read in accordance with the Significant Accounting Policies as appearing in Annexure III to this report. Your Company has invested following amounts in the Share Capital of Brightest Circle :

as at September 30, 2005,	**Rs.**
3334 Equity Shares of Rs.10/-each	33,340
Allotted on December 12, 2005,	
1,63,334 Equity Shares of Rs.10/-each	16,33,340
4% non-cumulative Redeemable Preference	
1,66,666 Preference Shares of Rs.100/-each	1,66,66,600

4. The Unconsolidated Statements of Assets and Liabilities and Profits and Losses as at and for the year ended 31st March, 2005 and six month period ended September 30, 2005 have been extracted from the audited financial statements for the respective years. We have relied on the Financial Statements of the Company as at and for the year ended 31st March, 2005 audited by M/s. Deloitte Haskins & Sells, Chartered Accountants. The financial statement for the six month ended 30th Sept. 2005 are audited by us.

5. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or by any other firm of Chartered Accountants nor should it be construed as a'" new opinion on any of the financial statements referred to therein.

6. This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Offer of Gitanjali Gems Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Ford, Rhodes, Parks & Co.
Chartered Accountants

Sd/-
A. D. Shenoy
Partner
Membership Number - 11549

Place : Mumbai
Date : January 31, 2006

FINANCIAL STATEMENTS - BRIGHTEST CIRCLE JEWELLERY PVT. LTD.

ANNEXURE I - UNCONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Million)

Particulars		As at	
		31-03-2005	**30-09-2005**
A.	**Fixed Assets**		
	Gross block	7.71	9.18
	Less Depreciation	0.98	2.00
	Net Block	6.73	7.18
	Less: Revaluation Reserve	-	-
	Net Block after adjustment for Revaluation Reserve	**6.73**	**7.18**
B.	**Investments**	**0.01**	**0.01**
C.	**Current Assets, Loans and Advances**		
	Inventories	59.17	296.98
	Sundry Debtors	36.40	67.10
	Cash and Bank Balances	6.56	2.40
	Loans and Advances	2.45	4.43
		104.58	**370.91**
D.	**Liabilities and Provisions:**		
	Secured Loans	-	177.32
	Unsecured Loans	54.90	77.15
	Current Liabilities and Provisions	57.48	134.61
		112.38	**389.08**
E.	**Net Worth**	**(1.06)**	**(10.98)**
F.	**Represented by**		
	Share Capital	0.10	0.10
	Reserves	(1.16)	(11.08)
	Less Revaluation Reserve	-	-
	Reserves(Net of Revaluation Reserves)	(1.16)	(11.08)
	Total	**(1.06)**	**(10.98)**
G.	Misc. Expenditure to the extent not written off or adjusted	-	-
H.	**Net Worth (F-G)**	**(1.06)**	**(10.98)**

FINANCIAL STATEMENTS-BRIGHTESTCIRCLE JEWELLERY PVT. LTD.

ANNEXURE II - UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT

(Rs. in Million)

Particulars	Year ended 31-03-2005	six month period ended 30-09-2005
Income		
Sales:		
Of the Products	71.73	92.87
Other Income	1.50	1.95
Increase/(Decrease) in Inventories	39.55	237.81
	112.78	**332.63**
Expenditure		
Raw Materials Consumed	96.36	296.51
Staff Costs	4.30	3.65
Other Manufacturing Expenses	1.96	8.69
Administration Expenses	-	11.52
Selling & Distribution Expenses	10.34	21.16
	112.96	**341.53**
Earning Before Depreciation Interest & Tax	**(0.18)**	**(8.90)**
Depreciation	0.98	1.02
Interest	-	-
Other Provisions	-	-
Net Profit before tax and Extraordinary items	**(1.16)**	**(9.92)**
Taxation	-	-
Current tax	-	-
Deferred tax	-	-
Fringe Benefit Tax	-	-
Net Profit before Extraordinary Items	**(1.16)**	**(9.92)**
Dividend		
Net Profit after Extraordinary Items	**(1.16)**	**(9.92)**
Adjustments on account of Prior period Expenses		
Adjusted Profit	**(1.16)**	**(9.92)**

Annexure –III

Significant accounting policies

1. **Basis of preparation of financial statements:**

   The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India, the provisions of the Companies Act, 1956 and the applicable accounting standards issued by The Institute of Chartered Accountants of India.

2. **Use of Estimates**:

   The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialise**.**

3. **Fixed assets:**

   - Own Assets**:**
     Fixed assets are valued at cost. They are stated at historical cost (including incidental expenses).

   - Leased Assets:
     (a) Assets taken on finance lease after April 1, 2001, 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) issued by the Institute of Chartered Accountants of India.

     (b) 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 recognised as expenses on accrual basis in accordance with the respective lease agreement.

4. **Depreciation:**

   Depreciation on fixed assets is provided on written down value basis in accordance with the Companies Act, 1956. Improvements to leasehold premises is amortised over the period of the lease.

5. **Investments:**

   Long-term investments are carried at cost and provision is made to recognise any decline, other than temporary, in the value of such investments.

6. **Foreign currency transactions:**

   Transactions in foreign currency are recorded at the prevailing rates of exchange in force at the time the transactions are effected. At the year end, monetary items denominated in foreign currency are reported using the closing rate of exchange. Exchange differences arising on restatement/settlement of liability incurred for the purpose of acquiring fixed assets from countries outside India are adjusted in the carrying amount of the respective fixed asset. Other differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.

7. **Revenue recognition:**

   a) Revenue on sale of products is recognized when the products are dispatched to customers. Sales are stated net of returns and sales tax collected.

   b) Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.

8. **Inventories:**

   Items of inventory are valued on the basis given below:

   - raw materials:
     At cost on FIFO basis or net realisable value, whichever is lower.

   - process stocks and finished goods:
     At cost or net realisable value, whichever is lower. Cost comprises of cost of purchase, cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

   - traded goods
     At cost or net realisable value, whichever is lower.

9. **Retirement Benefits:**

   Company's contributions to Provident Fund and Family Pension Fund are charged to Profit and Loss Account. Provision for gratuity is made in respect of all employees of the Company on the basis of fifteen days' salary for each year of completed service. Liability for leave encashment benefit is determined on actual basis in accordance with the rules of the company and charged to revenue.

10. **Borrowing costs:**

    Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. 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 charged to revenue.

11. **Income Taxes:**

    Income Taxes are accounted for in accordance with Accounting Standard (AS-22) on "Accounting for Taxes on Income", issued by The Institute of Chartered Accountants of India. Tax expenses comprise both current and deferred tax. Current tax is measured at the amount expected to be paid to / recovered from the tax authorities, using the applicable tax rate. Deferred tax assets and liabilities are recognised for future tax consequences attributable to timing differences between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured using relevant enacted tax rates. At each Balance Sheet date, the Company reassesses unrealised deferred tax assets to the extent they become reasonably certain or virtually certain of realisation, as the case may be.

12. **Intangible assets:**
    Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

13. **Contingent liabilities:**
    These, if any, are disclosed in the Notes to Accounts. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liabilities after the year end till the finalisation of accounts and have material effect on the position stated in the Balance sheet.

Auditors Report with respect to the proposed investment by the Company in D'Damas Jewellery (India) Pvt. Ltd.

The Board of Directors,
Gitanjali Gems Ltd.
801/802, Prasad Chambers,
Opera House,
India.

Dear Sirs,

1. At your request we have examined the annexed financial information of D'Damas Jewellery (India) Pvt. Ltd. ('D'Damas') for the years ended 31st March, 2005, 2004 (the company was incorporated on September 23, 2003) and six month period ended September 30, 2005, including the significant accounting policies being the last date up to which the accounts of the Company have been made and audited by M/s. Sampat Mehta & Co., Chartered Accountants, Mumbai. We understand that this financial information is required for the purpose of disclosure in the Offer Document being issued by Gitanjali Gems Limited in connection with the Initial Public Offering ('IPO') for the issue of 17,000,000 of its equity shares having a face value of Rs.10 each at an issue price to be arrived at by a book building process (referred to as 'the Issue').

2. This financial information has been prepared in accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

3. We report that the Unconsolidated Statements of Assets and Liabilities and Profits and Losses of D'Damas as at and for the years ended 31 March, 2005, 2004 and six month period ended September 30, 2005 are as set out in Annexure I and Annexure II to this report respectively and are to be read in accordance with the Significant Accounting Policies as appearing in Annexure III to this report. Your Company has invested following amounts in the Share Capital of D'Damas as at September 30, 2005 :

25,00,000 Equity Shares @ Rs.10/-	Rs.2,50,00,000
2,50,000 Preference Shares @ Rs.100/-	Rs.2,50,00,000
Share application money pending allotment of shares	Rs.3,39,41,912

4. The Unconsolidated Statements of Assets and Liabilities and Profits and Losses as at and for the years ended 31 March 2005, 2004 and six month period ended September 30, 2005 have been extracted from the financial statements for the respective years. We have relied on the financial statement audited & reported upon by M/s. Sampat Mehta & Associates, Mumbai.

5. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or by any other firm of Chartered Accountants nor should it be construed as a new opinion on any of the financial statements referred to therein.

6. This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Offer of Gitanjali Gems Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Ford, Rhodes, Parks & Co.
Chartered Accountants

Sd/-
A. D. Shenoy
Partner
Membership Number - 11549

Place : Mumbai
Date : January 31, 2006

FINANCIAL STATEMENTS-D'DAMAS JEWELLERY (I) PVT. LTD.

ANNEXURE I - UNCONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Million)

Particulars		As at	
	31-03-2004	**31-03-2005**	**30-09-2005**
A. Fixed Assets			
Gross block	4.02	19.04	21.17
Less Depreciation	0.45	2.69	4.20
Net Block	3.57	16.35	16.97
Less: Revaluation Reserve	-	-	-
Net Block after adjustment for Revaluation Reserve	**3.57**	**16.35**	**16.97**
B. Investments	**-**	**-**	**-**
C. Current Assets, Loans and Advances			
Inventories	46.28	188.52	202.22
Sundry Debtors	15.02	195.01	265.32
Cash and Bank Balances	1.60	0.48	0.90
Loans and Advances	0.65	51.75	105.03
	63.55	**435.76**	**573.47**
D. Liabilities and Provisions:			
Secured Loans	-	-	-
Unsecured Loans	13.84	57.75	133.35
Current Liabilities and Provisions	36.87	387.77	464.25
Deferred Tax Liability			
	50.71	**445.52**	**597.60**
E. Net Worth	**16.41**	**6.59**	**(7.16)**
F. Represented by			
Share Capital	49.80	100.00	100.00
Reserves	(12.00)	(82.68)	(101.76)
Less Revaluation Reserve	-	-	-
Reserves(Net of Revaluation Reserves)	(12.00)	(82.68)	(101.76)
Total	**37.80**	**17.32**	**(1.76)**
G. Misc. Expenditure to the extent not written off or adjusted	21.39	10.73	**5.40**
H. Net Worth (F-G)	**16.41**	**6.59**	**(7.16)**

FINANCIAL STATEMENTS-D'DAMAS JEWELLERY (I) PVT. LTD.

ANNEXURE II - UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT

(Rs. in Million)

Particulars	**Year ended 31-03-2004**	**Year ended 31-03-2005**	**Six month period ended 30-09-2005**
Income			
Sales:			
Of the Products	18.55	230.13	168.91
Other Income	0.16	-	-
Increase/(Decrease) in Inventories	46.28	111.40	8.88
	64.99	**341.53**	**177.79**
Expenditure			
Raw Materials Consumed	60.46	316.10	146.38
Staff Costs	1.47	9.58	7.41
Other Manufacturing Expenses	2.55	10.53	4.72
Administration Expenses	2.97	21.68	10.38
Selling & Distribution Expenses	6.85	54.30	26.47
	74.30	**412.19**	**195.36**
Earning Before Depreciation Interest & Tax	**(9.31)**	**(70.66)**	**(17.57)**
Depreciation	0.46	2.24	1.51
Interest			
Other Provisions	-	-	-
Net Profit before tax and Extraordinary items	**(9.77)**	**(72.90)**	**(19.08)**
Fringe Benefit Tax	-	-	0.01
Net Profit before Extraordinary Items	**(9.77)**	**(72.90)**	**(19.09)**
Dividend			
Net Profit after Extraordinary Items	**(9.77)**	**(72.90)**	**(19.09)**
Adjustments on account of Prior period Expenses	-		
Adjusted Profit	**(9.77)**	**(72.90)**	**(19.09)**

Annexure – III

D'Damas Jewellery India Pvt. Ltd.

1. **Significant Accounting Policies:**

1.1. Accounting Concepts:

The Company follows Mercantile System of Accounting and recognises Income and Expenditure on accrual basis. The Accounts are prepared on historical cost basis as a going concern. Accounting Policies not referred to otherwise are consistent with Generally Accepted Accounting Principles.

1.2. Fixed Assets:

Fixed Assets are recorded at cost of acquisition inclusive of freight, duties, taxes and incidental expenses related to acquisition.

1.3. Depreciation:

Depreciation is being charged on the Fixed Assets on the written down value method in accordance with the provisions of Schedule XIV of the Companies Act, 1956.

1.4. Consumables:

Consumables (Stores and Spares) issued during the year and used by the shop floor are charged to the profit and loss account.

1.5. Inventories:

Inventories are valued as under:

Raw Materials	At cost or market rate whichever is lower
Work in Process	At Cost
Finished Goods	At Cost or market rate whichever is lower
Consumables(Stores & Spares)	At Cost or net realisable value whichever is lower

1.6. Revenue Recognition:

Sales are recorded when goods are supplied (other then the goods sent on consignment) and are recorded inclusive of Sales Tax.

Goods sent on Consignment are recorded as sales on receipt of Final sale advice from the Consignee.

1.7. Expenditure:

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

1.8. Taxation:

Taxes payable on income are provided, in the Profit and Loss Account / adjusted under expenses during construction period, based on the estimated tax liability of the year. Taxes paid are reflected under Current Assets on the Balance Sheet. Upon completion of the assessments, these are adjusted and the difference is recognised in the Profit & Loss Account.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

1.9. Preliminary Expenses:

Preliminary Expenses are amortised in equated instalments over a period of 5 years.

1.10. Deferred Revenue Expenditure:

Expenditure incurred on Advertisement and promotion of brand is amortised over a period of 3 years or its useful economic life.

1.11. Retirement Benefits:

Retirement benefits are accounted on accrual basis with contribution to recognised funds. Liability for leave encashment and Gratuity is accounted on cash basis.

1.12. Foreign Currency Translations:

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction.

Current assets, current liabilities and borrowings in foreign currency at the year end are rested at rates ruling at the year end or forward cover rate as applicable. The net loss / gain on arising on restatement / settlement are adjusted to the profit & loss account.

Auditors Report with respect to the proposed investment by the Company in Fantasy Diamond Cuts Private Limited

The Board of Directors,
Gitanjali Gems Ltd.
801/802, Prasad Chambers,
Opera House,
India.

Dear Sirs

1. At your request we have examined the annexed financial information of Fantasy Diamond Cuts Private Limited ('Fantasy') for the years ended 31st March, 2005, 2004, 2003, 2002 and 2001 and for six months period ended September 30, 2005, including the significant accounting policies being the last date up to which the accounts of the Company have been made and audited by M/s. Bhuta Shah & Co., Chartered Accountants, Mumbai. We understand that this financial information's are for the purpose of disclosure in the Offer Document being issued by Gitanjali Gems Limited in connection with the Initial Public Offering ('IPO') for the issue of 17,000,000 of its equity shares having a face value of Rs.10 each at an issue price to be arrived at by a book building process (referred to as 'the Issue').

2. This financial information has been prepared in accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act').

3. We report that the Unconsolidated Statements of Assets and Liabilities and Profits and Losses of Fantasy as at and for the years ended 31st March, 2005, 2004, 2003, 2002 and 2001 and six month period ended September 30, 2005 are as set out in Annexure I and Annexure II to this report respectively and are to be read in accordance with the Significant Accounting Policies as appearing in Annexure III to this report. Your Company has invested Rs.1,04,00,000 on October 5, 2005 (10,40,000 shares of Rs.10/- each). In the share capital of Fantasy Diamonds

4. The Unconsolidated Statements of Assets and Liabilities and Profits and Losses as at and for the years ended 31st March 2005, 2004, 2003, 2002 and 2001 and six month period ended September 30, 2005 have extracted from the audited financial statements for the respective years. We have been relied on the Financial Statements of the Company as at and for the year ended 31st March, 2005, 2004, 2003, 2002 and 2001 and six month period ended September 30, 2005 audited and reported upon by M/s. Bhuta Shah & Co.

5. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or by any other firm of Chartered Accountants nor should it be construed as a new opinion on any of the financial statements referred to therein.

6. This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Offer of Gitanjali Gems Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Ford, Rhodes, Parks & Co.
Chartered Accountants

Sd/-
A. D. Shenoy
Partner
Membership Number - 11549

Place : Mumbai
Date : January 31, 2006

FINANCIAL STATEMENTS FANTASY DIAMOND CUTS PVT. LTD.

ANNEXURE I - UNCONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Million)

	Particulars	As at					
		31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
A	**Fixed Assets**						
	Gross block	-	-	-	-	-	-
	Less Depreciation					-	-
	Net Block	-	-	-	-	-	-
	Less: Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	**-**	**-**	**-**	**-**	**-**	**-**
B	**Investments**	**-**	**-**	**-**	**-**	**-**	**-**
C	**Current Assets, Loans and Advances**						
	Inventories	-	-	-	-	-	-
	Sundry Debtors	-	-	-	-	-	-
	Cash and Bank Balances	0.01	-	0.01	-	0.01	0.05
	Loans and Advances	-	0.01	0.01	0.01	0.01	9.32
		0.01	**0.01**	**0.02**	**0.01**	**0.02**	**9.37**
D	**Liabilities and Provisions:**						
	Secured Loans	-	-	-	-	-	-
	Unsecured Loans	0.10	0.10	0.01	0.04	0.06	-
	Current Liabilities and Provisions	0.01	0.01	0.01	-	0.01	10.06
	Deferred Tax Liability	-	-	-	-	-	-
		0.11	**0.11**	**0.02**	**0.04**	**0.07**	**10.06**
E	**Net Worth**	**(0.10)**	**(0.10)**	**-**	**(0.03)**	**(0.05)**	**(0.69)**
F	**Represented by**						
	Share Capital	-	-	0.10	0.10	0.10	0.10
	Reserves	(0.09)	(0.09)	(0.10)	(0.13)	(0.15)	(0.79)
	Less Revaluation Reserve	-	-	-	-	-	-
	Reserves(Net of Revaluation Reserves)	(0.09)	(0.09)	(0.10)	(0.13)	(0.15)	(0.79)
	Total	**(0.09)**	**(0.09)**	**-**	**(0.03)**	**(0.05)**	**(0.69)**
G	Misc. Expenditure to the extent not written off or adjusted	0.01	0.01	-	-	-	-
H	**Net Worth (F-G)**	**(0.10)**	**(0.10)**	**-**	**(0.03)**	**(0.05)**	**(0.69)**

FINANCIAL STATEMENTS FANTASY DIAMOND CUTS PVT. LTD.

ANNEXURE II - UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT

(Rs. in Million)

Particulars	Year ended					Six Month period ended
	31-03-2001	**31-03-2002**	**31-03-2003**	**31-03-2004**	**31-03-2005**	**30-09-2005**
Income						
Sales:						
Of Products	-	-	-	-	-	-
Other Income	-	0.01	-	-	-	-
Increase/(Decrease)in Inventories				-	-	
	-	**0.01**	**-**	**-**	**-**	**-**
Expenditure						
Raw Materials Consumed	-	-	-	-	-	-
Staff Costs	-	-	-	-	-	-
Other Manufacturing Expenses	-	-	-	-	-	-
Administration Expenses	0.02	0.01	0.01	0.03	0.02	0.64
Selling & Distribution Expenses	-	-	-	-	-	-
	0.02	**0.01**	**0.01**	**0.03**	**0.02**	**0.64**
Earning Before Depreciation Interest & Tax	**(0.02)**	**-**	**(0.01)**	**(0.03)**	**(0.02)**	**(0.64)**
Depreciation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other Provisions	-	-	-	-	-	-
Net Profit before tax and Extraordinary items	**(0.02)**	**-**	**(0.01)**	**(0.03)**	**(0.02)**	**(0.64)**
Taxation						
Current tax	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
Fringe Benefit Tax	-	-	-	-	-	-
Net Profit before Extraordinary Items	**(0.02)**	**-**	**(0.01)**	**(0.03)**	**(0.02)**	**(0.64)**
Net Profit after Extraordinary Items	**(0.02)**	**-**	**(0.01)**	**(0.03)**	**(0.02)**	**(0.64)**
Adjustments on account of Prior period Expenses				-		
Adjusted Profit	**(0.02)**	**-**	**(0.01)**	**(0.03)**	**(0.02)**	**(0.64)**

Annexure – III

Notes forming part of the Accounts for the period ended 30th September, 2005.

1. BASIS OF ACCOUNTING:

   i. The Company follows the Mercantile System of Accounting and recognises Income and Expenditure on accrual basis. The accounts are prepared on historical cost basis and as a going concern 'basis in accordance with generally accepted accounting principles.

   ii. Accounting policies not specifically referred to otherwise are consistent and in accordance with the Generally Accepted Accounting Principles followed by the Company.

2. Previous year's figures have been re-grouped and re-arranged wherever necessary.

3. In the opinion of the Board, the company has no contingent liability.

4. In the opinion of the Board, the current assets, loans and advances have a value on realisation in the ordinary course of business equal to the amounts at which they are stated in the Balance Sheet.

5. There were no employees who were in receipt of remuneration aggregating to Rs.24,00,000/- or more per year if employed for the full year, or Rs.2,00,000/- or more per month if employed for part of the year.

6. In the opinion of the Board of Directors, the provision of assets / liabilities for timing difference on account of accumulated losses is not made as no liability will arise in the foreseeable future.

7. The Financial statements pertain to six months ended 30th September, 2005 and hence, the same is not strictly comparable with the previous year figures.

Auditors Report with respect to the proposed investment by the Company in Hyderabad Gems SEZ Ltd.

The Board of Directors,
Gitanjali Gems Ltd.
801/802, Prasad Chambers,
Opera House,
India.

Dear Sirs

1. At your request we have examined the annexed financial information of Hyderabad Gems SEZ Limited ('the Company') for the year ended 31st March, 2005 and six months period ended September 30, 2005, including the significant accounting policies and being the last date upto which the accounts of the Company have been made and audited by M/s. P. Murali & Co., Chartered Accountants, Hyderabad. We understand that this financial information is required for the purpose of disclosure in the Offer Document being issued by Gitanjali Gems Limited in connection with the Initial Public Offering ('IPO') for the issue of 17,000,000 equity shares having a face value of Rs.10 each at an issue price to be arrived at by a book building process (referred to as 'the Issue').

2. This financial information has been prepared in accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

3. We report that Hyderabad Gems SEZ Limited was incorporated on December 2, 2004. The Company became a 100% subsidiary of your company on October 4, 2005. Your Company has invested Rs.0.5 million towards share capital in Hyderabad Gems as at 31st December, 2005. We further report that the unconsolidated statements of Assets and Liabilities of the Company as at and for the year ended 31st March, 2005 and six months period ended in September 30, 2005 are as set out in Annexure I to this report. No Profit an Loss statement for the year ended 31st March, 2005 and for the six months period ended in September 30, 2005 is prepared as no activities have been started except certain on account advances and deposits. These statements are to be read in accordance with the significant accounting policies as appearing in Annexure II of this report. We have relied on the Auditors Report and Audited Accounts for the year ended 31st March, 2005 and for the six months period ended in September 30, 2005.

4. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or by any other firm of Chartered Accountants nor should it be construed as a new opinion on any of the financial statements referred to therein.

5. This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Offer of Gitanjali Gems Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Ford, Rhodes, Parks & Co.
Chartered Accountants

Sd/-
A. D. Shenoy
Partner
Membership Number - 11549

Place : Mumbai
Date : January 31, 2006

FINANCIAL STATEMENTS - HYDERABAD SEZ LTD.

ANNEXURE I - UNCONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Million)

Particulars	As at	
	31-03-2005	**30-09-2005**
A. Fixed Assets		
Gross block	-	-
Less Depreciation	-	-
Net Block	-	-
Less: Revaluation Reserve	-	-
Net Block after adjustment for Revaluation Reserve	**-**	**-**
B. Investments	**-**	**-**
C. Current Assets, Loans and Advances		
Inventories	-	-
Sundry Debtors	-	-
Cash and Bank Balances	0.02	0.02
Loans and Advances	0.45	0.45
	0.47	**0.47**
D. Liabilities and Provisions:		
Secured Loans	-	-
Unsecured Loans	-	-
Current Liabilities and Provisions	-	-
Deferred Tax Liability	-	-
E. Net Worth	**0.47**	**0.47**
F. Represented by		
Share Capital	0.50	0.50
Reserves	-	-
Less Revaluation Reserve	-	-
Reserves(Net of Revaluation Reserves)	-	-
Total	**0.50**	**0.50**
G. Misc. Expenditure to the extent not written off or adjusted	0.03	**0.03**
H. Net Worth (F-G)	**0.47**	**0.47**

Annexure – II

A. Significant Accounting Policies

a) General

(i) The accounts are prepared on the historical basis and on the accounting principles of a going concern.

(ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

b) Revenue Recognition

The Company follows the Mercantile systems of Accounting and recognizes income and expenditure on accrual basis.

c) Gratuity

No provisions for gratuity has been made as no employee has put in qualifying period of service for entitlement of this benefit.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with BRLMs, on the basis of assessment of market demand for the Equity Shares, by way of Book Building Process.

Qualitative Factors

1. We are an integrated diamond and jewellery company having an international presence
2. We have access to DTC's supply of diamonds through sightholder status of 'Digico'.
3. We have a significant manufacturing capabilities
4. We have a strong brand equity and some of the brands owned or managed by us are amongst the best known brands in India
5. We have a strong distribution and marketing network
6. We have a broad range of certified diamond and jewellery products

Quantitative Factors

1. Adjusted Earnings per share (EPS) of face value of Rs.10

Gitanjali Gems Limited (Consolidated)

Period	Adjusted PAT (Rs. millions)	Weighted Average number of Shares*	EPS (Rs.)	Weights
Year ended March 31, 2003	194.50	30,010,000	6.48	1
Year ended March 31, 2004	128.19	30,010,000	4.27	2
Year ended March 31, 2005	102.09	30,010,000	3.40	3
Weighted Average			**4.20**	

* The total number of shares outstanding as on date of filing of the RHP is 41,998,495

Gitanjali Gems Limited (Unconsolidated)

Period	Adjusted PAT (Rs. millions)	No. of shares*	EPS (Rs.)	Weights
Year ended March 31, 2003	184.17	30,010,000	6.14	1
Year ended March 31, 2004	114.55	30,010,000	3.82	2
Year ended March 31, 2005	87.18	30,010,000	2.91	3
Weighted Average			**3.75**	

* The total number of shares outstanding as on date of filing of the RHP is 41,998,495

2. Price/Earnings (P/E)* ratio in relation to Issue Price of Rs. 195

   a. Based on March 31, 2005 ended consolidated EPS of Rs. 3.40 - 57.35
   b. Based on weighted average consolidated EPS of Rs. 4.20 – 46.42

3. Weighted average return on Networth

Gitanjali Gems Limited (Consolidated)

Period	Adjusted PAT (Rs. millions)	Networth (Rs. millions)	RoNW (%)*	Weights
Year ended March 31, 2003	194.5	1994.09	9.75%	1
Year ended March 31, 2004	128.19	2,143.02	5.98%	2
Year ended March 31, 2005	102.09	2,245.10	4.55%	3
Weighted Average			**5.89%**	

* RONW = Adjusted PAT/ Networth at the end of the year

Gitanjali Gems Limited (Unconsolidated)

Period	Adjusted PAT (Rs. millions)	Networth (Rs. millions)	RoNW (%)*	Weights
Year ended March 31, 2003	184.17	2,031.01	9.07%	1
Year ended March 31, 2004	114.55	2,166.29	5.29%	2
Year ended March 31, 2005	87.18	2,253.47	3.87%	3
Weighted Average			**5.21%**	

* RONW = Adjusted PAT/ Networth at the end of the year

4. Minimum Return on increased Networth required to maintain pre issue EPS 2.96%

5. Net Asset Value per share (NAV) pre issue

Gitanjali Gems Limited (Consolidated)

Period	Net Asset Value (Rs. millions)	No. of shares*	NAV per share (Rs)
As on March 31, 2003	1994.09	30,010,000	66.45
As on March 31, 2004	2,143.02	30,010,000	71.41
As on March 31, 2005	2,245.10	30,010,000	74.81
As on September 30, 2005	3,460.37	39,998,495	86.51

* The total number of shares outstanding as on date of filing of the RHP is 41,998,495

Gitanjali Gems Limited (Unconsolidated)

Period	Net Asset Value (Rs. millions)	No. of shares*	NAV per share (Rs)
As on March 31, 2003	2,031.01	30,000,000	67.68
As on March 31, 2004	2,166.29	30,010,000	72.19
As on March 31, 2005	2,253.47	30,010,000	75.09
As on September 30, 2005	2,962.70	39,998,495	74.07

* The total number of shares outstanding as on date of filing of the RHP is 41,998,495

6. Net Asset Value per share (NAV) after the Issue

The NAV per Equity Share after the Issue is 114.83

Issue price per Equity share: Rs. 195

Issue Price per Equity Share will be determined on conclusion of book building process

7. Comparison with Industry Peers

We believe there are no listed company which have an integrated diamond processing, jewellery manufacturing and jewellery retailing business. Hence there is no comparison with industry peers.

The BRLMs believe that the Issue Price of Rs. 195 per Equity Share is justified in view of the above qualitative and quantitative parameters. See the section titled “Risk Factors” on page viii of this Prospectus and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report on consolidated financial statements on page 140 of thisProspectus to have a more informed view.

STATEMENT OF TAX BENEFITS

The Board of Directors,
Gitanjali Gems Ltd.
801/802, Prasad Chambers,
Opera House,
Mumbai – 400 004.

Dear Sirs,

SUB : STATEMENT OF TAX BENEFITS

We hereby certify that the enclosed annexure states the tax benefits available to Gitanjali Gems Limited (the "Company") and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other direct and indirect tax laws presently in force.

The contents of the annexure page no.1 to 6 are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder is advised to consider in his/her/its own case, the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

For Ford Rhodes Parks & Co.
Chartered Accountants

Sd/-
A D Shenoy
(Partner)
Membership No.: 11549

Place: Mumbai
Date : 26th October, 2005

Annexure page 1

The following tax benefits shall be available to the Company and the prospective shareholder under the Direct & Indirect Tax Laws.

A. To the Company

Under the Income Tax Act, 1961 (IT Act)

i Under the Scheme of Amalgamation approved by the honorable Mumbai High Court, Gemplus Jewellery India Limited, Giantti Jewels Private Limited and Prism Jewellery Private Limited have been merged with the Gitanjali Gems Limited with effect from 1st April,2005.

One of the amalgamating company is having carried forward business losses and unabsorbed depreciation which will be available for set off under section 72 A of the IT Act.

ii The company has a manufacturing unit in Special Economic Zone at Sachin, Surat and one of the amalgamating company is also having manufacturing unit in Special Economic Zone Andheri Mumbai.

Tax benefit under section 10 A of the IT Act is as follows;

- For the unit at Special Economic Zone Andheri Mumbai, Income from exports are eligible for deduction up to Assessment year 2009-2010.
- For the unit at Special Economic Zone Sachin, Surat, the unit has started the operations in the financial year 2004-05.The unit qualifies for tax exemption under section 10 A and the amount exempt would be 100% of the profits from exports for first five Assessment Years, 50% for next two Assessment Years and for subsequent three years amount transferred to Special Economic Zone Reserve Account not exceeding 50% of such profits.

B. To the Members of the Company

Under the Income Tax, 1961 (IT Act)

Resident Members

i By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from domestic Company, are exempt from tax in the hands of the shareholders.

Annexure page 2

ii Under Section 112 of the IT Act and other relevant provisions of the Act, long term capital gains (ie. If shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however be limited to 10% (plus applicable surcharge and educational cess) without indexation at the option of the shareholder, if the transfer is made after listing of shares.

iii Under Section 48 of the IT Act, if the Company's shares are sold after being held for more than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration the indexed cost of acquisition.

iv In terms of section 10(38) of the IT Act, any long term capital gains arising to the shareholder from transfer of long term capital asset being an equity shares in a Company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

a. The transaction of sale should be entered into a recognized Stock Exchange in India,
b. The transaction is chargeable to such securities transaction tax as explained below:

01 In terms of Securities Transactions Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transaction for purchase and sale of the securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax at the rate of 0.075% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @0.015% of the value payable by the seller. The finance bill 2005 has proposed that effective from June 1, 2005 the securities transaction tax rate on any delivery based purchase and sale of equity share in a Company through the recognized stock exchange will be increased to 0.1% of the value payable by both buyer and seller. Similarly the finance bill 2005 has also proposed that effective from June 1, 2005 the securities transaction tax rate on non-delivery based sale transaction will be increased to 0.02% of the value payable by the seller.

Annexure page 3

02 In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

v Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains (in case not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain is invested within a period six (6) months after the date of such transfer for a period of at least three (3) years in bonds issued by:

a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act. 1981;
b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act. 1956;
d) National Housing Bank established under section 3(I) of the National Housing Bank Act, 1987; and
e) Small Industries Development Bank of India established under section 3(I) of the Small Industries Development Bank of India Act, 1989

vi Under section 54ED of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of six (6) months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

a) the issue is made by a public company formed and registered in India;

b) the shares forming part of the issue are offered for subscription to the public.

If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amounts so exempted shall be chargeable to tax subsequently, if the new equity share are transferred or converted into money within one year from the date of their acquisition.

Annexure page 4

vii Under section 54F of the IT Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

viii Under section 111A of the IT Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company on a recognized stock exchange, on which Security Transaction Tax is charged, shall be taxed at a rate of 10% (plus applicable surcharge and educational cess).

C. To the Mutual Fund

Under the Income Tax, 1961 (IT Act)

In terms of section 10(230) of the IT Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the Company.

D. To the Non-Resident Indians/Non Resident Shareholders (Other than Foreign Institutional investors)

Apart from benefits as mentioned in (i)(ii)(iv)(v)(vi)(vii) of point no.3 above

Under the Income Tax, 1961 (IT Act)

i Under section 115-I of the IT Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:

a) Under section 115E of the IT Act, where shares in the Company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and educational cess) without indexation benefit but with protection against foreign exchange fluctuation.

Annexure page 5

b) Under provisions of section 115F of the IT Act, long term capital gains (in case not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

c) Under provisions of section 115G of the IT Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income chargeable under the Act, consists of only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

d) Under Section 115-I of the IT Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Income Tax Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so, the provisions of this chapter shall not apply to him; instead the other provisions of the Act shall apply.

ii Under the first proviso to section 48 of the IT Act, in case of non-resident shareholder, in computing the capital gains arising from the transfer of shares of our Company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the Act), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.

E. Foreign Institutional Investors (FIIs)

Apart from benefits as mentioned in (iv)(v)(vi) of point no.3 above

i In terms of section 10(34) of the IT Act, any income by ways of dividend income referred to in Section 115-O received on the shares of the company is exempted from the tax of the IT Act are exempt in the hands of the institutional investors.

Annexure page 6

ii The income by way of short term capital gain or long term capital gains (not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

a) Short term capital gains -30% (plus applicable surcharge and educational cess)
b) Long term capital gains - l0% (without cost indexation plus applicable surcharge and educational cess).

(shares held in the Company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

F. Under the Wealth Tax Act, 1957

Shares held in a Company wilI not be treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957, hence Wealth Tax Act will not be applicable.

G. Under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore any gifts of the shares will not attract gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. This is just a summary only and not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares. The statements made above are based on the laws enforced and as interpreted by the relevant taxation authorities as of date.

INDUSTRY

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites/publications and company estimates. Industry websites/publications generally state that the information contained in therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed by us to be reliable, have not been verified by any independent agencies.

Overview

The diamond manufacturing industry in India has traditionally been one of the largest components of the global trade in diamonds. Until the 18th century, India was the only known source of diamonds in the world. India occupies a prominent place in the global diamond industry and has established its position as the largest exporter of cut and polished diamonds in the world. The gems and jewellery industry is also a critical constituent of the Indian economy with gems and jewellery forming the single largest component of merchandise exports in the country.

The diamond manufacturing industry

The diamond manufacturing industry is largely dependent on the supply of rough diamonds. Australia, Botswana, Russia and South Africa are the major suppliers of rough diamonds and constitute most of the diamond mining market, which was estimated at 137.2 Million carats in 2003. India has a very small share in diamond production with about 1 million carats per year. The following chart illustrates the global production of diamonds from different countries.

World mine production of rough diamonds

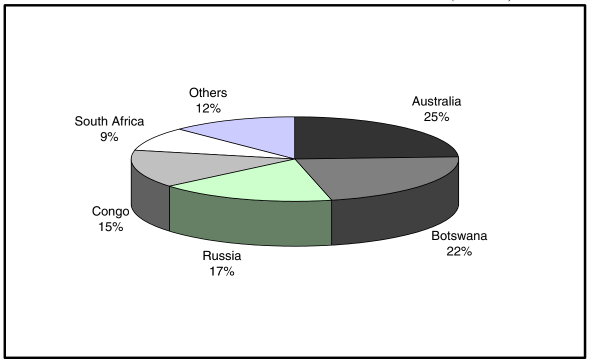
Million Carats

Sr. No.	Country	2000	2001	2002	2003
1.	Australia	26.70	26.20	33.64	33.10
2.	Botswana	24.65	26.40	28.40	30.40
3.	Russia (U.S.S.R.)	23.20	23.20	23.00	24.00
4.	South Africa	10.78	11.17	10.88	12.67
5.	Namibia	1.60	1.49	1.35	1.65
6.	Ghana	0.88	1.17	0.96	1.00
7.	Tanzania	0.32	0.25	0.21	0.23
8.	Angola	6.00	5.17	5.02	5.30
9.	Demo. Rep. of Congo	17.50	18.24	18.24	20.00
10.	Other Countries	6.37	7.32	8.80	8.85
		118.00	**120.60**	**130.50**	**137.20**

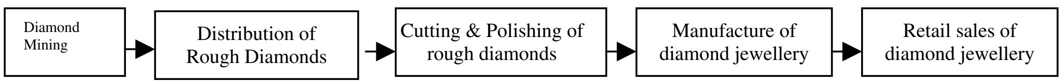
Source: GJEPC

Australia produces approximately 25% of diamonds mined worldwide, while Botswana and South Africa produce approximately 22% and 9%, respectively. Production of rough diamonds from diamond mines is presently dominated by the De Beers Consolidated Diamonds Company, South Africa ("De Beers"). De Beers is the largest diamond miner in the world. It has mines in Botswana, Namibia, South Africa and Tanzania and accounts for about 40% of global diamond production by value. Rio-Tinto and BHP Biliton Inc are the other major corporates engaged in diamond production.

Global Diamond Production Market Shares (2003)



Production Chain of Diamond Industry



India trends

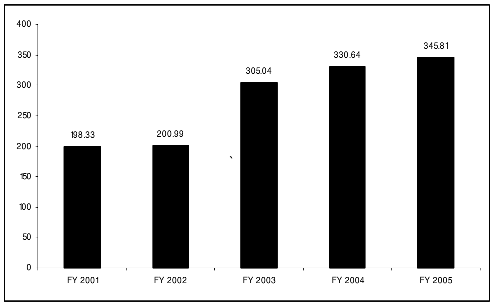
India's diamond tradition goes back to around 8,000 B.C, when diamonds were discovered in India. From that time onwards, India continued to be the only known source of diamonds until the 18^{th} century. Later, as other locations for diamonds were discovered in South Africa and Latin America, India lost its prominence as a diamond producer. However, India continues to remain a key player in the global diamond industry as the leading diamond processor in the world. The craftsmanship and low cost of Indian diamond processors has given India a competitive advantage in diamond cutting and polishing. India accounts for 55% of global polished diamond market in terms of value, 80% in terms of caratage and 92% in terms of pieces. Rough diamonds produced at the mines are distributed for further processing to cutting and polishing centers around the world. The following chart indicates the countries from which diamonds are sourced into India.

Import of Rough Diamonds into India

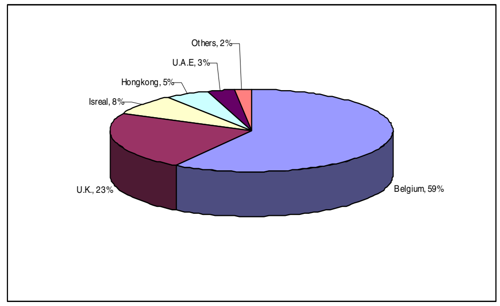
Sr. No.	**Country**	**2001– 02**		**2002 - 03**		**2003 - 04**		**2004 - 05 (Provision)**	
		Rs. In Crores	US $ In Millions	Rs. In Crores	US $ In Millions	Rs. In Crores	US $ In Millions	Rs. In Crores	US $ In Millions
1.	Belgium	11,660.74	2,438.86	17,189.34	3,533.54	18,167.72	3,924.97	19,506.17	4,321.28
2.	U.K	4,978.58	1,042.92	7,164.48	1,473.12	7,875.56	1,699.46	7,836.85	1,736.99
3.	Israel	1,150.75	240.90	1,880.44	386.56	2,230.80	483.33	2,634.17	584.02
4.	U.A.E	818.75	171.69	1,493.29	307.57	1,720.36	369.17	968.07	214.96
5.	Hongkong	1,855.20	388.96	2,587.42	531.34	1,840.39	397.65	1,741.95	385.21
6.	U.S.A	39.65	8.28	59.05	12.15	114.00	24.71	165.47	36.71
7.	Switzerland	21.65	4.52	73.32	15.03	691.92	150.58	327.20	72.75
8.	Others	246.53	51.50	56.84	11.68	423.28	91.17	1,062.07	243.37
	Total	**20,771.85**	**4,347.63**	**30,504.18**	**6,270.99**	**33,064.03**	**7,141.04**	**34,241.95**	**7,595.31**

Source: GJEPC

India's Rough Diamond Imports (Rs bn)



India's Diamond Imports by Region (2004-05)



Source: GJEPC

Average price of rough diamonds imported into India and polished diamonds exported from India

Sr. No.	Year	Import		Export	
		US$/CT	RS/CT	US$/CT	RS/CT
1.	1990-1991	531.97	9,545.87	3,168.58	56,853.15
2.	1991-1992	344.73	8,568.86	2,866.48	70,664.37
3.	1992-1993	302.41	9,362.81	2,599.31	75,382.07
4.	1993-1994	368.06	11,609.13	2,608.31	81,557.47
5.	1994-1995	382.95	12,083.72	2,530.47	79,127.69
6.	1995-1996	364.18	12,227.90	2,426.68	80,688.04
7.	1996-1997	328.67	11,698.62	2,242.81	78,994.33
8.	1997-1998	284.77	10,556.03	2,185.68	80,658.96
9.	1998-1999	218.94	9,252.39	1,875.48	78,637.71
10.	1999-2000	359.93	15,650.30	2,007.37	86,682.10
11.	2000-2001	433.32	19,757.29	2,068.72	93,766.47
12.	2001-2002	325.44	15,553.49	1,815.94	86,196.22
13.	2002-2003	301.14	14,648.35	1,909.90	92,124.31
14.	2003-2004	358.59	16,603.41	2,289.85	104,972.69

Distribution of Rough Diamonds

Diamond distribution is dominated by a few major diamond mining companies worldwide. Diamond Trading Corporation (DTC), the marketing arm of De Beers is the largest diamond distributor and accounts for approximately 50% of worldwide distribution of rough diamonds. DTC organises selling sessions for diamonds called 'sights' every year. These sights are by invitation only to select diamond processors across the world. The list of sightholders currently stands at 92, out of which 37 are Indian companies. India sources approximately 23% of its diamond requirement from DTC directly, accounts for approximately 28% of DTC sales in 2004.

India's Share in Diamonds Distributed by DTC

	DTC Sales	India's Share	Percentage Share
	(US $ Million)	(US $ Million)	(%)
2000	5,670	995	17.55
2001	4,454	989	22.20
2002	5,154	1127	21.87
2003	5,518	1469	26.62
2004	5,695	1608	28.23

Source: GJEPC

Cut and Polished Diamonds

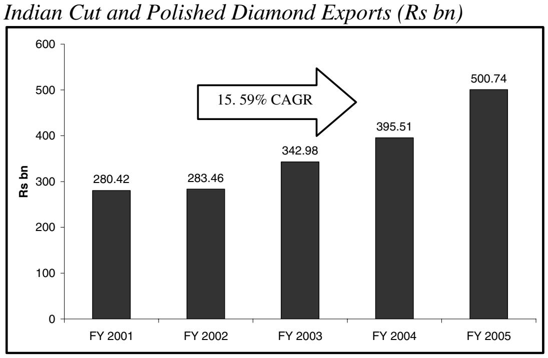
India, China, Israel and Belgium are the leading countries engaged in the diamond cutting and polishing industry globally. India accounts for approximately 55% of global polished diamonds market in terms of value, 80% share in terms of caratage and 92% in terms of pieces. India's dominance in the cutting and polishing segment can be attributed to superior craftsmanship, low cost of Indian labour and superior technology. Indian exports in cut and polished diamonds have increased at a CAGR of 15.6% over the past five years. The major Export destinations for cut and polished diamonds from India are USA, Hong Kong, Belgium and UAE.

Country wise exports of cut and polished diamonds

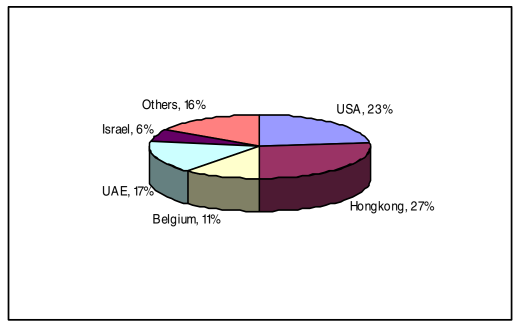
Sr. No.	Country	2003	2004	2005
1.	U.S.A.	2,258.80	2,553.88	2,584.76
2.	Hongkong	1,915.73	2,436.52	3,042.11
3.	Belgium	930.82	1,038.23	1,261.53
4.	U.A.E	424.69	795.79	1,845.49
5.	Israel	438.45	576.03	700.61
6.	Japan	353.50	401.57	468.64
7.	Thailand	207.48	200.41	263.10
8.	U.K.	95.70	75.16	60.87
9.	Singapore	135.08	171.73	580.97
10.	Switzerland	132.65	236.28	162.58
11.	Germany	28.55	34.39	44.35
12.	Australia	34.44	49.31	56.96
13.	Others	154.68	58.18	109.51
	Total	**7,110.57**	**8,627.48**	**11,181.48**

Source: GJEPC

Indian Cut and Polished Diamond Exports (Rs bn)



Indian Diamond Exports Country wise (2004-05)



Source: GJEPC

A bulk of India's diamond processing sector is unorganised and employs about 2 million workers in approximately 1,00,000 diamond manufacturing units. However the presence of Indian players is largely restricted to the lower-sized and lower-valued market. The higher value diamonds market is dominated by European manufacturers.

Diamond Import/Export Trade of India

Sr. No.	Year	Import	Export	Added Value	
		US$ in Millions	US$ in Millions	US$ in Millions	% of Added Value with respect to Import
1.	1990-91	1,975.00	2,641.00	666.00	33.72
2.	1991-92	1,882.00	2,500.00	618.00	31.74
3.	1992-93	2,186.00	2,868.00	682.00	22.87
4.	1993-94	2,562.00	3,649.00	1,087.00	41.20
5.	1994-95	2,792.00	4,021.00	1,229.00	42.71
6.	1995-96	3,274.00	4,662.00	1,388.00	41.01
7.	1996-97	3,382.00	4,235.00	853.00	23.91
8.	1997-98	3,036.15	4,492.66	1,456.51	47.32
9.	1998-99	3,343.18	5,026.11	1,682.93	49.17
10.	1999-2000	4,812.30	6,647.82	1,835.52	37.19
11.	2000-2001	4,349.80	6,186.70	1,836.90	41.39
12.	2001-2002	4,205.48	5,971.91	1,766.43	41.04
13.	2002-2003	6,270.99	7,110.57	839.58	12.44
14.	2003-2004	7,141.04	8,627.48	1,486.44	19.62
15.	2004-2005(Provisional)	7,595.31	11,181.53	3,586.22	46.23

Source: GJEPC

Exports from SEEPZ, Mumbai

Sr. No.		Diamonds		Gold Jewellery		Silver Jewellery		Platinum Jewellery		Total	
		Rs.in Crores	US$ in Millions	Rs.in Crores	US$ in Millions	Rs.in Crores	US$ in Millions	Rs.in Crores	US$ in Millions	Rs.in Crores	US$ in Millions
1	1990-91	49.80	27.76	79.99	44.58	-	-	-	-	129.79	72.34
2	1991-92	49.07	19.91	163.94	64.84	0.01	0.01	-	-	213.02	84.76
3	1992-93	145.40	46.61	292.96	94.63	-	-	0.07	0.02	438.43	141.26
4	1993-94	141.68	45.32	383.97	122.79	0.01	-	0.13	0.05	525.79	168.16
5	1994-95	156.10	49.92	575.59	184.07	0.13	0.04	0.66	0.21	732.48	234.24
6	1995-96	176.13	52.04	760.33	227.74	-	-	22.84	6.59	959.30	286.37
7	1996-97	102.97	29.11	1,049.71	297.91	0.18	0.05	6.39	1.86	1,159.25	328.93
8	1997-98	171.45	45.96	1,251.81	339.13	26.77	7.12	6.07	1.62	1,456.10	393.83
9	1998-99	332.24	78.52	1,704.71	406.16	11.34	7.12	32.64	7.71	2,080.93	499.51
10	1999-00	125.46	29.15	2,268.79	525.29	-	-	31.59	7.32	2,425.84	561.76
11	2000-01	258.36	56.79	2,302.77	507.47	2.40	0.51	37.39	8.13	2,600.92	572.90
12	2001-02	198.56	41.66	2,394.06	504.25	2.39	0.51	33.95	7.21	2,628.96	553.63
13	2002-03	467.30	96.98	3,435.99	712.02	0.16	0.03	-	-	3,903.45	809.03
14	2003-04	748.84	163.14	4,273.91	932.85	-	-	-	-	5,022.75	1,095.99
15	2004-05	439.29	97.89	4,599.19	1,022.90	54.16	11.96	-	-	5,092.65	1,132.75

Gem and jewellery industry

The crucial role of the gems and jewellery industry in the Indian economy is evident from the contribution the industry makes in terms of exports from India. Gems and jewellery exports stood at Rs.703.75 billion in fiscal 2005 accounting for about 19.7% of Indian exports. The exports from gems and jewellery have also recorded 18.8% CAGR over the past five years.

Indian Merchandise Exports

Sr. No.	Items	2001-02		2002-03		2003-04	
		Rs. in Crores	US$ in Millions	Rs. in Crores	US$ in Millions	Rs. in Crores	US$ in Millions
1.	Fish & Other related products	5,807	1,218	6,763	1,398	5,681	1,236
2.	Coffee, Tea, Mate & Spices	3,317	696	3,327	688	3,292	716
3.	Cereals	4,620	969	7,747	1,601	6,957	1,514
4.	Residues & Waste from the food ind.; animal fodder	2,401	503	1,535	317	3,400	740
5.	Ores, Slag and Ash	2,596	544	5,074	1,048	6,007	1,307
6.	Organic Chemicals	7,674	1,609	10,190	2,106	12,975	2,824
7.	Pharmaceutical Products	5,035	1,056	6,779	1,401	7,445	1,620
8.	Articles of Leather & other related products	4,200	881	3,944	815	4,595	1,000
9.	Cotton	9,510	1,994	10,658	2,202	11,330	2,466
10.	Apparel & clothing accessories	8,890	1,864	1,550	2,387	12,415	2,702
11.	**Gems & Jewellery**	**35,006**	**7,340**	**44,002**	**9,092**	**49,451**	**10,762**
12.	Iron & Steel	4,483	940	9,254	1,912	11,907	2,591
13.	Nuclear reactors, boilers etc	7,491	1,571	8,318	1,719	11,517	2,506
14.	Electrical machinery etc	6,021	1,262	7,043	1,455	8,726	1,899
15.	Other goods	101,966	21,380	128,953	24,579	137,670	29,960
	Total	**209,018**	**43,827**	**255,137**	**52,719**	**293,367**	**63,843**

Composition of Indian Gems and Jewellery Exports and Imports in FY 2005

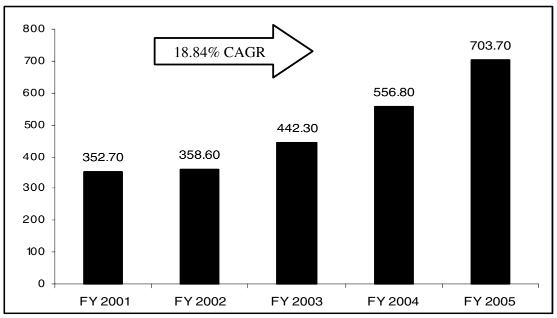
Exports	(Rs bn)	**Imports**	(Rs bn)
Cut & Polished Diamonds	500.74	Rough Diamonds	345.81
Gold Jewellery	171.12	Cut & Polished Diamonds	128.36
Rough Diamonds	16.00	Gold Bars	38.85
Coloured Gemstones	8.64	Rough Coloured Gemstones	3.76
Non-Gold Jewellery	5.80	Silver bars	1.04
Others	1.45	Others	8.18
Total	**703.75**	**Total**	**526.00**

Source: GJEPC

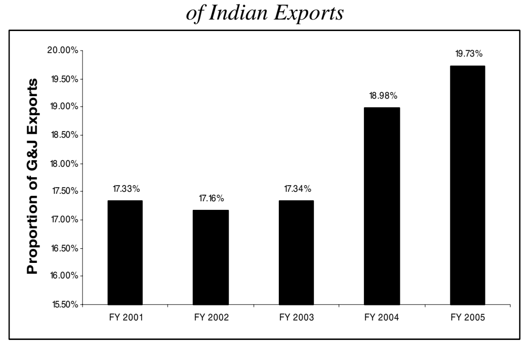
Net Exports of Gems and Jewellery

Items	(Provisional)	% Growth / decline over previous Year
	US $ in Millions	US $ in Millions
Cut & Polished Diamonds **	6265.72	23.91
(Quantity in Lakh Carats)	(242.59)	
Gold Jewellery - D. T. A./ SEZ,EPZ,EOU	1071.64/ 572.92	- 6.62/ 33.91
Total	1644.56	4.39
Coloured Gemstones	109.21	8.62
Others	71.31	24.29
Net Exports	**8090.80**	**19.16**
Exports of Rough Diamonds	301.11	86.93
(Quantity in Lakh Carats)	(184.02)	
Total Exports	**8391.91**	**20.73**

Gems and Jewellery Exports (Rs bn)



Gems & Jewellery Exports as proportion of Indian Exports



Structure of gems and jewellery industry in India

The gems and jewellery sector in India can be further classified into the following sub-sectors based on characteristics, manufacturing processes and position in the value chain:

1. Gemstones: consisting of diamonds and precious, semi-precious and synthetic coloured stones
2. Jewellery: Consisting of gold jewellery, studded jewellery and silver jewellery
3. Pearls

Of the above segments, gold jewellery and diamonds are the significant constituents of the industry in India. However, while most of the gold jewellery manufactured in India is for domestic consumption, the major portion of diamonds processed is exported.

Retailing of Diamond Jewellery

USA is the largest country consumer of retail diamond jewellery, accounting for approximately 48% of world diamond jewellery consumption. India is the largest supplier to the USA in the lower sized diamonds segment. India's market share in the US market depends to a large extent on US consumer preferences towards lower sized diamonds. India is also the top supplier to Japan, the second largest diamond country consumer.

India and China are rapidly developing as major markets for diamond consumption. Many diamond manufacturers in India are targeting these markets by setting up retail distribution channels.

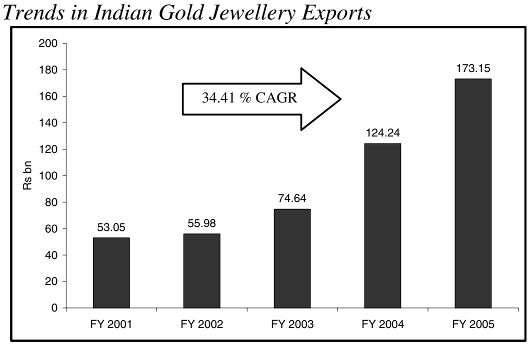
Gold jewellery

In India, gold jewellery is the preferred form of jewellery. Gold jewellery is also a popular investment vehicle and occupies the second position for investment of savings after gold deposits. As India has a relatively low production of gold domestically, the majority of gold demand is met through imports. In 2004 India accounted for 0.4% of total gold production and is the largest importer of gold in the world. A sizeable portion of gold jewellery manufactured every year in India also comes from recycled gold.

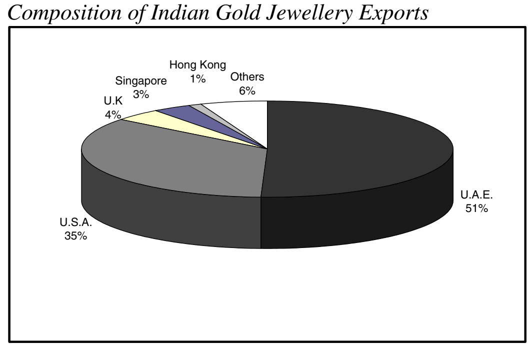
Sales of gold jewellery are highly sensitive to income levels and price levels. The major cost in gold jewellery is the cost of raw material, as a result of which the margins for retailers are low. The sale of gold jewellery is to a large extent dependent on purchases that are based on faith in the retailer. Consequently the gold jewellery market is extremely fragmented with a low share to the organised sector.

India's exports of gold jewellery were Rs 17.3 billion in the fiscal 2004-05. Gold exports from India have grown at a CAGR of 34.4% over the past five years. UAE and USA are the major export destinations and together they constitute approximately 85% of gold jewellery exports from India in fiscal 2005.

Trends in Indian Gold Jewellery Exports



Composition of Indian Gold Jewellery Exports



Source: GJEPC

Branded Jewellery in India

Branded jewellery has been a relatively recent phenomenon in India, with most jewellery retailed in the unorganised sector. The majority of traditional jewellers cater to the local population and most purchases are made on trust and on the basis of the reputation of the local jeweller.

Tanishq and *Gili* were among the earliest jewellery brands in India. The branding of jewellery in India follows the pattern in the international market where 90% of the jewellery is sold as a fashion accessory or as everyday wear and not as an investment. Branded jewellery is therefore positioned as a lifestyle and personality statement. There has also been a shift in consumer preference towards diamond jewellery due to the extensive positioning of diamond jewellery as both affordable and contemporary.

Another key development in branded jewellery has been the introduction of value added services such as the certification of gold and diamonds, and life time return and buy-back schemes. These trade practices have resulted in the perception of superior quality associated with branded jewellery. The new generation of jewellery purchasers does not have ongoing relationships with local jewelers and prefers to buy branded jewellery.

Retailing Formats for Branded Jewellery in India

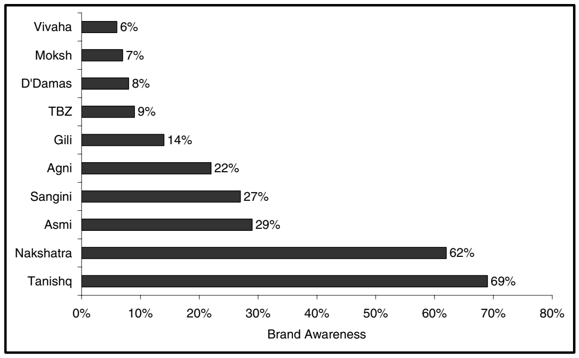
There are broadly three retail formats followed by branded jewelers in India:

- Exclusive outlets at malls and other key shopping centers in major cities showcasing various models of the brand;
- Kiosks/displays in departmental stores and malls; and
- Display of branded jewellery in shops of local jewelers.

Renowned Jewellery Brands in India

The following graph illustrates the 10 popular jewellery brands in India and their brand awareness

Top 10 Indian jewellery brands



Source: The Solitaire – TNS Survey

Government Support for the Gems and Jewellery Industry in India

The Government of India has taken initiatives to stimulate the growth of the gems and jewellery industry given the industry's critical importance in Indian exports. Some initiatives taken by the Government to benefit the gems and jewellery industry include duty free imports of rough diamonds and the waiver of customs duty on coloured, rough gemstones and semi-processed, half-cut and broken diamonds.

The EXIM policy for 2002-07 contains special focus on exports of gems and jewellery through market access initiative schemes, duty free imports and appropriate adjustments in value addition norms. There has also been a reduction of import tariff on cut and polished diamonds and gemstones from 15% to 5%, which has enabled Indian jewellers to import expensive, large-size diamonds and export them after value addition through the manufacture of studded jewellery.

BUSINESS

Overview

We are an integrated diamond and jewellery manufacturing company and one of the largest manufacturers and retailers of diamonds and jewellery in India. Our operations include sourcing of rough diamonds from primary and secondary source suppliers in the international market, cutting and polishing the rough diamonds for export to our international markets and the manufacture and sale of diamond and other jewellery through our retail operations in India as well as in international markets.

Diamond procurement, manufacturing and sales

We procure a significant part of our rough diamonds at competitive prices from DTC, the rough diamond marketing arm of De Beers S.A., through Digico Holdings Limited, one of our Promoter group companies that enjoys a "sightholder" status with DTC. We have, either directly or through our Promoter group companies, enjoyed sightholder status with DTC for more than three decades. We source our remaining rough diamond requirements from secondary source suppliers in the international market.

We export our cut and polished diamonds to various international markets in Europe including to Antwerp and Italy, the United States, the Middle East as well as to several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand. We have two modern diamond manufacturing facilities located at Borivali in Mumbai and at the Special Economic Zone in Surat in the state of Gujarat. Our diamond cutting and polishing facility at Borivali is spread over an area of 40,000 square feet with modern diamond processing equipment, employs more than 1,200 skilled employees and is one of the largest diamond manufacturing facilities in India. Our facility at Surat is an export oriented facility aimed at our export markets.

Jewellery manufacturing and sales

We have a sophisticated 80,000 square feet jewellery designing and manufacturing facility for diamond studded jewellery at the Santacruz Electronic Export Processing Zone ("SEEPZ") at Andheri, Mumbai that employs more than 800 employees. This 100% export oriented facility also produces gold and platinum diamond studded jewellery. We also have two modern jewellery manufacturing facilities at MIDC at Andheri, Mumbai that primarily produces branded jewellery lines for our retail operations in India. We intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone ("GJSEZ") in Hyderabad.

We sell our branded diamond and other jewellery products in India through our nationwide sales and distribution network that as of September 30, 2005 consisted of 26 exclusive distributors across India, approximately 620 outlets, including outlets in host stores, 5 stand alone stores and 17 stores set up through franchisee arrangements spread across 30 cities and towns in India. Our strong marketing and distribution network also benefits from the operations of our Promoter group companies outside India involved in the diamond and jewellery business. We have a large customer base spread across India and international markets that includes various jewellery manufacturers, large department store chains, retail stores and wholesalers.

Branded jewellery

Our branded jewellery lines were among the first branded jewellery products introduced in India. Our brands and sub-brands are aimed at different customer profiles, various market and price segments and for various uses and occasions and enjoy significant brand equity and market share in their respective market segments. According to the July 2005 edition of Solitaire International, a publication of the Gem and Jewellery Export Promotion Council of India, four of the brands under which we sell our branded jewellery, *Nakshatra*, *Asmi*, *Gili* and *D'Damas*, feature among the ten best known jewellery brands in India. Our first jewellery brand *Gili* was selected as a "Superbrand" in 2004 by the Indian Consumer Superbrands Council established by Superbrands India Private Limited, an independent arbiter in branding.

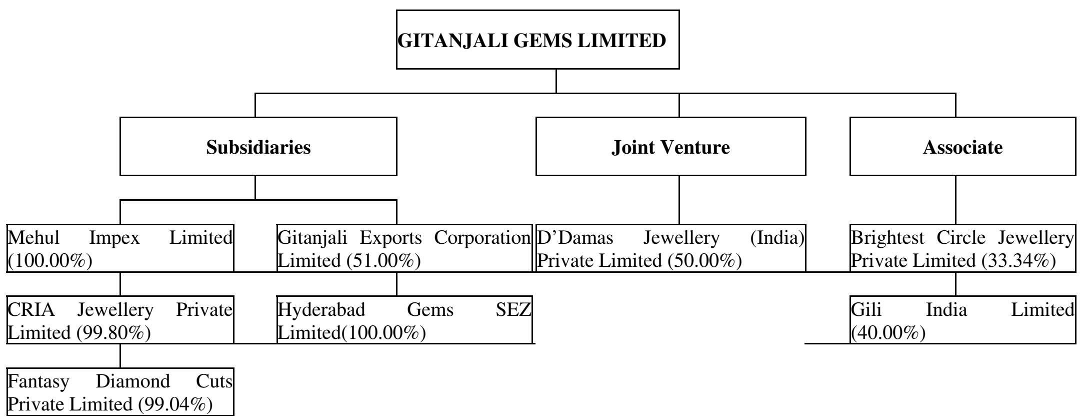
As of September 30, 2005, we had more than 2,300 employees including contract employees, of which more than 1,800 employees were employed at our manufacturing facilities and more than 250 employees were employed in our retail operations.

In fiscal 2003, 2004 and 2005, our total income from sales of diamonds and jewellery products was Rs.11,720.76 million, Rs.13,061.11 million and Rs.13,520.96 million, respectively, representing a CAGR of 4.88%. In the six months ended September 30, 2005, our total income from sales of diamonds and jewellery products was Rs.8151.57 million. In fiscal 2003, 2004 and 2005, our net profit was Rs.184.17 million, Rs.114.55 million and Rs.87.18 million, respectively, while in the six months ended September 30, 2005, our net profit (as adjusted) was Rs.235.60 million.

Corporate History and Structure

The Company was originally incorporated on August 21, 1986 as a private limited company and became a deemed public limited company pursuant to Section 43A of the Companies Act, 1956, as amended, with effect from August 2, 1991. The Company was subsequently converted into Gitanjali Gems Limited, a public limited company pursuant to a certificate of change of name dated December 8, 1994.

We have five subsidiaries, one joint venture company and two associate companies, as specified below:



Pursuant to the scheme of amalgamation approved by the order of the High Court of Judicature at Bombay dated September 30, 2005, three of our group companies, Gemplus Jewellery India Limited ("Gemplus"), Prism Jewellery Private Limited ("Prism") and Giantti Jewels Private Limited ("Giantti") were merged into the Company with effect from April 1, 2005. The order of the High Court of Judicature at Bombay dated September 30, 2005 sanctioning the scheme of amalgamation was filed with the Registrar of Companies, Maharashtra, on November 7, 2005. Pursuant to such scheme of amalgamation, an aggregate of 9,988,495 Equity Shares of the Company were issued to the existing shareholders of Gemplus, Prism and Giantti. Pursuant to the scheme of amalgamation, CRIA Jewellery Private Limited became a subsidiary of the Company and D'Damas Jewellery (India) Private Limited became a joint venture company of the Company. While Gemplus was primarily engaged in the business of exporting jewellery products, Prism (including its subsidiary CRIA Jewellery Private Limited) was engaged in the business of manufacturing and retailing diamond and other jewellery products. Giantti operated exclusive jewellery boutiques for jewellery lines.

The Company currently has five subsidiaries, Mehul Impex Limited, Gitanjali Exports Corporation Limited, CRIA Jewellery Private Limited, Hyderabad Gems SEZ Limitedand Fantasy Diamond Cuts Private Limited. The Company currently holds a 100% and 99.80% equity interest in Mehul Impex Limited and CRIA Jewellery Private Limited, respectively. Gitanjali Exports Corporation Limited became a 51% subsidiary of the Company with effect from September 20, 2005. Mehul Impex Limited and Gitanjali Exports Corporation Limited are engaged in the business of manufacture and sale of cut and polished diamonds while CRIA Jewellery Private Limited is primarily engaged in the marketing and sale of diamond studded and other jewellery.

The Company acquired a 99.04% equity interest in Fantasy Diamond Cuts Private Limited from our Promoter Mehul C. Choksi and certain other existing shareholders of Fantasy Diamond Cuts Private Limited on October 5, 2005. Fantasy Diamond Cuts Private Limited does not currently have any significant operations. We propose to further expand retail operations for our diamond and jewellery products in smaller cities and towns in India primarily through Fantasy Diamond Cuts Private Limited. Hyderabad

Gems SEZ Limitedwas incorporated on December 2, 2004 and the Company acquired a 100% equity interest in Hyderabad Gems SEZ Limitedon October 04, 2005. Hyderabad Gems SEZ Limitedhas been incorporated for the establishment and development of a Special Economic Zone at Hyderabad pursuant to an agreement with the government of the state of Andhra Pradesh. For further information see "History and Certain Corporate Matters - Subsidiaries" beginning on page 90 of this Prospectus and "Objects of the Issue" beginning on page 25 of this Prospectus.

In addition, we have a 50% joint venture in the form of D'Damas Jewellery (India) Private Limited with Damas Jewellery LLC, a jewellery company based in the U.A.E. D'Damas Jewellery (India) Private Limited was initially a joint venture between Gemplus and Damas Jewellery LLC and became a joint venture of the Company with effect from April 1, 2005 pursuant to the scheme of amalgamation. D'Damas Jewellery (India) Private Limited is engaged in the manufacture and sale of branded diamond and other jewellery under its flagship brand *D'Damas* and its sub-brands and has a manufacturing facility at Andheri in Mumbai

We also have two associate companies, Brightest Circle Jewellery Private Limited and Gili India Limited. The Company has a 33.34% equity interest in Brightest Circle Jewellery Private Limited, which is a joint venture among the Company and two other DTC sightholders in India, and is primarily engaged in the manufacture, marketing and sales of diamond studded jewellery under the brand name *Nakshatra*. The *Nakshatra* brand name is owned by the DTC and Brightest Circle Jewellery Private Limited has been permitted by DTC to use the *Nakshatra* brand in connection with the sale of its diamond jewellery products. The Company holds a 40% equity stake in Gili India Limited and our Promoter Mr. Mehul C. Choksi directly and indirectly holds an additional 20% equity interest in Gili India Limited. Gili India Limited is engaged in the manufacture and sale of diamond and other jewellery under the brand name *Gili*, which was one of the first branded jewellery lines introduced in India.

For further information on our subsidiaries, joint venture companies and associate companies and for information on our significant operational milestones, please refer to "History and Certain Corporate Matters" beginning on page 90 of this Prospectus.

Our Strengths

We are an integrated diamond and jewellery company in India having an international presence.

We are an integrated diamond and jewellery manufacturing company and are manufacturers and retailers of diamonds and jewellery in India. Our ability to source rough diamonds at competitive prices, our well established export markets, our strong jewellery designing and manufacturing capabilities, our significant experience in branding and sale of branded jewellery lines, our strong marketing capabilities and our well developed retail operations in India enable us to capture inherent operational synergies and focus on maximizing our margins.

We export a significant part of our cut and polished diamonds and our branded and unbranded diamond and other jewellery products to various international markets in Europe, including to Antwerp and Italy, the United States, the Middle East as well as to several diamond and jewellery markets in Asia, including Japan, China, Hong Kong and Thailand. The design and quality of our diamond and jewellery products and our large customer base outside India, including jewellery manufacturers, large department store chains, retail stores and wholesalers, have enabled us to develop strong credentials in our international markets. We believe that we are well positioned to capitalize on the growing demand for diamonds and jewellery in the Indian and international markets.

Sightholder status with DTC and access to other primary source diamond suppliers.

We source a significant part of our rough diamond requirements from the DTC, the rough diamond sales arm of De Beers S.A. and the primary world-wide marketing mechanism of the rough diamond industry. We have, either directly or through our Promoter group companies, enjoyed sightholder status with the DTC for more than three decades. Digico, one of our Promoter group companies, is currently a sightholder with DTC, one of 92 sightholders worldwide that include 37 sightholders in India. As a sightholder under the DTC's Supplier of Choice program, we benefit from an assured and steady source of quality rough diamonds from the DTC at competitive prices, continued advertising and marketing support from DTC to develop the brands that we sell our diamonds and jewellery under and access to DTC's consumer research knowledge base. In fiscal 2005 and the six months ended September 30, 2005, rough diamonds sourced from DTC constituted approximately 25.00% and 20.00% of our total rough diamond procurement cost. Our remaining rough diamond requirements are procured from secondary source suppliers in the international market to ensure that there is no shortfall in the supply of rough diamonds for our operations. We believe that we have good relations with our suppliers, including the DTC, and that our reputation and established customer base will continue to ensure access to primary sources of diamonds. We believe that our sources of supply of rough diamonds are sufficient to enable us to meet our present and foreseeable needs.

Significant manufacturing capabilities.

We have two modern diamond manufacturing facilities located at Borivali in Mumbai and at the Special Economic Zone in Surat in the state of Gujarat. Our diamond cutting and polishing facility at Borivali employs more than 1,200 skilled employees or labourers while the facility at Surat is an export oriented facility aimed at our export markets. We also have a large sophisticated jewellery designing and manufacturing facility at the SEEPZ at Andheri, Mumbai and two jewellery manufacturing facilities at MIDC at Andheri, Mumbai. We also intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad. Our sophisticated manufacturing facilities, strong design capabilities and focus on stringent quality control enable us to produce quality certified diamonds and jewellery for our customers.

Strong brand equity.

Our *Gili* brand of jewellery introduced in 1994 was among the first branded jewellery introduced in India. We have over the years strengthened our brand portfolio with the launch of new brands and sub-brands aimed at different customer profiles, various market and price segments and for various uses and occasions. According to the July 2005 edition of Solitaire International, a publication of the Gem and Jewellery Export Promotion Council of India, four of the brands under which we sell our branded jewellery, *Nakshatra*, *Asmi*, *Gili* and *D'Damas*, feature among the ten best known jewellery brands in India. While we either directly or indirectly through our subsidiaries, joint ventures and associate companies own the *Gili* and *D'Damas* brands, we also market and sell our jewellery products under the *Nakshatra* and *Asmi* brands that are owned by DTC.

In view of the significant potential for branded jewellery in India and our success in developing branded jewellery lines, in 2000 DTC permitted us and three other sightholders in India to market and sell jewellery products under the *Nakshatra* brand. The four sightholders have formed a joint venture company, Brightest Circle Jewellery Private Limited. In November 2005, *Nakshatra* was licensed to Brightest Circle Jewellery Private Limited, by the virtue of which Brightest Circle has the sole right and interest to market the brand. *Gili*, our oldest brand was selected as a super brand by Times of India in 2004. In 2004, we began selling branded gold jewellery to different consumer segments (in association with the World Gold Council) under the brand names that include *Collection g, Gold* Expressions and *Vivaha Gold.* Our brands enjoy significant brand equity in their respective market segments developed through aggressive advertising and marketing campaigns and we believe that we enjoy a competitive advantage over our competitors due to our significant brand equity.

Highly qualified and motivated employee base and proven management team.

We believe that a motivated and empowered employee base is key to our competitive advantage. As of September 30, 2005, we had more than 2,300 employees including contract employees, of which more than 1,800 employees were employed at our manufacturing facilities and more than 250 employees were employed in our retail operations. This also includes employees from our subsidiaries, joint ventures and associate companies.

Our well-qualified senior management with significant industry experience has been instrumental in the consistent growth in our revenues and operations. In addition, our Board includes a strong combination of management as well as independent members that bring significant business experience to the Company. Our Chairman and Managing Director has been involved in the diamond and jewellery industry for more than 25 years and has driven the strong growth the Company has experienced since inception. In addition, our subsidiaries, joint ventures and associate companies operate as professionally managed operationally independent units under the supervision of their respective senior management who have significant experience in the industry.

Strong marketing and distribution network.

We have independent sales and distribution networks for our diamonds and jewellery products. A substantial majority of our cut and polished diamonds are exported to diamond wholesalers and large jewellery manufacturers in our international markets. We also benefit from the operations and presence of certain of our Promoter group companies outside India to further develop strong relationships with our customers in these markets. A significant part of our jewellery export sales are effected through wholesalers in our international markets that act as procurement agents for jewellery retailers in these markets. We are also able to leverage our long-term relationships with jewellery retailers in our international markets to sell our jewellery products directly to such retailers rather than through the wholesalers.

We have a strong sales and distribution network in India. Our sales and distribution channels for jewellery products include sales effected through exclusive distributors for our jewellery products, direct sales to large department stores and reputed jewellery stores and direct sales to end customers through our retail operations. In order to increase visibility of our branded jewellery lines, we continue to operate through our extensive distributor network to enable us to display our jewellery products at jewellery retailers at several cities and towns across India. We sell our jewellery products to large department stores and reputable jewellery retailers in major cities and towns and also sell our branded jewellery products directly to end customers through our significant retail operations. Our retail operations include several exclusive retail stores in major metropolitan areas that are owned by us as well as shop-in-shop outlets in various host stores such as large department store chains and shopping malls. We also continue to develop on our franchisee network and as of September 30, 2005, we had 12 retail outlets for our various brands that were established as franchises.

As of September 30, 2005, we had 26 distributors across India, 5 exclusive stand alone stores owned by us and approximately 620 outlets, including brand kiosks in large department stores, retail store chains and shopping malls. Our outlets are typically located in high customer concentration areas. Our retail operations network are supported by an inventory management system that enables us to move our inventory to and from, and channel our sales through, our various outlets depending on the relevant festive and other occasions and the demographic nature of the customers for specific outlets. Our operations through host stores benefit from lower capital investment in fixed assets typical of stand alone stores.

Broad range of certified diamond and jewellery products.

We offer our customers a comprehensive product range of diamond and other jewellery products aimed at various jewellery categories, different customer and price segments, various festive and social occasions as well as jewellery products for regular use. We also offer custom made jewellery to our customers. In addition, our branded diamond and jewellery products are all certified for caratage, authenticity and quality and carry a suggested maximum retail price that enable us to develop customer loyalty. Development of new products and designs is a key element of our business strategy. Innovative designs and product lines enable us to develop our brand and increase our retail sales. We upgrade our designs regularly to service the changing preferences of our consumers. Our brands encompass the entire product range and we were amongst the first in India to develop the concept of occasion jewellery. For most of our products, we provide authenticity certificates to establish the quality of our brands.

Our Strategies

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

Further increase our market share in the diamonds and jewellery businesses in India.

The sustained growth in the Indian economy and growing employment levels, income levels and availability of credit in India resulting in greater consumer spending and disposable income, together with the strong growth in retail operations in India provides significant opportunities for our diamond and jewellery businesses. These factors are expected to result in an increased demand for our products. We intend to leverage our significant diamond processing and strong jewellery design and manufacturing capabilities, our ability to provide a wide range of branded and unbranded diamond and jewellery products of various grades, designs and price segments, our strong branded jewellery lines and our wide retail distribution operations to increase our market share in the diamonds and jewellery business in India. We also intend to capitalize on the gradual shift of consumer preferences in India from traditional unbranded gold jewellery to diamond studded and other branded jewellery.

Continue to maintain focus on our international markets.

We export a significant part of our cut and polished diamonds and our branded and unbranded diamond and other jewellery products to various international markets in Europe including Antwerp and Italy, the United States, the Middle East as well as to several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand. In fiscal 2005 and the six months ended September 30, 2005, revenues from sales of our products in our international markets accounted for approximately 70.00% and 68.00% of our total income from sales of products. Exports have been an important source of our growth and we intend to continue to focus on our international markets. Sales to international markets have enabled us to access a wider customer base and reduce our dependence on domestic customers. We intend to continue to leverage our quality products and our long-standing relationships and credentials with our international customers to further develop our international markets. Our diamond manufacturing facility at Surat, Gujarat and jewellery manufacturing facility at SEEPZ, Mumbai are 100% export oriented units and are dedicated to developing our export markets. We also intend to continue to leverage the operations of some of our Promoter group companies involved in the diamond and jewellery business to further develop our export markets.

Continue to further develop our branded jewellery lines.

We intend to continue to further develop our existing branded jewellery lines and introduce additional brands and product offerings to cater to various customer and price segments in the diamonds and jewellery markets. We intend to capitalize on our significant experience in developing the branded jewellery market in India and the goodwill associated with the brands that we sell our products under such as *Nakshatra*, *Gili*, *Asmi* and *D'Damas* to further develop our various brands and sub-brands in target markets and product segments in India and internationally. We seek to achieve this through targeted marketing initiatives, innovative promotional campaigns and international and Indian public relations management and through increased emphasis on key merchandise items and on holiday and event-driven promotions through participation in host store marketing programs. We intend to actively pursue marketing initiatives to enhance the value of our brands internationally and to introduce reputed global brands in the Indian market to strengthen our product offerings.

Continue to expand our retail operations.

We intend to further expand our retail operations by leveraging our existing sales and distribution network and apply innovative retail marketing initiatives in marketing our diamond and fine jewellery products. We intend to introduce several large exclusive retail stores in the larger cities in India to offer a comprehensive product range of diamond and other jewellery products to target various jewellery categories and different customer and price segments as well as to provide custom made jewellery. These exclusive retail stores are intended to showcase our entire range of product offerings under our various brands and sub-brands. We also intend to introduce smaller independent exclusive stores in larger cities and towns in India.

We also intend to increase our brand and product visibility and sales and distribution network through smaller stores and outlets that will enable us to benefit from an increased store density through a lower capital outlay. These smaller outlets will enable us to offer jewellery aimed at the customer demography of the specific outlet and enable frequent renewal of our inventory. We intend to set up smaller outlets including brand zones and brand kiosks at host stores such as shopping malls and larger department stores to showcase our range of branded jewellery. We also intend to develop and further strengthen our relationships with various host stores to add additional outlets in new locations opened by such host stores. We intend to continue to develop our existing network of independent jewelers in various cities that sell our products through the appointment of additional distributors for various cities and towns.

Continue to expand our product offerings and maintain high quality customer service.

We intend to continue to expand our existing range of product offerings to cater to different customer and price segments and aimed at various uses and occasions such as work-wear jewellery, regular use jewellery, casual jewellery, wedding jewellery, jewellery for the new-born, as well as gifting jewellery aimed at specific holiday seasons. We intend to continue to improve the quality of our products and services and address specific customer requirements to meet highest international standards. In order to accomplish this strategy and to stay informed of changing styles and tastes, our design and marketing personnel continue to work closely with suppliers, distributors and customers and participate in jewellery fairs, trade shows and other industry forums to enable us to introduce new designs and variations of these designs to extend the length of time each design is marketable.

***Increase our production capacities and revenues and harness inherent synergies of our integrated operations*.**

We intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad and also continue to expand our retail operations. We intend to make capital investments of approximately Rs. 999.70 million for the development of our proposed diamond and jewellery manufacturing facilities and for the proposed expansion of our retail operations. These investments are expected to increase our production capacities and volume, and therefore revenues and we believe will add to our cost competitiveness. Increased production capability would enable us to service our sales and distribution network within a shorter span of time and enable us to capture the growing demand for our products. We intend to capitalize on our integrated operations that include the ability to source rough diamonds at competitive prices from the DTC as well as from other secondary markets, our significant manufacturing capabilities, our well established jewellery brands and our extensive marketing and distribution network to harness inherent synergies and reduce operating costs.

Pursue strategic acquisitions and alliances.

In order to expand our operations, we seek to identify acquisition targets and/or joint venture partners whose resources, capabilities and strategies are complementary to and are likely to enhance our business operations. We seek to pursue strategic acquisition opportunities to enhance our capabilities and address specific industry opportunities and to further enhance our industry and technical expertise, expand our operations geographically, benefit from other well established brands in the diamond and jewellery businesses and enable us to control operating costs and price our products competitively. We intend to focus on strategic acquisitions that are of appropriate size with minimal risk of integration into our existing operations. We also intend to continue to further develop strategic branding, marketing and distribution initiatives with the DTC and jewellery designing and manufacturing firms internationally such as the current arrangements that we have with DTC for the manufacturing and marketing of the *Nakshatra* and *Asmi* jewellery brands in India and with Damas of U.A.E. for the manufacture and marketing of jewellery products under the *D'Damas* brand and its various sub-brands. We also intend to explore opportunities to develop strategic alliances with local partners in our international markets to benefit from their established marketing and distribution networks.

Our Operations

We are an integrated diamond processing and jewellery manufacturing company. Our operations include sourcing of rough diamonds from primary and secondary source suppliers in the international market, cutting and polishing the rough diamonds for exports to our international markets and the manufacture and sale of diamond and other jewellery through our retail operations in India as well as in our international markets.

Sourcing of Diamonds

Our operations and revenues are dependent upon the availability of rough diamonds, the world's known sources of which are highly concentrated. Angola, Australia, Botswana, Brazil, Canada, Ghana, Guinea, Ivory Coast, Namibia, Republic of the Congo, Russia, Sierra Leone and South Africa account for a significant majority of the present world rough diamond production. One of our important suppliers of rough diamonds is the DTC, the rough diamond sales arm of De Beers S.A. The DTC is the primary world-wide marketing mechanism of the rough diamond industry, and a majority of the world's current rough diamond output is sold by the DTC and its affiliated companies. We have, either directly or through our

Promoter group companies, enjoyed sightholder status with the DTC for more than three decades. Digico, one of our Promoter group companies, is currently a sightholder with DTC, one of 92 sightholders worldwide that include 37 sightholders in India. In order to diversify our sources of rough diamond supply, we supplement our rough diamond needs by secondary market purchases in the international market. In fiscal 2005 and the six months ended September 30, 2005, rough diamonds sourced from DTC constituted approximately 25.00% and 20.00% of our total rough diamond procurement cost.

Sales for the DTC are made in London and South Africa to a select group of clients or "sightholders". In order to maintain their purchasing relationship, the DTC's clients have traditionally been expected to purchase substantially all of the diamonds offered to them by the DTC. Companies that are not sightholders must either purchase their requirements from sightholders or seek access to that portion of the world supply not marketed by the DTC. The DTC periodically invites its clients to submit their requirements as to the amount and type of stones they wish to purchase. Our employees attend offerings of rough diamonds held by the DTC periodically during the year in London. At sights, we purchase, at the DTC's stated price, an assortment of rough diamonds known as a "series", the composition of which attempts to take into account our qualitative and quantitative requirements based on requests submitted to the DTC by us.

In 2000, the DTC announced significant changes in its approach to rough diamond marketing. The DTC stated that it would stop open market purchases, alter its market control and pricing policies and focus on selling its own mining productions through its "Supplier of Choice" marketing programs. These policy changes were intended to drive consumer demand for diamond jewellery by fostering the development of efficient distribution networks that stimulate demand, support the emergence of internationally recognized brands to meet consumer needs, supply clients with a consistent supply of rough diamonds and encourage and support additional investment in marketing and advertising programs with the goal of developing an industry led by advertising and marketing support.

Through its control of a majority of the value of the current world rough diamond output, the DTC can exert significant control over the pricing of rough and polished diamonds by adjusting the quantity and pricing of rough diamonds it supplies to the marketplace. Rough diamond prices established by the DTC have been characterized historically by steady increases over the long term; however, prices in the secondary market have experienced a greater degree of volatility. Traditionally, we have been able to pass along such price increases to our customers. From time to time, however, we have absorbed these price increases in the short term to maintain an orderly pricing relationship with our customers. This has, in the past, caused temporary adverse effects on our earnings. Increases in the price of rough diamonds have generally resulted in a corresponding increase in the price of polished diamonds. However, during periods of economic uncertainty, there may be a significant time lag before we are able to increase polished diamond prices. We have broadened our sales base and implemented strict inventory, pricing and purchasing controls aimed at decreasing the impact of fluctuations in the price of rough and polished diamonds. These include sophisticated rough diamond evaluation programs and inventory utilization programs.

Manufacturing Processes

Diamond Manufacturing

We have two modern diamond manufacturing facilities located at Borivali in Mumbai and at the Special Economic Zone in Surat in the state of Gujarat. Our diamond cutting and polishing facility at Borivali spread over an area of more than 40,000 square feet with modern diamond processing equipment and employs more than 1,200 skilled employees or labourers. Our facility at Surat is an export oriented facility aimed at our export markets. We also have two modern jewellery manufacturing facilities at MIDC at Andheri, Mumbai that primarily produces branded jewellery lines for our retail operations in India. We intend to set up additional diamond manufacturing facilities at SEEPZ, Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad.

The diamond cutting and polishing process is labour-intensive and requires specialized knowledge and skills. Rough diamonds acquired are sorted or graded on the basis of colour, shape, clarity, cut and weight. In order to ensure optimum recovery of polished stones from the rough diamonds, the cutting process is carefully planned.

The following diagram outlines the cutting and polishing process:

Marking → Cleaving → Sawing → Cutting → Polishing

Marking. Marking, the first step in the diamond cutting and polishing process, is executed following a careful examination of each rough diamond to determine the optimal cut designed to yield the greatest value of the polished diamond. The shape of the rough diamond and the number and location of inclusions, or blemishes, are first considered. Since the crystalline structure of diamond causes it to have a grain (called cleavage), it is critical to plan for the facets of the diamond to be made in the correct direction. Taking these factors into account, the manner in which the rough diamond is to be cut is determined and the rough diamond is then marked to indicate the manner in which it is to be cleaved or sawed.

Cleaving. Following the marking of the rough diamond, it is either cleaved or sawed. The cleaving process is critical to the manufacturing of polished diamonds, as a mistake in the cleaving process could shatter the diamond. Cleaving involves cutting the diamond into two pieces to bring out the best angles and establish the final shape and cut. Cleaving is performed by striking the rough diamond with a sharp blow from a blade or hammer. However, certain rough diamonds may have too many stress points and might fragment if cleaved. Such rough stones are instead sawed, which process is extremely meticulous and time-consuming.

Sawing. Sawing is the process of cutting crystal shaped diamonds into two pieces on rotating copper blades. The saw used in diamond processing is a paper-thin disk of phosphor bronze that rotates on a horizontal spindle at about 4,000 rotations per minute. The diamond is clamped so it rests against the blade and is sawed for several hours, depending on the size of the diamond. Since diamond is the hardest substance on earth, it can only be cut by another diamond. Therefore, diamond dust is used on the saw, as well as the actual diamond dust generated by the crystal being cut.

Cutting. The next step in cutting a round stone is called girdling, or rounding. The diamond is placed in a lathe and a second diamond is held against it using a long handle, which slowly rounds it into a cone shape. The next step is for the stone to go to the blocker, who specializes in placing the first 18 main facets on a brilliant-cut diamond. It then goes to the brillianteer, who places and polishes the remaining 40 facets (if the stone is being cut in the standard 58-facet brilliant cut).

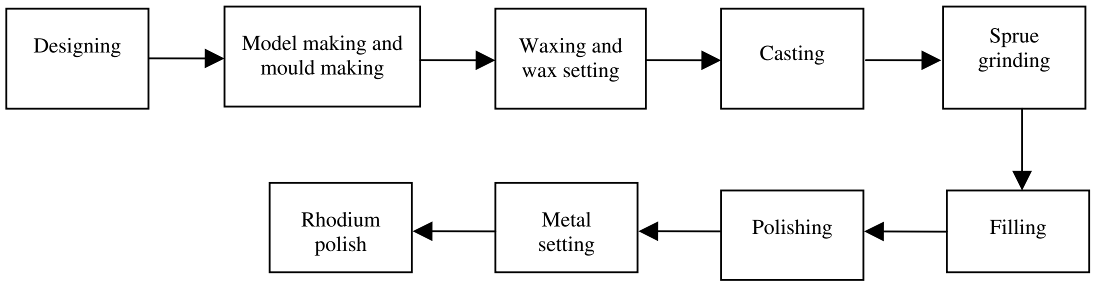
Polishing. The last step in the diamond finishing process is polishing. The diamond is clamped onto a revolving cast-iron lap (a horizontal, circular disk) that has been charged with diamond dust. The fine diamond dust acts as an abrasive to polish away small imperfections and make the surface of the stone perfectly smooth.

The final stages of the diamond manufacturing process consist of checking for damage, cleaning by boiling in various acids and the final assortment for marketing to the customer.

Jewellery Manufacturing

We have a large sophisticated jewellery designing and manufacturing facility at the Santacruz Electronic Export Processing Zone ("SEEPZ") at Andheri, Mumbai that employs more than 800 employees. This 100% export oriented facility also produces gold and platinum diamond studded jewellery. We also have two modern jewellery manufacturing facilities at MIDC at Andheri, Mumbai that primarily produces branded jewellery lines for our retail operations in India. We intend to set up additional jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone ("GJSEZ") in Hyderabad. We also intend to upgrade the existing jewellery manufacturing facility at SEEPZ, Mumbai.

The jewellery manufacturing process involves the following steps:



Designing. Our in-house designers develop and create new designs for our jewellery products in consultation with our merchandisers based in the United States, Hong Kong and other international markets to cater to latest international trends and meet specific customer requirements.

Model making and mould making. On receipt of the approval of our customers and the finalization of the design, these designs are sent to the model-making department where the model for the jewellery is fabricated in silver and sent for the customer's approval. A rubber mould is then developed from the model approved by the customer.

Waxing and wax setting. Wax is injected into the rubber mould to produce wax jewellery pieces. These wax jewellery pieces are provided finishing touches and precious stones are then studded onto these wax pieces, and the wax tree produced is forwarded to the casting department.

Casting. Investment is done in this department for the wax tree in the casting flask. The flask after drying is placed in the burnout furnace to melt and/or vaporize the wax to create a cavity in the investment flask. Thereafter, the cavity is filled with the relevant metal in which the jewellery is required to be manufactured.

Sprue grinding. The metal jewellery pieces are separated from the tree. Any sprue remaining after such separation is ground at this stage.

Filling. At this stage of the manufacturing process, the excess metal in the grooves and channels in the jewellery pieces are removed. Thereafter the jewellery pieces are cleaned for casting dust and the removal of any scratches.

Polishing. Following these procedures, the jewellery is then polished to develop the final surface finish.

Metal setting. The relevant diamond and other precious stones are studded on to the jewellery at this stage.

Rhodium polish. Following the studding of the jewellery and polishing of the jewellery, the jewellery is provided with rhodium treatment where gold plating is provided for the relevant part of the jewellery. The jewellery pieces then undergo final quality checks and are then forwarded to the packing division.

Sales and Distribution

We have independent sales and distribution networks for our diamonds and jewellery products. While our cut and polished diamonds are primarily exported to our international markets, our jewellery products are sold through our retail distribution network in India as well as exported to international markets. Accordingly, our diamonds and jewellery business involve different marketing and merchandising strategies.

Sales and Distribution of Cut and Polished Diamonds

The majority of our processed diamonds are exported to diamond wholesalers and large jewellery manufacturers in our international markets in Europe including Antwerp in Belgium and Italy, the United States, the Middle East as well as several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand. We also use a part of the cut and polished diamonds produced at our facilities for the production of our branded and unbranded jewellery. The export of diamonds, as an industry practice, typically does not involve letters of credit from banks and financial institutions. Accordingly, the diamond processing business is significantly dependent on developing and maintaining continuing relationships with customers. Our marketing strategy is also significantly dependent on our ability to identify specific customer requirements and our ability to deliver on such requirements efficiently within the shortest possible time frame. We benefit from the operations and presence of certain of our Promoter group companies outside India that belong to the Chetan Choksi group of companies to further develop strong relationships with our customers in the international markets. Continuing relationships with our customers enable us to identify the requirements of our customers and supply diamonds of specific sizes, shapes, cuts and quality to our customers in accordance with their specifications. Continuing relationships with our customers also enable us to reduce payment risks.

Our international customers typically visit our diamond manufacturing facilities in India and place orders for diamonds of certain specifications. We also participate in all significant trade shows in our international markets to enable existing and potential customers to examine our manufacturing capabilities and our processed diamonds product range. Participation in such trade shows and fairs also enable us to develop new relationships with customers and better understand their requirements as well as the latest trends in the diamond processing markets.

Sales and Distribution of Jewellery Products

Export of Jewellery Products

A significant part of our jewellery export sales are effected through wholesalers in the international markets that act as procurement agents for jewellery retailers in these markets. The wholesalers receive orders from the significant jewellery retailers and place orders on specifying the design and quality of the jewellery to be supplied and the relevant delivery schedules. Although we receive large orders through such wholesalers, margins on such sales are comparatively lower due to commissions paid to the wholesaler.

In order to increase our margins on jewellery sales, we leverage our relationships with jewellery retailers in our international markets to enable us to sell our jewellery products directly to such retailers rather than through the wholesalers. We also intend to continue to leverage our strong design capabilities and the quality of our jewellery products to procure repeat orders from significant jewellery retailers. We regularly provide these jewellery retailers with updated design catalogues to enable them to either place orders based on the catalogued designs or provide us with design variations for jewellery products that such retailers require. The United States is the largest export market for our jewellery products.

Sale of Jewellery Products in India

Our sales and distribution channels for jewellery products include: (i) sales effected through exclusive distributors for our jewellery products, (ii) direct sales to large department stores and reputed jewellery stores and (iii) direct sales to customers through our retail operations.

Sales through our Distributor Network

In order to increase visibility of our branded jewellery lines, we continue to operate through our extensive distributor network to enable us to display our jewellery products at jewellery retailers at several cities and towns across India.

The distributor purchases our jewellery products from us and sells it to individual retailers. The distributor is responsible for ensuring proper display of our brands and collection of payments from individual retailers. This model reduces payment risks associated with direct sales and enables us to deal with a single distributor rather than with numerous small retail outlets. The distributors are selected based on their sales capabilities, infrastructure, existing relationships with retailers in the geographic region assigned to such distributor and collection and payment history. From time to time we organize jewellery exhibitions in the more significant cities and towns to display our designs to existing distributors and to identify new distributors.

Payment terms for our distributors are typically as follows: payment of 15% of the aggregate purchase price is required to be made by the distributor on the placement of an order with us, an additional 35% of the payment is required to be made on the delivery of our products to the distributor and the remaining 50% of the payment is required to be made within 60 days of such delivery. On delivery of our products to the distributors, the distributors are responsible for the sale of our products. Pursuant to the terms of our agreement with our distributors, distributors may exchange old stock purchased from us for new stock. The commission to distributors varies from 10-20%.

Sales to Department Stores and Reputed Jewellery Retailers

We also sell our jewellery products to large department stores and reputed jewellery retailers in major cities and towns. Since these are large clients and pose significantly less collection and payment risks, we sell our jewellery products to these department stores and retailers directly. Payment terms and exchange of stock policies that we follow with these large department stores and reputed jewellery retailers are similar to that we follow with our distributors. Major retail chains in India to which we directly sell our jewellery products include Lifestyle, Piramyd, Oyzterbay, Inorbit, Shoppers Stop and Akbarlly's.

We provide continued brand promotional support to our distributors and to retail chains to which we sell our jewellery products, including through sales promotion campaigns. We also provide facilities for the replacement of unsold stock and regular upgradation of our jewellery product lines and circulate design catalogues that are updated every quarter from which our distributors and retailers can select latest jewellery designs.

Direct Sales to Customers through our Retail Operations

We also sell our branded jewellery products directly to end customers through our significant retail operations. Our retail operations are broadly divided into the following:

Retail stores owned by us. We have several exclusive retail stores in major metropolitan areas through which we sell our branded jewellery products directly to end customers. Exclusive retail stores are already operational for our jewellery products sold under the *D'Damas* brand and we are in the process of establishing exclusive retail stores for certain of our other branded jewellery lines.

Shop-in-Shop Outlets in Department Stores. We also sell our products through shop-in-shop outlets in various host stores such as large department store chains and shopping malls.

Franchisee Network. We are in the process of developing our franchisee network. As of September 30, 2005, we had 17 retail outlets for our various brands that were established as franchises. We select our franchisees based on experience in jewellery sales and financial and other resources that are complementary to and are likely to enhance our business operations. The franchisee establishes and manages our retail outlets with our continuing branding and sales promotional support. The initial investment for such a franchisee outlet ranges typically between Rs.5 million and Rs.6 million.

All sales under these structures are effected through our trained sales and marketing personnel and a fixed commission is paid to the department store/franchisee from the sales of our products.

The sales and distribution channels in India described above are common to all our branded jewellery lines other than the jewellery products sold under the *Gili* brand name. Our *Gili* brand of jewellery products are sold through an independent distribution network through regional offices across India which supplies our jewellery products directly to small retailers within the geographic region under such regional office. For our *Gili* brand of jewellery, we also operate through retail outlets in host stores such as major department store chains. In addition, we have entered into arrangements with Shoppers Stop, a large department store chain spread across various metropolitan areas in India, to operate "Facet Shops" within Shoppers Stop stores to provide custom made jewellery for customers.

Our Branded Jewellery; Intellectual Property

We believe that our branded jewellery lines enjoy significant brand equity in their respective market segments developed through aggressive advertising and marketing campaigns and we believe that we enjoy a competitive advantage over our competitors due to our significant brand equity. Our *Gili* brand of jewellery introduced in 1994 was among the first branded jewellery introduced in India. We have over the years strengthened our brand portfolio with the launch of new brands and sub-brands aimed at different customer profiles, various market and price segments and for various uses and occasions.

The following table sets out the significant brands and sub-brands that we sell our jewellery products under:

Brands	**Sub-brands**	**Owned/used by**
Gili collection	Gili; the FACET shop	Gili India Limited
D'Damas collection	*Wedding collection* Diamond mangalsutram collection; Jhalak collection; Vivaah collection; Triana collection *General collection* Anika invisible collection; Taarika seven diamond collection; Raena - party wear collection; Fior collection; Fleur - princess collection; Damas Solitaire; Gliteratti collection; Origin collection; Victorian destre collection; Love-me-do collection; Eternal collection	D'Damas Jewellery (India) Private Limited
Nakshatra collection (premium brand)	--	Brightest Circle Jewellery Private Limited
Asmi collection (premium workwear collection)	--	Gitanjali Gems Limited
Giantti collection	--	Gitanjali Gems Limited

According to the July 2005 edition of Solitaire International, a publication of the Gem and Jewellery Export Promotion Council of India, four of the brands under which we sell our branded jewellery, *Nakshatra*, *Asmi*, *Gili* and *D'Damas*, feature among the ten best known jewellery brands in India. Our oldest brand *Gili* was selected as a "Superbrand" in 2004 by the Indian Consumer Superbrands Council established by Superbrands India Private Limited.

Two of the significant brands and/or trademarks that we market our products under, *Nakshatra* and *Asmi*, are not owned by us. These trademarks and brand names are owned by DTC, and we market our products under these trademarks and brand names with permission from the DTC. In view of the significant potential for branded jewellery in India and our success in developing branded jewellery lines, in 2000 DTC permitted us and three other sightholders in India to market and sell jewellery products under the *Nakshatra* brand. In November 2005, *Nakshatra* was licensed to Brightest Circle Jewellery Private Limited, by the virtue of which Brightest Circle has the sole right and interest to market the brand. In 2002 DTC permitted us to market and sell jewellery under the *Asmi* brand owned by DTC. There can be no assurance that we will be permitted to continue to sell our jewellery products under these or any other brands owned by DTC.

We have either registered or are in the process of registering 24 trademarks in India in connection with our branded jewellery lines. Certain of these trademarks and brand names are currently used by us in connection with our jewellery business. These trademarks include Christy, Gitanjali, Tarika, Triana, Vivaaha, Amika, Bindi, Senses, Jhalak, Reena, D'Damas, Barzheim, Ticino, Ista, Tichino, T Tichino, Passion Stone, Giantti, Glitterati, Mangalsutra, Mangalsutram, Diamond Mangalsutra and Diamond Mangalsutram. For further information, see "Government and other Approvals" beginning on page 241 of this Prospectus.

Due to the competitive nature of the diamonds and fine jewellery industry, if we do not continue to sustain and further develop our brand equity and branded product lines, we may fail to build the critical mass of customers required to substantially increase our sales. Promoting and positioning our brands will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high quality customer experience. We seek to achieve this through targeted marketing initiatives, innovative promotional campaigns and international and Indian public relations management and through increased emphasis on key merchandise items and on holiday and event-driven promotions through participation in host store marketing programs. We intend to actively pursue marketing initiatives to enhance the value of our brands internationally and to introduce reputed global brands in the Indian market to strengthen our product offerings. To promote our brands and branded products, we have incurred and will continue to incur substantial expense related to advertising and other marketing efforts as well as in relation to our distribution channels and retail outlets.

We have entered into an agreement with Bennett, Coleman and Co. Ltd., on September 22, 2005 to make advertisement in the print and non-print media for three years for a consideration of Rs.600 million.

Competition

We sell our diamonds and jewellery products in highly competitive markets, and competition in these markets is based primarily on the quality, design, availability and pricing of such products. To remain competitive in our markets, we must continuously strive to reduce our procurement, production and distribution costs and improve our operating efficiencies. If we fail to do so, other producers of diamonds and jewellery may be able to sell their products at prices lower than our prices, which would have an adverse affect on our market share and results of operations.

We believe that there are significant barriers to entry by potential competitors into the business of manufacturing and distributing diamonds and jewellery. Among the most important of these barriers are the need for significant working capital to purchase rough diamonds and hold polished inventory, the long-term relationships required to have access to adequate supplies of rough diamonds, the limited number of persons with the skills necessary to consistently cut significant amounts of high quality cut diamonds, the difficulty in obtaining access to upscale channels of distribution, the importance of public recognition of an established brand name, a reputation for diamond cutting excellence, and the procurement of computer systems to report on and monitor the manufacturing and distribution network.

We compete with various diamond and jewellery manufacturing companies including companies that are sightholders with DTC. Current and potential competitors include independent jewellery stores, retail jewellery store chains, online retailers that sell jewellery, department stores, chain stores and mass retailers, and discounters and wholesale diamond traders that may enter the retail markets in the future. Because of the continued focus on branding and retail sales under DTC's Supplier of Choice program and the higher margins associated with branded jewellery sales as compared to the sale of processed diamonds, other DTC sightholders may enter the business of retailing of branded jewellery. In addition, any deregulation in restrictions on foreign ownership in the retail sector by the Government of India could bring new competition to the Indian market. Some of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition, existing customer relationships, and significantly greater financial, marketing and other resources, all of which could have a material adverse effect on our results of operations and financial condition. They may also benefit from greater economies of scale and operating efficiencies. There can be no assurance that we can continue to effectively compete with such competitors in the future, and failure to compete effectively may have an adverse effect on our business, financial condition and results of operations.

Employees

As of September 30, 2005, the Company had 410 full-time employees, of which approximately 117 employees were employed at our corporate offices in Mumbai. In addition, as of September 30, 2005, our subsidiaries, joint ventures and associate companies employed in the aggregate more than 740 employees, including 250 employees in our retail operations. Currently, the Company's employees are not represented by any labor unions. While we consider our current labor relations to be good, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

As of September 30, 2005, approximately 1700 contract employees were working at the Company's manufacturing facilities and retail outlets. We typically enter into contracts with independent contractors for these contract employees. All contract employees engaged at our manufacturing facilities and retail operations are assured minimum wages that are fixed by the respective state governments. Any upward revision of wages required by such state governments to be paid to such contract employees, or offer of permanent employment or the unavailability of the required number of contract employees, may adversely affect our business and results of our operations.

As of September 30, 2005, information relating to the Company's employees and contract employees at its manufacturing facilities, corporate offices and in its retail operations is summarized below:

Facility	Employees	Contract Employees
Manufacturing	180	1700
Corporate Offices	193	-
Retail	37	-
Total	**410**	**1700**

For our proposed expansions we would be recruiting personnel with required qualification and experience at the appropriate time.

We provide regular staff training programs, leadership programs and performance enhancement programs for our employees. We engage outside consultants to assist us in training our employees and to enhance their performance. In addition to a base salary and a performance linked variable pay, we provide a number of benefits to our employees, such as medical expenses, housing or rent assistance, annual leave and travel allowance, provident fund, healthcare, schooling, pension and group gratuity schemes. Our employees and contract employees are also covered under specific insurance schemes. Certain of our employees also enjoy statutory rights in regard to dismissal or retrenchment.

Insurance

We maintain insurance for standard fire and special perils policy and jewellers' block insurance policy, which provides insurance cover against loss or damage by fire, explosion, lightning, riot and strikes, malicious damage, terrorism, burglary, theft, robbery and hold up risks, which we believe is in accordance with customary industry practices. Our policies also insure against loss or damage suffered during transit of our stock and stock in trade except cash and currency notes under certain circumstances. However, the amount of our insurance coverage may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses that we may suffer should a risk materialize. Further, there are many events that could cause significant damages to our operations, or expose us to third-party liabilities, for which we may not be adequately insured. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our results of operations and financial position.

Properties

The Company owns or leases several properties in India, including for its corporate purposes, its manufacturing facilities and for its retail operations.

S. No	Name of the Company	Particulars	Ownership/Leasehold
1.	Gitanjali Gems Ltd.	Land together with factory building situated village Magathane at Borivali bearing Survey no. 132 Part Survey No.134 Hissa No.1 Part bearing C.T.S No. 68 – A in all admeasuring 7,900 square meters or thereabouts	Ownership
		Surat Special Economic Zone, Unit No.378 constructed on Plot No. 241	Leasehold
2.	Gemplus Jewellery India Limited (since merged with the Company)	Plot No. 61 admeasuring 2367 sq.mts. situated at SEEPZ, Andheri (E)	Leasehold

		Plot No. 16 (Part), 17,28,29 (Part) situated at SEEPZ, Andheri to use the structure admeasuring 2665.65 sq.mts.	Leasehold
3.	Prism Jewellery Private Limited (since merged with the Company)	Shop No. 1C and Mezzanine Floor, Jariwala Mansion, 58/60, N.S. Patkar Marg, Mumbai - 400007.	Leave and License
		A-10, P.S. House, MIDC, Marol, Andheri, Mumbai.	Leasehold
4.	Giantti Jewels Private Limited (since merged with the Company)	Rasik Niwas "A", Rangnekar Marg, Chowpatty. Mumbai – 400 007.	Leave and License

Purchase of Property

The details of the properties to be purchased through the Issue Proceeds are given below:

Particulars	**Description of the Property**	**Parties from which the land is proposed to be purchased**	**Details of the Transaction**
Diamond Processing Facility at GJSEZ, Hyderabad	Factory to be constructed on a plot of 50,000 square foot. The plot is located on 75 acres of land allotted to the Company. The land would be transferred to Hyderabad Gems SEZ Limited a 100% subsidiary of the Company	By its order dated July 6, 2005, The Government of Andhra Pradesh has directed for allotment of 200 acres of land to the Company in three phases of 75 acres each in the first two phases and 50 acres in the third phase, for the development of a Gems and Jewellery Special Economic Zone at Hyderabad.	The aggregate cost for the acquisition of the land is Rs.100 million of which Rs.37.50 million has been paid by the Company as of September 30, 2005 as an advance to the government of Andhra Pradesh. The land use cost for 50,000 square foot plot is expected to be Rs. 7.5 million
Jewellery manufacturing Facility at GJSEZ, Hyderabad	Factory to be constructed on a plot of 75,000 square foot. The plot is located on 75 acres of land allotted to the Company. The land would be transferred to Hyderabad Gems SEZ Limited a 100% subsidiary of the Company	By its order dated July 6, 2005, The Government of Andhra Pradesh has directed for allotment of 200 acres of land to the Company in three phases of 75 acres each in the first two phases and 50 acres in the third phase, for the development of a Gems and Jewellery Special Economic Zone at Hyderabad.	The aggregate cost for the acquisition of the land is Rs.100 million of which Rs.37.50 million has been paid by the Company as of September 30, 2005 as an advance to the government of Andhra Pradesh. The land use cost for 75,000 square foot plot is expected to be Rs. 11.25 million
Development of Diamond and Jewellery Manufacturing Facility	The Company has been allocated plot no 61 at SEEPZ, Mumbai. The Company has been assigned 2,665 sq metres of land at plot no 16(P), 17, 28 and 29 (P) of SEEPZ, Mumbai by	Pursuant to an agreement to assign dated November 30, 1999 Suraj Diamonds has agreed to assign 2,665 square metres of land located at plot number 16(P), 17, 28	The consideration is Rs. 32.07 million which has been fully paid.

	Suraj Diamonds. The SEEPZ authority vide its letter dated July 11, 2000 has granted permission for transfer of the structure admeasuring 2665 square metres on plot no 16(P), 17, 28 and 29 (P)	and 29 (P) of SEEPZ, Mumbai to Gemplus Jewellery India Limited which has been merged with the Company	

Legal Proceedings

In the ordinary course of our business we are party to various legal actions that we believe are incidental to the operation of our business. Except as disclosed in this Prospectus, as of the date hereof, we are not a party to any proceeding that, if finally determined against us, would result in a material adverse effect on our business and operating results. See also "Risk Factors – We are involved in certain legal and regulatory proceedings that, if determined against us, could have a material adverse impact on us." and the section "Outstanding Litigation" beginning on page 234 of this Prospectus for a summary of litigation to which we are a party.

REGULATIONS AND POLICIES IN INDIA

There are no specific regulations in India governing the gems and jewellery industry in India. Set forth below are certain significant legislations and regulations that generally govern this industry in India:

General

The Company is engaged in the business of diamond processing and jewellery manufacturing. Our operations include sourcing of rough diamonds from primary, functioning as secondary source suppliers in the international market, cutting and polishing the rough diamonds for exports to international markets and the manufacture and sale of diamond and other jewellery through retail operations in India as well as in international markets.

Foreign Investment

Under the Industrial Policy and FEMA, foreign direct investment up to 100% is permitted in the gems and jewellery industry.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Environmental and Labor Regulations

Depending upon the nature of the activities undertaken by the Company, applicable environmental and labor laws and regulations include the following:

- Contract Labor (Regulation and Abolition) Act, 1970;
- Factories Act, 1948.
- Payment of Wages Act, 1936.
- Payment of Bonus Act, 1965.
- Employees' State Insurance Act, 1948.
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
- Payment of Gratuity Act, 1972.
- Shops and Commercial Establishments Acts, where applicable.
- Environment Protection Act, 1986;
- Water (Prevention and Control of Pollution) Act, 1974;
- Air (Prevention and Control of Pollution) Act, 1981;
- Minimum Wages Act, 1948

- Hazardous Waste (Management and Handling) Rules, 1989; and
- Hazardous Chemicals Rules, 1989.

Foreign Trade Policy 2004-2009

The revised foreign trade policy in India for the period 2004-2009 is the first notified comprehensive foreign trade policy. The initiatives identified with the new foreign trade policy have a special focus on sectors such as the Gems and Jewellery, Agriculture, Handicrafts, Handlooms and Leather and footwear. Some salient features of the new foreign trade policy relevant to our business are as follows:

Gems and Jewellery

- Cutting and polishing of jems and jewellery shall be treated as manufacturing for the purposes of exemption under section 10A of the Income Tax Act.
- Import of gold of 18 carat and above shall be allowed under the replenishment scheme
- Duty free import entitlement of consumables for metals other than gold or platinum shall be 2% of FOB value of exports during previous financial year
- Duty free import entitlement of commercial samples shall be Rs. 100,000
- Duty free re-import entitlement for rejected jewellery shall be 2% of the FOB value of export

Export Oriented Units (EOUs)

- EOUs shall be exempted from Service Tax in proportion to their exported goods and services
- EOUs shall be permitted to retain 100% of exports in EEFC accounts
- Income tax benefits on plant and machinery shall be extended to Domestic Tariff Area (DTA) units which convert to EOUs.
- Import of capital goods shall be on self-certification basis for EOUs
- A new scheme to establish Free Trade and Warehousing Zones (FTWZs) has been introduced to create trade related infrastructure to facilitate the import and export of goods and services with liberty to carry out trade transactions in free currency. Units in the proposed FTWZs shall also qualify for all other benefits applicable to SEZ units.

Special Economic Zone

- Duty free import/ domestic procurement of all goods required for the development, operation and maintenance of SEZ
- Income Tax exemptions under section 10 of the Income Tax Act to SEZ units and SEZ developers
- External Commercial Borrowing by SEZ units upto U.S.$ 500 million in a year without maturity restriction, through recognized banking channels
- Permission to carry forward losses and Income Tax exemptions to the extent of 50% of ploughed back profits to SEZ units
- Treatment of supplies from DTA to SEZ on par with physical exports for the purpose of Income Tax exemptions.
- Exemption from Central Sales Tax on sales made from DTA to SEZ
- Exemption from Service Tax for services rendered to SEZ units and developers
- Suppliers to SEZ entitled to physical export benefits such as drawback, advance licence, DFRC and DEPB

Gem and Jewellery Export Promotion Council

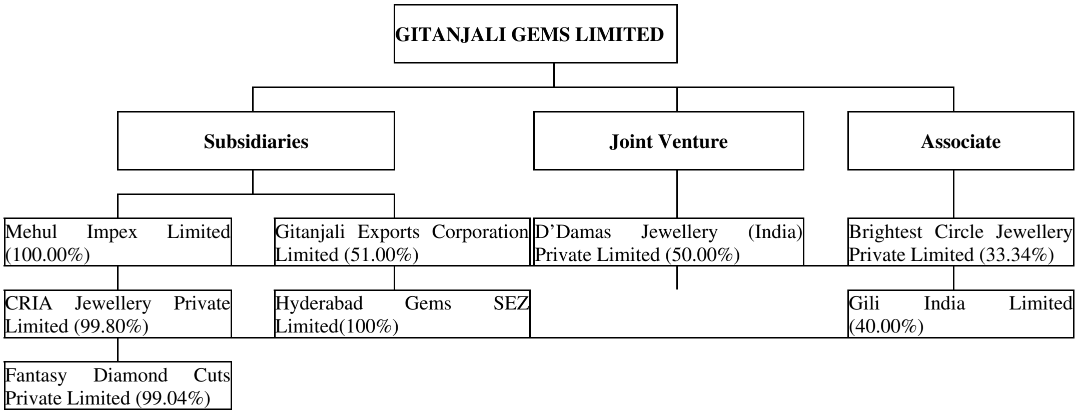
The Government of India has designated the Gem and Jewellery Export Promotion Council (GJEPC) as the importing and exporting authority in India in keeping with its international obligations under section IV (b) of the Kimberley Process Certification Scheme (KPCS). The Kimberley Process is a joint government, international diamond and civil society initiative to stem the flow of conflict diamonds, which are rough diamonds used by rebel movements to finance wars against legitimate governments. The Kimberley Process comprises participating governments that represent 98% of the world trade in rough diamonds.

The KPCS has been implemented in India from January 1, 2003 by the Government of India through communication No. 12/13/2000-EP (GJ) dated November 13, 2002. The GJEPC has been notified as the nodal agency for trade in rough diamonds under para 2.2, chapter 2 of the Export-Import Policy of India (2002-2007). Accordingly, the verification and issuance of Kimberley Process certificates is administered though the Mumbai and Surat offices of GJEPC.

HISTORY AND CERTAIN CORPORATE MATTERS

The Company was originally incorporated on August 21, 1986 as a private limited company and became a deemed public limited company pursuant to Section 43A of the Companies Act, 1956, as amended, with effect from August 2, 1991. The Company was subsequently converted into Gitanjali Gems Limited, a public limited company pursuant to a certificate of change of name dated December 8, 1994.

We have five subsidiaries, one joint venture company and two associate companies, as specified below:



Pursuant to the scheme of amalgamation approved by the order of the High Court of Judicature at Bombay dated September 30, 2005, three of our group companies, Gemplus Jewellery India Limited ("Gemplus"), Prism Jewellery Private Limited ("Prism") and Giantti Jewels Private Limited ("Giantti") were merged into the Company with effect from April 1, 2005. The order of the High Court of Judicature at Bombay dated September 30, 2005 sanctioning the scheme of amalgamation was filed with the Registrar of Companies, Maharashtra, on November 7, 2005. Pursuant to such scheme of amalgamation, an aggregate of 9,988,495 Equity Shares of the Company were issued to the existing shareholders of Gemplus, Prism and Giantti. Pursuant to the scheme of amalgamation, CRIA Jewellery Private Limited became a subsidiary of the Company and D'Damas Jewellery (India) Private Limited became a joint venture company of the Company.

The following table consists of the summary of corporate information about our Company

Name of the Company	Gitanjali Gems Limited
Date of Incorporation	August 21, 1986
Registration No	011-40689
Registered Office	801/802 Prasad Chambers, Opera House, Mumbai – 400 004
Corporate Office	As above
Corporate Status	Public Limited Company.
Subscribers to the Memorandum and Articles of Association	Mr. Mehul C. Choksi Mr. Pravin C. Mehta Mrs Amita R. Bhansali Mrs. Neena D. Sheth
First Directors	Mr. Mehul C. Choksi Mr. Pravin C. Mehta Mrs. Neena D. Sheth Mrs. Amita R. Bhansali
Authorised Capital Comprising of	Rs. 750,000,000/- comprising of 70,000,000 equity shares of face value Rs. 10/- each and 500,000 redeemable preference shares of face value Rs. 100/- each.
Paid up Capital	Rs. 419,984,950 comprising of 41,998,495 Equity Shares of Rs. 10/- each

The following table illustrates some of the key events in our history:

Date/Year	Event
August 21, 1986	Gitanjali Gems Private Limited was incorporated as a private limited company.
August 2, 1991 December 8, 1994	The Company became a public company under Section 43A of the Companies Act, 1956. The Company was converted into a Public Limited Company viz., Gitanjali Gems Limited.
1991	The jewellery operations started at the Manufacturing unit SEEPZ, Mumbai (Unit of Gemplus -since Merged)
August 7, 1992	Mehul Impex Ltd. became subsidiary of the Company.
1994	India's first branded jewellery "GILI" launched through Gili India
1996	The operations started at the Manufacturing unit Borivali, Mumbai
2003	The operations started at the Manufacturing unit Surat SEZ, Mumbai
2003	D'Damas – Joint Venture Company formed. (Joint Venture of Gemplus- since Merged)
2004	Brightest Circle Jewellery Private Limited – a Joint venture Company formed to promote brand "Nakshtra"
2005	The Government of Andhra Pradesh allocates 200 acres of land to Gitanjali Gems Limited for development of Special Economic zone for gems and jewellery in Hyderabad, Andhra Pradesh
April 1, 2005	CRIA Jewellery Pvt. Ltd. became subsidiary of the Company.
20th September 2005	Gitanjali Exports Corporation Ltd. became subsidiary of the Company.
September 30, 2005	The High Court of Judicature at Bombay approves the merger of Gemplus jewellery India Limited, Prism Jewellery Private Limited, Giantti Jewels Private Limited into Gitanjali Gems Limited
October 04, 2005	Hyderabad Gems SEZ Ltd. became wholly owned subsidiary of the company.
October 05, 2005	Fantasy Diamond Cuts Pvt. Ltd. became subsidiary of the company.
October 14, 2005	Issue of 99,88,495 shares as consideration other than cash for the shareholders of the merged companies.

Main Objects of the Company

The main objects of our Company as contained in our Memorandum of Association are as follows:

1. To set up and carry on the business of manufacturing, refining, preparing, cleaving, sawing, acquiring, buying, selling, disposing of, importing, exporting, supplying, distributing and dealing in cut and uncut gems, precious, semi-precious stones, boart, diamonds including industrial diamonds and pearls including cultured pearls, and precious metals and commission agent.

2. To set up and carry on the business of cleaving, sawing, cutting, assorting, polishing diamonds, gems, pearls and all kinds of precious and semi-precious stones and metals.

2A. To commence, establish, set up, carry on, conduct, manage and administer the business of manufacturing, buying, selling, importing, retailing through the shops, malls or company's own showrooms or by any methods of sale or display, exporting, refining, cleaning, polishing, preparing, acquiring, disposing off, supplying, distribution, ordering, regulation, controlling, classifying, allocating, trading and dealing in jewellery whether branded or not and ornaments of all kinds of metal and/or studded with diamonds , gems and pearls, including of metal and/or studded with diamonds, gems and pearls, including cultured pearls and /or precious, semi precious and synthetic stones.

2B. To carry on business as recognized Export House/ Trading House and of buying and selling import entitlements and to act as agents and/or commission agents and/or distributors and / or job work contractors and / or indentors for or in respect of diamonds, pearls, corals, gems, rubies and all kinds of precious and semi- precious emarelds, sapphires, synthetic stones, all kinds of jewellery and jewels and precious and semi- precious metals.

2C. To own, construct, take on lease or in any other manner and to run, render technical advice in constructing, furnishing, running and management of retail business including departmental stores, direct to home & mail order catalogue for all category of products and services including but not limited to Jewellery and Ornament products whether in India or any other part of the world.

Changes in the Memorandum of Association

Since our Company's incorporation, the following changes were made to the Memorandum of Association.

Date of Shareholders Approval	Amendment
June 20, 1987	Increase in authorized capital of the Company from Rs.0.2 mn to Rs. 7mn.
January 8, 1991	Increase in authorized capital of the Company from Rs. 7 mn to Rs. 9.95 mn.
March 21, 1992	Increase in authorized capital of the Company from Rs. 9.95 mn to Rs. 30 mn.
June 8, 1993	Change in authorized capital of the Company by re-classification of shares.
July 20, 1994	Increase in authorized capital of the Company from Rs. 30 mn to Rs. 150mn.
November 25, 1994	Increase in authorized capital of the Company from Rs. 150mn to Rs. 250 mn
March 30, 1999	Increase in authorized capital of the Company from Rs. 250 mn to Rs. 750 mn
April 30, 2002	Change in Clause V by way of inserting additional sub-clause (iv) after sub-clause (iii)
September 30, 2005	Change in Main object clause by way of inserting 3 new Sub-clauses after existing Sub-clause 2 and numbered as 2A, 2B & 2C. Change in other objects clause by way of inserting additional sub-clause after the existing Sub-clause 63 and numbered as 64, 65, 66, 67, 68, 69, 70 and 71. Change in Authorised capital of the Company by re-classification of shares.

SUBSIDIARIES

Our Company has the following subsidiaries:

1. Gitanjali Exports Corporation Limited
2. Mehul Impex Limited
3. CRIA Jewellery Private Limited
4. Fantasy Diamond Cuts Private Limited
5. Hyderabad Gems SEZ Limited

Gitanjali Exports Corporation Limited

Gitanjali Exports Corporation Limited (GECL) was originally formed as a partnership firm – Gitanjali Exports Corporation in year 1966 and subsequently converted into public Limited Company under part IX of the Companies Act, 1956 with effect from September 12, 2000. GECL became a 51% subsidiary of our Company with effect from 20th September, 2005.

GECL is involved in manufacturing and exporting of cut and polished diamonds and trading of diamonds.

The current shareholding pattern of GECL is as follows

Name of Shareholders	No of Shares held	% of shares held
Mr. Mehul C. Choksi	3,372,000	33.72
Lustre Manufacturers Pvt. Ltd.	1,005,000	10.05
Partha Gems Pvt. Ltd.	107,000	1.07
Mrs. Priti M. Choksi	64,000	0.64
Mrs. Guniyal C. Choksi	303,000	3.03
Priyanka Gems Pvt. Ltd.	19,000	0.19
Rohan Diamonds Pvt. Ltd.	30,000	0.30
Gitanjali Gems Ltd.	5,100,000	51.00
Total	**10,000,000**	**100**

Board of Directors
The board of GECL comprises of Mehul C. Choksi, Priti M. Choksi and Guniyal Choksi.

The financial performance of GECL for the past three financial years is as follows:

Rs. Million

	For period ending March 31,		
	2003	2004	2005
Equity Capital (Rs. mn)	100.00	100.00	100.00
Reserves & Surplus (Rs. mn)	998.34	1051.52	1100.62
Total Income (Rs. mn)	6564.46	6420.25	8004.18
Profit After Tax (Rs. mn)	86.91	53.19	49.09
Earnings Per Share (Rs)	8.69	5.32	4.91

Book value Per Share (Rs) [1]	109.83	115.15	120.06

[1] Face value of each equity share is Rs. 10/-

Mehul Impex Limited

Mehul Impex Limited was incorporated on November 10, 1989 as a Private Company. The Company was subsequently converted to a public limited company pursuant to Special Resolution at its Extra-ordinary General meeting on July 10, 1992 and certificate of change of name to that effect was issued on August7, 1992. The company is involved in manufacturing and trading of rough diamonds and polished diamonds. Mehul Impex became subsidiary of Gitanjali Gems Ltd. on August 7, 1992.

The current shareholding pattern of Mehul Impex Limited is as follows:

Name of Shareholders	No of Shares held	% of shares held
Mehul C. Choksi (Nominee of GGL)	5	0.005
Priti M. Choksi (Nominee of GGL)	5	0.005
Guniyal Choksi (Nominee of GGL)	5	0.005
Gitanjali Gems Ltd.	98,970	99.970
Pravin C. Mehta(Nominee of GGL)	5	0.005
Dhanesh V. Sheth (Nominee of GGL)	5	0.005
R.V.S Nair (Nominee of GGL)	5	0.005
Total	**99,000**	**100**

Board of Directors

The board of Mehul Impex Limited comprises of Mehul C. Choksi, Adrianus Voorn and Sudhir A. Mehta

The financial performance of Mehul Impex Limited for the past three financial years is as follows

Rs. Million

	For period ending March 31.		
	2003	**2004**	**2005**
Equity Capital (Rs. mn)	9.90	9.90	9.90
Reserves & Surplus (Rs. mn)	18.94	21.23	22.21
Total Income (Rs. mn)	656.38	528.44	337.83
Profit After Tax (Rs. mn)	1.78	2.28	0.99
Earnings Per Share (Rs)	17.28	23.06	9.99
Book value Per Share (Rs)[1]	291.34	314.40	324.39

[1] Face value of each equity share is Rs. 100/-

CRIA Jewellery Private Limited

CRIA Jewellery Private Limited was incorporated on March 20, 2002 as a subsidiary of Prism Jewellery Private Limited. CRIA Jewellery Private Limited was formerly known as Kria Jewellery Private Limited. After the merger of Prism Jewellery with our Company, CRIA Jewellery became a subsidiary of our Company with effect from April 1, 2005. CRIA Jewellery Private Limited is involved in marketing and retailing of diamond studded, plain gold branded and unbranded jewellery.

The current shareholding pattern for CRIA Jewellery Private Limited is as follows

Name of Shareholders	No of Shares held	% of shares held
Gitanjali Gems Limited	9980	99.80
Mr. G. K. Nair	10	0.10
Mr. Sudhir A. Mehta	10	0.10
Total	**10000**	**100**

Board of Directors

The board of CRIA Jewellery Private Limited comprises of Dharmesh Sodha and Amrish Masalia.

The financial performance of CRIA Jewellery Private Limited for the past three financial years is as follows

Rs. Million

	For period ending March 31,		
	2003	2004	2005
Equity Capital (Rs. mn)	0.10	0.10	0.10
Reserves & Surplus (Rs. Mn)	(1.47)	(3.94)	(7.31)
Total Income (Rs. mn)	4.81	11.01	16.35
Profit After Tax (Rs. Mn)	(1.47)	(2.47)	(3.38)
Earnings Per Share (Rs)	(147.11)	(246.51)	(337.85)
Book value Per Share (Rs) (1)	(198.05)	(415.11)	(723.49)

(1) Face value of each equity share is Rs. 10/-

Fantasy Diamond Cuts Private Limited

Fantasy Diamond Cuts Private Limited ("Fantasy") was incorporated on December 18, 1995 as Gitanjali Plantations Private Limited. The registered office of the company is at 801/802, Prasad Chamber, Opera House, Mumbai – 400 004. The principal activity of Fantasy is the manufacturing of special cut diamonds and retailing. Fantasy became a subsidiary of Gitanjali Gems Limited on October 5, 2005.

Shareholding Pattern

Name of Shareholders	No of Shares held	% of shares held
Gitanjali Gems Limited	1,040,000	99.04
Mehul C. Choksi	4990	0.48
Priti M Choksi	4990	0.48
Ashok Sinkar	10	0.00
Pravin C.Mehta	10	0.00
Total	**1,050,000**	**100.00**

Board of Directors

The board of directors of Fantasy comprises of Mehul C. Choksi, Adrianus Voorn and Viral Jhaveri.

Financial Performance (For the past three financial years based on the audited accounts)

Rs. Million

	For the period ending March 31,		
	2003	2004	2005
Equity Capital	0.10	0.10	0.10
Reserves & Surplus	(0.10)	(0.13)	(0.15)
Income	-	-	-
Profit After Tax	(0.01)	(0.03)	(0.02)
Earnings Per Share	(1.30)	(3.39)	(1.97)
Book value Per Share(1)	(0.35)	(3.53)	(5.30)

(1) Face value of each equity share is Rs.10.

Fantasy is an unlisted company and has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Hyderabad Gems SEZ Limited

Hyderabad Gems SEZ Limited ("Hyderabad Gems") was incorporated on December 2, 2004. The registered office of the company is at Plot # 221, Road # 17, Jubilee Hills, Hyderabad - 500 034. The principal activity of Hyderabad Gems is the development of the special economic zone in Hyderabad. Hyderabad Gems became a 100% subsidiary of Gitanjali Gems Limited on October 4, 2005.

Shareholding Pattern.

Name of Shareholders	No of Shares held* (Rs.10 each)	% of shares held
Gitanjali Gems Ltd (GGL)	49300	98.60
Mehul C. Choksi (Nominee of GGL)	100	0.20
Suresh Chukkapalli (Nominee of GGL)	100	0.20
Ramesh Chukkapalli (Nominee of GGL)	100	0.20
Srikanth Badiga (Nominee of GGL)	100	0.20
P.Gopikrishna (Nominee of GGL)	100	0.20
Y.Aditya Kumar (Nominee of GGL)	100	0.20
B.Sridhara Rao (Nominee of GGL)	100	0.20
TOTAL	**50000**	**100.00**

Board of Directors

The board of directors of Hyderabad Gems comprises of Mehul C. Choksi, Suresh Chukkapalli and Sunil Sheth.

Financial Performance (For the last financial year based on the audited accounts)

Rs. Million

	For the period ending March 31, 2005
Equity Capital	0.50
Reserves & Surplus	-
Income	-
Profit After Tax	-
Earnings Per Share	-
Book value Per Share(1)	9.27

(1) Face value of each equity share is Rs.10

JOINT VENTURES

Our Company has the following joint venture company:

1. D'Damas Jewellery (India) Private Limited

D'Damas Jewellery (India) Private Limited

D'Damas Jewellery (India) Private Limited was incorporated on September 23, 2003 as a joint venture between Gemplus Jewellery India Limited and Damas Jewellery LLC, a renowned jewellery group in Dubai. After the merger of Gemplus Jewellery India Limited with our Company, our Company has become the joint venture partner in D'Damas Jewellery (India) Pvt. Ltd.

D'Damas is primarily in the business of manufacturing of plain and diamond studded precious metal jewellery. The company has a manufacturing facility at Andheri in Mumbai with an area of 5,000 square feet and a production capacity of 10,000 pieces per month. D'Damas is the flagship brand of this company and there are several sub-brands each providing a particular occasion wears for the consumer.

The current shareholding pattern of D'Damas Jewellery (India) Private Limited is as follows:

Name of Shareholders	No of Equity Shares held (Rs.10 each)	No of Preference Shares held (Rs.100 each)*	% of shares held
Gitanjali Gems Limited	2,500,000	250,000	50
Damas Jewellery LLC	2,500,000	250,000	50
Total	**5,000,000**	**500,000**	**100**

**4% non-cumulative preference shares*

The financial performance of D'Damas Jewellery (India) Private Limited for the past two financial years is as follows:

Rs. Million

	For period ending March 31,	
	2004	2005
Equity/Preference Capital (Rs. mn)	0.10	50
Reserves & Surplus (Rs. mn)	(9.77)	(82.67)
Total Income (Rs. mn)	18.71	230.13
Profit After Tax (Rs. Mn)	(9.77)	(72.91)
Earnings Per Share (Rs)	(9765.18)	(14.58)
Book value Per Share (Rs)(1)	(31,056.54)	(8.68)

(1) Face value of each equity share is Rs. 10/-.

Board of Directors

The board of directors of D'Damas Jewellery (India) Private Limited comprises of Mehul C. Choksi, Twahid Mohammad Taher Abdullah, G. K. Nair and Dinesh Dhanak.

Registered User Agreement between Damas Jewellery LLC, D'Damas and the Company

A Registered User Agreement has been entered into between Damas Jewellery LLC, D'Damas and the Company, Damas LLC has granted to D'Damas a non-exculsive, non-transferable, royalty-free license to use the mark Damas for a period of ten years in India.

ASSOCIATE COMPANIES

Our Company has the following associate companies:

1. Gili India Limited
2. Brightest Circle Jewellery Private Limited

Gili India Limited

Gitanjali Jewels was formed as partnership firm in 1994 and converted into Gitanjali Jewels Limited, a public Limited Company on March 29, 2001 under part IX of the Companies Act, 1956. The company was renamed as Gili India Limited on November 10, 2005. Gili India Limited is involved in manufacturing and sales of jewellery. The company owns the brand 'Gili' which was one the first jewellery brands in India.

Our Company directly holds 40% and our promoters directly/ indirectly holds 20% of Gili India Ltd.

The shareholding pattern of Gili India Limited is as below:

Name of Shareholders	No of Shares held	% of shares held
Gitanjali Gems Ltd.	2,000,000	40
Mr. Mehul C. Choksi	500,000	10
Mrs. Priti M. Choksi	250,000	5
Lustre Manufacturers Pvt. Ltd.	250,000	5
Mr. Shailesh Sanghani	500,000	10
Mrs. Manisha Shailesh Sanghani	500,000	10
Joel Cardoso	500,000	10
Michelle Joel Cardoso	500,000	10
Total	**5,000,000**	**100**

Board of Directors

The board of Gili India Limited comprises of Shailesh Sanghani, Mehul C. Choksi, Joel Cordoso and G.K. Nair.

The financial performance of Gili India Limited for the past three financial years is as follows:

Rs. Million

	For period ending March 31,		
	2003	**2004**	**2005**
Equity Capital (Rs. Mn)	50.00	50.00	50.00
Reserves & Surplus (Rs. mn)	31.86	60.26	95.05
Total Income (Rs. mn)	656.99	736.55	835.41
Profit After Tax (Rs. mn)	23.68	32.64	40.45
Earnings Per Share (Rs)	4.74	6.53	8.09
Book value Per Share (Rs) (1)	16.31	22.01	28.99

(1) Face value of each equity share is Rs.10/-

Escrow Agreements in relation to the shares of Gili India Limited

Three escrow agreements dated November 10, 2005 have been executed between the Company, Mr. Prakash Shah and Mr. Mehul C. Choksi, Mrs. Priti M. Choksi and Lustre. Under these escrow agreements Mr. Mehul Choksi, Mrs. Priti M. Choksi and Lustre have agreed to deposit 500,000, 250,000 and 250,000 equity shares respectively of Gili India Limited in escrow with Mr. Prakash Shah, the escrow agent.

Under the escrow agreements, the Escrow Agent is required to handover the equity shares to the Company upon receiving a written communication from the Company exercising its option to purchase the equity shares held in escrow. In case the Company fails to exercise its option as stipulated in the Escrow

Agreement on or before November 9, 2010, the option available to the Company would lapse automatically and the Escrow Agent would be required to return the equity shares to Mr. Mehul Choksi, Mrs. Priti Choksi and Lustre, respectively.

Brightest Circle Jewellery Private Limited

Brightest Circle Jewellery Private Limited was incorporated on May 19, 2004 as a joint venture between Gitanjali Gems Limited, Dimexon and Mahendra Brothers mainly to promote sales of diamond studded jewellery under the brand name Nakshatra. Nakshatra is positioned as a premium brand of jewellery available at prices between Rs. 15,000/- and Rs. 200,000/-. The Nakshatra Range of diamond jewellery is available in over 150 retail outlets in India (as on September 30, 2005).

The current shareholding pattern of Brightest Circle Jewellery (Private) Limited is as follows:

Name of Shareholders	No of Shares held	% of shares held
Gitanjali Gems Ltd.	333332	33.33
Mr. Mehul C. Choksi- nominee of GGL	1	0.00
Mr. Nishit Mehta- nominee of GGL	1	0.00
Dimexion Diamonds Ltd.	85251	8.53
Mr. Milan K. Parikh	2500	0.25
Unidesign Jewellery (India) Pvt. Ltd.(UJIPL)	330832	33.08
Mr. Hiten Mehta –nominee of UJIPL	1	0.00
Kirtilal Kalidas Ornament Exports Pvt. Ltd.(KKOEPL)	248080	24.81
Mr. Paresh K. Mehta- nominee of KKOEPL	1	0.00
Mr. Pankaj K. Mehta- nominee of KKOEPL	1	0.00
Total	1000000	**100.00**

Board of Directors

The board of Brightest Circle Jewellery Private Limited comprises of Paresh Mehta, Mehul C. Choksi, Milan Parikh, Hiten Mehta, Pankaj Mehta and Nishit Mehta.

The financial performance of Brightest Circle Jewellery Private Limited for the past three financial years is as follows

	For period ending March 31,		
	2003	2004	2005
Equity Capital (Rs. Mn)	-	-	0.10
Reserves & Surplus (Rs. mn)	-	-	(1.16)
Total Income (Rs. mn)	-	-	73.23
Profit After Tax (Rs. mn)	-	-	(1.16)
Earnings Per Share (Rs)	-	-	(122.35)
Book value Per Share (Rs) (1)	-	-	(106.17)

(1) Face value of each equity share is Rs.10.

License Agreement between Brightest Circle, DTC and De Beers Centenary AG

An agreement has been executed between DTC, De Beers Centenary AG ("***DBCAG***") and Brightest Circle on November 8, 2005. Under the agreement, DTC has granted Brightest Circle a non-assignable and royalty free license to use the "Nakshatra" and "The Brightest Circle of Light" marks for the term commencing from January 1, 2005 and ending on December 31, 2007 for use in Bahrain, China, the European Community, Hong kong, India, Japan, Kuwait, Oman, Qatar, Saudi Arabia, Singapore, Thailand, Turkey and the United Arab Emirates.

Brightest Circle does not have any right, title or interest in or to the marks granted under the agreement. All goodwill resulting from the use by Brightest Circle of the marks whether before or during the term of the agreement would inure to the benefit of DBCAG. Brightest Circle is prohibited from applying for registration of the marks or any such similar marks.

Brightest Circle has the option to call for the purchase of the Nakshatra and The Brightest Circle of Light marks from DBCAG and the DTC for U.S.$ 1 in accordance with the terms of the Agreement. The DTC is entitled to terminate the agreement under circumstances which include the following:

- Brightest Circle fails to achieve 60% of its sales projection during the year 2006
- Brightest Circle fails to maintain the standards of quality to the satisfaction of DTC

- Brightest Circle ceases to manufacture or supply any products under the licensed marks

Memorandum of Understanding between the Company and Modern India Limited
A Memorandum of Understanding has been entered into between the Company and Modern India Limited (Modern) on September 16, 2005 for setting up a joint venture to explore opportunities for operating boutique retail outlets in jewellery and to offer related services.

The important aspects of the Memorandum of Understanding include the following:

- To have equal shareholding in the JV Company
- A director nominated by Modern would be the Chairman of the Board of Directors.
- Decisions on certain matters shall be taken by the Board of Directors or in general meeting only after the consent of both the Company and Modern.
- The understanding for the JV Company shall be for an initial period of 3 years with a right to mutually renew or extend the same.
- A registered User Agreement having an initial lock-in period for 3 years will be executed for the trademark "Giantti" with the JV Company.

Convertible Debenture Subscription Agreement between the Company and Bennett Coleman & Company Limited

- A Convertible Debenture Subscription Agreement ('Agreement') has been executed with Bennett Coleman & Company Limited ('BCCL') on September 22, 2005.

- The Company has agreed to issue and allot to BCCL 2 million debentures at the price of Rs. 300 each amounting to Rs. 600 million on the closing date. Pursuant to the conversion of the debentures the shares acquired by BCCL (BCCL shares) shall be at a premium of Rs. 290 shall be not less than 2 million shares constituting not less than 5% of the post merger issued and outstanding equity share capital of the Company. In any event pursuant to the Scheme of Amalgamation, if the Company acquires shares of any of the entities whereby there is a 'net cash outflow' to the Company, the subscription price for the BCCL shall undergo a downward revision and shall be adjusted accordingly. Consequently, the number of BCCL shares to be issued and allotted to BCCL shall be increased accordingly.

- In the event that post – Scheme of Amalgamation, issued and outstanding equity share capital of the Company is otherwise than Rs. 400.10 million, the subscription price for the BCCL shall be accordingly adjusted.

- On the conversion date the debentures shall be converted into the BCCL shares without any further act by or on behalf of the Company and the Promoters shall cause the Company to issue and allot the BCCL shares to BCCL. On the conversion of the Debentures into BCCL shares in accordance with the agreement, it shall result in the full and final discharge of all the obligations of the Company and the Promoters towards BCCL in relation to the Debentures.

- It is however provided that in circumstances that the Scheme of Amalgamation is not completed on or prior to the date being six months from the date of the agreement, BCCL shall have right not to convert its Debentures into the BCCL shares in the terms of the said agreement.

- It has been further provided that in case BCCL exercises its right not to convert the Debentures, BCCL shall be entitled to require the Company to:
  Redeem such Debentures corresponding to the amount unutilized by the Company under the Advertisement Agreement and make the payments of such amounts to BCCL; and convert the remaining Debentures into shares provided the valuation of the Company shall be Rs. 3,730 million and the premium payable on each share shall be Rs. 114.

- The Company is required to make the payment of the amount unutilized by the Company under the Advertisement Agreement within seven days on being required to do so in writing by BCCL and shall issue and allot the shares as prescribed within the said seven days.

- Pursuant to the conversion of the Debentures the shares allotted to BCCL will rank pari passu in all respects and identical with the then existing shares of the Company, with reference to all rights and benefits including but not limited to voting rights, dividends, stock splits, bonus and/or rights issuance provided the shares allotted to BCCL upon conversion of the Debentures shall be entitled to pro rata dividend for the period of holding during the financial year in which such shares are allotted to BCCL.

- The obligation of both the Company and BCCL is subjected to the satisfaction or waiver by an instrument in writing by either of the parties of the conditions mentioned in the agreement ('conditions precedent'). The Closing shall then take place within seven business days from the date of fulfillment of all the conditions precedent by each party.

- At the closing BCCL is required to pay Rs.600 million as subscription amount to the Company.

- Further BCCL covenants that after the conversion of the Debentures into BCCL shares, the shares shall be subject to a lock – in period of 18 months in which BCCL shall not sell, transfer or otherwise dispose off the BCCL shares. Further after the expiry of the said lock-in period BCCL shall have a right to sell, transfer or dispose off 50% of the BCCL shares. After the expiry of 36 months, BCCL shall the right to transfer all the BCCL shares.

- Further the Promoters will not be permitted to sell any shares to any third party until and unless the third party has acquired the pro rata portion of BCCL shares.

- The Promoters are required to cause the BOD of the Company to issue appropriate, duly-stamped certificate/s in respect of the Debentures, evidencing BCCL's ownership of and title to the Debentures, which certificate/s shall also evidence ownership of the BCCL shares by BCCL on or from the conversion date.

- The said Agreement can be terminated at any time in the event of breach by the other party and also can claim damages form any party for breach committed during the period prior to such termination.

- The said Agreement cannot be amended without the mutual consent of the parties by an instrument in writing.

- Pursuant to this Agreement, the debentures allotted to BCCL were converted into equity shares of the Company on October 25, 2005.

Shareholder Agreements

The Company has entered into the following shareholders' agreements:

- The Company is party to a shareholders agreement dated April 23, 2005 relating to the shareholding in Brightest Circle Jewellery Private Limited ("Brightest circle"). Pursuant to this shareholders agreement, Unidesign Jewellery (India) Private Limited ("Unidesign"), Kirtilal Kalidas Ornament Exports Private Limited ("Kirtilal") and Gitanjali Gems Limited subscribed to the equity of Brightest Circle, with Gitanjali Gems Limited holding 33.34% of the shares. According to this agreement, the Company, if it is desirous of selling its equity in Brightest Circle, shall offer the shares held by it to Unidesign and/or Kirtilal in the first instance in equal proportion. Unidesign and/or Kirtilal may either accept the offer or name another entity to accept the offer. However, such other entity must be a DTC Sighthholder and the transfer of shares shall be with the prior consent of the DTC. If Unidesign and/or Kirtilal decline to accept the offer and fail to nominate another entity in the manner aforementioned, the Company shall be entitled to offer its equity to any third party with the prior approval of the DTC. Furthermore, the subscription agreement provides that if the Company or other shareholders cease to be DTC sightholders, they can only continue to remain shareholders of Brightest Circle with the approval of DTC. This shareholders agreement may be terminated, inter alia, when the license given by DTC to use or market the products under the name 'Nakshatra' is withdrawn.

- The Company is a party to a shareholders' agreement dated July 14, 2004 relating to the shareholding in D'Damas Jewellery (India) Private Limited ("D'Damas"). Pursuant to this shareholders agreement the Company (through the erstwhile Gemplus Jewellery India Limited) and Damas Jewellery LLC

("Damas") formed a joint venture company whereby Damas and the Company hold the issued capital of D'Damas equally between them. The agreement provides that the shareholding of the Company and Damas in the issued, subscribed and paid up capital shall at all times be in the ratio 1:1 respectively and that neither party to the agreement can transfer their shares without first making an offer to the other. The agreement shall cease to be in effect where the D'Damas is wound up or if either the Company or Damas holds less than 25% of the shareholding in the joint venture undertaking. The agreement has been amended on August 22, 2005 incorporating provisions pertaining to non-competition, increase in share capital and no objection clause for establishing similar establishments by Damas.

MANAGEMENT

Board of Directors

As per the Articles of Association, the Company cannot have less than 3 or more than 12 Directors. The Company currently has eight Directors.

The following table sets forth details regarding the Board of Directors as of the date of this Prospectus:

Sr. No.	Name, Designation, Father's Name, Address, Occupation, Nationality	Age	Date of Appointment and Term	Other Directorships
1.	**Mr. Mehul C. Choksi** Chairman and Managing Director Son of late Mr.Chinubhai Choksi 9, Gokul Apartments 99, Walkeswar Road Mumbai 400 006. Occupation: Business Nationality: Indian	46 Years	First Date of appointment: August 21, 1986 Term: Three years with effect from August 1, 2004	Gitanjali Exports Corporation Limited Fantasy Diamond Cuts Private Limited Gitanjali Reality Private Limited Lustre Manufacturers Private Limited Maitreyi Impex Private Limited Mehul Impex Limited Rohan Mercantile Private Limited Trans Expo Trade Private Limited Gili India Limited D'Damas Jewellery (India) Private Limited Facet Shop Private Limited Gitanjali Impex Private Limited Brightest Circle Jewellery Private Limited Digico Holdings Limited Hyderabad Gems SEZ Limited Mannat Jewellery Manufacturing Private Limited Mast Jewellery Distributions Private Limited Modali Jewels Private Limited Diminco Damas Diamond Mfg DMCC Modali Distributors Private Limited
2.	**Mr. G. K. Nair** Executive Director Son of Mr. Karunakaran Nair II-4, Haridwar Towers Evershine Nagar Malad (W) Mumbai 400 064. Occupation: Service Nationality: Indian	44 years	Date of Appointment: September 1, 1999. Term: To retire by rotation.	Gitanjali Gold & Precious Limited Gili India Limited D'Damas Jewellery (India) Private Limited Nihar Trading Private Limited
3.	**Mr. Adrianus Voorn** Executive Director Son of Bernardus Voorn CTS No.61-A, Dattapada Road Opp. Cable Corporation of India Borivali (E) Mumbai 400 066. Occupation: Service Nationality: Dutch	62 years	Date of Appointment: April 17, 1999 Term: To retire by rotation.	Mehul Impex Limited Fantasy Diamond Cuts Private Limited
4.	**Mr. Dhanesh V. Sheth** Executive Director Son of Vrajilal Sheth 5, Ganpat Bhuvan Morvi Lane, Chowpatty Mumbai 400 007. Occupation: Service Nationality: Indian	48 years	Date of Appointment: August 1, 1990 Term: To retire by rotation	Priyanka Gems Private Limited
5.	**Mr. Prakash Shah** Independent Director Son of Dharshibhai Shah Mithila Apratments "A" Wing Flat No. 503, 5th Floor S. V. Raod, Kandivali (West) Mumbai 400 067.	51 years	Date of Appointment: October 25, 2005 Term: To retire by rotation.	State Bank of India – Director (Local Board) Uniphos Enterprises Limited Bharat Serum & Vaccines Limited Beico Industries Ltd

Sr. No.	Name, Designation, Father's Name, Address, Occupation, Nationality	Age	Date of Appointment and Term	Other Directorships
	Occupation: Profession Nationality: Indian			
6.	**Mr. Sujal Shah** Independent Director Son of Anil Shah 9, Ganesh Bhuvan Natwar Nagar, Road No.2 Jogeshwari (East) Mumbai 400 060. Occupation: Profession Nationality: Indian	37 years	Date of Appointment: October 25, 2005 Term: To retire by rotation.	i-Process Services (India) Private Limited Reliance Capital Trustee Company Limited
7.	**Mr. Vijay Kumar Jatia** Independent Director Son of Mahabir Prasad Jatia 40, Belvedere Court Sane Guruji Marg Mahalaxmi Mumbai 400 011. Occupation: Business Nationality: Indian	48 years	Date of Appointment: October 25, 2005 Term: To retire by rotation.	Modern India Limited (Chairman and Managing Director) The Indian Hume Pipe Company Limited Modern International (Asia) Limited, Hong Kong F. Pudumjee Investment Company Limited Shree Rani Sati Investment and Finance Limited Camellia Mercantile Private Limited Sarat Leasing and Finance Limited Lorven Steels Private Limited Modali Jewels Private Limited Belvedere Court Condominium Modali Distributors Private Limited Indian Institute of Jewellery Limited
8.	**Mr. S. Krishnan** Independent Director Son of K. Appu Iyer 569, HMT Layout 1st Block, Vidyaranyapura Bangalore 560 097 Occupation: Business Nationality: Indian	59 years	Date of Appointment: October 25, 2005 Term: To retire by rotation.	Rane Holding Limited Rane Investments Limited Goa Glass Fibre Limited Interactive Realities International Private Limited

Brief Biographies

Mr. Mehul C. Choksi, aged 46 years, is the Company's Chairman and Managing Director. Mr. Choksi obtained a Bachelor's degree in Commerce and has been associated with the diamond industry for the last 28 years. The group commenced its operations through formation of partnership firm known as Gitanjali Exports Corporation in 1966 by Mr. Choksi's father Late. Chinubhai Choksi. Mr. Mehul C. Choksi joined the group in the year 1981. Later on in 1986 he established Gitanjali Gems Ltd, the flagship company of the group. He has been instrumental in lauching successful brands like GILI, D'Damas and Giantti and has also played a very important role in positioning the brands Nakshatra and Asmi in India. He has wide experience in the diamond industry and has been incharge of buying rough diamonds, sales of polished goods to customers and has pioneered the use of corporate practices in the Indian jewellery industry.Mr. Choksi has been on the committee of the Export Promotion Council from time to time and is primarily responsible for all the expansion and diversification plans of the group. The members of the Company have passed a resolution in the General Meeting held on August 2, 2004 and have approved the appointment of Mr. Mehul C. Choksi as Managing Director of the Company for a period of three years with effect from August 1, 2004 on a salary of Rs.36,00,000 per annum.

Mr. G. K. Nair, aged 44 years, is an Executive Director (Finance). He is a qualified Chartered Accountant and joined the company in November 1998 as General Manager. During his association he has been incharge of resource mobilization, corporate planning, restrucuting of various companies within the group and heading the the finance team. In September, 1999 he was appointed has the Director and is directly responsible for the finance and accounting functions, MIS, Managerial functions including personnel and administration. He has wide experience in various operational and functional areas and has focused on macro level operations in the company. Prior to joinng the company, he worked with M/s. LKP Merchant Financing Ltd., a non banking finance company for a period of 12 years. His gross remuneration is Rs. 12,00,000 per annum for his professional services.

Mr. Adrianus Voorn, aged 62 years, is an Executive Director (Manufacturing). He has been associated with Gitanjali Gems Ltd. for the past 10 years. He is a Dutch National and is in charge of the Borivli factory which is a state of the Art factory admeasuring 7900 square metres. Mr. Voorn draws a salary of Rs. 28,34,088 per annum.

Mr. Dhanesh V. Sheth, aged 48 years, is a Commerce graduate and has been with the Gitanjali Group for the past 2 decades. He heads the marketing operations of the Company and looks after the buying, selling and exports of diamonds. Mr Sheth is responsible for liaisoning with customers and business development as part of his functions.

Mr. Prakash Shah, aged 51, is an Indian national and is an independent director. He holds Bachelor's degrees in Commerce and Law and is qualified as a Solicitor. He is a leading practicing Advocate having more than 22 years practice in the Bombay High Court. He is the proprietor of the PDS Legal, a solicitors and advocates firm.

Mr. Sujal Shah, aged 37 years, is a holder of a Bachelor's degree in Commerce from R.A. Podar College of Commerce, Mumbai and is a qualified chartered accountant and is a fellow member of the Institutes of Chartered Accountants of India. Mr. Shah is a co-opted member of the Research Committee of the Institute of Chartered Accountants for the year 2005 – 2006. Mr. Shah is also Chairman of the Membership and Website Committee of the Chamber of Income Tax Consultants. Mr. Shah is presently a partner in the firm M/s. N.M. Raiji & Co. Chartered Accountants, where he is primarily responsible for the management consultancy services practice of the firm.

Mr. Vijay Kumar Jatia, aged 48 years, an Indian national, is an independent director. He holds a Bachelor's degree in Commerce from Bombay University and is a leading industrialist. He has held important positions in the Indian Paints Association, All India Cotton Seed Crushers Association, Central Coordination Office, Oil Industry, Indian Merchants Chamber, Vanaspati Manufacturers' Association, Rotary Club of Bombay, Federation of Indian Chamber of Commerce and Industry, Bombay Chamber of Commerce and Industry and Mill Owners Association. Mr. Jatia is also on the board of many respected companies.

Mr. S. Krishnan, aged 59 years, an independent director, is a postgraduate holding masters degrees in Commerce (M.Com) and Financial Management (M.F.M.). He is a leading professional and has vast experience in banking, fund management and capital market operations. Mr. Krishnan 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. He is presently the Non Executive Chairman in Interactive Realities International Private Limited and is on the board of reputed companies.

Compensation of Directors

Details of the compensation of the managing director and executive directors are as provided above. The independent directors on the board are entitled to sitting fees as is permissible under the Companies Act, and actual travel, boarding and lodging expenses for attending the Board/committee meetings. They may also be paid commission and any other amounts as may be decided by the board in accordance with the provisions of the Articles, the Companies Act and any other applicable Indian laws and regulations.

Commission to Non-Executive Directors

Remuneration to Non-Executive Directors is made by way of sitting fees only for each of the Audit Committee Meeting and Board Meeting attended. No other remuneration by way of commission or compensation is paid.

Sitting Fees

The Board of Directors of the Company have vide resolution passed in the meeting held on August 29, 2005 resolved that the sitting fee payable to the directors would be Rs.2,500/- per meeting for Board Meetings and Rs.1,500/- per meeting for Audit Committee Meetings.

Payment or benefit to officers of the Company

Except as stated in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of the officers except the normal remuneration for services rendered as Directors, officers or employees of the Company.

Interests of Directors

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. Our Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that which may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners or trustees. Mr. Mehul C. Choksi, our Managing Director is entitled to receive remuneration from us. See the section titled "Management" on page 101 of this Prospectus.

Corporate Governance

The Company has established a tradition of best practices in corporate governance. It has complied with the requirements of the applicable regulations, including the listing agreement with Stock Exchanges and the SEBI Guidelines, in respect of corporate governance, including constitution of the Board and Committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and constitution of Board Committees, majority of them comprising of independent directors and chaired by an independent director to oversee critical areas.

The Company has a broad based Board of Directors constituted in compliance with the Companies Act and listing agreement with Stock Exchanges and in accordance with best practices in corporate governance. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The management of the Company duly provides the Board of Directors detailed reports on its performance periodically.

The Board of Directors of the company comprises 8 (Eight) Directors. Out of which one is Chairman and Managing Director, three are Executive Directors and the remaining four are Independent Directors

Shareholding of the Directors

The Articles do not require the Directors to hold any qualification shares in the Company. The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as of October 25, 2005 is set forth below:

Sr. No.	Shareholders	No. of Equity Shares held
1.	Mehul C. Choksi	2,98,78,292

Borrowing Powers of our Board

The Articles of Association of our Company (Article 81) have empowered the Board of Directors of our Company, with the consent of the Company in General Meeting, to raise any money or any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a General Meeting exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, but subject to the provisions of Section 293 of the Act the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company, by the issue of debentures, debentures convertible into shares of this or any other company or perpetual annuities and in security of any such money so borrowed, raised or received, mortgage, pledge or charge, the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or payoff any such securities, provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount upto which moneys may be borrowed by the Board of Directors. Further, the Directors of the Company by a resolution passed at a meeting of the Board on October 25, 2005 has delegated the power to borrow money otherwise than on debentures to the Managing Director within the limits prescribed. Subject to the above, our Directors may, at their discretion borrow or secure the repayment of any sum of money if the Company for any purpose, at such time as it thinks fit, and in particular, by promissory notes or by opening current accounts, or by receiving deposits and advances with or without security, or by the issue of bonds perpetual or redeemable debentures or debenture stock of the Company (both present and future) including its uncalled capital for the time being, or by mortgaging or charging, or pledging any lands, buildings, goods or other property and securities of the Company, or by such other means as to them may seem expedient.

Vide resolution dated September 30, 2005 approved by ourmbers at the General Meeting, the Board of Directors is empowered to borrow up to Rs. 15000 million exclusive of interest.

Changes in the Board of Directors in the last 3 years:

The following are the changes to our Board of Directors in the last 3 years and no changes thereafter have taken place.

Name	Date of Appointment	Date of Cessation	Reason
Mr. Prakash D. Shah	25.10.05	N.A.	Appointed as Additional Director
Mr. Sujal Shah	25.10.05	N.A.	Appointed as Additional Director
Mr. Vijay Kumar Jatia	25.10.05	N.A.	Appointed as Additional Director
Mr. S. Krishnan	25.10.05	N.A.	Appointed as Additional Director

Committees of the Board

Audit Committee

The committee consists of executive and independent directors, with the majority being independent directors. The committee currently comprises of four members namely Mr. Sujal Shah, Mr. Vijay Kumar Jatia, Mr. S. Krishnan and Mr. G.K.Nair. Mr. Sujal Shah is the Chairman of our Audit Committee. Mr. Kishor Baxi is the Secretary of our Audit Committee. The powers, roles and review of the Audit Committee are in accordance with Section 292A of the Companies Act and listing agreements to be entered into with the Stock Exchanges.

Remuneration Committee

The Company has not formed the remuneration committee. This is one of the non-mandatory requirements of the Listing Agreement.

Investor Grievances and Share Transfer Committee

The Investor Grievances and Share Transfer Committee comprises of 3 members namely, Mr. Prakash Shah, Mr. G.K.Nair and Mr. Dhanesh V. Sheth. Mr. Prakash Shah is the Chairman of this committee. Mr. Kishor Baxi is the Secretary of this Committee. The Investor Grievances and Share Transfer Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities. The scope and functions of the Investor Grievances and Share Transfer Committee are as per Clause 49 of the Listing Agreement.

Key Managerial Personnel

The Company's managing director and executive directors are key management personnel; please refer to page 101 of this Prospectus under the section "Management".

Mrs. Priti Choksi, aged 41 years is a holder of a Bachelor's degree in Commerce and is associated with Gitanjali for the past 10 years. She is the wife of the Promoter Director Mr. Mehul C. Choksi and is CEO of Jewellery Division.

Mr. Dhruv Desai, aged 52, is a holder of a Bachelor's degree in Commerce. He has been associated with Gitanjali Group for the last 13 years. He has a total work experience of almost 3 decades. He was earlier associated with Allahabad Bank as Officer Grade I and has rich experience in foreign exchange. He is working with the group as GM Banking, and is responsible for day to day fund management, which includes national as well as international transactions. His present remuneration is Rs. 372,000/- per annum.

Mr. Upen Shah, aged 33 years, is a Commerce graduate and has qualified as a chartered accountant. He has been associated with Gitanjali for almost ten years. His job profile involves liaisoning with banks and financial institutions, ensuring compliance with requirements of banks and financial institutions towards seeking fresh capital and renewal or enhancement of working capital requirements, holding consortium meetings, making presentations to the credit committee of various banks, and supervising issues pertaining to direct and indirect taxation, personnel, MIS, export import regulations, internal audit etc. His present remuneration is Rs. 312,000 per annum.

Mr. Kishor Baxi, aged 47 years, is the holder of Bachelor's degrees in Commerce and Law from Bombay University and is qualified as a company secretary. He has recently associated himself with the Gitanjali group but has 13 years experience as company secretary. His job profile includes compliance with legal and secretarial work of the company**.** Before joining the group, he worked with Dai-ichi Karkaria Ltd. for 3 years as Company Secretary. His present remuneration is Rs. 800,000 per annum.

Mr. Anaggh Desai, aged 43 yrs holds a Masters Degree in Business Administration and a postgraduate degree Marketing Management. His professional experience of 18 years covers a broad spectrum of industries from Market Research, Hospitality, Mail Order, Courier & Logistics to Travel and dotcom. With his acumen and sharp instincts he has been successful across industries to be a turn-around artist. His present remuneration is Rs. 2,400,000 per annum.

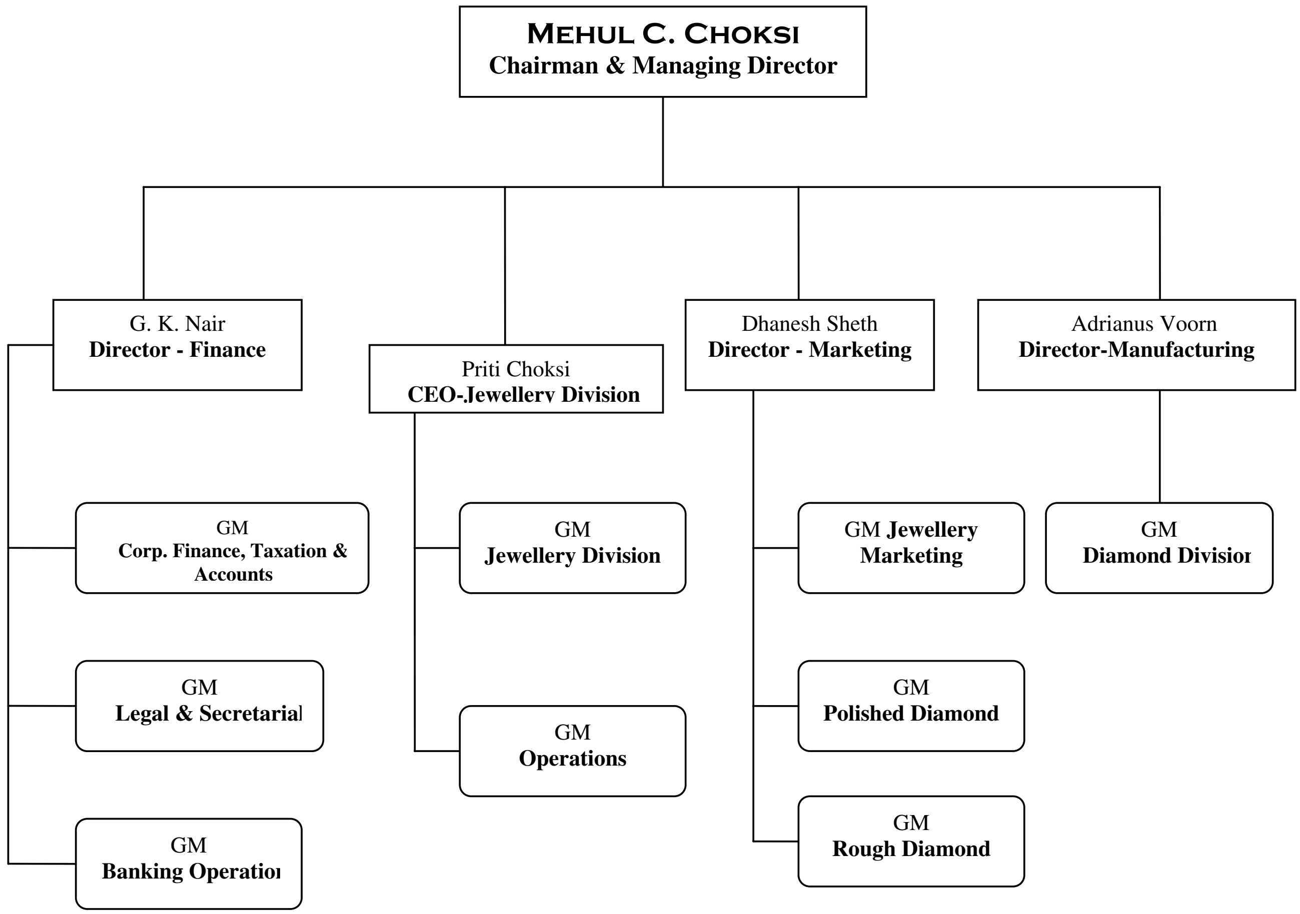
Mr. Nishit Mehta, aged 33 years, is a graduate and has been associated with the group for the last 13 years. His job profile includes developing new domestic as well as international clientele for the company and servicing the existing clients. He is responsible for catering services to existing clients located all over the world. He has a team of 7 regional managers. His present remuneration is Rs. 480,000 per annum

Mr. Sudhir A Mehta, aged 42 years, is associated with the Gitanjali Group for almost 2 decades. He looks after the procurement and selling of rough diamonds in accordance with the Company's requirements. His present remuneration is Rs. 216,000 per annum

Mr. Sharad Mehta, aged 48 years is associated with the Gitanjali Group for last 10 years. He has been in this industry for almost 25 years now. He is GM Factory, Manufacturing of Diamonds. His main responsibilities include monitoring of production on schedule, arrangement of required resources and day to day management of the diamond factory. His present remuneration is Rs. 360,000 per annum.

Mr. Anuj Rakyan, aged 26 years is a graduate and has been associated with the Gitanjali Group since December 2004. He is working as Brand Manager and is responsible for implementing the various marketing strategies developed by the Director Marketing. He looks after day to day operations of the brands like Asmi, Giantti, and CRIA. His present remuneration is Rs. 480,000 per annum.

Mr. Rajan Chorse, aged 50, is a graduate in Chemical Engineering and a post graduate in Economics and a diploma holder in Business Management. He has 29 years work experience in private and public sector banks and multinational companies in industries such as banking, speciality chemicals and gems and jewellery. His range of expertise spreads across functions like finance, human resource management, marketing, supply chain management and corporate management. His present salary is Rs. 1,398,768 per annum.



Shareholding of the Key Managerial Personnel

Save and except as stated below, none of our Key Managerial Employees hold Equity Shares in our Company.

Shareholders	No. of Equity Shares held
Mrs. Priti M. Choksi	483077
Mr. Nishit Mehta	1200
Mr. Sudhir A. Mehta	1200
Mr. Sharad Mehta	20

Note: Mr. G.K Nair and family hold shares in Nihar Trading Private Limited, a shareholder of the Company.

Changes in the Key Managerial Personnel since last three years:

Other than the following there has been no change in the key managerial personnel of our Company:

Name	Designation	Date of Joining	Date of Leaving	Reasons for Change
Mr. Kishor Baxi	GM-Legal & Secretarial	03.09.05	N.A.	N.A.
Mr. Srinivasan	GM-Jewellery Division	21.09.05	07.12..05	Resignation
Mr. Anaggh Desai	GM-Jewellery Marketing	22.04.05	N.A.	N.A.
Mr. Upen Shah	GM-Corporate Finance, Taxation and Accounts	21.02.05	N.A.	N.A.
Mr. Anuj Rakyan	Brand Manager	01.12.04	N.A.	N.A.
Mr. Sharad Mehta	GM-Diamond Division	05.01.05	N.A.	N.A.

Bonus or Profit Sharing Plan for the Key Management Personnel

The Company’s compensation for employees at all levels is a fixed component. Accordingly, there is no bonus or profit sharing plan for the key management personnel as of the date of this Prospectus.

PROMOTER AND PROMOTER GROUP

The Company has an individual promoter.

The pre-Issue shareholding of the Promoter in the Company is as follows:

Name of the Shareholder	Number of Shares	Percentage Holding (%)
Mehul C. Choksi	29,878,292	71.14
Total	**29,878,292**	**71.14**

PROMOTER

Mehul C. Choksi

Identification	Details
PAN	AABPC 1451 E
Passport No.	F2510042

Mr. Mehul C. Choksi, aged 46 years, Chairman & Managing Director, is the promoter of the Company. He is a commerce graduate and is associated with the diamond industry since 1976. Mr. Mehul C. Choksi joined the group in the year 1981. Later on in 1986 he established Gitanjali Gems Ltd, the flagship company of the group. He has been instrumental in lauching successful brands like *Gili*, *D'Damas* and *Giantti* and has also played a very important role in positioning the brands *Nakshatra* and *Asmi* in India. He has wide experience in the diamond industry and has been incharge of buying rough diamonds, sales of polished goods to customers and has pioneered the use of corporate practices in the Indian jewellery industry.Mr. Choksi has been on the committee of the Gem and Jewellery Export Promotion Council from time to time and is primarily responsible for all the expansion and diversification plans of the Gitanjali group.

We confirm that the PAN Number, bank account number and passport number of the promoter has been submitted to NSE and BSE at the time of submission of Prospectus.

The Promoter and the Promoter group have not been restrained from accessing the capital market for any reasons by SEBI or any other authorities.

Mr. Mehul Choksi has taken unsecured loans of Rs. 1.40 million.

Interest of Promoter

The Promoter of our company has no interest in our Company except to the extent of remuneration received by him in his capacity as the Managing Director of the Company and reimbursement of expenses and to the extent of any equity shares of our Company held by him. There are no interests of promoter or payment or benefit to promoter except as mentioned elsewhere in the document.

Our Promoter may also be regarded as interested in the Equity Shares, if any, held by or that which may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners or trustees. Mr. Mehul C. Choksi, the Chairman & Managing Director is entitled to receive remuneration from us. See the section titled "Other Regulatory and Statutory Disclosures" on page 244 of this Prospectus.

Related Party Transactions

Please refer to Related Party Transactions on page 129 of this Prospectus.

GROUP COMPANIES

Mr. Mehul C. Choksi is the natural person in control of the group companies set forth below.

Audarya Investments Private Limited

Audarya Investments Pvt. Ltd. ("Audarya") was incorporated on January 18, 1988. The registered office of the company is at 2A, Raghavadi, 3/7 French Bridge, Mumbai – 400 007. The principal activity of the Audarya is functioning as an investment company.

Shareholding Pattern

Name of Shareholders	No of Shares held	% of shares held
Mehul C. Choksi	500	50.00
Priti M. Choksi	400	40.00
Sharad P Mehta	100	10.00
Total	**1000**	**100.00**

Board of Directors

The board of directors of Audarya comprises of Sudhir A. Mehta and Upen K. Shah.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	0.10	0.10	0.10
Reserves & Surplus	(1.79)	(1.82)	(2.86)
Income	-	0.00	-
Profit After Tax	(0.53)	(0.04)	(1.03)
Earnings Per Share	(533.04)	(36.98)	(1034.82)
Book value Per Share(1)	(1687.85)	(1724.82)	(2759.64)

(1) Face value of each equity share is Rs.100.

Audarya is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 4.10 million

Gitanjali Gold & Precious Limited

Gitanjali Gold & Precious Ltd. ("Gitanjali Gold") was incorporated on October 10, 1997. The registered office of the company is at 6, Backbay View Bldg., Opera House, Mumbai – 400 004. The principal activity of Gitanjali Gold is diamond trading.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Priti M. Choksi	4,880	97.60
Amita Bhansali	20	0.40
Rashmi Bhansali	20	0.40
Chetan Dave	20	0.40
Nirav D. Modi	20	0.40
Sharad Mehta	20	0.40
Deepak Doshi	20	0.40
Total	**5,000**	**100.00**

Board of Directors

The board of directors of Gitanjali Gold comprises of G. K. Nair, Sudhir A. Mehta and Upen K. Shah.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	0.50	0.50	0.50
Reserves & Surplus	(6.15)	(6.06)	(5.44)
Income	1.87	0.88	0.74
Profit After Tax	(0.26)	0.08	0.62
Earnings Per Share	(52.99)	16.54	123.96
Book value Per Share(1)	(1,134.62)	(1,116.70)	(991.35)

(1) Face value of each equity share is Rs.100.

Gitanjali Gold is an unlisted company and has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 16 million

Gitanjali Reality Private Limited

Gitanjali Reality Private Limited ("Gitanjali Reality") was incorporated on July 12, 1995. The registered office of the company is at 15-A Sopariwala, Prasad Chambers, Opera House, Mumbai – 400 004. The principal activity of Gitanjali Reality is functioning as an investment company.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	99,800	99.98
Sudhir Mehta	20	0.02
Total	**99,820**	**100.00**

Board of Directors

The board of directors of Gitanjali Reality comprises of Mehul C. Choksi and Sudhir A. Mehta.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	1.00	1.00	1.00
Reserves & Surplus	0.84	0.82	0.80
Income	-	0.01	0.00
Profit After Tax	(0.01)	(0.02)	(0.02)
Earnings Per Share	(0.12)	(0.18)	(0.24)
Book value Per Share(1)	18.38	18.21	17.98

(1) Face value of each equity share is Rs 10/-

Gitanjali Reality is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 2.72 million

Lustre Manufacturers Private Limited

Lustre Manufacturers Private Limited ("Lustre") was incorporated on August 14, 1991. The registered office of the company is at 301 Maruti Building, 3rd Floor, Kansara Sheri, Surat – 395 003. The principal activities of Lustre are diamond cutting and investment. Lustre became subsidiary of Rohan Mercantile Private Limited on March 31,1992.

Shareholding Pattern

Name of Shareholders	No of Shares held	% of shares held
Rohan Mercantile Pvt. Ltd.	9,900	99.00
Mehul C. Choksi	80	0.80
Priti M. Choksi	5	0.05
Guniyal C. Choksi	10	0.10
Pravin C. Mehta	5	0.05
Total	**10,000**	**100**

Board of Directors

The board of directors of Lustre comprises of Mehul C. Choksi, Upen K. Shah and Sudhir A. Mehta.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	1.00	1.00	1.00
Reserves & Surplus	63.28	63.54	64.57
Income	1.33	0.30	1.05
Profit After Tax	1.20	0.26	1.03
Earnings Per Share	120.17	26.14	103.42
Book value Per Share(1)	6,427.63	6,453.77	6,557.19

(1) Face value of each equity share is Rs 100/-

Lustre is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 29.32 million

Maitreyi Impex Private Limited

Maitreyi Impex Private Limited ("Maitreyi") was incorporated on September 22, 1999. The registered office of the company is at 801, Prasad Chambers, Opera House, Mumbai – 400 004. The principal activity of the Maitreyi is diamond trading.

Shareholding Pattern.

Name of Shareholders	No of Shares held	% of shares held
Mehul C. Choksi	5,000	50.00
Sudhir A. Mehta	5,000	50.00
Total	**10,000**	**100.00**

Board of Directors

The board of directors of Maitreyi comprises of Mehul C. Choksi and Sudhir A. Mehta.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	0.10	0.10	0.10
Reserves & Surplus	6.08	5.84	5.79
Income	561.72	0.02	0.01
Profit After Tax	1.79	(0.24)	(0.04)
Earnings Per Share	178.55	(24.28)	(4.47)
Book value Per Share(1)	617.57	593.66	589.19

(1) Face value of each equity share is Rs. 10/-

Maitreyi is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs.86,000

Mast Jewellery Distributions Private Limited

Mast Jewellery Distributions Private Limited ("Mast") was incorporated on May 27, 2005. The registered office of the company is at Shobha Alexander, #16/2 Commisariat Road Plaza, Bangalore – 560 025 . The principal activities of Mast is retailing of jewellery.

Shareholding Pattern

Name of Shareholders	No of Shares held	% of shares held
Mehul C. Choksi	25,000	50.00
K A Shabeer	12,500	25.00
Abdul Qadir	12,500	25.00
Total	**50,000**	**100.00**

Board of Directors

The board of directors of Mast comprises of Mehul C. Choksi, Tawhid Abdullah, K A Shabeer, Abdul Qadir and Shaheeda Abdul Qadir. Mast is an unlisted company and it has not made any public or rights issue in the preceding three years.

Mast jewellery does not have any audited financial statements as it was incorporated in May 2005.

Mast jewellery is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Mozart Investments Private Limited

Mozart Investments Private Limited ("Mozart") was incorporated on December 28, 1989. The registered office of the company is at 15-A Sopariwala , Prasad Chambers, Opera House, Mumbai – 400 004. Mozart principally acts as an investment company.

Shareholding Pattern.

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	5	0.01
Priti M. Choksi	38,005	99.99
Guniyal C. Choksi	5	0.01
Total	**38,015**	**100.00**

Board of Directors

The board of directors of Mozart comprises of Sudhir A. Mehta and Upen K. Shah.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	3.80	3.80	3.80
Reserves & Surplus	13.08	12.54	12.57
Income	0.13	0.05	0.04
Profit After Tax	0.08	(0.54)	0.03
Earnings Per Share	2.06	(14.15)	0.67
Book value Per Share(1)	443.71	429.66	430.42

(1) Face value of each equity share is Rs.100.

Mozart is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Naviraj Estates Pvt. Ltd.

Naviraj Estates Pvt. Ltd. ("Naviraj") was incorporated on October 3, 1989. The registered office of the company is at 15-A Sopariwala , Prasad Chambers, Opera House, Mumbai – 400 004. The principal activity of the company is functioning as an investment company.

Shareholding Pattern.

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	500	50.00
Priti M. Choksi	500	50.00
Total	**1,000**	**100.00**

Board of Directors

The board of directors of Naviraj comprises of Sudhir A Mehta and Upen K Shah.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	0.10	0.10	0.10
Reserves & Surplus	(0.97)	(1.03)	(1.11)
Income	-	0.03	0.01
Profit After Tax	(0.51)	(0.07)	(0.08)
Earnings Per Share	(482.70)	(68.50)	(79.81)
Book value Per Share[(1)]	(940.40)	(933.19)	(1,013.01)

[(1)] Face value of each equity share is Rs.100.

Naviraj is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 2.92 million

Partha Gems Pvt. Ltd.

Partha Gems Pvt. Ltd. ("Partha") was incorporated on September 17, 1991. The registered office of the company is at 801/802, Prasad Chambers, Opera House, Mumbai – 400 004. The principal activity of the company is trading.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	36,750	75%
Priti M. Choksi	7,350	15%
Guniyal C. Choksi	4,900	10%
Total	**49,000**	**100%**

Board of Directors

The board of directors of Partha Gems Pvt. Ltd. comprises of Upen K. Shah and Sudhir A. Mehta.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	4.90	4.90	4.90
Reserves & Surplus	12.11	12.15	12.20
Income	0.17	0.08	0.06
Profit After Tax	0.15	0.05	0.05
Earnings Per Share	3.15	0.97	0.98
Book value Per Share[(1)]	347.05	348.02	349.00

[(1)] Face value of each equity share is Rs.100.

Partha is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 31.26 million

Pink Jewellery Pvt. Ltd.

Pink Jewellery Pvt. Ltd. ("Pink") was incorporated on September 21, 2005. The registered office of the company is at 1st floor, Plot no.97, Phase II, Road No.16, Marol Industrial Area, MIDC, Andheri (E), Mumbai – 400 093. The principal activity of the company is engaged in the manufacturing of jewellery.

Shareholding Pattern

Name of Shareholders	No. of Shares held (Rs. 10/- each)	% of shares held
Lustre Mfrs Pvt Ltd.	5,000	50.00
Veer Gems (Mumbai) Pvt Ltd.	5,000	50.00
Total	**10,000**	**100.00**

Board of Directors

The board of directors of Pink comprises of Amrish Masalia and Kunal Doshi.

This company is an unlisted company and it has not made any public or rights issue. It has not become a sick company under the meaning of SICA and it is not under winding up.

Prism Bullion Pvt. Ltd.

Prism Bullion Pvt. Ltd. ("Prism Bullion") was incorporated on July 21, 1998. The registered office of the company is at 1, 2nd Floor, Gardi Mansion, Mama Parmanand Marg, Opera House, Mumbai – 400 004. The principal activity of the company is trading.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	4,975	49.75
Priti M. Choksi	4,975	49.75
Manish Vaya	20	0.20
Sandeep Doshi	20	0.20
Yogesh Babaria	5	0.05
Rakesh Jain	5	0.05
Total	**10,000**	**100.00**

Board of Directors

The board of directors of Prism Bullion comprises of Sudhir A. Mehta and Upen K. Shah.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	0.10	0.10	0.10
Reserves & Surplus	(1.43)	(1.46)	(1.51)
Income	0.70	0.53	0.05
Profit After Tax	0.05	(0.03)	(0.05)
Earnings Per Share	5.33	(2.86)	(4.88)
Book value Per Share(1)	(133.88)	(135.99)	(140.52)

(1) Face value of each equity share is Rs.10.

Prism Bullion is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Priyanka Gems Pvt. Ltd.

Priyanka Gems Pvt. Ltd. ("Priyanka") was incorporated on September 17, 1991. The registered office of the company is at 801/802, Prasad Chambers, Opera House, Mumbai – 400 004. The principal activity of the company is trading.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	39,200	80
Priti M. Choksi	4,900	10
Guniyal C. Choksi	4,900	10
Total	**49,000**	**100**

Board of Directors

The board of directors of Priyanka comprises of Sudhir A. Mehta, Dhanesh V. Sheth and Upen K. Shah.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	4.90	4.90	4.90
Reserves & Surplus	5.51	5.72	6.11
Income	10.65	4.12	4.40
Profit After Tax	2.65	0.21	0.39
Earnings Per Share	54.12	4.26	7.92
Book value Per Share(1)	212.51	216.77	224.69

(1) Face value of each equity share is Rs.100.

Priyanka is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 24.99 million

Rohan Mercantile Private Limited

Rohan Mercantile Pvt. Ltd. ("Rohan Mercantile") was incorporated on January 31, 1992 as Bandist Finance & Trading Private Limited and its name was changed to Rohan Mercantile Private Limited on April 24, 1998. The registered office of the company is at 15-A Sopariwala , Prasad Chambers, Opera House, Mumbai – 400 004. The principal activity of the company is to function as an investment company.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	8,000	80
Guniyal C. Choksi	1,000	10
Priti M. Choksi	500	5
Pravin C. Mehta	500	5
Total	**10,000**	**100**

Board of Directors

The board of directors of Rohan Mercantile comprises of Mehul C. Choksi, Priti M. Choksi and Guniyal C. Choksi.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	0.10	0.10	0.10
Reserves & Surplus	16.63	16.60	16.60
Income	0.03	0.01	0.01
Profit After Tax	0.01	(0.03)	(0.01)
Earnings Per Share	0.99	(3.06)	(0.62)
Book value Per Share(1)	1673.30	1670.24	1,669.62

(1) Face value of each equity share is Rs.10.

Rohan Mercantile is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 1.67 million

Rohan Diamonds Private Limited

Rohan Diamonds Private Limited ("Rohan Diamonds") was incorporated on September 17, 1991. The registered office of the company is at 801/802, Prasad Chambers, Opera House, Mumbai – 400 004. The principal activity of the company is to make investments.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	34,300	70
Priti M. Choksi	9,800	20
Guniyal C. Choksi	4,900	10
Total	**49,000**	**100**

Board of Directors

The board of directors of Rohan Diamonds comprises of Sudhir A. Mehta and Upen K. Shah

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	4.90	4.90	4.90
Reserves & Surplus	7.15	7.16	7.15
Income	0.02	0.02	0.01
Profit After Tax	(0.02)	0.01	(0.01)
Earnings Per Share	(0.38)	0.13	(0.18)
Book value Per Share(1)	245.94	246.08	245.90

(1) Face value of each equity share is Rs.100.

Rohan Diamonds is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up. It has taken unsecured loans of Rs. 12.73 million

Trans-Expo Trade Private Limited

Trans-Expo Trade Private Limited ("Trans-Expo") was incorporated on October 4, 1994. The registered office of the company is at 6, Backbay View Bldg., Opera House, Mumbai – 400 004. The principal activity of the company is trading.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
Mehul C. Choksi	4,900	49.00
Lustre Mfrs. Pvt. Ltd.	4,900	49.00

Deven J. Mehta	100	1.00
Nirav Modi	100	1.00
Total	**10,000**	**100.00**

Board of Directors

The board of directors of Trans Expo comprises of Mehul C. Choksi and Arun H. Bhatnagar.

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Equity Capital	0.10	0.10	0.10
Reserves & Surplus	0.97	0.93	0.02
Income	0.03	-	-
Profit After Tax	(0.02)	(0.04)	(0.92)
Earnings Per Share	(2.27)	(3.51)	(91.55)
Book value Per Share(1)	106.06	103.23	11.68

(1) Face value of each equity share is Rs.10.

Trans Expo is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

PARTNERSHIP FIRMS

Diamond Creations

Diamond Creations was formed on April 1, 1990. The principal business office of the firm is at 801/802, Prasad Chambers, Opera House, Mumbai 400 004. The principal activity of the firm is to engage in exports and local trading in diamonds.

Name of Partners

Name of Partner	Profit Sharing Ratio
Mehul C. Choksi (HUF)	75.00
Sudhir A Mehta	10.00
Lustre Manufacturers Pvt Ltd.	15.00
Total	**100.00**

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Partners' Capital	131.84	132.24	143.80
Income	305.48	1,778.28	1,248.81
Profit After Tax	5.78	0.80	5.04

It has taken unsecured loans of Rs. 21.52 million

The Next Diamond Company

The Next Diamond Company ("Next Diamond") was formed on July 31, 1991. The principal business office of the firm is at 514, Prasad Chambers, Opera House, Mumbai 400 004. The principal activity of the firm is to engage in exports and local trading in diamonds.

Name of the Partners

Name of Partner	Profit Sharing Ratio
Mehul C. Choksi (HUF)	50.00
Rajesh M Shah	35.00
Seema R. Shah	15.00
Total	**100.00**

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Partners' Capital	103.48	93.58	82.12
Income	193.72	154.84	135.76
Profit After Tax	5.18	3.25	1.99

Touchstone

Touchstone was formed on November 26, 1992. The principal business office of the firm is at 801/802, Prasad Chambers, Opera House, Mumbai 400 004. The principal activity of the firm is the manufacture, import and exports of diamonds.

Name of the Partners

Name of Partner	Profit Sharing Ratio
Mehul C. Choksi (HUF)	80.00
Lustre Manufacturers Pvt Ltd.	10.00
Partha Gems Pvt Ltd.	5.00
Mozart Investments Pvt. Ltd.	4.00
Rohan Mercantile Pvt. Ltd.	1.00
Total	**100.00**

Financial Performance (For the past three financial years based on the audited accounts)

Rupees in Millions

	For the period ending March 31,		
	2003	**2004**	**2005**
Partners' Capital	61.33	62.57	63.64
Income	202.80	355.36	282.74
Profit After Tax	3.25	1.28	1.07

It has taken unsecured loans of Rs. 46.79 million

The promoter has disassociated himself from the following company with effect from July 1, 2005.

Nihar Trading Private Limited

Nihar Trading Private Limited ("Nihar") was incorporated on February 20, 1992. The registered office of the company is at T-4, Haridwar Towers, Evershine Nagar, Mumbai – 400 064. The principal activity of the company is functioning as an investment company.

Shareholding Pattern

Name of Shareholders	No. of Shares held	% of shares held
G. K. Nair	24,500	50
Anita Nair	24,500	50
Total	**49,000**	**100**

Board of Directors

The board of directors of Nihar comprises of G. K. Nair and Anita Nair.

The Promoter group has transferred its shareholding in Nihar on June 30, 2005 as part of the restructuring of the corporate operations of the group companies.

Financial Performance (For the past three financial years based on the audited accounts)

			Rupees in Millions
	For the period ending March 31,		
	2003	2004	2005
Equity Capital	4.90	4.90	4.90
Reserves & Surplus	0.01	0.02	0.01
Income	0.03	0.03	0.02
Profit After Tax	0.01	0.01	0.00
Earnings Per Share	0.18	0.13	(0.01)
Book value Per Share[1]	100.18	100.31	100.30

[1] Face value of each equity share is Rs.100.

Nihar is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

OVERSEAS CORPORATIONS PROMOTED BY THE CHETAN CHOKSI GROUP

Mr. Chetan Choksi is a natural person in control of the overseas corporation prmoted by the Chetan Choksi group as set forth below.

Diminco N.V.

Diminco N.V. was incorporated on April 29, 1983. The registered office of the company is at Antwerp Diamond House, Hoveniersstraat 30, 12th floor, Box 201, 2018 Antwerp, Belgium. The principal activity of the company is the import of rough diamonds and the export of Polished Diamonds.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Chetan Choksi	1,130	40.65
Digico Holdings Ltd.	450	16.19
Ajen Madhu	375	13.48
Anjana Gandhi	300	10.79
Smita Kothari	300	10.79
Sachin Awasthi	125	4.50
Nimish Shah	50	1.80
Nilesh Upadhya	50	1.80
Total	**2,780**	**100.00**

Board of Directors

The board of directors of Diminco N.V. comprises of Chetan Choksi, Nilesh Upadhya, Nimish Shah, Sachin Awasthi and Ajen Madhu.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	Year ended December 31,		
	2002	**2003**	**2004**
	U.S.$	U.S.$	U.S.$
Equity Capital	0.29	3.02	3.02
Reserves & Surplus	10.18	10.01	10.03
Income	149.17	120.50	158.41
Profit After Tax	0.08	0.02	0.02
Earnings Per Share	27.72	5.63	7.35
Book value Per Share(1)	3,766.18	3,771.81	3,779.16

(1) Face value of each equity share is U.S.$ 136.20

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Digico Holdings Limited

Digico Holdings Limited ("Digico") was incorporated on December 20, 2000. The registered office of the company is at Room No. 1724, Star House, 3, Salisbury Road, Tsimshatsui, Kowloon, Hong Kong. The principal activity of the company is that of a holding company.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Altran Businees S.A.	40,000	99.26
Wellex Corporation	300	0.74
Total	**40,300**	**100.00**

Board of Directors

The board of directors of Digico comprises of Chetan C Choksi, Mehul C Choksi and Gyanabrata Bhattacharya.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002 U.S.$	**2003** U.S.$	**2004** U.S.$
Equity Capital	30.00	30.00	40.30
Reserves & Surplus	0.01	0.69	3.43
Income	0.10	0.73	2.79
Profit After Tax	0.05	0.68	2.75
Earnings Per Share	1.65	22.58	68.21
Book value Per Share[(1)]	1,000.28	1,022.86	1,085.23

[(1)] Face value of each equity share is U.S.$ 1000/-

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Diamart Limited

Diamart Limited was incorporated on October 9th, 2000. The registered office of the company is at Room No. 1724, Star House, 3, Salisbury Road, Tsimshatsui, Kowloon, Hong Kong. The principal activity of the company is to undertake trading in diamonds & jewelry.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Digico Holdings Ltd.	1,583,000	100.00
Total	**1,583,000**	**100.00**

Board of Directors

The board of directors of Diamart Limited comprises of Nishit Mehta and Nilesh Sedani.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002 U.S.$	**2003** U.S.$	**2004** U.S.$
Equity Capital	0.13	1.58	1.58
Reserves & Surplus	0.02	0.05	0.10
Income	19.71	23.32	27.22
Profit After Tax	0.02	0.03	0.05
Earnings Per Share	0.19	0.02	0.03
Book value Per Share[(1)]	1.20	1.03	1.07

[(1)] Face value of each equity share is U.S.$ 1/-

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Diamlink INC

Diamlink INC was incorporated on October 29, 1984. Diamlink INC directly and indirectly has two wholly owned subsidiaries, Diamlink Jewellery INC, and JMC LLC. The registered office of the company is at 1200 Avenue of the Americas, 3rd Floor, New York, New York 10036, U.S.A.. The principal activity of the company is to engage in the import and export of diamonds and diamonds studded Jewelry.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Digico Holdings Ltd.	183	100.00
Total	**183**	**100.00**

Board of Directors

The board of directors of Diamlink INC comprises of Neena Sheth and Nehal Modi.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002	2003	2004
	U.S.$	U.S.$	U.S.$
Equity Capital	3.65	3.65	5.51
Reserves & Surplus	1.44	1.65	1.92
Income	46.56	52.23	55.07
Profit After Tax	0.16	0.20	0.27
Earnings Per Share	890.01	1118.09	1479.90
Book value Per Share(1)	27,829.40	28,947.49	40,591.32

(1) No par value

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Diminco Japan K.K

Diminco Japan K.K was incorporated on November 5, 2002. The registered office of the company is at Toyo Bldg., 6F, 1-6-2, Higashi Veno, Taito-Ky, Tokyo – 100-015, Japan. The principal activity of the company is to engage in Trading in Diamonds.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Digico Holdings Ltd.	1,000	100.00
Total	**1,000**	**100.00**

Board of Directors

The board of directors of Diminco Japan K.K comprises of Chetan Choksi, Nilesh Sadani and Arpan Jhaveri.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002	2003	2004
	JPY	JPY	JPY
Equity Capital	10.00	10.00	10.00
Reserves & Surplus	1.86	6.16	12.82
Income	162.36	2,237.33	2,792.25
Profit After Tax	1.86	4.30	6.66
Earnings Per Share	1859.13	4,304.00	6,656.23
Book value Per Share(1)	10,748.16	15,065.66	21,949.96

(1) Face value of each equity share is JPY 10,000/-

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

D'Damas Japan KK

D'Damas Japan KK was incorporated on January 21, 2004. The registered office of the company is at 2f Hoshina Bldg., 2-4-2 Azabudai Minato-Ku, Tokyo, 106 0041 Japan. The principal activity of the company is trading in jewelry.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Digico Holdings Ltd.	102	51.00
Atul Parekh	49	24.50
Ogawa Kazuo	49	24.50
Total	**200**	**100.00**

Board of Directors

The board of directors of D'Damas Japan KK comprises of Atul Parekh, Chetan Choksi, Ogawa Kazuo, Tawhid Abdullah and Dinesh Dhanak.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002 JPY	**2003** JPY	**2004** JPY
Equity Capital	N.A.	N.A.	10.00
Reserves & Surplus	N.A.	N.A.	(6.09)
Income	N.A.	N.A.	67.54
Profit After Tax	N.A.	N.A.	(6.09)
Earnings Per Share	N.A.	N.A.	(30,437.63)
Book value Per Share(1)	N.A.	N.A.	19,562.38

(1) Face value of each equity share is JPY 50,000

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Diminco (Thailand) Limited

Diminco (Thailand) Limited was incorporated on February 23, 1993. The registered office of the company is at Jewelry Trade Center, 36th Floor, 919/432-433, Room # 3602, Silom Road, Bangrak, Bangkok 10500, Thailand. The principal activity of the company is to trading of diamonds.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Yuen Tangpom	8,000	3.33
Pratuan Pakdeesuk	8,000	3.33
Pak Kochasit	8,000	3.33
Kaew Pasuk	8,000	3.33
Suneat Nubkratok	18,000	7.50
Tiwawan Pakdeesuk	16,520	6.88
Hitesh Laljibhai Mehta	58,480	24.37
Digico Holdings Ltd.	58,788	24.50
Somchai Tanasuparuak	8,430	3.51
Tanawat Sinmana	16,500	6.88
Tipawan Sinmana	8,430	3.51
Chaichan Ratanasila	20,000	8.34
Sirichai Kesaranukarok	2,852	1.19
Total	**2,40,000**	**100.00**

Board of Directors

The board of directors of Diminco (Thailand) Limited comprises of Hitesh Mehta.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002 *Thai Baht*	**2003** *Thai Baht*	**2004** *Thai Baht*
Equity Capital	24.00	24.00	24.00
Reserves & Surplus	(13.30)	(12.48)	(11.68)
Income	62.29	64.09	66.85
Profit After Tax	0.74	0.82	0.79
Earnings Per Share	3.06	3.42	3.30
Book value Per Share(1)	44.60	48.02	51.32

(1) Face value of each equity share is Baht 100/-

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Gemsiam Manufacturing Company Limited

Gemsiam Manufacturing Company Limited was incorporated on June 27, 1989. The registered office of the company is at 35/51, Chaloem Phrakiat Rama IX Road, SOI 8, Nongbon, Prawet, Bangkok 10260, Thailand. The principal activity of the company is manufacturing of diamonds.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Chetan Choksi	500	0.10
Digico Holdings Ltd.	498,000	99.60
Smita Choksi	500	0.10
Sunil Varma	400	0.08
Hitesh Mehta	100	0.02
Nishit Mehta	400	0.08
Nimish Shah	100	0.02
Total	**5,00,000**	**100.00**

Board of Directors

The board of directors of Gemsiam Manufacturing Company Limited comprises of Sunil Verma, Chetan Choksi and Rushin Choksi.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002	**2003**	**2004**
	Thai Baht	***Thai Baht***	***Thai Baht***
Equity Capital	50.00	50.00	50.00
Reserves & Surplus	37.53	41.81	46.73
Income	464.33	617.72	635.60
Profit After Tax	2.85	4.27	4.92
Earnings Per Share	5.69	8.55	9.84
Book value Per Share[1]	175.07	183.61	193.45

[1] Face value of each equity share is Baht 100/-

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Qingdao Diminco Pacific (Manufacturing) Company Limited

Qingdao Diminco Pacific (Manufacturing) Company Limited was incorporated on December 29, 2002. The registered office of the company is at 217, Chuncheng Road, Chengqu Industrial Park, Cheng Yang District, Qingdao, China. The principal activity of the company is to engage in manufacturing of diamonds.

Shareholding Pattern:

Name of Stakeholder	% of ownership
Digico Holdings Ltd.	100.00
Total	**100.00**

Board of Directors

The board of directors of Qingdao Diminco Pacific (Manufacturing) Company Limited comprises of Chetan Choksi.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002	**2003**	**2004**
	RMB	RMB	RMB
Equity Capital	14.36	31.45	33.11
Reserves & Surplus	-	(0.88)	(4.17)

Income	-	6.41	55.39
Profit After Tax	-	(0.88)	(3.29)

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Qingdao Diminco Jinghua Diamond Company Limited

Qingdao Diminco Jinghua Diamond Company Limited was incorporated on May 16, 1997. The registered office of the company is at 179, Rui Chang Road, 266031, Qindao, China. The principal activity of the company is manufacturing of diamonds.

Shareholding Pattern:

Name of Stakeholder	% of ownership
Digico Holdings Ltd.	91.20
Jinghau Diamond & Jewellery Co. Ltd.	8.80
Total	**100.00**

Board of Directors

The board of directors of Qingdao Diminco Jinghua Diamond Company Limited comprises of Chetan C Choksi, Francois Smolders, Raju Soni and Shah Nimish.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002	**2003**	**2004**
	RMB	RMB	RMB
Equity Capital	4.97	4.97	4.97
Reserves & Surplus	0.72	0.38	0.55
Income	6.74	6.25	5.55
Profit After Tax	0.58	(0.27)	0.01

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Jewel Trade FZE

Jewel Trade FZE was incorporated on March 20, 2001. The registered office of the company is P.O. Box 43709 Dubai Airport Free Zone. The principal activity of the company is trading of diamonds and jewellery.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Digico Holdings Ltd.	1.00	100.00
Total		**100.00**

Board of Directors

The board of directors of Jewel Trade FZE comprises of Chetan Choksi and Hasit Shah.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002	**2003**	**2004**
	U.S.$	U.S.$	U.S.$
Equity Capital	0.27	0.27	0.27
Reserves & Surplus	4.23	10.34	13.64
Income	20.76	71.74	65.36
Profit After Tax	2.97	6.81	6.09

Earnings Per Share	2,973,841	6,808,634	6,093,255
Book value Per Share[(1)]	4,498,868	10,607,502	13,911,757

(1) Face value of each equity share is U.A.E. Dhs. 1,000,000.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Diminco Damas Diamond Mfg. DMCC

Diminco Damas Diamond Mfg. DMCC was incorporated on May 22, 2004. The registered office of the company is #GC/F121, Plot #483, The Gold Centre Building, 5th Floor, Zone 2, Dubai, UAE. The principal activity of the company is trading of diamonds and jewellery.

Shareholding Pattern:

Name of Shareholders	No. of Shares held	% of shares held
Digico Holdings Ltd.	95	47.50
Damas Jewellery LLC	105	52.50
Total	**200**	**100.00**

Board of Directors

The board of directors of Diminco Damas Diamond Mfg. DMCC comprises of Chetan Choksi, Mehul C. Choksi, Tawhid Abdulla and Tamjid Abdulla.

Financial Performance (For the past three financial years based on the audited accounts)

In Millions

	For the period ending December 31,		
	2002 AED	**2003** AED	**2004** AED
Equity Capital	Nil	Nil	0.20
Reserves & Surplus	Nil	Nil	(0.19)
Income	Nil	Nil	32.24
Profit After Tax	Nil	Nil	(0.19)
Earnings Per Share	Nil	Nil	(934.69)
Book value Per Share[(1)]	Nil	Nil	56.31

(1) Face value of each equity share is U.A.E. Dhs. 1,000.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

Diminco Diamonds Shanghai Company Limited

Diminco Dimaonds Shanghai Co. Ltd. was incorporated on November 27, 2003. The registered office of the company is Room 462, Jinmao Tower, No.88, Century Boulevard, Podong Area, Shanghai, China - 200120. The principal activity of the company is trading of diamonds.

Shareholding Pattern:

Name of Stakeholder	% of ownership
Diminco NV	100.00
Total	**100.00**

Board of Directors

The board of directors of Diminco Diamonds Shanghai Co. Ltd. comprises of Chetan Choksi (President), Nimish Shah (Director) and Ajen Madhu (Director)

Financial Performance (For the past three financial years based on the audited accounts)

In million

	For the period ending December 31,		
	2002 RMB	**2003** RMB	**2004** RMB
Equity Capital	Nil	0.25	1.66
Reserves & Surplus	Nil	-	1.35
Income	Nil	-	0.23
Profit After Tax	Nil	-	(0.31)

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

RELATED PARTY TRANSACTIONS

We have various transactions with related parties, including the following:

- Subsidiaries and joint ventures;
- Associates; and
- Directors and employees.

The related party transactions with associates, Directors and key managerial personnel include the following:

- payments for premises leased;
- payment of consultancy/professional charges, fees and commissions; and
- payment of managerial remuneration.

For more details on our related party transactions, see Annexure VIII to the financial statements at page 166 of this Prospectus.

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by our board of directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. Our Company has no stated dividend policy. In order to conserve the funds for meeting the long-term working capital requirements and future needs of the business of the company, we have not declared and paid any dividend since fiscal 2001.

FINANCIAL STATEMENTS

AUDITOR'S REPORT

The Board of Directors
Gitanjali Gems Limited
801/802, Prasad Chambers,
Opera House,
Mumbai 400 004.

Dear Sirs,

1. We have examined the Consolidated Financial Statements of Gitanjali Gems Limited and its Subsidiaries, Associates and a Joint Venture ('the Group') for the five years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for six months period ended September 30, 2005 being the last date to which the accounts of the group have been made up. We have relied on the financial statements of the Company it's Subsidiaries, Associates and a Joint venture company audited by different auditors and for different periods as given in annexure – IV point no 3.4 in the Consolidated Statements.

2. In accordance with the requirements of Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (SEBI Guidelines) and our terms of reference with the Company dated September,21 2005 requesting us to make this report for the purpose of the Offering Document in connection with the public issue of Equity shares being fresh issue of Equity Shares through book building process, we have examined and report that:

    a. 'Statement of Consolidated Restated Profit and Loss Account' of the Group for the years ended March 31, 2001; March 31, 2002; March 31,2003; March 31,2004 and March 31,2005 and six months period ended September 30, 2005 is as set out in Annexure I to this report. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Annexure III to this report.

    b. 'Statement of Consolidated Restated Assets and Liabilities' of the Group as at March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for the six months period ended September 30, 2005 is as set out in the Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Annexure III to this report.

    c. The 'Statement of Adjustments to Audited Financial Statements' is enclosed as Annexure III.

    d. The 'Significant Accounting Policies' adopted by the Company and the 'Notes to Accounts' are enclosed as Annexure IV.

    e. The 'Cash Flow' of the Company for the years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for the six months period ended September 30, 2005 are enclosed as Annexure V.

. We have also examined the following financial information:

    a. No dividend has been paid by the Group (except Gili India Ltd. – Associate Company), in respect of each of the financial years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for the six months period ended September 30, 2005, on the shares of the Company. The Associate company has declared dividends for the financial years March 31st 2003 and March 31st 2004.

    b. 'Statement of Principal Terms of Secured Loans' as at September 30, 2005 of the Group enclosed as Annexure VI to this report and report that it correctly records the matters stated therein.

c. ‘Statement of Accounting Ratios' of the Group for each of the financial years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31,2004 and March 31, 2005 and for the six months period ended September 30, 2005 enclosed as Annexure VII to this report and confirm that they have been correctly computed from the figures as stated in the 'Statement of Adjusted Profits and Losses' and 'Statement of Adjusted Assets and Liabilities' of the Group referred to in paragraph 2 above.

d. ‘Capitalization Statement' enclosed as Annexure VIII to this report and report that it correctly records the matters stated therein.

This report is intended solely for your information and for inclusion in the Prospectus in connection with the proposed Public Issue of the Company's shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For Ford, Rhodes, Parks & Co.
Chartered Accountants

Sd/-
A.D.Shenoy
Partner
Membership Number. 11549

Place: Mumbai
Date: February 1, 2006.

ANNEXURE I - STATEMENT OF CONSOLIDATED RESTATED PROFIT AND LOSS ACCOUNT

Rs. in Million

Particulars	Year ended March 31,					Six month period ended
	2001	2002	2003	2004	2005	30-09-2005
Income						
Sales of Products	40,170.47	10,204.46	11,713.84	13,310.57	13,711.56	11,531.34
Other Income	4.78	45.87	3.66	4.16	20.20	6.63
Increase (Decrease) in inventories	331.23	804.79	(262.76)	(1,163.42)	(146.49)	(15.65)
	40,506.48	**11,055.12**	**11,454.74**	**12,151.31**	**13,585.27**	**11,522.32**
Expenditure						
Raw Materials Consumed	39,342.10	10,275.62	10,670.14	11,261.28	12,587.99	10,314.93
Staff Costs	10.48	10.72	10.93	13.36	16.92	40.71
Other Manufacturing Expenses	221.87	142.32	196.50	431.99	582.09	525.85
Administration Expenses	140.15	112.84	84.10	105.04	99.07	116.48
Selling & Distribution Expenses	5.72	3.55	13.60	32.00	22.43	21.77
	39,720.32	**10,545.05**	**10,975.27**	**11,843.67**	**13,308.50**	**11,019.74**
Profit Before Depreciation Interest & Tax	**786.16**	**510.07**	**479.47**	**307.64**	**276.77**	**502.58**
Depreciation	6.03	6.20	5.34	4.66	4.30	12.19
Interest	321.55	282.49	275.56	156.06	130.73	174.13
Profit Before Tax	**458.58**	**221.38**	**198.57**	**146.92**	**141.74**	**316.26**
Taxation						
Current tax	2.88	0.86	10.88	30.00	53.76	59.47
Deferred tax	-	-	1.43	(0.29)	(0.57)	(2.92)
Fringe Benefit Tax	-	-	-	-	-	0.59
Net Profit after tax	**455.70**	**220.52**	**186.26**	**117.21**	**88.55**	**259.12**
Less: Minority Interest	**-**	**-**	**-**	**-**	**-**	**17.96**
Add: Share of profit/(Loss) in Associate	**(0.02)**	**4.13**	**8.62**	**11.36**	**13.92**	**4.37**
Net Profit	**455.68**	**224.65**	**194.88**	**128.57**	**102.47**	**245.54**
Adjustments (Refer to Annexure III)	(280.79)	(0.38)	(0.38)	(0.38)	(0.38)	1.88
Restated Adjusted Net Profit	**174.89**	**224.27**	**194.50**	**128.19**	**102.09**	**247.42**

ANNEXURE II -STATEMENT OF CONSOLIDATED RESTATED ASSETS AND LIABILITIES

Rs. in Million

	Particulars	As at March 31,					Six month period ended
		2001	2002	2003	2004	2005	30-09-2005
A.	**Fixed Assets**						
	Gross block	137.07	139.19	139.76	141.63	143.77	454.25
	Less Depreciation	26.67	32.87	38.20	42.74	47.04	121.27
	Net Block	**110.40**	**106.32**	**101.56**	**98.89**	**96.73**	**332.98**
B.	**Investments**	25.28	24.12	33.49	44.85	58.77	62.04
C	**Goodwill**	0.02	-	-	-	-	-
D.	**Current Assets, Loans and Advances**						
	Inventories	1,692.01	2,497.28	2,232.97	1,069.55	923.06	2,056.49
	Sundry Debtors	3,450.91	3,803.80	3,825.08	5,045.72	5,889.74	11,566.87
	Cash and Bank Balances	188.67	303.75	424.89	415.19	262.03	1,066.73
	Loans and Advances	73.72	120.81	77.52	192.68	339.51	659.48
		5,405.31	**6,725.64**	**6,560.46**	**6,723.14**	**7,414.34**	**15,349.56**
E.	**Liabilities and Provisions:**						
	Secured Loans	2,450.51	2,534.91	2,777.74	2,991.60	3,138.08	5,944.08
	Unsecured Loans	32.65	5.04	5.30	8.45	-	312.45
	Current Liabilities and Provisions	1,462.57	2,496.60	1,896.28	1,722.74	2,186.15	5,421.55
	Deferred Tax Liability	-	-	22.10	1.07	0.51	(0.12)
		3,945.73	**5,036.55**	**4,701.42**	**4,723.86**	**5,324.74**	**11,677.96**
F.	**Minority Interest**	-	-	-	-	-	606.24
G	**Net Worth**	**1,595.28**	**1,819.53**	**1,994.09**	**2,143.02**	**2,245.10**	**3,460.37**
H.	**Represented by**						
	Share Capital	300.00	300.00	300.10	300.10	300.10	399.98
	Reserves	1,295.28	1,515.42	1,681.27	1,818.84	1,907.00	2,482.03
	Capital Reserve	-	4.11	12.72	24.08	38.00	581.08
	Total Reserves & Surplus.	1,295.28	1,519.53	1,693.99	1,842.92	1,945.00	3,063.11
	Total	**1,595.28**	**1,819.53**	**1,994.09**	**2,143.02**	**2,245.10**	**3,463.09**
I.	Misc. Expenditure to the extent not written off or adjusted	-	-	-	-	-	2.72
J	**Net Worth (H-I)**	**1,595.28**	**1,819.53**	**1,994.09**	**2,143.02**	**2,245.10**	**3,460.37**

ANNEXURE III - STATEMENTS OF ADJUSTMENTS TO THE AUDITED FINANCIAL STATEMENTS

Rs. in Millions

Year / Particulars	31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
Profit after Tax & Extra - Ordinary items (as per audited accounts)	455.70	220.52	186.26	117.21	88.55	259.12
Changes in accounting policy	(0.36)	(0.38)	(0.38)	(0.38)	(0.38)	1.88
Minority Interest	-	-	-	-	-	(17.96)
Share of profit/(Loss) in Associate	(0.02)	4.13	8.62	11.36	13.92	4.37
Provision for Doubtful Debts	(280.43)	-	-	-	-	-
Restated - Profit & Loss account	174.89	224.27	194.50	128.19	102.09	247.41
Reserves & Surplus (as per audited accounts)	1,576.09	1,796.61	1,962.82	2,100.77	2,189.31	3,874.12
Adj.to the Profit & Loss as above	(0.38)	3.37	11.62	22.60	36.14	24.43
Consolidation Adjustment.	-	-	-	-	-	(547.71)
Adj. of Goodwill with Capital reserve	-	(0.02)	(0.02)	(0.02)	(0.02)	(7.30)
Provision for Doubtful Debts	(280.43)	(280.43)	(280.43)	(280.43)	(280.43)	(280.43)
Restated - Reserves & Surplus	1,295.28	1,519.53	1,693.99	1,842.92	1,945.00	3,063.11
Current Liabilities (as per audited accounts)	1,462.21	2,495.86	1,895.16	1,721.24	2,184.27	5,421.55
Adjustments as indicated above	0.36	0.74	1.12	1.50	1.88	-
Restated - Current Liabilities	1,462.57	2,496.60	1,896.28	1,722.74	2,186.15	5,421.55
Sundry Debtors (as per audited accounts)	3,731.34	4,084.23	4,105.51	5,326.15	6,170.17	11,847.30
Adjustments as indicated above	(280.43)	(280.43)	(280.43)	(280.43)	(280.43)	(280.43)
Restated - Sundry Debtors	3,450.91	3,803.80	3,825.08	5,045.72	5,889.74	11,566.87

Annexure – IV

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. **Principles of Consolidation :**

The consolidated financial statements relate to Gitanjali Gems Ltd. (Parent Company and it incorporates it's Subsidiary companies, Associate companies and Joint venture companies). The consolidated financial statements have been prepared in accordance with Accounting Standard AS 21 – Consolidated Financial Statements, Accounting of Investments as prescribed in Accounting Standard – AS 23 and interest in Joint ventures as per Accounting Standard – AS 27 issued by the Institute of Chartered Accountants of India.

A. SUBSIDIARY COMPANIES:-

i. The financial statements of the Company and its subsidiaries are combined on line-by-line basis by adding together the like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

ii. The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares and subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.

iii. Minorities's interest in the net assets of the consolidated subsidiaries consists of :

1. The amount of equity attributable to minorities at the date on which investment in the subsidiaries is made and

2. The minorities's share of movements in equity since the date of parent subsidiaries relationship comes into existence.

iv. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions ad other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

v. The subsidiary companies considered in the consolidated financial statements are :

Name of the Subsidiary	Country of Incorporation	Percentage of Ownership Interest as at 30–09-2005
Mehul Impex Ltd.	India	100.00%
Cria Jewellery Pvt. Ltd.	India	99.80%
Gitanjali Exports Corporation Ltd.	India	51.00%

vi. Investment in the associates have been accounted prepared as per the equity method as prescribed in Accounting Standard – 23.

The Associate companies considered in the consolidated financial statements are:

Name of the Associate	Country of Incorporation	Percentage of Investment as at 30–09-2005
Gitanjali Jewels Limited	India	40.00%

Brightest Circle Jewellery Private Limited	India	33.34%

vii. Interest in Joint Venture have been reported using the proportionate consolidation method on line-by -line basis by adding together the like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses on proportionate basis.

The Joint venture company considered in the consolidated financial statements is:

Name of the Joint Venture Company	Country of Incorporation	Percentage of Investment as at 30–09-2005
D'Damas Jewellery India Private Limited.	India	50.00%

viii. As far as possible the consolidated financial statements are prepared using uniform accounting policy for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

2. Significant Accounting Policies:

2.1 Accounting Concepts

The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.

2.2 Fixed Assets

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.

The original cost of fixed assets acquired through foreign currency credits are adjusted at the end of each financial year by any change in liability arising out of expressing outstanding foreign credits at the rate of exchange prevailing at the date of the Balance Sheet and also by gains/losses on foreign exchange rate fluctuation which arises on repayment of foreign currency credits during the year.

2.3 Depreciation

Depreciation is being charged on the fixed assets on the written down value method in accordance with the provisions of Schedule XIV of the Companies Act, 1956.

2.4 Inventories

Inventories of raw materials, finished goods, rejection, 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 & overheads.

Finished Goods – Jewellery	Lower of market value and Material cost plus proportionate labour and overheads.
Finished Goods – Gold	Lower of cost and market value
Consumables Stores & Tools	At Cost

2.5 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 year end and resultant gains/losses are charged to the profit and loss account. Premium in respect of forward foreign exchange contracts is recognized over the life of the contracts. Foreign currency loans for financing fixed assets, if any, are stated at the contracted/prevailing rate of exchange at the year end and the resultant gains/losses are adjusted to respective cost of assets.

2.6 **Retirement Benefits**

Regular contributions are made to Provident Fund authorities. Liability in respect of leave encashment is provided as per rules of the Company. Liability in respect of gratuity to employees is actuarially assessed and provided for.

2.7 **Investments**

Long-term investments are stated at cost.

2.8 **Taxation**

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

Deferred Tax is recognized subject to prudence, on timing difference, 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.

2.9 Deferred revenue expenditure:

Expenditure incurred on advertisement and brand promotion up to March 31,2004 is amortized over a period of 3 years.

2.10 Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of notes.

3. Notes to Accounts :

3.1 **Scheme of Amalgamation of Gemplus Jewellery India Ltd. (GJIL), Prism Jewellery Pvt. Ltd. (PJPL) and Giantti Jewels Private Ltd. (GJPL) hereinafter collectively called transferor company with Gitanjali Gems Ltd. (the Company):**

a. The Company's application in the matter of Scheme of Amalgamation of above named three companies has been approved by the Honorable High Court at Mumbai and the order sanctioning the Scheme of Amalgamation under sections 391 to 394 of the Companies Act 1956 has been passed on 30th day of September 2005 (Received on 14th October 2005). The Scheme, although effective from 1st April 2005 it shall become operative from the dates on which certified copies of the order of the High Court are filed with the Registrar of Companies.

b. In accordance with the said Scheme:

(i) The assets and liabilities, rights and obligations of the Transferor Companies shall, without any further act or deed be and shall stand transferred to and vested in and / or deemed to be transferred to and vested in the Company pursuant to the provisions of section 394 and other applicable provisions of the Companies Act 1956. The Scheme has accordingly been given effect to in these accounts.

(ii) The operations of the transferor companies include the manufacturing and sale (including retail and exports) of diamonds and diamond studded jewellery.

(iii) The Scheme of Amalgamation has been accounted for under the "pooling of interest" method as prescribed by the Institute of Chartered Accounts of India. Accordingly the assets, liabilities and reserves of Transferor companies as at 1st April 2005 have been taken over at their book values.

(iv) As per the Scheme of Amalgamation 11,905 Equity Shares of Rs.10 each of Gemplus Jewellery India Ltd. held by the company including 1905 Equity Shares recorded as bonus shares stand cancelled. The excess cost of investment in GJIL has been debited to Accumulated surplus account of the Company.

(v) Pursuant to the scheme of Amalgamation and after considering the extinguishment of the shares held in GJIL by the company, the equity share of Rs. 10/- each of the company are to be issued to the shareholders of GJIL in the ratio of one equity shares of the face value of Rs. 10/- each fully paid in exchange for one equity share of the face value of Rs. 10/- each fully paid. In case of PJPL the shares are to be issued to the shareholders of PJPL in the ratio of one equity share of face value of RS 10/- each fully paid up in the company for every 50 equity shares of the face value of Rs 10/- each fully paid up in the transferor company. In case of GJPL the shares are to be issued to the shareholders of GJPL in the ratio of one equity share of the face value of Rs. 10/- each fully paid up for every 50 equity shares of the face value of Rs. 10/-each fully paid up in the transferor company.

c. Pending allotment of these shares to the shareholders of the transferor companies, the revised paid up capital of the company is 39,998,495 equity shares of Rs.10/- each fully paid up amounting to 399,984,950.

d. The aforesaid share exchange ratio has been considered as per the expert valuation made by a firm of Chartered Accountants and approved by the board of directors of the respective transferor / transferee companies.

3.2 Contingent Liabilities not provided in respect of;

Rs. in million

Particulars		30-Sep-05	31-Mar-2005	31-Mar-2004	31-Mar-2003	31-Mar-2002	31-Mar-2001
1	Guarantee given by the Company for letter of credit facility availed by a subsidiary and associate company	220.00	80.00	80.00	80.00	80.00	80.00
2	Outstanding Letter of Credit	139.35	34.14	67.45	304.44	151.30	94.19
3	Bills discounted with bankers	100.45	0.00	108.56	149.98	156.73	978.19
4	Sales tax demand	0.00	0.00	0.00	0.00	24.85	24.85
5	Disputed Income Tax	32.07	0.00	0.00	0.00	0.00	0.00

3.3 Summary of Auditors of Gitanjali Gems Ltd. its subsidiaries, associate company and a joint venture for the period under review.

Financial Year	**Name of the Company**	**Name of the Auditor**
2000-2001 2001-2002	Gitanjali Gems Ltd. & Mehul Impex Ltd.	Sampat Mehta & Associates Mumbai, India.
2002-2003 2003-2004 2004-2005 and Half Year Ended 30th September, 2005	Gitanjali Gems Ltd. & Mehul Impex Ltd.	Ford, Rhodes, Parks & Co. Mumbai, India.
2000-2001 2001-2002 2002-2003 2003-2004 2004-2005 and Half Year Ended 30th September, 2005	Gitanjali Jewels Ltd.	RSM & Co. Mumbai, India.
Half Year Ended 30th September, 2005	Gitanjali Exports Corporation Ltd.	Ford, Rhodes, Parks & Co. Mumbai, India.
Half Year Ended 30th September, 2005	Cria Jewellery Pvt. Ltd.	Ford, Rhodes, Parks & Co. Mumbai, India.
Half Year Ended 30th September, 2005	D'Damas Jewellery India Pvt. Ltd.	Sampat Mehta & Associates Mumbai, India.
Half Year Ended 30th September, 2005	Brightest Circle Jewellery Private Limited	Ford, Rhodes, Parks & Co. Mumbai, India.

3.4 Segment Reporting

Segment Reporting – 30th September, 2005 (Rs. In Millions)

	Diamond	Jewellery	Total
REVENUE			
External Sales	9,904.54	1,626.80	11,531.34
Total Revenue	9,904.54	1,626.80	11,531.34
RESULT	481.74	193.17	674.91
Unallocated corporate Expenses Incl. Depreciation	-	-	191.15
Operating Profit	-	-	483.76
Interest Expenses	-	-	174.13
Other Income	-	-	6.63
Net Profit before tax	-	-	316.26
Segment assets	12,767.30	2,253.61	15,020.91
Unallocated corporate Assets			721.90
Total Assets			15,742.81
Segment liabilities	5,307.00	637.08	5,944.08
Unallocated corporate liabilities			6,340.12
Total Liabilities			12,284.20
Capital Expenditure	3.18	5.26	8.44
Depreciation	2.63	9.56	12.19
Non cash expenses other than depreciation	-	-	-

Geographical segments – segment revenue

Geographical Locations	Total
India	3,225.78
Rest of the World	8,305.56
	11,531.34

ANNEXURE V - CONSOLIDATED RESTATED CASH FLOW STATEMENT OF GITANJALI GEMS LIMITED.

Rs. In Millions

Particulars	Year Ended March 31					Six month period ended
	2001	**2002**	**2003**	**2004**	**2005**	**30-09-2005 ***
<u>Cash Flows from Operating Activities</u>						
Net Profit Before Taxation	458.58	221.38	198.57	146.92	141.74	316.26
Adjustments for:						
Depreciation	6.03	6.20	5.34	4.66	4.30	12.19
Interest Paid (Net)	321.55	282.49	275.56	156.06	130.73	174.13
Operating Profit before Working Capital Changes (i)	786.16	510.07	479.47	307.64	276.77	502.58
Change in Inventories	(329.99)	(805.27)	264.31	1,163.42	146.49	(1,133.43)
Change in Trade & other Receivables	(696.36)	(352.89)	(21.28)	(1,220.64)	(844.02)	(5,677.13)
Change in Other Current Assets	37.61	(47.07)	43.29	(115.16)	(146.83)	(319.97)
Change in Current Liabilities	35.77	1,034.04	(600.32)	(173.54)	463.41	3,841.01
Income-taxes paid	(2.88)	(0.86)	(10.88)	(30.00)	(53.76)	(60.06)
Adjustment on account of Restatement	(280.79)	(0.38)	(0.38)	(0.38)	(0.38)	1.88
Net Changes in working Capital (ii)	(1,236.64)	(172.43)	(325.26)	(376.30)	(435.09)	(3,347.70)
Net Cash Flow from Operating Activities A= (i+ii)	**(450.48)**	**337.64**	**154.21**	**(68.66)**	**(158.32)**	**(2,845.11)**
<u>Cash Flow from Investing Activities</u>						
Purchase/ Sale of Fixed Assets (Net)	(18.16)	(2.12)	(0.58)	(1.99)	(2.14)	(248.43)
Investments Sale / (Purchase)	(10.08)	5.28	(0.75)	0.00	0.00	1.11
Net Cash Flow used in Investing Activities (B)	**(28.24)**	**3.16**	**(1.33)**	**(1.99)**	**(2.14)**	**(247.32)**
<u>Cash Flows from Financing Activities</u>						
Changes in Borrowings	729.52	56.79	243.09	217.01	138.03	3,118.45
Proceeds from Issuance of Capital	(9.90)	-	0.10	-	-	99.88
Increase / (Decrease) in Reserves	-	(0.02)	0.63	(0.00)	(0.00)	855.66
Miscellaneous Exp incurred	-	-	-	-	-	(2.72)
Interest Paid (Net)	(321.55)	(282.49)	(275.56)	(156.06)	(130.73)	(174.13)

Net Cash Flow from Financing Activities (C)	**398.07**	**(225.72)**	**(31.74)**	**60.95**	**7.30**	**3,897.14**
Net increase in cash and cash equivalents (A+B+C)	(80.65)	115.08	121.14	(9.70)	(153.16)	804.70
Cash and Cash Equivalents (Opening Balance)	269.32	188.67	303.75	424.89	415.19	262.03
Cash and Cash Equivalents (Closing Balance)	188.67	303.75	424.89	415.19	262.03	1,066.73

Note: Refer note 2.1 of Annexure IV on Scheme of Amalgamation

ANNEXURE VI - PRINCIPAL TERMS OF SECURED LOANS

Details of Working Capital Facility as on 30.09.2005

Rs in millions

Sr.no	**Name of the Lender**	**Facility**	**Sanctioned Amt**	**Balance**	**Rate of Interest**
1)	**Allahabad Bank**	Packing Credit Packing Credit (FC)	210.00	274.38	upto 135 days 7.50% p.a. Libor + 0.75% p.a.
		Post-Shipment/FBP Post-Shipment (FC)	670.00	594.90	upto 90 days 7.50% p.a. fm 90 to Due date 9.00% p.a. Libor + 0.75% p.a.
		Cash Credit	15.00	20.05	PLR + 1.50% p.a.
		Letter of Credit	415.00	415.00	As Per Bank's Guidelines
		Bank Guarantee	25.00	25.00	As Per Bank's Guidelines
2)	**Punjab National Bank**	Packing Credit Packing Credit (FC)	170.00	178.26	Upto 180 days 7.50% p.a Libor + 0.75% p.a.
		Post-Shipment/FBP	514.00	504.97	upto 90 days 7.50% p.a fm 90 to Due date 10.50% p.a
		Letter of Credit	168.00	168.00	As Per Bank's Guidelines
		Bank Guarantee	50.00	50.00	2.50% p.a.
3)	**Karnataka Bank Ltd**	Packing Credit Packing Credit (FC)	35.00	65.66	Upto 180 days 8.00% p.a Libor + 0.75% p.a.
		Post-Shipment/FBP Post-Shipment (FC)	265.00	235.15	upto 120 days 7.50% p.a fm 120 to Due date 11.00% p.a Libor + 0.75% p.a.
		Cash Credit	30.00	30.00	PLR + 1.50% p.a.
		Letter of Credit	70.00	70.00	As Per Bank's Guidelines
4)	**ICICI Bank Ltd**	Packing Credit Packing Credit (FC)	100.00	23.75	upto 90 days 7.50% p.a Libor + 0.75% p.a
		Post-Shipment (FC)		73.93	Libor + 0.75% p.a
		Letter of Credit	300.00	300.00	1.20% p.a

5)	**Syndicate Bank**	Packing Credit	77.20	114.05	Upto 90 days 7.50% p.a
		Post-Shipment/FBP	212.80	175.57	upto 90 days 7.50% p.a fm 90 to Due date 11.00% p.a
		Cash Credit	3.50	3.28	PLR + 2.00% p.a
		Letter of Credit	93.00	93.00	As Per Bank's Guidelines
		Bank Guarantee	6.00	6.00	As Per Bank's Guidelines
6)	**Development Credit Bank**	Packing Credit Packing Credit (FC)	63.50	63.50	Upto 90 days 8.00% p.a Libor + 2.25%
		Post-Shipment/FBP Post-Shipment (FC)	271.00	271.00	Upto 90 days 8.00% p.a fm 90 to Due date 11.00% p.a Libor + 0.75% p.a.
7)	**Canara Bank**	Packing Credit Packing Credit (FC)	91.00	77.58	upto 90 days 7.50% p.a
		Post-Shipment/FBP	235.00	244.75	upto 90 days 7.50% p.a fm 90 to Due date 10.50% p.a
		Cash Credit	3.70	3.04	13.50% p.a
		Letter of Credit	161.70	161.70	As Per Bank's Guidelines
		Bank Gurantee	15.00	15.00	As Per Bank's Guidelines
8)	**Indusind Bank**	Packing Credit	63.00	59.41	upto 120 days 6.50% p.a
		Post-Shipment/FBP Post-Shipment (FC)	162.00	161.55	upto 90 days 6.50% p.a fm 90 to Due date 11.00% p.a Libor + 0.75% p.a.
		Letter of Credit	330.00	330.00	As Per Bank's Guidelines
9)	**United Bank of India**	Packing Credit	72.50	46.19	upto 180 days 6.25% p.a
		Post-Shipment/FBP	177.50	203.78	upto Due date 7.25% p.a
		Letter of Credit	100.00	100.00	As Per Bank's Guidelines
10)	**SIDBI**	EBF			Libor + 0.75% p.a.

			360.00	314.68	
		Post-Shipment/FBP		38.67	upto 90 days 7.50% p.a fm 90 to Due date 9.50% p.a
11)	**State Bank of Hyderabad**	Packing Credit Packing Credit (FC)	53.00	78.48	upto 90 days 6.50% p.a Libor + 0.75% p.a
		Post-Shipment/FBP Post-Shipment (FC)	142.00	113.93	upto 90 days 6.50% fm 90 to Due date 11.00% p.a Libor + 0.75% p.a
12)	**Punjab & Sind Bank**	Packing Credit	25.00	32.01	Upto 180 days 7.50% p.a Libor + 0.75% p.a
		Post-Shipment/FBP Post-Shipment (FC)	95.00	87.38	upto 90 days 7.50% p.a fm 90 to Due date 11.50% p.a Libor + 0.75% p.a
		Letter of Credit	75.00	75.00	As Per Bank's Guidelines
13)	**Andhra Bank**	Packing Credit Packing Credit (FC)	29.60	46.42	Upto 180 days 6.75% p.a Libor + 0.75% p.a
		Post-Shipment/FBP Post-Shipment (FC)	110.40	92.63	upto 90 days 6.75% p.a fm 90 to Due date 10.25% p.a Libor + 0.75%
14)	**Exim Bank**	Packing Credit/PCFC		132.81	6 Mnts Libor+1.75 basis points
15)	**Dena Bank**	Packing Credit	25.00	23.58	Upto 180 Days 7.75% p.a
		Post-Shipment	75.00	75.71	upto 90 days 7.75% p.a fm 90 to Due date 10.75% p.a.
16)	**Corporation Bank**	Post-Shipment	175.00	174.67	upto 90 days 7.50% p.a fm 90 to Due date 10.50% p.a.
17)	**State Bank of India**	Packing Credit Packing Credit (FC)	170.00	202.84	Upto 180 Days 7.25% p.a
		Post-Shipment	345.00	316.00	upto 90 days 7.25% p.a fm 90 to Due date 8.75% p.a.

		Post-Shipment (FC) Letter of Credit	245.00	245.00	As Per Bank's Guidelines
18)	**Uco Bank**	Packing Credit Packing Credit (FC)	152.50	339.52	Upto 90 Days 7.00/7.50% p.a
		Post-Shipment	342.50	155.49	upto 90 days 7.00/7.50% p.a fm 90 to Due date 9.00/9.50% p.a.
		Letter of Credit	285.00	285.00	As Per Bank's Guidelines
19)	**Bank of Baroda**	Packing Credit	120.00	114.70	Upto 90 Days 6.50% p.a
		Post-Shipment	110.00	121.67	upto 90 days 6.50% p.a fm 90 to Due date 11.00% p.a.
		Letter of Credit	20.00	20.00	As Per Bank's Guidelines
20)	**State Bank Of Indore**	Packing Credit	18.00	27.98	upto 90 days 7.50% p.a
		Post-Shipment Post-Shipment (FC)	42.00	30.16	upto 90 days 7.50% p.a fm 90 to Due date 10.00% p.a.
		Letter of Credit	50.00	50.00	As Per Bank's Guidelines

Details of Unsecured loans as on 30.09.2005

Rs in Millions

Sr.no	**Name of the Lender**	**Sanctioned Amt**	**Repayment Schedule**	**Terms**
1	Mr. Mehul C. Choksi	210.44	N.A.	Interest Free
2	Mozart investment Pvt. Ltd.	8.03	N.A.	Interest Free
3	Priti M Choksi	0.57	N.A.	Interest Free
4	Guniyal C Choksi	10.60	N.A.	Interest Free
5	Luster Manufacturures Pvt. Ltd.	9.55	N.A.	Interest Free
6	Partha Gems Pvt. Ltd.	3.06	N.A.	Interest Free
7	Rohan Diamonds Pvt. Ltd.	0.88	N.A.	Interest Free
8	Prism Bullion Pvt. Ltd.	0.11	N.A.	Interest Free
9	Damas Jewellery LLC	33.94	N.A.	Interest Free
10	Sharad P Mehta	35.28	N.A.	Interest Free
		312.45		

ANNEXURE VII - SIGNIFICANT ACCOUNTING RATIOS (on restated and consolidated numbers)						
Particulars	**Year ended March 31**					**Six month period ended**
	2001	**2002**	**2003**	**2004**	**2005**	**30-09-2005**
Earnings per share (Rs.)	5.83	7.48	6.48	4.27	3.40	6.19
Net Asset value per share (Rs.)	53.18	60.65	66.45	71.41	74.81	86.51
Return on Net Worth (%)	10.96	12.33	9.75	5.98	4.55	7.15
Weighted average number of equity shares in the period (in Nos.)	30,000,000	30,000,000	30,010,000	30,010,000	30,010,000	39,998,495

* EPS for the period 30th September,2005 is not annualized.

Formula:

1. Earnings per share(Rs.) = $\dfrac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$

2. Net Asset Value per share (Rs.) = $\dfrac{\text{Net Worth excluding revaluation reserve at the end of the period/year}}{\text{Weighted average number of equity shares outstanding during the period}}$

3. Return on Net Worth (%) = $\dfrac{\text{Net profit attributable to equity shareholders} \times 100}{\text{Net Worth excluding revaluation reserve at the end of the period/year}}$

ANNEXURE VIII - CAPITALISATION STATEMENT

Rs. in Millions

PARTICULARS	Pre-Issue as at 30-Sep-05	Post Issue*
Borrowings :		
Short-term Debt**	6,256.53	6256.53
Long-term Debt	-	-
Total Debt	**6,256.53**	**6256.53**
Shareholders' funds:		
Share Capital	399.98	569.98
Reserves	3,063.11	6208.11
Less: Misc. Expenditure	(2.72)	(2.72)
Total Shareholders' Funds	**3,460.37**	**6,775.37**
Total Capitalization	**9,716.90**	**13,031.90**
Long-term Debt/Equity ratio	**N.A.**	**N.A.**
Total Debt/Equity ratio	**1.81**	**0.92**

* The post issue capitalization cannot be determined till the completion of book building process.

** Short-term Debts are loans taken from Financial Institute / Banks / Promoter and Promoter Group Companies for working capital requirement and are due within one year from the date of above statement.

*** The company has no long - term debts during the period under review

STATEMENT OF LOANS AND ADVANCES AS ON SEPTEMBER 30, 2005

Rs.in millions

Particulars	Amount
Advances Recoverable in Cash or in Kind	
or for the value to be received	260.42
Deposits	9.63
Staff Advance	44.57
Advance to Supplier	97.16
Taxes	179.94
Others	37.61
Share Application Money	30.15
	659.48

STATEMENT OF SUNDRY DEBTORS AS ON SEPTEMBER 30, 2005

Rs.in millions

(Unsecured, Considered Good unless and other wise stated)	**Amount**
Outstanding for more than six months	2,903.49
Outstanding for more than six months considered doubtful	288.12
	3,191.61
Others	8,663.38
	8,663.38
Less: Provision for doubtful debts	(288.12)
	(288.12)
TOTAL	**11,566.87**

SCHEDULE OF OTHER INCOME

Particulars	Year ended					Six month period ended
	31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
Other Income						
Commission Received	1.61	0.87	0.24	-	17.45	0.26
Rent Received	0.29	1.09	1.25	1.02	0.36	0.06
Insurance Claim	-	-	-	-	2.37	-
Dividend Received	-	-	1.00	1.50	-	2.00
Interest on tax refund	0.13	0.35	0.92	0.47	-	0.09
Premium on sale of license	19.01	39.24	0.12	0.05	-	-
Exchange Difference	(16.78)	3.29	-	-	-	-
Assortment Charges	0.20	1.03	-	-	-	-
Sales Tax Refund	0.24	-	-	-	-	0.05
Others	0.08	-	0.13	1.12	0.02	4.17
	4.78	45.87	3.66	4.16	20.20	6.63

DETAILS OF DIVIDEND PAID

Particulars	Year / Period Ended					
Class of Shares	2001	2002	2003	2004	2005	30-09-2005
Equity (Interim / Final)	NIL	NIL	NIL	NIL	NIL	NIL

AUDITOR'S REPORT

The Board of Directors
Gitanjali Gems Limited
801/802, Prasad Chambers,
Opera House, Mumbai 400 004.

Dear Sirs,

1. We have examined the Financial Statements of Gitanjali Gems Limited ('the Company') for the five years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and six months period ended September 30, 2005 being the last date to which the accounts of the Company have been made up and audited by respective auditors as per Annexure IV point no.2.14

2. In accordance with the requirements of Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (SEBI Guidelines) and our terms of reference with the Company dated September 21, 2005 requesting us to make this report for the purpose of the Offering Document in connection with the public issue of Equity shares being fresh issue of Equity Shares through book building process, we have examined and report that:

    a. ‘Statement of Restated Profits and Losses' of the Company for the years ended March 31,2001; March 31, 2002; March 31,2003; March 31,2004 and March 31,2005 and six months period ended September 30, 2005 is as set out in Annexure I to this report. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Annexure III to this report.

    b. ‘Statement of Restated Assets and Liabilities' of the Company as at March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for the six months period ended September 30, 2005 is as set out in the Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Annexure III to this report.

    c. The 'Statement of Adjustments to Audited Financial Statements' is enclosed as Annexure III.

    d. The 'Significant Accounting Policies' adopted by the Company and the 'Notes to Accounts' are enclosed as Annexure IV.

    e. The ‘Cash Flow’ of the Company for the years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for the six months period ended September 30, 2005 are enclosed as Annexure V.

3. We have also examined the following financial information:

a. No dividend has been paid by the Company, in respect of each of the financial years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for the six months period ended September 30, 2005, on the shares of the Company.

b. 'Statement of Principal Terms of Secured Loans and Unsecured loans' as at September 30, 2005 of the Company enclosed as Annexure VI to this report and report that it correctly records the matters stated therein.

c. 'Statement of Accounting Ratios' of the Company for each of the financial years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31,2004 and March 31, 2005 and for the six months period ended September 30, 2005 enclosed as Annexure VII to this report and confirm that they have been correctly computed from the figures as stated in the 'Statement of Adjusted Profits and Losses' and 'Statement of Adjusted Assets and Liabilities' of the Company referred to in paragraph 2 above.

d. 'Statement of Related Party Disclosure' for each of the financial years ended March 31, 2003; March 31, 2004 and March 31, 2005 and for the six months period ended September 30, 2005 enclosed as Annexure VIII to this report and confirm that the relationships and transactions between the Company and its related parties have been appropriately reported in accordance with 'Accounting Standard - 18 Related Party Disclosures' issued by The Institute of Chartered Accountants of India.

e. 'Statement of Tax Shelter' for each of the financial years ended March 31,2001; March 31, 2002; March 31, 2003; March 31, 2004, March 31, 2005 and for the six months period ended September 30, 2005 enclosed as Annexure IX to this report and report that, in our opinion, it correctly reflects the 'Tax Shelter' for each of these years.

f. 'Capitalization Statement' enclosed as Annexure X to this report and report that it correctly records the matters stated therein.

This report is intended solely for your information for inclusion in the Prospectus in connection with the proposed Public Issue of the Company's shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For Ford, Rhodes, Parks & Co.
Chartered Accountants

Sd/-
A.D.Shenoy
Partner
Membership Number. 11549

Place: Mumbai
Date: January 31, 2006

ANNEXURE I - STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT OF GITANJALI GEMS LIMITED.

Rs. in Millions

Particulars	Year ended					Six month period ended
	31-03-2001	**31-03-2002**	**31-03-2003**	**31-03-2004**	**31-03-2005**	**30-09-2005**
Income						
Sales of products	41,038.71	10,271.09	11,720.76	13,061.11	13,520.96	8,151.57
Other Income	2.41	41.81	3.11	4.04	20.07	6.09
Increase/ (Decrease) in Inventories	375.58	799.46	(316.36)	(1,087.75)	(140.68)	70.15
	41,416.70	**11,112.36**	**11,407.51**	**11,977.40**	**13,400.35**	**8,227.81**
Expenditure						
Raw materials consumed	40,452.49	10,435.89	10,740.24	11,183.90	12,480.35	7,415.88
Staff costs	6.23	7.38	6.83	8.86	12.28	25.69
Other manufacturing expenses	46.39	73.05	100.02	345.76	512.76	308.60
Administration expenses	121.64	83.06	67.90	100.88	95.87	67.91
Selling & Distribution expenses	5.72	3.55	13.60	32.00	22.43	7.71
	40,632.47	**10,602.93**	**10,928.59**	**11,671.40**	**13,123.69**	**7,825.79**
Profit Before Depreciation Interest & Tax	**784.23**	**509.43**	**478.92**	**306.00**	**276.66**	**402.02**
Depreciation	5.94	6.13	5.28	4.61	4.25	10.42
Interest	323.42	284.28	277.67	158.05	132.23	120.71
Profit before tax and Extraordinary items	**454.87**	**219.02**	**195.97**	**143.34**	**140.18**	**270.89**
Taxation						
Current tax	1.23	-	10.00	28.70	53.20	39.12
Deferred tax	-	-	1.42	(0.29)	(0.58)	(2.20)
Fringe Benefit Tax	-	-	-	-	-	0.25
Net Profit	**453.64**	**219.02**	**184.55**	**114.93**	**87.56**	**233.72**
Adjustments (Refer Annexure III)	212.19	0.38	0.38	0.38	0.38	(1.88)
Adjusted Net Profit	**241.45**	**218.64**	**184.17**	**114.55**	**87.18**	**235.60**

ANNEXURE II - STATEMENT OF RESTATED ASSETS AND LIABILITIES

Rs. in Millions

	Particulars	As at					
		31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
A.	**Fixed Assets**						
	Gross block	135.69	137.81	138.38	140.17	142.28	348.55
	Less Depreciation	25.66	31.79	37.06	41.55	45.79	110.61
	Net Block	**110.03**	**106.02**	**101.32**	**98.62**	**96.49**	**237.94**
B.	**Investments**	**35.20**	**29.90**	**30.65**	**30.65**	**30.65**	**146.38**
C.	**Current Assets, Loans and Advances**						
	Inventories	1,649.13	2,449.17	2,131.26	1,043.51	902.83	1,296.49
	Sundry Debtors	3,419.08	3,736.60	3,764.34	5,025.77	5,776.85	7,818.92
	Cash and Bank Balances	169.47	267.55	394.58	378.13	240.68	659.01
	Loans and Advances	86.58	195.87	179.51	218.95	390.55	873.92
		5,324.26	**6,649.19**	**6,469.69**	**6,666.36**	**7,310.91**	**10,648.34**
D.	**Liabilities and Provisions:**						
	Secured Loans	2,450.51	2,534.91	2,777.74	2,991.60	3,138.08	4,276.04
	Unsecured Loans	32.56	4.95	5.30	8.45	-	89.10
	Current Liabilities and Provisions	1,338.21	2,378.40	1,765.46	1,628.16	2,045.95	3,704.54
	Deferred Tax Liability	-	-	22.15	1.13	0.55	0.28
		3,821.28	**4,918.26**	**4,570.65**	**4,629.34**	**5,184.58**	**8,069.96**
E.	**Net Worth**	**1,648.21**	**1,866.85**	**2,031.01**	**2,166.29**	**2,253.47**	**2,962.70**
F.	**Represented by**						
	Share Capital	300.00	300.00	300.10	300.10	300.10	399.98
	Reserves & Surplus	1,348.21	1,566.85	1,730.91	1,866.19	1,953.37	2,562.72
	Total	**1,648.21**	**1,866.85**	**2,031.01**	**2,166.29**	**2,253.47**	**2,962.70**
G.	**Net Worth**	**1,648.21**	**1,866.85**	**2,031.01**	**2,166.29**	**2,253.47**	**2,962.70**

ANNEXURE III - STATEMENTS OF ADJUSTMENTS TO THE AUDITED FINANCIAL STATEMENTS

Rs. in Millions

Year / Particulars	31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
Profit after Tax & Extra - Ordinary items (as per audited accounts)	453.64	219.02	184.55	114.93	87.56	233.72
Changes in accounting policy	(0.36)	(0.38)	(0.38)	(0.38)	(0.38)	1.88
Provision for Doubtful Debts. Deferred Tax Adjustment	(211.83)	-	-	-	-	-
Restated - Profit & Loss account	241.45	218.64	184.17	114.55	87.18	235.60
Reserves & Surplus (as per audited accounts)	1,560.40	1,779.42	1,943.86	2,079.51	2,167.08	2,774.55
Adjustments to the Profit & Loss as indicated above	(212.19)	(212.57)	(212.95)	(213.32)	(213.71)	(211.83)
Restated - Reserves & Surplus	1,348.21	1,566.85	1,730.91	1,866.19	1,953.37	2,562.72
Current Liabilities (as per audited accounts)	1,337.85	2,377.66	1,764.34	1,626.66	2,044.07	3,704.54
Adjustments as indicated above	0.36	0.74	1.12	1.50	1.88	-
Restated - Current Liabilities	1,338.21	2,378.40	1,765.46	1,628.16	2,045.95	3,704.54
Sundry Debtors (as per audited accounts)	3,630.91	3,948.43	3,976.17	5,237.60	5,988.68	8,030.75
Adjustments as indicated above	(211.83)	(211.83)	(211.83)	(211.83)	(211.83)	(211.83)
Restated - Sundry Debtors	3,419.08	3,736.60	3,764.34	5,025.77	5,776.85	7,818.92

ANNEXURE – IV

RESTATED SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1. Significant Accounting Policies:

1.1 Accounting Concepts

The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.

1.2 Fixed Assets

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.

The original cost of fixed assets acquired through foreign currency credits are adjusted at the end of each financial year by any change in liability arising out of expressing outstanding foreign credits at the rate of exchange prevailing at the date of the Balance Sheet and also by gains/losses on foreign exchange rate fluctuation which arises on repayment of foreign currency credits during the year.

1.3 Depreciation

Depreciation is being charged on the fixed assets on the written down value method in accordance with the provisions of Schedule XIV of the Companies Act, 1956.

1.4 Inventories

Inventories of raw materials, finished goods, rejection, 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 & overheads.
Finished Goods – Jewellery	Lower of market value and Material cost plus proportionate labour and overheads.
Finished Goods – Gold	Lower of cost and market value
Consumables Stores & Tools	At Cost

1.5 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 year end and resultant gains/losses are charged to the profit and loss account. Premium in respect of forward foreign exchange contracts is recognized over the life of the contracts. Foreign currency loans for financing fixed assets are stated at the contracted/prevailing rate of exchange at the year end and the resultant gains/losses are adjusted to respective cost of assets.

1.6 **Retirement Benefits**

Regular contributions are made to Provident Fund authorities. Liability in respect of leave encashment is provided as per rules of the Company. Liability in respect of gratuity to employees is actuarially assessed and provided for.

1.7 **Investments**

Long-term investments are stated at cost.

1.8 **Taxation**

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

Deferred Tax is recognized subject to prudence, on timing difference, 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 differed tax assets can be realized.

1.9 **Contingent Liabilities**

Contingent liabilities are not provided for and are disclosed by way of notes.

2. **<u>Notes to Accounts :</u>**

2.1 **Scheme of Amalgamation of Gemplus Jewellery India Ltd. (GJIL), Prism Jewellery Pvt. Ltd. (PJPL) and Giantti Jewels Private Ltd. (GJPL) hereinafter collectively called transferor company with Gitanjali Gems Ltd. (the Company) :**

a) The Company's application in the matter of Scheme of Amalgamation of above named three companies has been approved by the Honorable High Court at Mumbai and the order sanctioning the Scheme of Amalgamation under sections 391 to 394 of the Companies Act 1956 has been passed on 30th day of September 2005 (Received on 14th October 2005). The Scheme, although effective from 1st April 2005 it shall become operative from the dates on which certified copies of the order of the High Court are filed with the Registrar of Companies.

b) In accordance with the said Scheme:

(i) The assets and liabilities, rights and obligations of the Transferor Companies shall, without any further act or deed be and shall stand transferred to and vested in and / or deemed to be transferred to and vested in the Company pursuant to the provisions of section 394 and other applicable provisions of the Companies Act 1956. The Scheme has accordingly been given effect to in these accounts.

(ii) The operations of the transferor companies include the manufacturing and sale (including retail and exports) of diamonds and diamond studded jewellery.

(iii) The Scheme of Amalgamation has been accounted for under the "pooling of interest" method as prescribed by the Institute of Chartered Accounts of India. Accordingly the assets, liabilities and reserves of Transferor companies as at 1st April 2005 have been taken over at their book values.

(iv) As per the Scheme of Amalgamation 11,905 Equity Shares of Rs.10 each of Gemplus Jewellery India Ltd. held by the company including 1905 Equity Shares recorded as bonus shares stand cancelled. The excess cost of investment in GJIL has been debited to Accumulated surplus account of the Company.

(v) Pursuant to the scheme of Amalgamation and after considering the extinguishment of the shares held in GJIL by the company, the equity share of Rs. 10/- each of the company are to be issued to the shareholders of GJIL in the ratio of one equity shares of the face value of Rs. 10/- each fully paid in exchange for one equity share of the face value of Rs. 10/- each fully paid. In case of PJPL the shares are to be issued to the shareholders of PJPL in the ratio of one equity share of face value of RS 10/- each fully paid up in the company for every 50 equity shares of the face value of Rs 10/- each fully paid up in the transferor company. In case of GJPL the shares are to be issued to the shareholders of GJPL in the ratio of one equity share of the face value of Rs. 10/- each fully paid up for every 50 equity shares of the face value of Rs. 10/-each fully paid up in the transferor company.

c) Pending allotment of these shares to the shareholders of the transferor companies, the revised paid up capital of the company is 39,998,495 equity shares of Rs.10/- each fully paid up amounting to 399,984,950.

d) The aforesaid share exchange ratio has been considered as per the expert valuation made by a firm of Chartered Accountants and approved by the board of directors of the respective transferor / transferee companies.

2.2 Contingent Liabilities not provided in respect of

Rs. in Millions

Sr. No	Particulars	30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
1	Guarantee given by the Company for letter of credit facility availed by a subsidiary company	220.00	80.00	80.00	80.00	80.00	80.00
2	Outstanding Letter of Credit	29.15	34.14	67.45	304.44	93.03	94.19
3	Bills discounted with bankers	100.45	0.00	108.56	149.98	156.73	978.19
4	Sales tax demand	0.00	0.00	0.00	0.00	24.85	24.85
5	Disputed Income Tax	30.03	0.00	0.00	0.00	0.00	0.00

2.3 Upon this Scheme of Amalgamation coming in to effect all the secured loans from banks and financial institution granted to the transferor companies and remaining outstanding as on 01st April, 2005 stand vested in the Company. The necessary documentation for creation of fresh charges in favour of the banks and financial institution are yet to be done

Security towards Secured Loans: Working capital borrowings from Banks/ financial institution are secured against 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, mortgage by way of deposit of title deeds of land and building of the Company's factory at Borivali and SEEPZ, Andheri and residential premises and personal guarantee of the Managing Director.

2.4 **Following payments have been made to a Director during the year**

(Rs. in Millions)

Particulars	30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
Professional fees	0.00	0.00	0.00	0.00	0.00	0.72
Salary & Other Payments	2.20	3.27	2.35	1.73	1.54	0.00

In view of the sufficient profits during the years no separate working is given in respect of managerial remuneration as required under Section 198 of the Companies Act, 1956.

2.5 **Sundry Debtors**

Includes amounts due from concerns in which a director is interested as director/partner.

(Rs. in Millions)

30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
350.37	346.34	236.59	154.38	104.08	5.06

2.6 **Loans and Advances** (Rs. in Millions)

Sr.No.	Particulars	30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
1	Advances to Suppliers given to concerns in which a Director is interested	367.33	43.88	45.10	16.05	76.05	0.00
2	Advances to employees / Ex-employees (in earlier years) which are still remaining out standing.	0.00	1.80	1.80	1.80	4.75	0.00
3	Advance for labour charges (In earlier years) which are still remaining outstanding.	0.00	1.32	1.32	1.16	1.16	0.00

2.7 During the Financial Year 2004-05, a theft of 801.42 carats of cut & polished diamonds valued at Rs. 121.66 Lakhs was committed by an employee in December 2004. First Information Report (FIR) has been lodged with appropriate authorities and a claim for recovery has been filed with the insurance company. The Company has since recovered cut & polished diamonds 660.77 carats valued at Rs 97.95 Lakhs. Pending settlement, claim of Rs 23.71 Lakhs has been shown as Insurance Claims Recoverable under the head Loans and Advances. The management is of the opinion that the insurance claim is good and recoverable.

2.8 **Remuneration to Auditors** (Rs. in Millions)

Sr. No.	Particulars	30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
1	Audit Fees	0.00	0.23	0.23	0.23	0.23	0.23
2	Tax Audit Fees	0.00	0.08	0.08	0.08	0.08	0.08
3	Service Tax	0.00	0.03	0.02	0.02	0.02	0.02
4	Other Matters	0.00	0.04	0.00	0.00	0.00	0.00

2.9 **Gratuity to Employees :**

The company with a view to complying with the Accounting Standard AS-15 issued by the Institute of Chartered Accountants of India, in respect of Gratuity liability to Employees has during the half year ended 30^{th} September, 2005, got it's gratuity liability to employees actuarially determined at Rs 4.44 million. (Liability up to 31/03/2005 is Rs. 2.91 Million, excluding the liability of amalgamating company which is Rs. 1.53 Million) The same has been accounted for in the Accounts. Hitherto the company was accounting for Gratuity liability on Cash basis. Had the company not changed the accounting policy with respect to Gratuity to employees, the profit for the period ended 30^{th} September, 2005 would have been higher by similar amount.

2.10 **Earning per share.**

Sr. No.	Particulars	30-Sep-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
1	Net Profit for the period attributable to Equity Shareholders (Rs. in Mio)	233.72	87.56	114.93	184.55	219.02	453.64
2	Weighted average number of equity shares out standing (Nos)	3,99,98,495	3,00,10,000	3,00,10,000	3,00,10,000	3,00,00,000	3,00,00,000
3	Basic & Diluted EPS (Face Value of Rs. 10/- Each)	5.84*	2.92	3.83	6.15	7.30	15.12

* Not Annualised.

Earning per Share (EPS): - The above EPS is based on the Audited figures of the respective Years / periods. For Restated Earning per share based on restated profit loss please refer to Annexure – VII - Significant Accounting Ratios.

2.11 **Deferred Tax Assets & Liabilities are as under:**

(Rs. in Millions)

Sr. No.	Particulars	30-Sep-2005	31-Mar-05	31-Mar-04	31-Mar-03
1	Deferred Tax Assets On account of Provision for - Retirement Benefits - Brought forward business losses	 0.74 4.87	 NIL NIL	 NIL NIL	 NIL NIL
2	Deferred Tax Liabilities: On account of timing difference of depreciation	5.89	0.55	1.13	22.15
3	Net Deferred Tax Liability	0.28	0.55	1.13	22.15*

* Deferred tax liability of earlier years.

2.12 Segment Reporting

The Company has two separate reportable business segments viz. diamond and Bullion/Jewellery. During the period 2004-05, 2003-04 and 2002-03 Bullion / Jewellery trading revenue represents less than 10% of total revenue and the management was of the view that this segment was not significant reportable segment. Hence, no separate disclosure for this segment was given till the financial year ended 2004-05. However with amalgamation coming into effect from 1st April, 2005 the same has been reported for the six months ended 30th September,2005 and is as follows;

(Rs. In Million)

Particulars.	**Diamond**	**Jewellery**	**Total**
REVENUE			
External Sales	6,412.18	1,739.39	8,151.57
Inter-segment Sales	-	-	-
Total Revenue	6,412.18	1,739.39	8,151.57
RESULT	317.14	162.68	479.82
Unallocated corporate expenses	-	-	94.33
Operating Profit			385.49
Interest expenses			120.70
Interest & other Income			6.10
Net Profit before tax			270.89
Segment assets	7,847.23	2165.13	10,012.36
Unallocated corporate Assets			1,020.30
Total Assets			11,032.66
Segment liabilities	6,081.77	1,630.78	7,712.55
Unallocated corporate liabilities			357.41
Total Liabilities			8,069.96
Capital Expenditure	0.08	3.16	3.24
Depreciation	1.72	8.70	10.42
Non cash expenses other than depreciation	-	-	-

Geographical segments – segment revenue

Geographical Locations	**Rs. In Millions.**
India	2,531.61
Rest of the World	5,619.96
	8,151.57

Description of business segments: *The company identifies two major reportable segment –viz. Diamond business and Jewellery business. Activity in the 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 also, manufacturing and sales in local market of branded and unbranded jewellery.*

2.13 Related Party Transaction (Accounting Standard -18)

Refer to Annexure VIII of the report.

2.14 Summary of Auditors for the last five years

Financial Year	Name and Address of Auditor
2000-2001	Sampat Mehta & Associates 3, Kapoor Mansion, 47, Hughes Road, Mumbai 400 007.
2001-2002	Sampat Mehta & Associates 3, Kapoor Mansion, 47, Hughes Road, Mumbai 400 007.
2002-2003	Ford, Rhodes, Parks & Co. Bank of Baroda Building, 3rd Floor, Bombay Samachar Marg, Mumbai 400 023.
2003-2004	Ford, Rhodes, Parks & Co. Bank of Baroda Building, 3rd Floor, Bombay Samachar Marg, Mumbai 400 023.
2004-2005	Ford, Rhodes, Parks & Co. Bank of Baroda Building, 3rd Floor, Bombay Samachar Marg, Mumbai 400 023.
Half Year Ended 30th September,2005	Ford, Rhodes, Parks & Co. Bank of Baroda Building, 3rd Floor, Bombay Samachar Marg, Mumbai 400 023.

ANNEXURE V - RESTATED CASH FLOW STATEMENT OF GITANJALI GEMS LIMITED.

Rs. In Millions

Particulars	Year Ended March 31					Six month period ended
Particulars	2001	2002	2003	2004	2005	30-09-2005
<u>Cash Flows from Operating Activities</u>						
Restated Adjusted Net Profit	241.45	218.64	184.17	114.55	87.18	235.60
Adjustments for:						
Depreciation	5.94	6.13	5.28	4.61	4.25	10.42
Dividend Income	-	-	(1.00)	(1.50)	-	-
Provision for Taxation	1.23	-	10.00	28.70	53.20	39.12
Provision for Deferred Tax	-	-	1.42	(0.29)	(0.58)	(2.20)
Provision for Fringe Benefit Tax	-	-	-	-	-	0.25
Profit on sale of Fixed Assets	-	-	-	-	-	(3.66)
Interest Paid (Net)	323.42	284.28	277.67	158.05	132.23	120.71
Operating Profit before Working Capital Changes (i)	572.04	509.05	477.54	304.12	276.28	400.24
Change in Inventories	(374.34)	(800.04)	317.91	1,087.75	140.68	(69.55)
Change in Trade & other Receivables	(734.62)	(317.52)	(27.74)	(1,261.43)	(751.08)	(756.50)
Change in Other Current Assets	14.00	(109.29)	16.36	(39.44)	(171.60)	(397.60)
Change in Current Liabilities	10.90	1,042.86	(618.77)	(161.84)	365.17	832.55
Prior Period Expenditure	-	-	-	-	-	-
Net Changes in working Capital (ii)	(1,084.06)	(183.99)	(312.24)	(374.96)	(416.83)	(391.10)
Net Cash Flow from Operating Activities A= (i+ii)	**(512.02)**	**325.06**	**165.30**	**(70.84)**	**(140.55)**	**9.14**
<u>Cash Flow from Investing Activities</u>						
Purchase/ Sale of Fixed Assets (Net)	(18.09)	(2.12)	(0.58)	(1.91)	(2.12)	(20.98)
Dividend Income	-	-	1.00	1.50	-	-
Investments Purchased	(20.00)	5.30	(0.75)	-	-	(65.98)
Net Cash Flow used in Investing Activities (B)	**(38.09)**	**3.18**	**(0.33)**	**(0.41)**	**(2.12)**	**(86.96)**
<u>Cash Flows from Financing Activities</u>						
Changes in Borrowings	794.86	56.79	243.18	217.01	138.03	536.48
Proceeds from Issuance of Capital	-	-	0.10	-	-	-

Increase in Reserves	-	-	0.62	-	-	-
Interest Paid (Net)	(316.85)	(286.95)	(281.84)	(162.21)	(132.81)	(119.82)
Net Cash Flow from Financing Activities (C)	**478.01**	**(230.16)**	**(37.94)**	**54.80**	**5.22**	**416.66**
Net increase in cash and cash equivalents (A+B+C)	(72.10)	98.08	127.03	(16.45)	(137.45)	338.84
Cash and Cash Equivalents (Opening Balance)	241.57	169.47	267.55	394.58	378.13	320.17 *
Cash and Cash Equivalents (Closing Balance)	169.47	267.55	394.58	378.13	240.68	659.01

Note:-

1) * Including the balances of Amalgamating Companies

2) Figures for the half year ended 30th September, 2005 are not comparable with that of previous year. Refer Note 2.1 of Annexure IV.

ANNEXURE VI - PRINCIPAL TERMS OF SECURED AND UNSECURED LOANS

Details of Working Capital Facility as on 30.09.2005

Rs in Millions

Sr.no	Name of the Lender	Facility	Sanctioned Amt	Balance	Rate of Interest
1)	**Allahabad Bank**	Packing Credit	160.00	240.12	upto 135 days 7.50% p.a.
		Packing Credit (FC)			Libor + 0.75% p.a.
		Post-Shipment/FBP	540.00	451.40	upto 90 days 7.50% p.a.
					fm 90 to Due date 9.00% p.a.
		Post-Shipment (FC)			Libor + 0.75% p.a.
		Cash Credit	15.00	20.05	PLR + 1.50% p.a.
		Letter of Credit	240.00	240.00	As Per Bank's Guidelines
		Bank Guarantee	25.00	25.00	As Per Bank's Guidelines
2)	**Punjab National Bank**	Packing Credit	170.00	178.26	Upto 180 days 7.50% p.a
		Packing Credit (FC)			Libor + 0.75% p.a.
		Post-Shipment/FBP	514.00	504.97	upto 90 days 7.50% p.a
					fm 90 to Due date 10.50% p.a
		Letter of Credit	168.00	168.00	As Per Bank's Guidelines
		Bank Guarantee	50.00	50.00	2.50% p.a.
3)	**Karnataka Bank Ltd**	Packing Credit	35.00	65.66	Upto 180 days 8.00% p.a
		Packing Credit (FC)			Libor + 0.75% p.a.
		Post-Shipment/FBP	265.00	235.15	upto 120 days 7.50% p.a
					fm 120 to Due date 11.00% p.a
		Post-Shipment (FC)			Libor + 0.75% p.a.
		Cash Credit	30.00	30.00	PLR + 1.50% p.a.
		Letter of Credit	70.00	70.00	As Per Bank's Guidelines
4)	**ICICI Bank Ltd**	Packing Credit	100.00	23.75	upto 90 days 7.50% p.a
		Packing Credit (FC)			Libor + 0.75% p.a
		Post-Shipment (FC)		73.93	Libor + 0.75% p.a
		Letter of Credit	300.00	300.00	1.20% p.a
5)	**Syndicate Bank**	Packing Credit	77.20	114.05	Upto 90 days 7.50% p.a
		Post-Shipment/FBP	212.80	175.57	upto 90 days 7.50% p.a
					fm 90 to Due date 11.00% p.a
		Cash Credit	3.50	3.28	PLR + 2.00% p.a
		Letter of Credit	93.00	93.00	As Per Bank's Guidelines
		Bank Guarantee	6.00	6.00	As Per Bank's Guidelines
6)	**Development Credit Bank**	Packing Credit	63.50	63.50	Upto 90 days 8.00% p.a
		Packing Credit (FC)			Libor + 2.25%
		Post-Shipment/FBP	271.00	271.00	Upto 90 days 8.00% p.a
					fm 90 to Due date 11.00% p.a
		Post-Shipment (FC)			Libor + 0.75% p.a.
7)	**Canara Bank**	Packing Credit	37.50	41.44	upto 90 days 7.50% p.a
		Packing Credit (FC)			
		Post-Shipment/FBP	132.50	126.70	upto 90 days 7.50% p.a
					fm 90 to Due date 10.50% p.a
		Cash Credit	3.70	3.04	13.50% p.a
		Letter of Credit	68.00	68.00	As Per Bank's Guidelines
		Bank Gurantee	15.00	15.00	As Per Bank's Guidelines

8)	**Indusind Bank**	Packing Credit	16.00	15.14	upto 120 days 6.50% p.a
		Post-Shipment/FBP	84.00	84.26	upto 90 days 6.50% p.a
					fm 90 to Due date 11.00% p.a
		Post-Shipment (FC)			Libor + 0.75% p.a.
		Letter of Credit	150.00	150.00	As Per Bank's Guidelines
9)	**United Bank of India**	Packing Credit	37.50	43.37	upto 180 days 6.25% p.a
		Post-Shipment/FBP	112.50	106.60	upto Due date 7.25% p.a
		Letter of Credit	100.00	100.00	As Per Bank's Guidelines
10)	**SIDBI**	EBF	210.00	207.54	Libor + 0.75% p.a.
11)	**State Bank of Hyderabad**	Packing Credit	53.00	78.48	upto 90 days 6.50% p.a
		Packing Credit (FC)			Libor + 0.75% p.a
		Post-Shipment/FBP	142.00	113.93	upto 90 days 6.50%
					fm 90 to Due date 11.00% p.a
		Post-Shipment (FC)			Libor + 0.75% p.a
12)	**Punjab & Sind Bank**	Packing Credit	25.00	32.01	Upto 180 days 7.50% p.a
					Libor + 0.75% p.a
		Post-Shipment/FBP	95.00	87.38	upto 90 days 7.50% p.a
					fm 90 to Due date 11.50% p.a
		Post-Shipment (FC)			Libor + 0.75% p.a
		Letter of Credit	75.00	75.00	As Per Bank's Guidelines
13)	**Andhra Bank**	Packing Credit	29.60	46.42	Upto 180 days 6.75% p.a
		Packing Credit (FC)			Libor + 0.75% p.a
		Post-Shipment/FBP	110.40	92.63	upto 90 days 6.75% p.a
					fm 90 to Due date 10.25% p.a
		Post-Shipment (FC)			Libor + 0.75%
14)	**Exim Bank**	Packing Credit/PCFC		132.81	6 Mnts Libor+1.75 basis points
15)	**Dena Bank**	Packing Credit	25.00	23.58	Upto 180 Days 7.75% p.a
		Post-Shipment	75.00	75.71	upto 90 days 7.75% p.a
					fm 90 to Due date 10.75% p.a.
16)	**Corporation Bank**	Post-Shipment	175.00	174.67	upto 90 days 7.50% p.a
					fm 90 to Due date 10.50% p.a.
17)	**State Bank of India**	Packing Credit	40.00	32.33	Upto 180 Days 7.25% p.a
		Packing Credit (FC)			
		Post-Shipment	100.00	107.26	upto 90 days 7.25% p.a
					fm 90 to Due date 8.75% p.a.
		Post-Shipment (FC)			
		Letter of Credit	20.00	20.00	As Per Bank's Guidelines
18)	**Uco Bank**	Packing Credit	25.00	30.86	Upto 90 Days 7.50% p.a
		Post-Shipment	95.00	89.21	upto 90 days 7.50% p.a
					fm 90 to Due date 9.50% p.a.
19)	**Bank of Baroda**	Packing Credit	40.00	33.00	Upto 90 Days 6.50% p.a
		Post-Shipment	40.00	46.99	upto 90 days 6.50% p.a
					fm 90 to Due date 11.00% p.a.
		Letter of Credit	20.00	20.00	As Per Bank's Guidelines

Details of Unsecured loans as on 30.09.2005				
				Rs in Millions
Sr.no	Name of the Lender	Sanctioned Amt	Repayment Schedule	Terms
1	Mr. Mehul C. Choksi	80.97	N.A.	Interest Free
2	Mozart investment Pvt. Ltd.	8.03	N.A.	Interest Free
3	Prism Bullion Pvt. Ltd.	0.11	N.A.	Interest Free
		89.10		

ANNEXURE VII - SIGNIFICANT ACCOUNTING RATIOS (on restated numbers)

Particulars	Year / Period Ended					
	31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
Earnings per share (Rs.)	8.05	7.29	6.14	3.82	2.91	5.89
Net Asset value per share (Rs.)	54.94	62.23	67.68	72.19	75.09	74.07
Return on Net Worth (%)	14.65	11.71	9.07	5.29	3.87	7.95
Weighted average number of equity shares in the period (in Nos.)	30,000,000	30,000,000	30,010,000	30,010,000	30,010,000	39,998,495

* EPS for the period ended 30th September,2005 is not Annualized

Formula:

1. Earnings per share(Rs.) = $\dfrac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$

2. Net Asset Value per share (Rs.) = $\dfrac{\text{Net Worth excluding revaluation reserve at the end of the period/year}}{\text{Weighted average number of equity shares outstanding during the period}}$

3. Return on Net Worth (%) = $\dfrac{\text{Net profit attributable to equity shareholders} \quad \text{X} \quad 100}{\text{Net Worth excluding revaluation reserve at the end of the period/year}}$

ANNEXURE - VIII : Details of Transaction with Related Parties

1. Transactions with related parties during the period ended September 30, 2005

(Rs. in millions)

Particulars	Names of Related party	Subsidiary	Associate	Foreign Enterprise	Key Management Personnel	Relative of Key Management Personnel
Sales						
	Cria Jewellery Pvt. Ltd.	0.41				
	D'Damas Jewellery India Ltd.		134.75			
	Gitanjali Exports Corporation Limited	1.19				
	Diminco N.V.			67.58		
Purchases	Mehul Impex Ltd.	125.20				
	D'Damas Jewellery India Pvt. Ltd.		1.53			
	Gitanjali Exports Corporation Ltd.	159.63				
	Brightest Circle Jewellery Pvt. Ltd.		2.91			
	Diminco N.V.			64.73		
Labour Charges Paid	Mehul Impex Ltd.	14.85				
Salary & Other Payments	Mr. Adrianus Voorn				1.42	
	Mr. Rajendra Chourse				0.52	
	Mr. PrabhatKumar Sharma				0.26	
Dividend Received	Gitanjali Jewels Ltd.		2.00			
Amount Outstanding shown under advances to	Mehul Impex Ltd.	104.36				
	Gitanjali Exports Corp. Ltd.	357.01				

subsidiary	Cria Jewels Pvt. Ltd.	4.53				
Advance Given	Mehul Impex Ltd.	353.09				
	Gitanjali Exports Corporation Ltd.	916.73				
	Priyanka Gems Pvt Ltd.		6.4			
	Mozart investment Pvt. Ltd.		109.76			
	Gitanjali Jewels Ltd		0.94			
	D'Damas Jewellery (I) Pvt Ltd.		12.95			
Advance Given	Mehul Impex Ltd.	242.94				
Received Back	Gitanjali Exports Corporation Ltd.	513.88				
	Touchstone		0.06			
	Gitanjali Jewels Ltd		11.62			
	Priyanka Gems Pvt. Ltd.		2.90			
	Cria Jewellery Pvt. Ltd.	0.47				
	D'Damas Jewellery India Pvt.Ltd.		1.78			
Advances Received						
	Touchstone		112.40			
	Diamond Creations		113.45			
Advances	Touchstone		57.02			
Received Given Back	Diamond Creations		31.55			
Amount Outstanding	Gitanjali Jewels Ltd.		134.99			
shown under sundry debtors	Gitanjali Gold & Precious Ltd.		26.57			
	Prism Bullion Pvt. Ltd.		3.46			
	Cria Jewellery Pvt. Ltd.	4.31				
	D'Damas		328.28			

	Jewellery (P) Ltd.					
	Gitanjali Exports Corporation Ltd.	8.62				
	Diminco N.V.			71.76		
Amount Outstanding	Diamond Creations		134.53			
shown under	Diminco N.V.			31.81		
sundry creditors	Gitanjali Exports Corp. Ltd.	3.72				
	Mehul C Choksi				29.93	
	Rohan Diamond		1.50			
	Luster Manufacturers Pvt. Ltd.		10.00			
	Partha Gems Pvt Ltd.		2.00			
	Gitanjali Jewels Ltd.		0.04			
	Gitanjali gold & precious Limited		2.67			
	Prism bullion Pvt Ltd.		0.65			
	D'Damas Jewellery (I) Pvt Ltd.		2.57			
	Brightest Circle Jew. Pvt Ltd.		2.91			
	Guniyal C Choksi					18.45
Amount Outstanding shown under advances to	Gitanjali Exports Corporation Ltd.	357.01				
suppliers	Priyanka Gems Pvt. Ltd.		9.25			
	Audarya Investments Pvt. Ltd.		0.22			
	Naviraj Estates Pvt. Ltd.		0.30			
	Rohan Mercantile Pvt. Ltd.		0.02			
	Mozart					

	Investment Pvt Ltd.		107.99			
	Gitanjali Jewels Limited		0.94			
Amount Outstanding shown under advances from suppliers	Gitanjali Exports Corporation Ltd.	11.65				
	Touch Stone		67.20			
	Gitanjali Jewels		0.54			
Amount Outstanding	Mr. Mehul C. Choksi				80.94	
shown under Unsecured Loan	Mozart Investment Pvt Ltd.		8.03			
	Prism bullion Pvt Ltd.		0.11			
Guarantee Given to Subsidiary	Mehul Impex Ltd.	80.00				
Purchase of Equity Shares.	Mehul C.Choksi				30.00	
	Priyanka Gems Pvt Ltd.		1.50			
	Rohan Diamond Pvt Ltd.		1.50			
	Luster Manufacturers Pvt Ltd.		10.00			
	Partha Gems Pvt. Ltd.		2.00			
	Guniyal C. Choksi					2.50
	Priti M Choksi					18.45
Other Expenses	Priyanka Gems Pvt Ltd.		1.52			

2. Transactions with related parties during the year ended March 31, 2005

(Rs. in millions)

Particulars	Names of Related party	Subsidiary	Associate	Foreign Enterprise	Key Management Personnel	Relative of Key Manage-ment Personnel
Sales	Gemplus Jewellery India Ltd.		275.07			

	Diamond Creations		92.89			
	Gitanjali Jewels Ltd		33.29			
	Giantti Jewels Ltd.		5.33			
	Prism Bullion Pvt. Ltd		0.08			
	Cria Jewellery Pvt. Ltd.		0.01			
	D'Damas Jewellery India Ltd.		101.06			
	Brightest Circle Pvt. Ltd.		2.64			
	Diminco N.V.			376.14		
Purchases	Mehul Impex Ltd.	145.37				
	Giantti Jewels Pvt. Ltd.		5.75			
	Gitanjali Exports Corporation Ltd.		583.33			
	Diamond Creations		22.50			
	Diminco N.V.			95.87		
Labour Charges Paid	Mehul Impex Ltd.	62.22				
Salary & Other Payments	Mr. Adrianus Voorn				3.26	
Rent Received	Gitanjali Jewels Ltd.		0.23			
Amount Outstanding shown under advances to subsidiary	Mehul Impex Ltd.	66.75				
Advance Given	Mehul Impex Ltd.	863.89				
	Gitanjali Exports Corporation Ltd.		861.90			
	Gemplus Jewellery		309.22			

	India Ltd.					
	Touchstone		11.73			
	Gitanjali Jewels Ltd		113.68			
	Gitanajli Gold and Precious Ltd.		27.06			
	Priyanka Gems Pvt. Ltd.		14.71			
	Giantti Jewels Pvt. Ltd.		21.32			
	Audarya Investments Pvt. Ltd.		0.22			
	Naviraj Estates Pvt. Ltd.		0.30			
	Rohan Mercantile Pvt. Ltd.		0.02			
	Prism Bullion Pvt. Ltd.		6.96			
	Prism Jewellery Pvt. Ltd.		5.60			
	Cria Jewellery Pvt. Ltd.		3.86			
	Brightest Circle Pvt. Ltd.		30.03			
	Mrs. Priti M. Choksi					1.24
	D'Damas Jewellery India Pvt.Ltd.		15.12			
Advance Given Received Back	Mehul Impex Ltd.	721.76				
	Gitanjali Exports Corporation Ltd.		846.09			
	Gemplus Jewellery India Ltd.		293.34			
	Touchstone		11.67			
	Gitanjali Jewels Ltd		52.53			
	Gitanajli Gold and		0.50			

	Precious Ltd.					
	Priyanka Gems Pvt. Ltd.		5.94			
	Giantti Jewels Pvt. Ltd.		6.45			
	Prism Bullion Pvt. Ltd.		6.96			
	Cria Jewellery Pvt. Ltd.		1.53			
	Mrs. Priti M. Choksi					1.24
	D'Damas Jewellery India Pvt.Ltd.		12.75			
Advances Received	Gitanjali Exports Corporation Ltd.		605.47			
	Touchstone Diamond Creations		83.26 98.52			
	Prism Bullion Pvt. Ltd.		3.07			
Advances Received Given Back	Gitanjali Exports Corporation Ltd.		605.13			
	Touchstone Diamond Creations		83.26 24.80			
Amount Outstanding shown under sundry debtors	Gemplus Jewellery India Ltd.		63.09			
	Gitanjali Jewels Ltd.		144.61			
	Gitanjali Gold & Precious Ltd.		26.57			
	Giantti Jewels Pvt.Ltd.		20.88			
	Prism Bullion Pvt. Ltd.		3.56			
	Cria Jewellery Pvt. Ltd.		2.33			

	D'Damas Jewellery (P) Ltd. Brightest Circle Pvt. Ltd. Diminco N.V.		88.54 2.64	155.17		
Amount Outstanding shown under sundry creditors	Diamond Creations Diminco N.V.		24.23	8.14		
Amount Outstanding shown under advances to suppliers	Gitanjali Exports Corporation Ltd. Gemplus Jewellery India Ltd. Touchstone Priyanka Gems Pvt. Ltd. Audarya Investments Pvt. Ltd. Naviraj Estates Pvt. Ltd. Rohan Mercantile Pvt. Ltd. Prism Jewellery Pvt. Ltd.		13.03 15.88 0.06 8.78 0.22 0.30 0.02 5.60			
Loan Taken	Mr. Mehul C. Choksi				8.45	
Loan Taken Given Back	Mr. Mehul C. Choksi				8.45	
Guarantee Given to Subsidiary	Mehul Impex Ltd.	80.00				

3. Transactions with related parties during the year ended March 31, 2004

(Rs. in millions)

Particulars	Names of Related party	Subsidiary	Associate	Foreign Enter-prise	Key Manage-ment Person-nel	Relative of Key Manage-ment Personnel
Sales	Gemplus Jewellery India Ltd.		283.66			
	Gitanjali Jewels Ltd		58.35			
	Diamond Creations		9.07			
	Giantti Jewels Ltd.		9.03			
	Gitanjali Exports Corporation Ltd.		113.33			
	Touchstone		25.58			
	Diminco N.V.			183.14		
Purchases	Mehul Impex Ltd.	276.87				
	Gitanjali Jewels Ltd.		0.28			
	Gitanjali Exports Corporation Ltd.		737.21			
	Touchstone		0.09			
	Diminco N.V.			239.68		
Labour Charges Paid	Mehul Impex Ltd.	56.16				
Salary & Other Payments	Mr. Adrianus Voorn				2.35	
Rent Received	Gitanjali Jewels Ltd.		0.90			
Amount Outstanding shown under advances to subsidiary	Mehul Impex Ltd.	(35.61)				
Advance Given	Mehul Impex Ltd.	1298.14				
	Gitanjali Exports Corporation		1172.33			

	Ltd.					
	Gemplus Jewellery India Ltd.		1798.94			
	Touchstone		87.55			
	Gitanjali Jewels Ltd		29.50			
	Gitanajli Gold and Precious Ltd.		1.34			
	Audarya Investments Pvt. Ltd.		0.25			
	Naviraj Estates Pvt. Ltd.		0.18			
	Rohan Mercantile Pvt. Ltd.		0.02			
	Diamond Creations		72.21			
Advance Given Received Back	Mehul Impex Ltd.	1321.64				
	Gitanjali Exports Corporation Ltd.		1253.67			
	Gemplus Jewellery India Ltd.		1756.06			
	Touchstone		69.97			
	Gitanjali Jewels Ltd		11.73			
	Diamond Creations		46.51			
Advances Received	Touchstone		5.91			
Amount Outstanding shown under sundry debtors	Gemplus Jewellery India Ltd.		60.19			
	Gitanjali Jewels Ltd.		113.68			
	Gitanjali Gold & Precious Ltd.		27.05			
	Giantti Jewels Pvt.Ltd.		18.18			
	Mrs. Priti M. Choksi					0.71
	Diminco N.V.			5.75		
Amount Outstanding	Gitanjali Exports		75.78			

shown under sundry creditors	Corporation Ltd.					
Amount Outstanding shown under advances to suppliers	Gemplus Jewellery India Ltd. Priyanka Gems Pvt. Ltd. Audarya Investments Pvt. Ltd. Naviraj Estates Pvt. Ltd. Rohan Mercantile Pvt. Ltd.		42.93 1.69 0.17 0.30 0.02			
Loan Taken	Mr. Mehul C. Choksi Priyanka Gems Pvt. Ltd.		2.50		14.80	
Loan Given	Priyanka Gems Pvt. Ltd. Mr. Mehul C. Choksi		0.68		11.65	
Loan Given Received Back	Priyanka Gems Pvt. Ltd.		0.68			
	Mr. Mehul C Choksi				11.65	
Guarantee Given to Subsidiary	Mehul Impex Ltd.	80.00				
Amount Outstanding shown under Unsecured Loan	Mr. Mehul C. Choksi				8.45	

4. Transactions with related parties during the year ended March 31, 2003

(Rs. in millions)

Particulars	Names of Related party	Subsidiary	Associate	Foreign Enter-prise	Key Manage-ment Person-nel	Relative of Key Manage-ment Personnel
Sales	Gemplus Jewellery India Ltd.		211.75			
	Gitanjali Jewels Ltd		7.67			
	Gitanjali Gold & Precious Ltd		0.11			
	Giantti Jewels Ltd.		8.93			
	Gitanjali Exports Corporation Ltd.		371.58			
	Touchstone		29.78			
	Diamond Creations		29.48			
	Mehul Impex Ltd.	289.49				
	Mrs. Priti M. Choksi					0.70
	Diamlink Inc.			310.18		
	Diminco N.V.			178.78		
Purchases	Mehul Impex Ltd.	370.92				
	Gitanjali Jewels Ltd.		0.37			
	Gitanjali Exports Corporation Ltd.		758.80			
	Diamond Creations		53.89			
	Touchstone		1.00			
	Diamlink Inc.			44.14		
	Diminco N.V.			117.84		
Labour Charges Paid	Mehul Impex Ltd.	1.02				
Salary & Other Payments	Mr. Adrianus Voorn				1.73	
Rent	Gitanjali		0.09			

Received	Jewels Ltd.					
Amount Outstanding shown under advances to subsidiary	Mehul Impex Ltd.	106.65				
Advance Given	Mehul Impex Ltd.	533.82				
	Gitanjali Exports Corporation Ltd.		473.20			
	Gemplus Jewellery India Ltd.		711.30			
	Touchstone		54.52			
	Naviraj Estates Pvt. Ltd.		0.12			
	The Next Diamond Company		5.80			
	Diamond Creations		29.32			
Advance Given Received Back	Mehul Impex Ltd.	427.17				
	Gitanjali Exports Corporation Ltd.		411.48			
	Gemplus Jewellery India Ltd.		707.97			
	Touchstone		54.52			
	The Next Diamond Company		5.80			
	Priyanka Gems Pvt. Ltd.		1.93			
	Diamond Creations		29.32			
Advances Received	Touchstone		22.48			
Amount Outstanding shown under sundry debtors	Gemplus Jewellery India Ltd.		43.90			
	Gitanjali Jewels Ltd.		66.86			
	Gitanjali Gold & Precious Ltd.		26.59			
	Giantti		16.32			

	Jewels Pvt.Ltd.					
	Mrs. Priti M. Choksi					0.70
	Diamlink Inc.			102.70		
	Diminco N.V.			20.01		
Amount Outstanding shown under sundry creditors	Diamond Creations		25.70			
	Diminco N.V.			389.64		
Amount Outstanding shown under advances to suppliers	Gemplus Jewellery India Ltd.		3.33			
	Gitanjali Exports Corporation Ltd.		5.56			
	Naviraj Estates Pvt. Ltd.		0.11			
Loan Taken	Mr. Mehul C. Choksi				20.55	
Loan Taken Given Back	Mr. Mehul C. Choksi				15.25	
Loan Given	Priyanka Gems Pvt. Ltd.		8.50			
	Audarya Investments Pvt. Ltd.		0.48			
Guarantee Given to Subsidiary	Mehul Impex Ltd.	80.00				
Amount Outstanding shown under Unsecured Loan	Mr. Mehul C. Choksi				5.30	
Amount Outstanding shown under Loan & Advances	Priyanka Gems Pvt. Ltd.		6.57			
	Audarya Investments Pvt. Ltd.		0.48			

5. Transactions with related parties during the year ended March 31, 2002

(Rs. in millions)

Particulars	Names of Related party	Subsidiary	Associate	Foreign Enterprise	Key Manage-ment Personnel	Relative of Key Manage-ment Personnel
Sales	Gemplus Jewellery India Ltd.		188.96			
	Gitanjali Exports Corporation Ltd.		241.14			
	Gitanjali Gold & Precious Ltd.		7.71			
	Gitanjali Jewels Ltd		14.71			
	Giantti Jewels Ltd.		3.35			
	Mehul Impex Ltd.	394.28				
	Touchstone		67.15			
	Diamlink Inc			275.24		
	Diminco N.V.			300.88		
Purchases	Mehul Impex Ltd.	463.49				
	Gemplus Jewellery India Ltd.		29.18			
	Gitanjali Exports Corporation Ltd.		402.57			
	Diamlink Inc			47.27		
	Diminco N.V.			303.68		
Labour Charges Paid	Mehul Impex Ltd.	21.80				
Salary & Other Payments	Mr. Adrianus Voorn				1.54	
Rent Received	Gitanjali Jewels Ltd.		0.90			
Licence Premium Received	Mehul Impex Ltd.	2.49				
	Gitanjali Exports		0.74			

	Corporation Ltd.					
	Touchstone		0.35			
	Diamond Creations		0.02			
Licence Premium Paid	Mehul Impex Ltd.	0.67				
	Giantti Jewels Pvt. Ltd.		1.64			
	Gitanjali Exports Corporation Ltd.		1.42			
	Touchstone		0.13			
	Diamond Creations		0.06			
	Gemplus Jewellery India Ltd.		0.25			
Amount Outstanding shown under advances to subsidiary	Mehul Impex Ltd.	92.20				
Advance Given	Mehul Impex Ltd.	225.80				
	Gitanjali Exports Corporation Ltd.		432.59			
	Gemplus Jewellery India Ltd.		307.32			
	Touchstone		20.04			
	Gitanjali Jewels Ltd		6.00			
Advance Given Received Back	Mehul Impex Ltd.	133.60				
	Gitanjali Exports Corporation Ltd.		400.24			
	Gemplus Jewellery India Ltd.		283.66			
	Gitanjali Jewels Ltd		6.00			
Advances Received	Diamond Creations		3.54			
Amount Outstanding shown	Gitanjali Jewels Ltd.		56.57			
	Gitanjali		27.63			

under sundry debtors	Gold & Precious Ltd. Giantti Jewels Pvt.Ltd. The Next Diamond Company Diamlink Inc Diminco NV		13.70 6.18	114.28 86.33		
Amount Outstanding shown under sundry creditors	Diamlink Inc Diminco N.V.			47.31 562.15		
Amount Outstanding shown under advances to suppliers	Gitanjali Exports Corporation Ltd. Gemplus Jewellery India Ltd. Touchstone		32.35 23.66 20.04			
Loan Taken	Mr. Mehul C. Choksi				24.96	
Loan Taken Given Back	Mr. Mehul C. Choksi				53.04	
Loan Given	Priyanka Gems Pvt. Ltd.		2.59			
Guarantee Given to Subsidiary	Mehul Impex Ltd.	80.00				
Amount Outstanding shown under Unsecured Loan	Mr. Mehul C. Choksi				4.95	
Amount Outstanding shown under loans & advances	Diamond Creations Priyanka Gems Pvt. Ltd.		3.54 2.59			

ANNEXURE IX - STATEMENT OF TAX SHELTER

Rs. In Millions

Particulars	Year ended					Six month period ended
	31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
Profit before current & deferred tax	**454.87**	**219.02**	**195.97**	**143.34**	**140.18**	**270.89**
Tax at Notional Rate	39.55%	35.70%	36.75%	35.88%	36.59%	33.66%
Tax Impact	179.90	78.19	72.02	51.43	51.29	91.18
Adjustments:						
Permanent Differences						
Deduction U/S 80HHC for export profits	447.90	238.11	168.80	63.82	-	-
Deduction U/S 10A	-	-	-	-	-	134.53
Deduction U/S 80G for Donation	0.15	-	0.16	1.83	0.51	0.50
Disallowance of Donation	(0.81)	(0.27)	(0.12)	(2.57)	(1.03)	-
Income Tax / TDS Written off	(0.03)	-	-	-	-	-
Dividend Income Exempt U/S 10	-	-	-	1.50	-	2.00
Profit / (Loss) on Sale of Assets	-	-	-	0.04	-	3.66
Disallowances U/S 43B	-	(0.07)	-	-	-	(3.29)
Allowances U/S 43B	-	0.03	-	-	-	-
Set off U/S 72A	-	-	-	-	-	14.47
Temporary Differences						
Difference between Tax Depreciation and Book Depreciation	4.68	3.27	2.17	2.10	1.64	1.30
Net Adjustments	**451.89**	**241.07**	**171.01**	**66.72**	**1.12**	**153.17**
Tax Saving / (Liability) Thereon	178.72	86.06	62.85	23.94	0.41	51.56
Tax Liability, after considering the effect of adjustments	1.18	(7.87)	9.17	27.49	50.88	39.62

ANNEXURE X - CAPITALISATION STATEMENT

Rs. In Millions

PARTICULARS	Pre-Issue As at '30-09-2005	Post Issue*
Borrowings :		
Short-term Debt**	4,365.14	4,365.14
Long-term Debt***	-	-
Total Debt	**4,365.14**	**4,365.14**
Shareholders' funds:		
Share Capital	399.98	569.98
Reserves	2,562.72	5,707.72
Total Shareholders' Funds	**2,962.70**	**6,277.90**
Total Capitalization	**7,327.84**	**10,642.84**
Long-term Debt/Equity ratio	**N.A.**	**N.A**
Total Debt/Equity ratio	**1.47**	0.70

* The post issue capitalization cannot be determined till the completion of book building process.

** Short-term Debts represents working capital limits from Banks/Financial Institutions renewable every year.

*** The company has no long - term debts during the period under review

STATEMENT OF LOANS AND ADVANCES AS ON SEPTEMBER,2005

Rs.in millions

Particulars	Amount
Advances Recoverable in Cash or in Kind	
or for the value to be received	210.20
Advance to Subsidiary Co.	464.02
Deposits	4.83
Staff Advance	3.53
Advance to Supplier	31.24
Taxes	102.07
Others	27.88
Share Application Money	30.15
	873.92

SUNDRY DEBTORS AS ON 30TH SEPTEMBER,2005 **(Unsecured, Considered Good unless and other wise stated)**	**Rs. million**
Outstanding for more than six months	1,756.67
Outstanding for more than six months considered doubtful	219.52
	1,976.19
Others	6,062.25
	6,062.25
Less: Provision for doubtful debts	(219.52)
	(219.52)
TOTAL	**7,818.92**

SCHEDULE OF OTHER INCOME

						Rs.
Particulars	**Year Ended March 31,**					**Six month period**
	2001	**2002**	**2003**	**2004**	**2005**	**30-09-2005**
Other Income						
Commission Received	1.57	0.87	0.24	-	17.45	
Rent Received	0.17	0.97	0.90	0.90	0.23	
Insurance Claim	-	-	-	-	2.37	
Dividend Received	-	-	1.00	1.50	-	
Interest on tax refund	0.13	0.35	0.86	0.47	-	
Premium on sale of license	17.24	38.24	-	0.05	-	
Exchange Difference	(16.78)	1.38	-		-	
Others	0.08	-	0.11	1.12	0.02	
	2.41	41.81	3.11	4.04	20.07	

DETAILS OF DIVIDEND PAID

Particulars Class of Shares	Year Ended March 31,					
	2001	2002	2003	2004	2005	30-09-2005
Equity - Interim - Final	NIL	NIL	NIL	NIL	NIL	NIL

AUDITOR'S REPORT

1. We have audited the attached Balance Sheet of Gitanjali Gems Limited having their registered office at 801/802, Prasad Chambers, Opera House, Mumbai – 400 004 as at 30th September, 2005 and also the Profit and Loss Account of the Company for the half year ended on that date annexed thereto. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. **The Company's application in the matter of Scheme of Amalgamation of Gemplus Jewellery India Ltd. (GJIL), Prism Jewellery Pvt. Ltd. (PJPL) and Giantti Jewels Private Ltd. (GJPL), with it has been approved by the Honorable High Court at Mumbai and the Order sanctioning the Scheme of Amalgamation under sections 391 to 394 of the Companies Act 1956 has been passed on 30th day of September 2005 (Received on 14th October 2005). The Scheme, although effective from 1st April 2005 it shall become operative from the date on which certified copies of the Order of the High Court are filed with the Registrar of Companies**

4. **The accounts of the company for the half year ended 30th September,2005 represents merged account of above referred companies with it, as per the approved Scheme of Amalgamation. The accounts of the company have been prepared and audited for a limited purpose of consolidation along with subsidiaries, Associate companies and Joint ventures and for the inclusion in the Prospectus, as the Company intends to file the same with Securities and Exchange Board of India (SEBI).**

5. Further to our comments referred to above, we report that :

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) In our opinion, proper books of accounts as required by Law have been kept by the Company so far as appears from our examination of those books of the Company.

   c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.

   d) In our opinion, subject to our comment in para 5(f) below, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   e) On the basis of the written representations received from the directors of the Company as on 30th September, 2005, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 30th September 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

   f) We are not in a position to express any opinion on receivables for which the company has taken legal action and the matter is pending. (Refer point no 2.6 (a) Notes to Accounts). The effect of these receivables on the net current assets and profit for the period is undeterminable.

g) Subject to the matters stated in para (f) above, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with notes thereon appearing in schedule 17 give the information required by the Companies Act, 1956 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 the affairs of the Company as at 30th September, 2005,

(ii) in the case of the Profit and Loss Account, of the profit of the Company for the half year ended on that date and

(iii) in the case of the Cash Flow Statement , of the cash flows of the Company for the half year ended on that date.

For Ford , Rhodes , Parks & Co.
Chartered Accountants

Sd/-
A.D.SHENOY
Partner
Membership No. 11549

Place : Mumbai
Dated : October 26, 2005

REVIEW REPORT OF GRANT THORTON

To
The Board of Directors of Gitanjali Gems Limited;

1. We have reviewed the attached Balance Sheet of Gitanjali Gems Limited ('the Company') as at September 30, 2005, the related Profit and Loss Account and the Cash Flow Statement for the six months ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

2. Except as discussed in note 4 below, we conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and, accordingly, we do not express an audit opinion.

3. The financial statements of Gitanjali Gems Limited for the year ended March 31, 2005 were audited and reported by another firm of Chartered Accountants, vide their qualified report dated June 30, 2005. The balances as at March 31, 2005, as per the audited financial statements, regrouped or restated where necessary, have been considered as opening balances for the purpose of these financial statements.

4. *Owing to the nature of the business of the Company and its inventories, the quantities and valuation of inventories have been determined by the management and being a technical matter, have been relied upon by us.*

5. *As discussed in Note 2.6 of Schedule 17 to the financial statements, the Company has certain amounts recoverable from three customers with an aggregate value of Rs. 211.83 million, which have been outstanding for more than four years. The Company has initiated legal action for recovery of these amounts and preliminary hearings and proceedings are in progress. Based on the legal opinion obtained by the management, the company has not recognized any provision thereof in the financial statements. Had the management recognized a provision on account of these amounts, the balance of sundry debtors, the profit for the period and the balance of reserves and surplus would have been lower by an equivalent amount. We are not in a position to express any opinion on such recoverables.*

6. Based on our review, except for the effects, if any, on the financial statements of the matters referred to in paragraphs 4 and 5 above, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in India.

Sd/-
Grant Thornton
New Delhi,
Dated: November 14, 2005

	GITANJALI GEMS LTD.				
	Regd. Office : 801/802, Prasad Chambers, Opera House, Mumbai 400 004.				
	BALANCE SHEET AS AT 30TH SEPTEMBER, 2005				
				As at 30-9-2005	As at 31-3-2005
		Schedule	**Rupees (Millions)**	**Rupees (Millions)**	Rupees (Millions)
I.	**SOURCES OF FUNDS :**				
1	**Shareholders' Funds**				
	a. Share Capital	1	**399.98**		300.10
	b. Reserves and Surplus	2	**2,774.55**		2,167.08
				3,174.53	2,467.18
2	**Deferred Tax Liability (Net)**			**0.28**	0.55
3	**Loan Funds**				
	a. Secured Loans	3	**4,276.04**		3,138.07
	b. Unsecured Loans	4	**89.10**		-
				4,365.14	3,138.07
	TOTAL			**7,539.95**	5,605.80
II.	**APPLICATION OF FUNDS :**				
1	**Fixed Assets**	5			
	a. Gross Block		**348.55**		152.29
	b. Less : Depreciation		**110.61**		45.80
	c. Net Block			**237.94**	106.49
2	**Investments**	6		**146.38**	30.65
3	**Current Assets, Loans & Advances**				
	a. Inventories	7	**1,296.49**		902.83
	b. Sundry debtors	8	**8,030.75**		5,988.69
	c. Cash and bank balances	9	**659.01**		240.68
	d. Loans and advances	10	**873.92**		380.55
			10,860.17		7,512.75
	Less : Current Liabilities and Provisions				
	a. Current liabilities	11	**3,550.09**		1,952.19
	b. Provisions	12	**154.45**		91.90
			3,704.54		2,044.09
	Net Current Assets			**7,155.63**	5,468.67
	TOTAL			**7,539.95**	5,605.80
	Significant Accounting Policies and Notes To Acco	17			
	Schedules 1 To 17 annexed hereto				
	form part of the Balance Sheet and				
	Profit & Loss Account				
	As per our report of even date.				
	For **FORD, RHODES, PARKS & CO.**		For and on behalf of the Board		
	Chartered Accountants				
	A. D. SHENOY	Kishor Baxi		**MEHUL C. CHOKSI**	**G.K.NAIR**
	Partner	Company Secretary		Managing Director	Director
	M. No. 11549				
	Place : Mumbai				
	Dated : October 26, 2005				

GITANJALI GEMS LTD.				
PROFIT & LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005				
			Six Months ended 30-09-2005	Year ended 31-3-2005
	Schedule	Rupees (Millions)	**Rupees (Millions)**	Rupees (Millions)
INCOME :				
Sales	13	**8,151.57**		13,520.96
Other Income	14	**6.09**		20.07
			8,157.66	13,541.03
EXPENDITURE :				
Cost of Trading Goods/Materials Consumed	15	**7,654.33**		13,133.67
Operating Expenses	16	**101.31**		130.69
Interest (net)		**120.71**		132.23
Depreciation		**10.42**		4.25
			7,886.77	13,400.84
PROFIT BEFORE TAX			**270.89**	140.19
Provision For Taxation				
- Current Tax		**40.00**		53.20
- Deferred Tax expense / (benefit)		**(2.20)**		(0.57)
- Fringe Benefit Tax		**0.25**		-
-Tax Adjustment for the prior years		**(0.88)**	**37.17**	
PROFIT AFTER TAXATION			**233.72**	87.56
BALANCE BROUGHT FORWARD FROM LAST YEAR		2,166.46		
BALANCE BROUGHT FORWARD FROM AMALGAMTING COS.		373.78		
LESS: LOSS ON AMALGAMATION		(0.03)	**2,540.21**	2,078.90
BALANCE CARRIED TO BALANCE SHEET			**2,773.93**	2,166.46
Basic & Diluted Earnings Per Share of Rs 10 Each			**5.84**	2.92
(Refer Note no 2.9)				
Significant Accounting Policies and Notes To Accounts	17			
Schedules 1 To 17 annexed hereto				
form part of the Balance Sheet and				
Profit & Loss Account				
As per our report of even date.				
For **FORD, RHODES, PARKS & CO.**			For and on behalf of the Board	
Chartered Accountants				
A. D. SHENOY	Kishor Baxi		**MEHUL C. CHOKSI**	**G.K.NAIR**
Partner	Company Secretary		Managing Director	Director
M. No. 11549				
Place : Mumbai				
Dated : October 26, 2005				

SCHEDULES FORMING PART OF THE BALANCE SHEET

	30-Sep-2005	31-Mar-2005
	Rupees (Millions)	Rupees (Millions)
SCHEDULE 1 - SHARE CAPITAL		
Authorised :		
(i) 7,00,00,000 Equity Shares of Rs. 10/- each	**700.00**	**500.00**
(Previous year 5,00,00,000 Equity shares of Rs 10/-each)	**-**	**-**
(ii) 5,00,000 Redeemable Preference Shares of Rs 100/- each	**50.00**	**250.00**
(Previous year 25,00,000 Equity shares of Rs 100/-each)		
	750.00	**750.00**
Issued, Subscribed & Paid up :		
* 3,99,98,495 (Previous Year 3,00,10,000)Equity Shares of Rs. 10/- each fully paid up	**399.98**	**300.10**
TOTAL	**399.98**	**300.10**
* Note:		
1) The above equity shares include 3,08,48,095 fully paid up equity shares allotted as bonus shares by capitalisation of Profits and General Reserves.		
2) The Increase in paid up capital during the period is on account of the Scheme of Amalgamation sanctioned by Honorabale High Court Mumbai. (Refer Note No:2.1 - Schedule 17)		
SCHEDULE 2 - RESERVES & SURPLUS		
Share Premium Account	**0.62**	**0.62**
Profit & Loss Account Balance	**2,773.93**	**2,166.46**
TOTAL	**2,774.55**	**2,167.08**
SCHEDULE 3 - SECURED LOANS		
Working Capital Loans From Banks / Financial Institutions	**4,276.04**	**3,138.07**
(Refer Note 2.3 - Schedule 17)		
TOTAL	**4,276.04**	**3,138.07**
SCHEDULE 4 - UNSECURED LOANS		
From a Director	**80.97**	**-**
From a Shareholder	**8.03**	**-**
From a Company	**0.10**	**-**
TOTAL	**89.10**	**-**

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH SEPTEMBER, 2005

SCHEDULE 5 - FIXED ASSETS												Rupees (Millions)
DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at	Additions		Deductions	As at	As on	Depreciation		Deductions	As at	As at	As at
	31st March	on account of	on		30 th Sept.	31st March	on	for		30 th Sept.	30 th Sept.	31st March
	2005	Amalgamation	Purchases		2005	2005	Amalgamation	the Period		2005	2005	2005
Freehold land	**66.09**	-	-	-	**66.09**	**-**	-	-	-	**-**	**66.09**	66.09
Factory Building	**15.24**	81.71	-	-	**96.96**	**9.26**	12.91	3.74	-	**25.90**	**71.05**	5.99
Office Premises	**9.83**	-	-	7.42	**2.41**	**2.22**	-	0.08	1.71	**0.59**	**1.82**	7.60
Plant & Machinery	**22.58**	58.08	0.49	0.39	**80.76**	**15.00**	29.40	2.52	-	**46.92**	**33.84**	7.58
Plant & Machinery	**0.45**	-	-	-	**0.45**	**0.45**	-	-	-	**0.45**	**-**	-
Furniture & Fixture	**18.04**	9.86	0.19	-	**28.09**	**11.94**	3.00	1.19	-	**16.14**	**11.95**	6.09
Office Equipments	**2.44**	7.63	0.15	-	**10.22**	**1.46**	3.05	0.40	-	**4.91**	**5.31**	0.98
Computers	**3.48**	2.90	0.39	-	**6.77**	**3.05**	1.81	0.36	-	**5.23**	**1.54**	0.43
Vehicles	**3.18**	0.46	-	0.01	**3.63**	**2.41**	0.44	0.10	-	**2.95**	**0.68**	0.77
Moulds & Dies	**-**	11.38	2.02	-	**13.40**	**-**	5.49	2.02	-	**7.51**	**5.89**	-
SUB TOTAL	**141.33**	**172.03**	**3.24**	**7.82**	**308.78**	**45.80**	**56.10**	**10.42**	**1.71**	**110.61**	**198.17**	95.53
Capital Work-in-Progress*	**10.96**	**1.31**	**27.50**	**-**	**39.77**	**-**	**-**	**-**	**-**	**-**	**39.77**	10.96
TOTAL	**152.29**	**173.34**	**30.74**	**7.82**	**348.55**	**45.80**	**56.10**	**10.42**	**1.71**	**110.61**	**237.94**	106.49
Previous Year Figures	150.17	-	2.12	-	152.29	41.55	-	4.25	-	45.80	106.49	-

* Capital Work - In - Progress includes Advances on Capital Account to the extent of Rs.37.50 Million

GITANJALI GEMS LTD.		
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30 TH SEPTEMBER, 2005		
	30-Sep-2005	31-Mar-2005
	Rupees (Millions)	Rupees (Millions)
SCHEDULE 6 - INVESTMENTS		
Long Term UNQUOTED (at cost)		
1) Subsidiary Companies		
99,000 Equity Shares of Rs.100/- each fully paid up of Mehul Impex Limited.	9.90	9.90
9,980 Equity Shares of Rs.10/- each fully paid up of Cria Jewellery Private Limited. (Previous Year NIL)	0.10	-
51,00,000 Equity Shares of Rs. 10/- each fully paid up of Gitanjali Exports Corporation Limited (Previous Year 5,000 Equity Shares of Rs. 10/- each)	66.35	0.40
2) Associate Companies		
20,00,000 Equity Shares of Rs.10/- each fully paid up of Gitanjali Jewels Limited	20.00	20.00
NIL Equity Shares of Rs. 10/- each fully paid up of Gemplus Jewellery India Limited. (Previous Year 11,905 Equity Shares of Rs. 10/- Each)	-	0.35
3) Joint Ventures Companies		
3,334 Equity Shares of Rs. 10/- each fully paid up of Brightest Circle Jewellery pvt. Ltd (Previous Year : NIL)	0.03	-
2,500,000 Equity Shares of Rs. 10/- each fully paid up of D'Damas Jewellery India Pvt Ltd. (Previous Year NIL)	25.00	-
250,000 Preference Shares of Rs. 100/- each fully paid up of D'Damas Jewellery India Pvt. Ltd (Previous Year NIL)	25.00	-
TOTAL	146.38	30.65
SCHEDULE 7 - INVENTORIES (As Certified by the Management)		
a. Raw Materials	674.92	219.95
b. Work In Process	41.97	-
c. Manufactured Goods	101.14	82.02
d. Trading Goods	473.43	600.87
e. Consumables, Stores & Tools	5.03	-
TOTAL	1,296.49	902.83
SCHEDULE 8 - SUNDRY DEBTORS		
(Unsecured, Considered Good unless and other wise stated)		
Outstanding for more than six months	1,967.04	1,369.73
Outstanding for more than six months considered doubtful	7.69	-
Add : Exports Receivables Translation Control Account	1.46	(38.94)
	1,976.19	1,330.80
Others	6,014.56	4,725.81
Add : Exports Receivables Translation Control Account	47.69	(67.92)
	6,062.25	4,657.89
Less: Provision for doubtful debts	(7.69)	-
	(7.69)	-
TOTAL	8,030.75	5,988.69
SCHEDULE 9 - CASH AND BANK BALANCES		
Cash on hand	0.37	4.91
Balance with Scheduled Banks :		
in Current Accounts	77.67	28.41
in Fixed Deposits *	580.88	207.36
in EEFC Account	0.09	-
* (Refer Note 2.3 - Schedule 17)	659.01	240.68

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH SEPTEMBER, 2005

	30-Sep-2005	31-Mar-2005
	Rupees (Millions)	**Rupees (Millions)**
SCHEDULE 10 - LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for		
value to be received	**210.20**	**20.09**
Advances to Subsidiary Companies	**464.03**	**66.75**
Deposits	**4.83**	**1.56**
Income Tax - Tax deducted at source	**102.07**	**69.85**
Staff Advances	**3.53**	**5.91**
Prepaid Expenses	**27.57**	**25.23**
Other Receivables	**0.30**	**0.85**
Advances to Suppliers / Labourer	**31.24**	**170.30**
Share Application Money	**30.15**	**20.01**
TOTAL	**873.92**	**380.55**
SCHEDULE 11 - CURRENT LIABILITIES		
Sundry Creditors *		
For Goods / Labour	**3,162.94**	**1,905.01**
For Expenses	**117.04**	**5.59**
For Other liabilities	**82.58**	**36.00**
Advance received from customers	**178.87**	**0.15**
Interest accrued but not due on bank loans	**5.60**	**4.71**
Statutory Liabilities	**3.06**	**0.73**
*(there is no amount due and outstanding to Investor Education and Protection Fund and Small Scale Industrial Undertakings)		
TOTAL	**3,550.09**	**1,952.19**
SCHEDULE 12 - PROVISIONS		
Provision for -		
Taxation	**151.16**	**91.90**
Retirement Benefits	**3.29**	**-**
TOTAL	**154.45**	**91.90**

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE HALF YEAR ENDED 30TH SEPT, 2005

SCHEDULE 13 - SALES	30-Sep-2005 Rs. (Millions)	31-Mar-2005 Rs. (Millions)
Exports (Including Deemed Exports)		
Diamonds	**4,791.06**	**9,516.96**
Jewellery	**828.90**	**0.02**
	5,619.96	**9,516.98**
Local		
Diamonds	**1,621.13**	**3,492.85**
Bullion and Jewellery	**910.46**	**511.13**
Others	**0.02**	**-**
	2,531.61	**4,003.98**
TOTAL	**8,151.57**	**13,520.96**
SCHEDULE 14 - OTHER INCOME		
Commission Received	**0.02**	**17.45**
Dividend Received	**2.00**	**-**
Rent Received	**-**	**0.23**
Insurance Claim	**-**	**2.37**
Job Work	**0.13**	**-**
Discount Received	**0.28**	**0.00**
Interest Recd. From BSES	**-**	**0.02**
Profit on Sale of Fixed Assets	**3.66**	**-**
TOTAL	**6.09**	**20.07**
SCHEDULE 15 - COST OF TRADING GOODS/ MATERIAL CONSUMED		
Opening Stock		
Diamonds	**894.25**	**1,030.38**
Bullion/Jewellery	**327.06**	**13.13**
	1,221.31	**1,043.51**
Add: Purchases		
Diamonds	**7,037.83**	**11,959.23**
Bullion/Jewellery/Stones and Gold	**378.05**	**521.12**
	7,415.88	**12,480.35**
Add: Labour Charges / Mfg. Expenses	**308.60**	**512.64**
	7,724.48	**12,992.99**
Less : Closing Stock		
Diamonds	**999.71**	**890.67**
Gold, Jewellery and Stone	**291.75**	**12.16**
	1,291.46	**902.83**
TOTAL	**7,654.33**	**13,133.67**

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE HALF YEAR ENDED 30TH SEPT, 2005

SCHEDULE 16 - OPERATING EXPENSES	30-Sep-2005 Rs. (Millions)	31-Mar-2005 Rs. (Millions)
Employee Cost		
Salary, Bonus & Allowances	**19.58**	**11.30**
Contribution To P.F.& Other Funds	**1.55**	**0.39**
Staff Welfare	**1.60**	**0.59**
Gratuity	**2.96**	**-**
SUB-TOTAL	**25.69**	**12.28**
Packing Materials Consumed	**0.01**	**0.02**
Rent, Rates & Taxes	**1.75**	**2.66**
Boiling & Processing Charges	**0.05**	**-**
Stamp Duty on Import	**1.92**	**-**
Electricity	**0.69**	**1.12**
Advertisement / Selling & Distribution Expenses	**2.25**	**0.22**
Travelling & Conveyance	**1.60**	**6.99**
Postage, Telegram & Telephones	**0.98**	**0.82**
Legal, Professional And Service Charges	**7.03**	**3.27**
Printing & Stationery	**0.90**	**0.55**
Export Sales Expenses	**1.89**	**1.64**
Auditors' Remuneration	**-**	**0.37**
Bank Commission	**31.80**	**55.63**
Insurance	**1.36**	**1.63**
Donation	**1.01**	**1.03**
Import Expenses	**0.71**	**1.84**
E.C.G.C. Premium	**6.36**	**9.02**
Freight & Forwarding (Export)	**0.82**	**-**
Security Service Charges	**1.16**	**-**
Sales Tax Asst. Dues	**-**	**0.95**
Membership & Subscription	**0.65**	**-**
Repairs & Maintenance - Building	**0.01**	**0.13**
Repairs & Maintenance - Plant & Machinery	**0.38**	**0.50**
Repairs & Maintenance - Others	**1.26**	**0.61**
EEFC/Cont/Cryt/Bank Facility Exchange Difference	**1.06**	**(1.40)**
Miscellaneous Expenses	**9.97**	**30.81**
SUB-TOTAL	**75.62**	**118.41**
GRAND TOTAL	**101.31**	**130.69**

GITANJALI GEMS LIMITED

Regd. Office: 801/802, Prasad Chambers, Opera House, Mumbai 400 004.

Schedules forming part of the accounts for six months ended September 30,2005.

SCHEDULE – 17

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS:

1 **Significant Accounting Policies:**

1.1 **Accounting Concepts**

The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.

1.2 **Fixed Assets**

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.

The original cost of fixed assets acquired through foreign currency credits are adjusted at the end of each financial year by any change in liability arising out of expressing outstanding foreign credits at the rate of exchange prevailing at the date of the Balance Sheet and also by gains/losses on foreign exchange rate fluctuation which arises on repayment of foreign currency credits during the year.

1.3 **Depreciation**

Depreciation is charged on the fixed assets under the written down value method in accordance with the provisions of Schedule XIV of the Companies Act, 1956.

1.4 **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 & overheads.
Finished Goods – Jewellery	Lower of market value and Material cost plus proportionate labour and overheads.
Finished Goods – Gold	Lower of cost and market value
Consumables Stores & Tools	At Cost

1.5 **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 balance sheet and resultant gains/losses are charged to the profit and loss account. Premium in respect of forward foreign exchange contracts is recognized over the life of the contracts. Foreign currency loans for financing fixed assets are stated at the contracted/prevailing rate of exchange at the date of balance sheet and the resultant gains/losses are adjusted to respective cost of assets.

1.6 **Retirement Benefits**

Regular contributions are made to Provident Fund authorities. Provision for liability in respect of gratuity to employees is actuarially assessed by an independent actuary and provided for as at the Balance Sheet date.

1.7 **Investments**

Long-term investments are stated at cost.

1.8 **Taxation**

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

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.

1.9 **Contingent Liabilities**

Contingent liabilities are not provided for and are disclosed by way of notes.

2 **Notes to Accounts:**

2.1 **Scheme of Amalgamation of Gemplus Jewellery India Ltd. (GJIL), Prism Jewellery Pvt. Ltd. (PJPL) and Giantti Jewels Private Ltd. (GJPL) hereinafter collectively called transferor company with Gitanjali Gems Ltd. (the Company) :**

a. The Company's application in the matter of Scheme of Amalgamation of above named three companies has been approved by the Honorable High Court at Mumbai and the order sanctioning the Scheme of Amalgamation under sections 391 to 394 of the Companies Act 1956 has been passed on 30th day of September 2005 (Received on 14th October 2005). The Scheme, although effective from 1st April 2005 it shall become operative from the dates on which certified copies of the order of the High Court are filed with the Registrar of Companies.

b. In accordance with the said Scheme:

(i) The assets and liabilities, rights and obligations of the Transferor Companies shall, without any further act or deed be and shall stand transferred to and rested in and or deemed to be transferred to and vested in the Company pursuant to the provisions of section 394 and other applicable provisions of the Companies Act 1956. The Scheme has accordingly been given effect to in these accounts.

(ii) The operations of the transferor companies include the manufacturing and sale (including retail and exports) of diamonds and diamond studded jewellery.

(iii) The Scheme of Amalgamation has been accounted for under the "pooling of interest" method as prescribed by the Institute of Chartered Accounts of India. Accordingly the assets, liabilities and reserves of Transferor companies as at 1st April 2005 have been taken over at their book values.

(iv) As per the Scheme of Amalgamation 11,905 Equity Shares of Rs.10 each of Gemplus Jewellery India Ltd. held by the company including 1905 Equity Shares recorded as bonus shares stand cancelled. The excess cost of investment in GJIL has been debited to Accumulated surplus account of the Company.

(v) Pursuant to the scheme of Amalgamation and after considering the extinguishment of the shares held in GJIL by the company, the equity share of Rs. 10/- each of the company are to be issued to the shareholders of GJIL in the ratio of one equity share of the face value of Rs. 10/- each fully paid in exchange for one equity share of the face value of Rs. 10/- each fully paid. In case of PJPL the shares are to be issued to the shareholders of PJPL in the ratio of one equity share of face value of Rs 10/- each fully paid up in the company for every 50 equity shares of the face value of Rs 10/- each fully paid up in the transferor company. In case of GJPL the shares are to be issued to the shareholders of GJPL in the ratio of one equity share of the face value of Rs. 10/- each fully paid up for every 50 equity shares of the face value of Rs. 10/-each fully paid up in the transferor company.

c. Pending allotment of these shares to the shareholders of the transferor companies, the revised paid up capital of the company is 39,998,495 equity shares of Rs.10/- each fully paid up amounting to 399,984,950.

d. The aforesaid share exchange ratio has been considered as per the expert valuation made by a firm of Chartered Accountants and approved by the Board of Directors of the respective transferor / transferee companies.

2.2 **Contingent Liabilities not provided in respect of**

a. Guarantee given by the Company for Working Capital Facilities availed by:

	(Rs. in Millions)
Subsidiary Company :	80
Associate Company :	140
b.Outstanding Letter of Credit :	29.15
c.Bills Discounted (under L/C):	100.45
d. Disputed Income Tax :	30.03

2.3 **Secured Loans :**

Upon this Scheme of Amalgamation coming in to effect all the secured loans from banks and financial institution granted to the transferor companies and remaining outstanding as on 01st April, 2005 stand vested in the Company. The necessary documentation for creation of fresh charges in favour of the banks and financial institution are yet to be done.

Security towards Secured Loans: Working capital borrowings from Banks/ financial institution are secured against 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, mortgage by way of deposit of title deeds of land and building of the Company's factory at Borivali and SEEPZ, Andheri and Residential Premises and personal Guarantee of the Managing Director.

2.4 **Following payments have been made to a Director during the year**

(Rs. In Millions)

	Current Period	Previous Year
Salary & Other Payments	2.20	3.26

In view of the sufficient profits during the year no separate working is given in respect of managerial remuneration as required under Section 198 of the Companies Act, 1956.

2.5 Tax deducted at Source from interest income amounted to Rs. 3.90 Millions for the six months period ended 30th September, 2005. (Previous Year 20.59 Millions).

2.6 **Sundry Debtors (Schedule 8)**

a. The Sundry debtors as at 30th September includes dues of Rs. 211.83 Millions outstanding since 2001, where the company has filed suits for recovery in the Honorable City Civil Court at Ahmedabad. The company has obtained a legal opinion confirming that it has a reasonably good chance to succeed at the hearing of the above suits and to get decree against the defendants. It is also observed that the defendants are in the bullion business at Ahmedabad and upon the decrees being passed against them in the above suits, the company has a reasonably good chance to execute the same against them. The Management, based on the aforesaid view is of the opinion that the debts are good and recoverable.

b. Includes Rs. 350.37 Millions. (Previous year Rs 346.34 Millions) due from concerns in which directors are interested as directors/partners.

2.7 **Loans and Advances (Schedule 10)**

Advances to suppliers includes Rs 367.33 Millions (Previous year Rs 43.88 Millions) given to concerns in which Directors are interested as directors/members/partners.

2.8 **Gratuity to Employees :**

The company with a view to complying with the Accounting standards AS-15 issued by the Institute of Chartered Accountants of India, in respect of Gratuity liability to Employees has during the half year ended 30/09/2005, got it's gratuity liability to employees actuarially determined at Rs 4.44 millions. (Liability upto 31/03/2005 is Rs. 2.91 Millions & for the six months Rs.1.53 Millions.) The same has been accounted for in the Accounts. Hitherto the company was accounting for Gratuity liability on Cash basis. Had the company not changed the accounting policy with respect to Gratuity to employees, the profit for the period ended 30th September, 2005 would have been higher by similar amount.

2.9 **Earning per share (after Tax provision)**

	Current Period.	Previous Year.
Net profit for the period attributable to equity shareholders (Rs. in Millions)	233.72	87.56
Weighted average number of equity shares outstanding (Nos.)	39,998,495	30,010,000
Basic & diluted earnings per share (face value of Rs. 10 each) (Rs)	Rs. 5.84*	Rs. 2.92

*** Not Annualized**

2.10 Deferred Tax Assets & Liabilities as on 30th September, are as under:

	(Rupees in Millions)	
	September 30, 2005	March 31, 2005
Deferred Tax Liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	5.89	0.55
Gross Deferred Tax Liability	5.89	0.55
Deferred Tax Asset		
Provision for Retirement Benefits	0.74	-
Provision for brought forward business loss	4.87	-
Gross Deferred Tax Asset	5.61	NIL
Net Deferred Tax Liability	0.28	0.55

2.11 Segment Reporting (Accounting Standard -17)

The Management of the company identifies two major reportable segments as Diamond business & Jewellery Business.

Refer to Annexure I

2.12 Related Party Transaction (Accounting Standard -18)

Refer to Annexure - II

2.13 In view of the aforesaid Scheme of Amalgamation applicable with effect from 1st April, 2005, figures for the current period are not comparable with those of previous year. Also, current period figures are for the period of 6 months as against 12 months period ended 31st March, 2005. Previous year's figures have been regrouped / rearranged wherever necessary, so as to conform to current year's classification.

As per our report of even date.
For Ford , Rhodes , Parks & Co.
Chartered Accountants

For and on behalf of the Board

Sd/-
A.D.SHENOY
Partner
Membership No. 11549

Sd-
Director

Place : Mumbai
Dated : October 26, 2005

2.11 Segment Reporting – 30th September,2005 (Rs. In Millions)

	Diamond	Jewellery	Total
REVENUE			
External Sales	6,412.18	1,739.39	8,151.57
Total Revenue	6,412.18	1,739.39	8,151.57
RESULT	317.14	162.68	479.82
Unallocated corporate Expenses	-	-	94.33
Operating Profit			385.49
Interest Expenses			120.70
Interest & other Income			6.10
Net Profit before tax			270.89
Segment assets	7,847.23	2,376.96	10,224.19
Unallocated corporate Assets			1,020.30
Total Assets			11,244.49
Segment liabilities	6,081.77	1,630.78	7,712.55
Unallocated corporate liabilities			357.41
Total Liabilities			8,069.96
Capital Expenditure	0.08	3.16	3.24
Depreciation	1.72	8.70	10.42
Non cash expenses other than depreciation	-	-	-

Geographical segments – segment revenue

Geographical Locations	Total
India	2,531.61
Rest of the World	5,619.96
	8,151.57

Description of business segments: The company identifies two major reportable segments viz. Diamond business and Jewellery business. Activity in the 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. Also, manufacturing and sales in local market of branded and unbranded jewellery.

ANNEXURE – II

2.12 **Related Party Disclosures as per AS 18. - For the period ended 30th September,2005.**

(A) Particulars of Enterprises Controlled By The Company

Name of Related Party	**Relationship**
Mehul Impex Ltd.	Subsidiary
CRIA Jewels Pvt Ltd	Subsidiary
Gitanjali Exports Corporation Ltd	Subsidiary

(B) Particulars of Key Management Personnel

Name of Related Party	**Relationship**
Mehul C. Choksi	Managiing Director
Adrianus Voorn	Director
Dhanesh V. Sheth	Director
G. K. Nair	Director
Rajendra Chourse	Chief Operating Officer
Prabhatkumar Sharma	General Manager Production

(C) Particulars of Enterprises Under Common Control of The Key Management Personnel

Name of Related Party

Audarya Investments P.Ltd.
Naviraj Estates P.Ltd.
Nihar Trading Pvt.Ltd.
Priyanka Gems Pvt.Ltd.
Partha Gems Pvt.Ltd.
Lustre Manufacturers Pvt.Ltd.
Gitanjali Reality Pvt.Ltd.
Rohan Diamonds Pvt. Ltd.
Rohan Mercantile Pvt. Ltd.
Gitanjali Jewels Ltd.
Trans Expo Trade Pvt. Ltd.
The Next Diamond Company
Mozart Investment Pvt. Ltd.
Maitreyi Impex Pvt. Ltd.
Touchstone
Diamond Creations
Prism Bullion Pvt.Ltd
Brightest Circle Jewellery Pvt.Ltd.
D'Damas Jewellery (I) Pvt.Ltd.

(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**

Guniyal C. Choksi
Priti M. Choksi

(F) **Particulars of Transactions with Parties Referred To in (A) above**

Purchases	284.84
Labour Charges Paid	14.85
Sales	1.60
Advances given	1,269.82
Advances given received back	757.28
Amount outstanding shown under Advance to Subsidiary Co.	465.89
Amount outstanding shown under Debtors	9.88
Amount outstanding shown under Creditors	3.72
Amount outstanding shown under Advances from Suppliers	11.65
Guarantees given to the bankers for Letter of Credit facility	80.00

(G) **Particulars of Transactions with Parties Referred To in (B) above**

Salary and other payments	2.19
Purchases Of Equity Shares	30.00
Amount outstanding shown under Creditors	29.93
Amount outstanding shown under Debtors	1.19
Amount outstanding shown under Unsecured Loans	80.97
Guarantees obtained for working capital borrowings from bankers	-

(H) **Particulars of Transactions with Parties Referred To in (C) above**

Sales	134.75
Amount Outstanding Shown Under Sundry Debtors	495.17
Dividend Received	2.00
Purchases	4.44
Purchases Of Equity Shares	15.00
Amount Outstanding Shown Under Sundry Creditors	156.87
Advances given	130.06
Advances given received back	16.36
Amount outstanding shown under Advances to Suppliers	475.72
Advances received	237.67
Advances received Given back	88.57
Amount outstanding shown under Advances from Suppliers	67.74
Amount outstanding shown under Unsecured Loans	8.13
Assortment charges	1.47
Foreign Travelling	0.05

(I) **Particulars of Transactions with Parties Referred To in (D) above**

Sales	67.58
Purchases	64.73
Amount Outstanding Shown Under Sundry Debtors	71.76
Amount Outstanding Shown Under Sundry Creditors	31.81

(J) **Particulars of Transactions with Parties Referred To in (E) Above**

Amount Outstanding Shown Under Sundry Creditors	18.45
Purchases Of Equity Shares	20.95

CASH FLOW STATEMENT [30th September, 2005]

Particulars	Current Period (Rs. in Millions)		Previous Year (Rs. in Millions)	
CASHFLOW FROM OPERATING ACTIVITIES :				
Net profit before Tax		270.89		140.19
Adjustment for :				
Depreciation	10.42		4.25	
Interest (net)	120.71		132.23	
Profit on sale of Fixed Assets	(3.66)		-	
	127.47		136.48	
Changes in Assets & Liabilities :				
(Increase)/Decrease in Inventories	(69.55)		140.68	
(Increase)/Decrease in Sundry Debtors	(756.51)		(751.09)	
(Increase)/Decrease in Loans & Advances	(382.68)		(171.59)	
Increase/(Decrease) in Current Liabilities	830.33		364.80	
Increase/(Decrease) in Provisions	4.12		17.85	
	(374.29)		(399.35)	
Income Tax Paid	(14.92)	(261.74)	(17.85)	(280.72)
CASHFLOW FROM INVESTING ACTIVITIES :				
Purchase of Investments (Net)	(65.98)			
Purchase of Fixed Assets	(30.74)		(2.11)	
Sale of Fixed Assets	9.76	(86.96)	-	(2.11)
CASHFLOW FROM FINANCING ACTIVITIES :				
Issue of Share Capital	-			
Proceeds of other Working Capital Borrowings	528.53		146.46	
Proceeds of Unsecured Loans	7.95		(8.45)	
Interest paid (net)	(119.83)	416.65	(132.82)	5.19
Net increase/(decrease) in cash and cash equivalents		338.84		(137.45)
Cash and cash equivalents at the beginning of the year of,				
- Gitanjali Gems Limited	240.68			378.13
- Amalgamting Companies	79.49	320.17		
Cash and cash equivalents at the end of the year		659.01		240.68
Components of Cash and Cash equivalents at the year end				
Balance with Banks				
In Currents Account	77.67		28.41	
In Fixed Deposit Accounts (under lien)	580.88		207.36	
In EEFC Account	0.09		-	235.77
		658.64		
Cash / Cheque on Hand		0.37		4.91
		659.01		240.68

Note:- Figures shown in the cashflow are not comparable. Refer note no 2.1 of notes to accounts

For Ford, Rhodes, Parks & Co.
Chartered Accountants

For and on behalf of the Board

Place : Mumbai
Date : October 26, 2005

A. D. Shenoy
Partner

Mehul C. Choksi
Managing Director

G.K.Nair
Director

Kishor Baxi
Company Secretary

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

This summarized financial information and financial statements included in this Prospectus have been prepared in accordance with the requirements of the Companies, Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S. GAAP").

The following table summarizes significant measurement differences between U.S.GAAP and Indian GAAP insofar as they affect financial information reported in the Prospectus.

Various U.S.GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between US GAAP and Indian GAAP.

Sr. No.	Particulars	Indian GAAP	U.S.GAAP
1	Statement of Income	Presentation as per Schedule VI to the Companies Act, 1956	Presentation of comprehensive income as per SFAS 130
2	Statement of Cash Flows	Statement is mandatory from 1.4.2001 required for Companies listed on the Stock Exchanges and for the other Companies as recommended by ICAI.	Statement as required
3	Statement of changes in Stock holder's equity	Statement is not required	Statement is required
4	Investments	Long term investments should be carried at cost. Permanent dimunition in value is to be provided. Current investments should be carried at the lower of cost or market value. Where investments are carried at cost, market value is required to be disclosed.	Investment (between 0% to 20%) is carried at amortized cost or fair value. Permanent dimunition in value is to be provided. For investment, between 20% to 50% equity method is generally used to account for investment if the enterprise has the ability to exercise significant influence over the investee.
5	Consolidation and investments in subsidiaries	In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group. Accordingly, there is no legal requirement to prepare consolidated financial statements. In stand-alone financial statements investments in subsidiaries, if classified as long term investments, are accounted at cost less an allowance for permanent impairments. If disclosed as current investments, they are valued at lower of cost and fair value. Accounting Standard (AS21) on "Consolidated Financial Statements", does not require consolidation, but sets out the standards to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed companies and those seeking a listing to publish consolidated financial statements	Under U.S. GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent. Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting stock, except when control is likely to be temporary or is impaired. Separate financial statements of the parent only are not presented. Entities where the minority

		in accordance with AS21 in addition to the separate financial statements of the parent. For the purposes of identifying the voting interest held in an investee, direct interests and those indirect interests held through a subsidiary are considered. Unlisted entities with subsidiaries will continue to have the option of not presenting consolidated financial statements.	shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the result of the entity. In such cases, the equity method of accounting applies. Entities where the minority shareholder has protective rights only are consolidated. For the purpose of identifying the voting interests held in an investee, all direct and indirect interests are considered. Accordingly, certain investees may be considered as subsidiaries to be consolidated under U.S. GAAP, which may be treated as equity affiliates under Indian GAAP. In January 2003, the FASB issued interpretation of Accounting Research Bulletin (ARB) 51 that applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains and interest after that date. A variable interest entity to be consolidated is one in which a party could face risk of loss without having an equity interest, and includes many entities that would previously have remained off-balance sheet.

6	Investment in associates or affiliates	The equity method of account for investments in associates is required in consolidated financial statements of listed companies. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and the same are accounted for in the same manner as other investments in the standalone financial statements of a parent. Unlisted companies that do not prepare consolidated financial statements could continue to account joint venture investment as before.	Investment over which the investor can extend significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method. The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income-loss in their earnings. Dividends received reduce the investment account. This method is also followed for unconsolidated subsidiaries.
7	Interest in joint ventures	Investment of jointly controlled entities is accounted in stand alone financial statements of the parent in the same manner as stated in 'Consolidation and investment in subsidiaries' above. Interests in jointly controlled entities of a venture should be recognized in its consolidated financial statements on a proportionate consolidation basis unless by virtue of a contractual arrangement joint control is established over an entity which is a subsidiary of that enterprise within the meaning of AS 21, in which case the entity is consolidated by the said enterprise and is not treated as joint venture. Additionally, interests in jointly-controlled assets and jointly-controlled operations of a venture are required to be recognized in the separate financial statements and consequently in its consolidated financial statements. Unlisted companies that do not prepare consolidated financial statements could continue to report joint venture investments as before.	An incorporated joint venture is treated as a subsidiary or an affiliate, depending on the level of control of the joint venture and either consolidated or accounted for using the equity method, respectively. Accounting for interests in jointly-controlled assets and jointly-controlled operations of a venture is similar to Indian GAAP.
8	Business combination	Business combinations are accounted for either as pooling of interest or as acquisitions. Accounting for business combinations as pooling of interest is permitted only on fulfillment of certain conditions. Non-fulfillment of one or more conditions results in the combination being accounted for as an acquisition using the 'purchase method' of accounting. Under the pooling of interest method, the assets, liabilities and reserves of the transferor company are recorded by the	The 'Purchase method' of accounting is required for a business combination. SFAS No.141 requires intangible assets to be recognized if they arise from contractual or legal rights or are "Separable", i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged.

		transferee company at their existing carrying amounts after making changes for uniformity of accounting policies. Under the purchase method, assets and liabilities are recorded either at their existing carrying amounts or by allocating the consideration to individual identifiable assets and liabilities on the basis of their fair values at the date of acquisition.	Under APB Opinion No.16, the pooling of interest method is required in respect of combination of entities under common control in a manner similar to Indian GAAP. Under purchase accounting, the consideration is measured at fair value, the purchase price allocated to the fair values of the next assets acquired including intangibles, and goodwill recognized for the difference between the consideration paid and the fair value of the net assets acquired.
9	Acquired Goodwill	Goodwill arising on amalgamation is amortized to income on a systematic basis over its useful life, not exceeding five years unless a longer period can be justified (AS 14). The amount of goodwill recognized is the difference between the consideration paid and the book value of the net assets acquired. Negative goodwill is credited to a capital reserve. Goodwill arising on the acquisition of shares of a company is generally not separately recognized, but is included in the cost of the investment. For companies that prepare consolidated financial statements, goodwill arising on consolidation is recognized upon consolidation. Such goodwill is not amortized. Additionally, goodwill needs to be tested for impairment on annual basis, as required by AS 28 "Impairment of Assets".	Acquired goodwill is capitalized and amortized over a period not to exceed 40 years. Under SFAS No.142, effective for fiscal years beginning after December 15,2001, goodwill arising on new acquisitions and any unamortized balance for prior acquisitions will no longer be subject to amortization. Instead, such goodwill will be tested for impairment on an annual basis or whenever triggers indicating impairment arise. The impairment test is based on estimates of fair value at a reporting unit level.
10	Impairment of Assets	Accounting Standard AS 28 "Impairment of Assets" is applicable from 1st April, 2004 onwards. Impairment of fixed assets is provided when assets are obsolete, damaged, etc. Recognition of impairment is based on management estimates of disposal value.	Impairment of fixed assets and identifiable intangible is to be provided when the carrying amount of the asset exceeds the undiscounted future cash flows from the assets. Recognition of the impairment is based on the fair value of the assets.
11	Revaluation of property, plant and equipment	Revaluation of property, plant and equipment is permitted	Revaluation of property, plant and equipment is not permitted except in case of re-organisation e.g. Internal reconstruction.
12	Issuance and redemption costs for borrowings	Debt issuance costs may be amortized, charged as an expense or charged to the Securities Premium Account.	Debt issuance costs are treated as a deferred charge and amortized using the effective interest read

		Redemption premiums payable on the redemption of debt may be accrued over the life of the debt.	method over the life of the debt. Redemption premiums are accrued as a yield adjustment over the life of the debt.
13	Foreign Exchange	AS11 "The Effects of Changes in Foreign Exchange Rates" deals with accounting for foreign exchange transaction. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expenses in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are created as a part of borrowing cost and are capitalized. With the revision of this standard, with effect from accounting periods commencing on or after April 1, 2004, translation differences arising on a monetary item that, in substances, forms part of an enterprise's net investment in non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Guidance relating to translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement.	Under US GAAP gains or losses arising from foreign currency transactions are included in determining net income. Foreign exchange gains or losses are not included in the interest cost. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity.
14	Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.
15	Vacation accrual	Vacation accrual, or leave encashment, is viewed as a retirement entitlement and is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.

16	Retirement benefits	The liability for defined benefit retirement plans is reported at an actuarial valuation. Several alternative methodologies are considered acceptable for the purpose of the valuation and the actuary has considerable latitude in selecting assumptions to be used. Expenditure incurred on voluntary retirement schemes may be deferred.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to determine assumptions. Expenditure incurred on voluntary retirement scheme should be expensed in the period incurred.
17	Depreciation of plant, property and equipment	Depreciation is generally provided at the annual rates stipulated under the Indian Companies Act, 1956.	Depreciation is provided on the cost as reduced by the salvage value over the useful lives of assets based on management estimates.
18	Proforma information	No need to disclose such information	In reporting changes in an accounting principle, a proforma disclosure of the following information is required : (a) income before extraordinary items (b) Net income (c) Related per share data The proforma portion is presented as if the newly adopted accounting principle had always been used.
19	Accounting for contingencies	No such classification of contingent event is specified	Contingent events are classified into probable, possible and remote and accounted for accordingly.
20	Fair values of financial instruments	There is no requirement to disclose the fair value of financial instruments.	Extensive disclosures are required of the fair values of financial instruments and the methodologies for determining fair values.
21	Accounting for finance	Assets under the financial lease are not required to be capitalized by lessees but, instead, are capitalized and depreciated by the lessor at statutory rates. The difference between the depreciation charge is adjusted in the income statement through a lease equalization account.	Assets under finance leases are required to be capitalized and depreciated by lessees, with the corresponding recognition of the lease obligation. Lease rentals are recognized as payment of the lease obligation and interested to recognize the minimum theron. Lessors are required to recognize lease payments less unearned income, i.e. the net investment in the lease, as an assets and the interest component of the lease rental as income.

22	Research and development (R&D) costs	R&D costs are expensed as incurred except for plant and equipment which are (a) capitalized and depreciated if they have alternative future uses; or (b) amortized over estimated term of R&D project if they have no alternative future uses.	R&D costs are expensed as incurred, except for plant & equipment which are (a) capitalized and depreciated if they have alternative future uses; or (b) expensed as incurred if they have no alternative future uses
23	Presentation of current Vs non current items	Disclosure of such items should be in accordance with Schedule VI to the Companies Act, 1956, no concept of current and non-current	Assets (excluding-fixed assets and investment) and liabilities are to be disclosed as current and non-current separately. Assets / liability is current if it is expected to be realized/settled within one year of balance sheet date.
24	Debt classification disclosure	Current portion of debt are not required to be classified as current liabilities.	Current portions of debt are required to be classified as current liabilities. Interest rates and repayment schedule of all debt, and unused credit lines available are required to be disclosed. The fair value of debt at prevailing interest is required to be disclosed.
25	Share issue expenses	Shares issue expenses are generally deferred and amortized over the period of 3 to 5 years. They may also be written off against share premium account.	Direct costs to sell shares are treated as a reduction of the issue proceeds; indirect costs are expensed as incurred.
26	Extraordinary items	Extraordinary items are disclosed separately in the profit and loss account. These items are not required to be disclosed net of applicable tax effects.	Extraordinary items are disclosed separately in the statement of profit and loss net of applicable tax effect.
27	Prior period items	Prior period items are disclosed separately in the current statement of profit and loss. These items are not required to be disclosed net of applicable tax effect.	Prior period items, less related tax effect, are excluded from the opening balance of retained earnings in single period statements.
28	Related party transaction	Requirements to report related party transactions in the financial statement are limited to reporting (a) accounts receivable or loans given to management, or to enterprises in which management is interested or which are under the same management; and (b) loans taken from the management. Disclosure is also required of guarantees given by or for management and of remuneration to management.	Financial statements are required to include full disclosure of all material related party transaction and balances, other than compensation arrangement, expense allowance, and other similar items in the ordinary course of business

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated consolidated Indian GAAP financial statements for fiscal 2003, 2004 and 2005 and for the six months ended September 30, 2005, including the notes thereto and reports thereon which begin on page 131 of this Prospectus.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see **"***Summary of Significant Differences between Indian GAAP and U.S. GAAP***"** *on page 211 of this Prospectus.*

Overview

We are an integrated diamond and jewellery manufacturing company and one of the largest manufacturers and retailers of diamonds and jewellery in India. Our operations include sourcing of rough diamonds from primary and secondary source suppliers in the international market, cutting and polishing the rough diamonds for exports to our international markets and the manufacture and sale of diamond and other jewellery through our retail operations in India as well as in our international markets.

We export our cut and polished diamond and our diamond and other jewellery products to various international markets in Europe including Antwerp in Belgium and Italy, the United States, the Middle East, as well as to several diamond and jewellery hubs in Asia including Japan, China, Hong Kong and Thailand. We also sell our branded and unbranded diamond and other jewellery products in India through our nationwide retail network.

Pursuant to the scheme of amalgamation approved by the order of the High Court of Judicature at Bombay dated September 30, 2005, three of our group companies, Gemplus, Prism and Giantti were amalgamated into the Company with effect from April 1, 2005. Pursuant to scheme of amalgamation, an aggregate of 9,988,495 Equity Shares of the Company were issued to the existing shareholders of Gemplus, Prism and Giantti. While Gemplus was primarily engaged in the business of exporting jewellery products, Prism (including its subsidiary CRIA Jewellery Private Limited) was engaged in the business of manufacturing and retailing diamond and other jewellery products. Giantti operated exclusive jewellery boutiques for jewellery lines. Pursuant to such scheme of amalgamation, CRIA Jewellery Private Limited became a subsidiary of the Company and D'Damas Jewellery (India) Private Limited became a joint venture company of the Company.

We commenced operations in 1966 as the partnership firm Gitanjali Exports Corporation which was engaged in the manufacture and export of cut and polished diamonds. The partnership firm Gitanjali Exports Corporation was subsequently converted into a limited company in September 2000 and is currently a subsidiary of the Company. We were accorded a "sightholder" status with DTC in 1968 and were one of the first DTC sightholders in India. The Company was incorporated on August 21, 1986. Our business was initially limited to the manufacture and export of cut and polished diamonds to various international markets.

In 1990 we commenced production of diamond studded and other jewellery at our jewellery manufacturing facility at the Special Economic Zone at Andheri, Mumbai. In 1994, we commenced retail sales of our first branded jewellery line under the brand Gili through Gili India Limited, our associate company. *Gili* was one of the first branded jewellery lines introduced in India and in 2004 was awarded a "Superbrand" status by Times of India. Following the success of the *Gili* brand and our retail operations, in 2000 DTC permitted us and three other sightholders in India to sell our jewellery products under the *Nakshatra* brand owned by DTC. In 2003, we entered into a joint venture in the form of D'Damas Jewellery Private Limited with Damas Jewellery LLC, a jewellery company based in the U.A.E., to manufacture and market jewellery products in India under the brand *D'Damas* and its various sub-brands.

In fiscal 2003, 2004 and 2005, our total income from sales of diamonds and jewellery products was Rs.11,713.84 million, Rs.13,310.57 million and Rs.13,711.56 million, respectively, representing a CAGR of 5.37%. In the six months ended September 30, 2005, our total income from sales of diamonds and jewellery products was Rs.11,531.34 million. In fiscal 2003, 2004 and 2005, our net profit was Rs.194.50 million, Rs.128.19 million and Rs.102.09 million, respectively, while in the six months ended September 30, 2005, our net profit was Rs.247.42 million.

Factors Affecting our Results of Operations

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

- ***Demand for our diamond and jewellery products***. Diamonds and fine jewellery form part of the discretionary purchases for consumers and our results of operations are significantly dependent on various factors such as economic growth, employment levels, income levels, tax rates and credit availability, all of which affect consumer spending and disposable income. Any reduction in consumer spending or disposable income may affect us more significantly than companies in other industries. From time to time attempts have been made to develop and market synthetic stones and gems to compete in the market for diamonds and diamond jewellery. Accordingly, in the event that prevailing consumer tastes for diamonds and jewellery decline, or if a widespread demand for alternatives to diamond products is created, demand and price levels for our products would decline and our business and results of operations would be adversely affected. In addition, our jewellery offerings must reflect the tastes and preferences of a wide range of consumers whose preferences may change regularly. If the styles we offer become less popular with consumers and we are not able to adjust our inventory in a timely manner, our sales may decline or fail to meet expected levels.

- ***Availability and cost of rough diamonds and other precious metals***. Our results of operations are affected by changes in the price of rough diamonds and precious metals, including gold. Since a small number of diamond mining firms control a majority of the world's rough diamond supply, any decision made by such firms to restrict the supply of rough diamonds could adversely affect our operating and financial results. The jewellery industry in general is affected by fluctuations in the prices of precious metals and precious and semi-precious stones. The availability and prices of gold, diamonds and other precious metals and precious and semi-precious stones may be influenced by cartels, political instability in exporting countries and inflation. Prices are subject to wide fluctuations in response to changes in supply and demand for gold and diamonds, market uncertainty and a variety of additional factors that are beyond our control. Shortages of these materials or sharp changes in their prices could have a material adverse effect on our results of operations or financial condition. In addition, sustained interruption in the supply of rough diamonds, an overabundance of supply or a substantial change in our relationship with the DTC and other diamond mining and wholesale trading firms, including the loss of Digico's sightholder status, could adversely affect us. A failure to secure diamonds at reasonable commercial prices and in sufficient quantities would lower our revenues and adversely impact our results of operations. In addition, increases in the price of diamonds may adversely affect consumer demand, which could cause a decline in our sales.

- ***Competition*****:** Our results of operations are affected by competition in the Indian and international diamond and jewellery industry. Current and potential competitors include independent jewellery stores, retail jewellery store chains, online retailers that sell jewellery, department stores, chain stores and mass retailers, and discounters and wholesale diamond traders that may enter the retail markets in the future. Because of the continued focus on branding and retail sales under DTC's Supplier of Choice program and the higher margins associated with branded jewellery sales as compared to the sale of processed diamonds, other DTC sightholders may enter the business of retailing of branded jewellery. In addition, any deregulation in restrictions on foreign ownership in the retail sector by the Government of India could bring new competition to the Indian market. Some of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition, existing customer relationships, and significantly greater financial, marketing and other resources, all of which could have a material adverse effect on our results of operations and financial condition. They may also benefit from greater economies of scale and operating efficiencies. There can be no assurance that we can continue to effectively compete with such competitors in the future, and failure to compete effectively may have an adverse effect on our business, financial condition and results of operations.

- ***Success of our proposed expansion plans***. We intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad and also continue to expand our retail operations. Our expansion plans are subject to various potential problems and uncertainties, including changes in economic conditions, delays in completion, cost overruns, the possibility of unanticipated future regulatory restrictions and diversion of management resources. In addition, our results of operations are dependent on whether we are able to achieve our targeted production levels and return on investment on these facilities.

  The growth of our retail operations, whether directly or through the operations of our subsidiaries, joint ventures and associate companies, will continue to be dependent principally upon, the opening of new stores and capitalizing on our existing marketing and distribution network, increased sales volume and profitability from our existing and new stores, franchises and other distribution and selling arrangements. The ability to operate our existing and new stores profitably is subject to various contingencies, many of which are beyond our control. These contingencies include our ability to secure suitable locations for our outlets on a timely basis and on satisfactory terms, our ability to hire, train and retain qualified personnel and the successful integration of our new outlets with our existing marketing and distribution network. There is no assurance that we will be able to achieve the targeted sales levels and profitability margins for our newly opened stores and outlets or that we will be able to achieve our targeted return on investment from our proposed retail operations.

  We anticipate that we will incur capital expenditure of approximately Rs.999.70. million for the development of our proposed diamond and jewellery manufacturing facilities and for the proposed expansion of our retail operations. In addition to the net proceeds of this Issue and our internally generated cash flow, we may need other sources of financing to meet our capital expenditure and working capital requirements, which may include entering into new debt facilities with lending institutions or raising additional debt in the capital markets.

- ***Success of our brands and branded jewellery lines***. Our business is significantly dependent on the continued establishment and promotion of the various brands and sub-brands that we sell our jewellery products under, such as *Nakshatra*, *Gili*, *Asmi*, *D'Damas* and *Giantti*. Promoting and positioning these brands depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high-quality customer experience. The failure of our brand promotion activities could adversely affect our ability to attract new customers and maintain customer relationships, and, as a result, adversely affect our business and results of operations.

- ***Seasonal fluctuation in our sales***. We have experienced and expect to continue to experience seasonal fluctuations in our sales. In particular, we have historically experienced higher sales during the second half of our fiscal year, as a result of the Diwali and the Christmas holiday season, and we expect this seasonality to continue in the future. In anticipation of increased sales activity during the second half of our fiscal year, we may incur significant additional expenses, including higher inventory of jewellery and additional staffing in our customer support operations. In future, our seasonal sales patterns may become more pronounced, may strain our personnel activities and may cause a shortfall in sales as compared to the expenses incurred in a given period, which could adversely affect our business and results of operations.

- ***Fluctuations in Currency Rates.*** Changes in currency exchange rates influence our results of operations. We report results in our consolidated financial statements in Indian rupees, while significant portions of our income and expenditure are denominated in currencies other than Indian rupees, most significantly the U.S. dollar. Almost all of our rough diamonds purchases and our exports are denominated in U.S. dollars. Accordingly, while our operations provide a degree of natural hedge protection against currency exchange fluctuations, to the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to increase more than the proportionate revenues on a given contract. For example, a rise in the value of the Indian rupee against such foreign currencies, especially the U.S. dollar, could adversely affect our income from sales of products for the relevant fiscal period, given that we extend credit lines that range from 120 days to 180 days to our customers. In addition, declines in the value of the Indian rupee against such other currencies could increase the rupee cost of servicing our significant debt.

Significant Accounting Policies

Our financial statements prepared in accordance with Indian GAAP and the accompanying notes thereto included in this Prospectus include information that is relevant to this discussion and analysis of our financial condition and results of operations. The preparation of our financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditure, and the related disclosure of cash flows and contingent liabilities, among others. Certain key accounting policies relevant to our business and operations have been described below. For a detailed description of our significant accounting policies, see Annexure IV of the restated consolidated financial statements under Indian GAAP beginning on page 211 of this Prospectus.

Principles of Consolidation. Our financial statements relate to the Company and its subsidiaries, joint venture companies and associate companies. Our consolidated financial statements are prepared in accordance with Accounting Standard AS 21 – Consolidated Financial Statements, Accounting of Investments as prescribed in Accounting Standard – AS 23 and interest in joint ventures and associate companies as per Accounting Standard – AS 27 issued by the Institute of Chartered Accountants of India.

- The financial statements of the Company and its subsidiaries are combined on line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

- The difference between the cost of investment in the subsidiaries over the net assets at the time of acquisition of shares and subsidiaries is recognized in the financial statements as goodwill or capital reserve, as the case may be. Minority interest in the net assets of the consolidated subsidiaries consists of (i) the amount of equity attributable to minorities at the date on which investment in the subsidiaries is made and (ii) minorities' share of movements in equity since the date of parent subsidiaries relationship comes into existence.

- 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.

- Interest in joint venture has been reported using the proportionate consolidation method on line-by -line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses on proportionate basis.

- Investments in the associates have been accounted, prepared as per the equity method as prescribed in Accounting Standard – 23.

Accounting Concepts. The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.

Fixed Assets. 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.

The original cost of fixed assets acquired through foreign currency credits are adjusted at the end of each financial year by any change in liability arising out of expressing outstanding foreign credits at the rate of exchange prevailing at the date of the balance sheet and also by gains/losses on foreign exchange rate fluctuations which arise on repayment of foreign currency credits during the year.

Depreciation. Depreciation is being charged on the fixed assets on the written down value method in accordance with the provisions of Schedule XIV of the Companies Act, 1956.

Inventories. Inventories of raw materials, finished goods, rejection, trading goods and stores are valued as under:

Raw materials:	Lower of cost and net realisable value.
Rough diamond rejections:	At net realizable 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 proportionate labour and overheads.
Finished goods – gold:	Lower of cost and market value.
Consumables stores & tools:	At cost.

Foreign Currency Transactions. Transactions in foreign currency are recorded at the rate in effect 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 year end and resultant gains/losses are charged to the profit and loss account. Premium in respect of forward foreign exchange contracts is recognized over the life of the contracts. Foreign currency loans for financing fixed assets, if any, are stated at the contracted/prevailing rate of exchange at the year end and the resultant gains/losses are adjusted to respective cost of assets.

Retirement Benefits. Regular contributions are made to provident fund authorities. Liability in respect of leave encashment is provided as per rules of the Company. Liability in respect of gratuity to employees is actuarially assessed and provided for in the financial statements.

Investments. Long-term investments are stated at cost.

Taxation. Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act.

Deferred tax is recognized subject to prudence, on timing difference, 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 differed tax assets can be realized.

Deferred revenue expenditure. Expenditure incurred on advertisement and brand promotion up to March 31, 2004 is amortized over a period of three years.

Contingent Liabilities. Contingent Liabilities are not provided for and are disclosed by way of notes to our financial statements.

Income

We receive our income from sales of our products and other income as adjusted for increases or decreases in our inventory. Our income from the sale of products consists of income from the sale of cut and polished diamonds and diamond and other jewellery in India and our international markets. We also derive other income from export commissions received, rent received, insurance claims, dividends, interest on tax refunds and other miscellaneous income that vary from fiscal period to period.

The following table sets forth certain information relating to our domestic and export sales of our diamond and jewellery products for the periods indicated:

	Year ended March 31,						**Six months ended September 30,**	
	2003		**2004**		**2005**		**2005**	
	(Rs. in millions, except percentage data)							
Diamonds								
Domestic sales..	3,552.94	30.33%	3,621.57	27.21%	3,683.03	26.86%	2,430.88	21.08%

Exports..	7,410.95	63.27%	9,056.11	68.04%	9,517.38	69.41%	7,473.66	64.81%
Jewellery								
Domestic sales..	749.95	6.40%	632.87	4.75%	511.13	3.73%	794.90	6.89%
Exports..	--	--	0.02	--	0.02	--	831.90	7.22%
	11713.84	**100%**	**13310.57**	**100%**	**13711.56**	**100%**	**11531.34**	**100%**

Expenditure

We incur expenditure on raw materials consumed, staff costs, other manufacturing expenses, administrative expenses and selling and distribution expenses, depreciation and interest cost.

Raw materials consumed. Cost of raw materials constitutes the single largest component of our expenditure. The cost of raw materials includes the price of rough diamonds, polished diamonds and precious metals, including gold and platinum.

Staff costs. Staff costs include salaries, bonuses and allowances paid to employees, contributions made to provident and pension funds and other statutory employee benefit schemes, expenditure on staff welfare as well as expenditure relating to recruitment of personnel.

Other manufacturing expenses. Our other manufacturing expenses include labour charges paid towards manufacturing of cut and polished diamonds and jewellery as wells as consumable stores and packing materials consumed.

Administrative expenses. Our administrative expenses primarily include commissions paid to banks and financial institutions, insurance premium paid to ECGC in connection with export credit guarantees, rental payments, rates and other taxes, legal and professional charges, traveling expenses, electricity charges, insurance and other miscellaneous expenses including postage and telephone charges.

Selling and distribution expenses. Selling and distribution expenses consist of expenditure relating to advertisement and business promotion activities as well as expenditure relating to export sales such as freightand commissions to forwarding agents.

Depreciation. Depreciation is provided on our fixed assets using the written down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956, as amended.

Interest. Interest includes interest paid to banks and financial institutions towards our working capital facilities that consist of primarily packing credit and post shipment credit.

Taxes

Corporate Tax. Corporate tax is generally payable by Indian companies to the Government of India under the Income Tax Act at the prescribed rates in a given fiscal year. Currently the net corporate tax rate is 33.66%, which includes a surcharge and education cess, which is a tax for education funds.

Deferred Tax. Deferred tax arises from timing differences between book profits and taxable profits that originates in one period and is capable of reversal in one or more subsequent periods, and is measured using tax rates and laws that have been enacted or substantively enacted as on the date of the balance sheet.

We provide for deferred tax liability on such timing differences, subject to considerations we deem prudent in respect of deferred tax assets. The significant timing differences include the difference in depreciation charged to the profit and loss account and the depreciation claimed under the Income Tax Act, and the items of expenditure covered under Section 43B of the Income Tax Act.

Our Results of Operations

The consolidated financial statements of the Company as of and for the years ended March 31, 2003, 2004 and 2005 represent the consolidated financial information of the Company and its subsidiary Mehul Impex Limited and its associate company Gili India Limited, in which the Company currently holds a 40% equity interest.

Pursuant to the scheme of amalgamation approved by the order of the High Court of Judicature at Bombay dated September 30, 2005, three of our group companies, Gemplus, Prism and Giantti were amalgamated into the Company with effect from April 1, 2005. Pursuant to such scheme of amalgamation, CRIA Jewellery Private Limited became a subsidiary of the Company, while D'Damas Jewellery (India) Private Limited, which was a 50% joint venture of Gemplus, became a 50% joint venture of the Company. Gitanjali Exports Corporation Limited became a 51% subsidiary of the Company with effect from September 20, 2005. The Company acquired a 33.34% equity interest in Brightest Circle Jewellery Private Limited on April 23, 2005.

Accordingly, the consolidated financial statements of the Company as of and for the six months ended September 30, 2005 represent the consolidated financial information of the amalgamated Company (pursuant to the amalgamation of Gemplus, Prism and Giantti into the Company) and its consolidated subsidiaries Mehul Impex Limited, Gitanjali Exports Corporation Limited and CRIA Jewellery Private Limited as well as the joint venture company D'Damas Jewellery (India) Private Limited and the associate companies Brightest Circle Jewellery Private Limited and Gili India Limited. Our results of operations for the six months ended September 30, 2005 may therefore not be comparable to our results of operations in fiscal 2003, 2004 or 2005 or any part thereof.

The following table sets forth certain information with respect to our results of operations for the periods indicated:

	Year ended March 31,			Six months ended September 30,
	2003	**2004**	**2005**	**2005**
	(Rs. in millions)			
Income				
Sales	11,713.84	13,310.57	13,711.56	11,531.34
Other Income:				
Commission Received	0.24	--	17.45	0.26
Rent Received	1.25	1.02	0.36	0.06
Insurance Claim	--	--	2.37	-- --
Dividend Received	1.00	1.50	--	2.00
Interest on Tax Refund	0.92	0.47	--	0.14
Premium on Sale of License	0.12	0.05	--	--
Other	0.13	1.12	0.02	4.17
Increase (decrease) in inventory	(262.76)	(1,163.42)	(146.49)	(15.65)
Total Income	**11,454.74**	**12,151.31**	**13,585.27**	**11,522.32**
Expenditure				
Raw Materials	10,670.14	11,261.28	12,587.99	10,314.93
Staff Costs	10.93	13.36	16.92	40.71
Other Manufacturing Expenses	196.50	431.99	582.09	525.85
Administration Expenses	84.10	105.04	99.07	116.48
Selling and Distribution Expenses	13.60	32.00	22.43	21.77
Total Expenditure	**10,975.27**	**11,843.67**	**13,308.50**	**11,019.74**
Earnings Before Depreciation Interest and Tax	479.47	307.64	276.77	502.58
Depreciation	5.34	4.66	4.30	12.19
Interest	275.56	156.06	130.73	174.13

Net Profit Before Tax and Extraordinary Items	**198.57**	**146.92**	**141.74**	**316.26**
Taxation:				
Current Tax	10.88	30.00	53.76	59.47
Deferred Tax	1.43	(0.29)	(0.57)	(2.92)
Fringe Benefit Tax				0.59
Net Profit After Tax	**186.26**	**117.21**	**88.55**	**259.12**
Less : Minority Interest	**-**	**-**	**-**	**17.96**
Add: Share of profit / (loss) in associate	**8.62**	**11.36**	**13.92**	**4.37**
Net Profit	**194.88**	**128.57**	**102.47**	**245.54**
Adjustments	(0.38)	(0.38)	(0.38)	1.88
Net Profit, as restated	**194.50**	**128.19**	**102.09**	**247.42**

Adjustments

The consolidated financial information as of and for the years ended March 31, 2003, 2004 and 2005 and the six months ended September 30, 2005 has been restated in compliance with SEBI Guidelines. In accordance with Indian GAAP, the effects of restatement are shown as a cumulative effect on our net profit, as restated rather than as restatements of individual line items in our statement of profit and loss. Consistent with this presentation, in the comparison of our results of operations from fiscal period to fiscal period, we have provided a discussion of the effects of the restatement on our net profit, as restated at the end of each such fiscal period to fiscal period comparison.

The adjustments to our financial statements are described below:

- Until fiscal 2005, gratuity liability was accounted for on cash basis while in the six months ended September 30, 2005, gratuity liability was determined and accounted for on actuarial basis. Such adjustment resulted in a decrease of Rs.0.38 million in our net profit in each of fiscal 2003, 2004 and 2005 and an increase of Rs.1.88 million in our net profit in the six months ended September 30, 2005.

Six month period ended September 30, 2005

An overview of developments and significant items of income and expenditure in the six months ended September 30, 2005 are provided as follows:

- Our consolidated result of operations in the six months ended September 30, 2005 reflects the additional business and operations of the amalgamated entities, including jewellery exports of Gemplus and the retail operations of Prism and Giantti as well as the subsidiary CRIA Jewellery Private Limited and the joint venture D'Damas Jewellery (India) Private Limited. Prior to such amalgamation the Company was involved in retail sales of its branded jewellery lines only through its associate companies Gili India Limited and Brightest Circle Jewellery Private Limited.

- Because of the higher margins involved in the manufacture and sale of jewellery as compared to the manufacture and sale of cut and polished diamonds, we recorded a significant increase in our net profit as compared to our net profit in prior periods.

Income. We recorded a total income of Rs.11,522.32 million in the six months ended September 30, 2005, primarily due to income from sales of our diamond and jewellery products which amounted to Rs.11,531.34 million. The decrease in total income is due to decrease in inventory. We also received other income of Rs.6.63 million primarily from dividends and miscellaneous other income.

Expenditure. We recorded total expenditure of Rs.11,019.74 in the six months ended September 30, 2005, primarily due to raw materials costs of Rs.10,314.93 million. Due to the increased number of employees pursuant to the amalgamation, we recorded staff costs of Rs.40.71 million primarily comprising of salary, bonuses and allowances paid to our employees as well costs incurred in connection with staff welfare. We also recorded administrative expenses of Rs.116.48 million. Other manufacturing expenses incurred in the six months ended September 30, 2005 was Rs.525.85 million primarily due to labour charges paid for our manufacturing operations, which increased significantly pursuant to the amalgamation of the group companies into the Company. Selling and distribution expenses incurred in the six months ended September 30, 2005 were also significantly high, primarily because of high advertisement and business promotion expenses relating to our branded jewellery lines aggregating to Rs.21.77 million.

Depreciation. In the six months ended September 30, 2005, we incurred significant depreciation charges of Rs.12.19 million primarily relating to the significant fixed assets of Gemplus that was amalgamated into the Company.

Interest. In the six months ended September 30, 2005, we incurred interest costs of Rs.174.13 million paid to banks and financial institutions towards our working capital facilities that consist primarily of packing credit and post shipment credit.

Net profit before taxes. Due to the reasons discussed above, we recorded net profit before taxes and extraordinary items of Rs.316.26 million in the six months ended September 30, 2005.

Taxes. Provision for taxes includes current tax liabilities and deferred tax liabilities. In the six months ended September 30, 2005, we recorded current tax liabilities of Rs.59.47 million as set off for adjustments from prior years on account of deferred tax liabilities of Rs.2.92 million and fringe benefit tax of Rs.0.59 million.

Net profit. Due to the reasons discussed above and on account of adjustment in respect of minority interest and share of profits from associates of Rs.17.96 million and Rs.4.37 million, respectively, we recorded a net profit for the six months ended September 30, 2005 of Rs.245.54 million.

Net profit, as restated. Our net profit has been restated on account of adjustments relating to changes in accounting policies with respect to gratuity payments for our employees. Until fiscal 2005, gratuity liability was accounted for on cash basis while in the six months ended September 30, 2005, gratuity liability was determined and accounted for on actuarial basis. Such adjustment resulted in an increase of Rs.1.88 million in our net profit in the six months ended September 30, 2005. Accordingly, we recorded net profit, as restated of Rs.247.42 million for the six months ended September 30, 2005.

Fiscal 2005 compared to Fiscal 2004

An overview of trends and developments and a comparison of significant items of income and expenditure for fiscal 2005 compared to fiscal 2004 are provided as follows:

- We experienced an increase in income generated from the sale of our cut and polished diamonds in our international markets in fiscal 2005 as compared to that generated in fiscal 2004;

- Cost of raw materials such as rough diamonds and gold and other precious metals increased in fiscal 2005 as compared to that in fiscal 2004.

Income. Our total income increased by 11.80% from Rs.12,151.31 million in fiscal 2004 to Rs.13,585.27 million in fiscal 2005 on account of an increase in income from sales and adjustments on account of decrease in inventory.

Income from sales increased marginally by 3.01% from Rs.13,310.57 million in fiscal 2004 to Rs.13,711.56 million in fiscal 2005, primarily due to increase in our export sales.

Our other income increased significantly by 385.57% from Rs.4.16 million in fiscal 2004 to Rs.20.20 million in fiscal 2005, primarily due to export commissions of Rs.17.45 million received on account of execution of an export order for one of our clients in fiscal 2005. We did not record any income on account of export commissions in fiscal 2004. This was partially offset by a 64.70% decrease in income from rent received from Rs.1.02 million in fiscal 2004 to Rs.0.36 million in fiscal 2005, due to the termination of a lease agreement resulting from the disposal of such property in fiscal 2005. In addition, while we received dividend income of Rs.1.50 million in fiscal 2004 from our associate company Gili India Limited, we did not record any such dividend income in fiscal 2005. However, in fiscal 2004, we recorded income from premium on the sale of our import licenses in an amount of Rs.0.05 million, while we did not record any income on such account in fiscal 2005. We also recorded other miscellaneous income of Rs.1.12 million in fiscal 2004 as compared to Rs.0.02 million in fiscal 2005.

During fiscal 2005, polished diamonds of an aggregate value of Rs.12.16 million was stolen by one of our employees from our manufacturing facilities, of which diamonds of an aggregate value of Rs.9.80 million was recovered. The balance amount of Rs.2.37 million is recorded in our financial statements in fiscal 2005 as an insurance claim receivable. There was no such insurance claim receivable in fiscal 2004.

Expenditure. Cost of raw materials consumed increased by 11.78% from Rs.11,261.28 million in fiscal 2004 to Rs.12,587.99 million in fiscal 2005, primarily due to an increase in our processed diamond and jewellery manufacturing operations as well as rising raw material costs such as the cost of rough diamonds and precious metals, such as gold.

Other manufacturing expenses increased sharply by 34.75% from Rs.431.99 million in fiscal 2004 to Rs.582.09 million in fiscal 2005, primarily due to an increase in labour charges paid to our contract labour at our manufacturing operations. Staff costs also increased significantly by 26.65% from Rs.13.36 million in fiscal 2004 to Rs.16.92 million in fiscal 2005 due to recruitment of new marketing and managerial personnel as well as a result of the annual increment in salary levels. These were partially offset by a 5.68% decrease in administrative expenses from Rs.105.04 million in fiscal 2004 to Rs.99.07 million in fiscal 2005, primarily due to a decrease in rent, rates and taxes on account of reduction in documentary stamp charges as well as due to the revaluation of foreign currency loans on account of strengthening of the Indian rupee. Selling and distribution expenses also decreased by 29.90% from Rs.32.00 million in fiscal 2004 to Rs.22.43 million in fiscal 2005, primarily due to a decrease in reimbursement of advertisement and marketing expenses to DTC on account of the Nakshatra brand. Subsequent to May 2004, the reimbursement of advertisement and marketing expenses to DTC on account of the *Nakshatra* brand was made by Brightest Circle Private Limited.

Depreciation. We recorded a decrease in depreciation charges from Rs.4.66 million in fiscal 2004 to Rs.4.30 million in fiscal 2005 pursuant to the written down value method of charging depreciation.

Interest. Interest charges paid to banks and financial institutions in connection with our working capital facilities decreased from Rs.156.06 million in fiscal 2004 to Rs.130.73 million in fiscal 2005, primarily due to lower interest rates.

Net profit before taxes. Due to the reasons discussed above, our net profit before taxes decreased by 3.52% from Rs.146.92 million in fiscal 2004 to Rs.141.74 million in fiscal 2005.

Taxes. Our total tax liabilities increased by 79.03% from Rs.29.71 million in fiscal 2004 to Rs.53.19 million in fiscal 2005. Our current tax liabilities increased sharply from Rs.30.00 million in fiscal 2004 to Rs.53.76 million in fiscal 2005, primarily due to the gradual phasing out of certain income tax benefits that we availed of under Section 80 HHC of the Income Tax Act, pursuant to which our entire profit from export sales was exempt from income tax until fiscal 2000. These income tax benefits were gradually phased out such that 30% of our profit from export sales in fiscal 2004 was exempt from income tax and no such exemption was available for fiscal 2005. We recorded credits of Rs.0.29 million and Rs.0.57 million on account of deferred tax liabilities in fiscal 2004 and 2005, respectively.

Net profit. Due to the reasons discussed above and on account of adjustment in respect of minority interest and share of profits from associates, our net profit decreased from Rs.128.57 million in fiscal 2004 to Rs.102.47 million in fiscal 2005.

Net profit, as restated. Our net profit has been restated on account of adjustments relating to changes in accounting policies with respect to gratuity payments for our employees. Until fiscal 2005, gratuity liability was accounted for on cash basis while in the six months ended September 30, 2005, gratuity liability was determined and accounted for on actuarial basis. Such adjustment resulted in a decrease of Rs.0.38 million in our net profit in each of fiscal 2004 and 2005. Our net profit, as restated, was Rs.102.09 million in fiscal 2005 as compared to Rs.128.19 million in fiscal 2004.

Fiscal 2004 compared to Fiscal 2003

An overview of trends and developments and a comparison of significant items of income and expenditure for fiscal 2004 compared to fiscal 2003 are provided as follows:

- We experienced an increase in income generated from the sale of our cut and polished diamonds in our international markets in fiscal 2004 as compared to that generated in fiscal 2003;

- The strengthening of the Indian rupee in fiscal 2004, however, resulted in decreased margins from our export sales.

Income. Our total income increased by 6.08% from Rs.11,454.74 million in fiscal 2003 to Rs.12,151.31 million in fiscal 2004, primarily on account of a increase in income from sales and adjustments on account of decrease in inventory.

Income from sales increased by 13.63% from Rs.11,713.84 million in fiscal 2003 to Rs.13,310.57 million in fiscal 2004, primarily due to increase in our export sales.

Our other income increased marginally by 13.66% from Rs.3.66 million in fiscal 2003 to Rs.4.16 million in fiscal 2004. We recorded income from export commissions of Rs.0.24 million in fiscal 2003 while we did not record any income on such account in fiscal 2004. Income from rent received decreased from Rs.1.25 million in fiscal 2003 to Rs.1.02 million in fiscal 2004. We also recorded income from dividend received of Rs.1.00 million and Rs.1.50 million in fiscal 2003 and 2004, respectively, from our associate company Gili India Limited. In fiscal 2004, we recorded income from premium on sale of licenses of Rs.0.05 million as against Rs.0.12 million in fiscal 2003. We also received interest income on tax refunds in an amount of Rs.0.92 million in fiscal 2003 as compared to Rs.0.47 million in fiscal 2004. Other miscellaneous income increased by 761.53% from Rs.0.13 million in fiscal 2003 to Rs.1.12 million in fiscal 2004.

Expenditure. Cost of raw materials/trading goods consumed increased by 5.54% from Rs.10,670.14 million in fiscal 2003 to Rs.11,261.28 million in fiscal 2004, primarily due to an increase in our processed diamond manufacturing operations as well as rising raw material costs such as the cost of rough diamonds and precious metals such as gold and platinum.

Other manufacturing expenses increased sharply by 119.84% from Rs.196.50 million in fiscal 2003 to Rs.431.99 million in fiscal 2004, primarily due to an increase in the labour charges payable to on account of increased manufacturing activity. Staff costs also increased significantly by 22.23% from Rs.10.93 million in fiscal 2003 to Rs.13.36 million in fiscal 2004 due to recruitment of new marketing and managerial personnel as well as due to an annual increment in salary levels. Administrative expenses also increased significantly by 24.89% from Rs.84.10 million in fiscal 2003 to Rs.105.04 million in fiscal 2004, primarily due to our expanded operations. Selling and distribution expenses increased sharply by 135.29% from Rs.13.60 million in fiscal 2003 to Rs.32.00 million in fiscal 2004, primarily due to increased expenditure on account of reimbursement of marketing expenses to DTC relating to the *Nakshatra* brand.

Depreciation. We recorded a decrease in depreciation charges from Rs.5.34 million in fiscal 2003 to Rs.4.66 million in fiscal 2004 pursuant to the written down value method of charging depreciation.

Interest. Interest charges paid to banks and financial institutions in connection with our working capital facilities decreased from Rs. 275.56 million in fiscal 2003 to Rs.156.06 million in fiscal 2004, primarily due to a lower interest rates.

Net profit before tax. Due to the reasons discussed above, our net profit before taxes decreased by 26.01% from Rs.198.57 million in fiscal 2003 to Rs.146.92 million in fiscal 2004.

Taxes. Our total tax liabilities increased by 141.35% from Rs.12.31 million in fiscal 2003 to Rs.29.71 million in fiscal 2004. Our current tax liabilities increased sharply from Rs.10.88 million in fiscal 2003 to Rs.30.00 million in fiscal 2004, primarily due to the gradual phasing out of certain income tax benefits that we availed of under Section 80 HHC of the Income Tax Act, pursuant to which 50% of our profit from export sales in fiscal 2003 was exempt from income tax and only 30% of our profit from export sales in fiscal 2004 was exempt from income tax. We recorded a deferred tax liability of Rs.1.43 million in fiscal 2003 while we recorded a credit of Rs.0.29 million as deferred tax liabilities in fiscal 2004.

Net profit. Due to the reasons discussed above and on account of adjustment in respect of minority interest and share of profit from associates, our net profit decreased sharply from Rs.194.88 million in fiscal 2003 to Rs.128.57 million in fiscal 2004.

Net profit, as restated. Our net profit has been restated on account of adjustments relating to changes in accounting policies with respect to gratuity payments for our employees. Until fiscal 2005, gratuity liability was accounted for on cash basis while in the six months ended September 30, 2005, gratuity liability was determined and accounted for on actuarial basis. Such adjustment resulted in a decrease of Rs.0.38 million in our net profit and each of fiscal 2003 & 2004. Our net profit, as restated was Rs.128.19 in fiscal 2004 as compared to Rs.194.50 million in fiscal 2003.

Liquidity and Capital Resources

Liquidity

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditures. To fund these costs we have relied on equity contributions, working capital borrowings and cash flows from operating activities.

The table below summarizes our cash flows, as restated, for the periods indicated:

	Fiscal 2003	**Fiscal 2004**	**Fiscal 2005**	**Six months ended September 30, 2005**
	(Rs. in millions)			
Net cash from (used) operating activities...........	154.21	(68.66)	(158.32)	(2,845.11)
Net cash from (used) investing activities...........	(1.33)	(1.99)	(2.14)	(247.32)
Net cash from (used) financing activities...........	(31.74)	60.95	7.30	3897.14
Net increase (decrease) in cash and cash equivalents	121.14	(9.70)	(153.16)	804.70

Operating Activities

Net cash used in operating activities in the six months ended September 30, 2005 was Rs.2,845.11 million although our profit before taxes, depreciation and interest in the six months ended September 30, 2005 was Rs.502.58 million. The difference was primarily attributable to an increase in working capital primarily due to change in inventory, trade receivables and current liabilities on account of amalgamation of Gemplus, Giantti and Prism and also consolidation of other group companies. The increase in inventories, trade and other receivables and other current assets were Rs.1,133.43 million, Rs.5,677.13 million and Rs.319.97 million, respectively. These increases were partially offset by an increase in current liabilities of Rs.3,841.01 million and an increase in income taxes paid of Rs.60.06 million. We also recorded an income on account of restatement of Rs.1.88 million.

Net cash used in operating activities in fiscal 2005 was Rs.158.32 million although our profit before taxes, depreciation and interest in fiscal 2005 was Rs.276.77 million. The difference was primarily attributable to an increase in trade and other receivables of Rs.844.02 million and an increase in other current assets of Rs.146.83 million. These were partially offset by an increase in current liabilities of Rs.463.41 million and a decrease in inventory of Rs. 146.49 million as well as an increase in income taxes paid of Rs.53.76 million. We also recorded an expense on account of restatement of Rs.0.38 million in fiscal 2005.

Net cash used in operating activities in fiscal 2004 was Rs.68.66 million although our profit before taxes, depreciation and interest in fiscal 2004 was Rs.307.64 million. The difference was primarily attributable to an increase in trade and other receivables of Rs.1,220.64 million, an increase in other current assets of Rs.115.16 million and a decrease in current liabilities of Rs.173.54 million. These were partially offset by a decrease in inventory of Rs. 1163.42 million and an increase in income taxes paid of Rs.30.00 million. We also recorded an expense on account of restatement of Rs.0.38 million in fiscal 2004.

Net cash generated from operating activities in fiscal 2003 was Rs.154.21 million while our profit before taxes, depreciation and interest in fiscal 2003 was Rs.479.47 million. The difference was primarily attributable to an increase in trade and other receivables of Rs.21.28 million, an increase in income taxes paid of Rs.10.88 million, a decrease in current liabilities of Rs.600.32 million and a decrease in inventory and other current assets of Rs. 264.31 million and Rs.43.29 million respectively. We also recorded an expense on account of restatement of Rs.0.38 million in fiscal 2003.

Investing Activities

Our expenditure for investing activities primarily relates to the purchase of fixed assets comprising property, plants and equipment used in our manufacturing facilities, and offset in each period by minor disposals of such fixed assets and investments. Net cash used in investing activities amounted to Rs.247.32 million in the six months ended September 30, 2005 primarily on account increase in fixed asset base due to the amalgamation of Gemplus, Giantti and Prism as well as the consolidation of other group/associate companies with effect from April 1, 2005. Net cash used in investing activities were Rs.1.33 million, Rs.1.99 million and Rs.2.14 million in fiscal 2003, 2004 and 2005, respectively.

Financing Activities

Net cash provided by financing activities amounted to Rs.3,897.14 million for the six months ended September 30, 2005, comprising Rs.3,118.45 million of borrowings in the nature of working capital loans and other unsecured loans from our Promoter and certain Promoter group companies, Rs.99.88 of proceeds from issuance of capital, Rs.855.66 million of increases in reserves, which was partially offset by the payment of interest (net) on borrowings amounting to Rs.174.13 million and miscellaneous expenditure incurred of Rs.2.72 million.

Net cash provided by financing activities amounted to Rs.7.30 million in fiscal 2005, comprising Rs.138.03 million of borrowings in the nature of working capital loans which was offset by the payment of interest (net) on borrowings amounting to Rs.130.73 million.

Net cash provided by financing activities amounted to Rs.60.95 million in fiscal 2004, comprising Rs.217.01 million of borrowings in the nature of working capital loans which was offset by the payment of interest (net) on borrowings amounting to Rs.156.06 million.

Net cash used in financing activities amounted to Rs.31.74 million in fiscal 2003, comprising Rs.243.09 million of borrowings in the nature of working capital loans, Rs.0.10 of proceeds from issuance of capital, Rs.0.63 million of increases in reserves, which was offset by the payment of interest (net) on borrowings amounting to Rs.275.56 million.

Historical and Planned Capital Expenditures

Our capital expenditures in fiscal 2003, 2004 and 2005 was Rs.0.58 million, Rs.1.99 million and Rs.2.14 million, respectively, while capital expenditures in the six months ended September 30, 2005 was Rs.248.43 million. The increase in capital expenditure for 6 month ended September 30, 2005 was primarily on account of the increase in fixed assets base due to amalgamation of three group companies. This capital expenditure was incurred for building, plant and machinery, furniture and fixtures and office equipment in connection with our manufacturing facilities and our retail operations.

We intend to set up additional diamond and jewellery manufacturing facilities at Mumbai and at the proposed Gems and Jewellery Special Economic Zone in Hyderabad and also continue to expand our retail operations. We anticipate that we will incur capital expenditure of approximately Rs.999.70 million for the development of our proposed diamond and jewellery manufacturing facilities and for the proposed expansion of our retail operations through fiscal 2008. For more information on certain of our proposed capital expenditure, see "Objects of the Issue" beginning on page 25 of this Prospectus. In addition to the net proceeds of this Issue and our internally generated cash flow, we may need other sources of financing to meet our capital expenditure and working capital requirements, which may include entering into new debt facilities with lending institutions or raising additional debt in the capital markets.

Indebtedness

The Company's working capital requirements are arranged through consortiums of public sector, private sector and foreign banks led by lead banks. The lead banks assess the Company's working capital requirements annually. For fiscal 2006, the working capital consortiums have sanctioned an aggregate working capital limit of Rs.5,554.00 million comprising of fund based limits (primarily in the form of export credit) of Rs.4,154.00 million and non-fund based limits (primarily in the form of letters of credits for imports) of Rs.1,400 million.

As on September 30, 2005, the Company had the following outstanding debt: working capital loans in the form of (i) fund based facilities of Rs.4,276.04 million (including cash credit and working capital facilities in the form of export credit) and (ii) non-fund based facilities of Rs.1,400.00 million (including import letters of credit and bank guarantees).

Our financing arrangements are secured by a pari passu charge on our fixed assets and current assets which include inventory and receivables. Many of our financing agreements also include conditions and covenants that require us to obtain consents from our lenders prior to carrying out certain activities and entering into certain transactions. Failure to obtain these consents could have significant consequences on our business and operations. Specifically, under certain circumstances, we require, and may be unable to obtain, lender consents to incur additional debt, issue equity, change our capital structure, increase or modify our capital expenditure plans, undertake any expansion, make any corporate investments or investment by way of share capital or debentures, lend or advance funds, provide additional guarantees, change our management structure, or merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements. Under certain of these agreements, in an event of default, we are also required to obtain the consent of the relevant lender to pay dividends and the relevant lender also has the right to appoint a director on the Company's Board. In addition, under certain of our financing arrangements, our lenders are entitled to appoint nominee directors on our Board.

We believe that our relationships with our lenders are good, and we have in the past obtained consents from them to undertake various actions and have informed them of our activities from time to time. Compliance with the various terms is, however, subject to interpretation and we cannot assure you that we have requested or received all consents from our lenders that are required by our financing documents. As a result, it is possible that a lender could assert that we have not complied with all terms under our existing financing documents. Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other financing agreements, and may adversely affect our ability to conduct our business and operations or implement our business plans.

Quantitative and Qualitative Disclosures about Market Risk

Exchange Rate Risk

Changes in currency exchange rates influence our results of operations. We report results in our consolidated financial statements in Indian rupees, while significant portions of our revenues and expenses are denominated in currencies other than Indian rupees, most significantly the U.S. dollar. Almost all of our rough diamonds purchases and our exports are denominated in U.S. dollars. In fiscal 2005, approximately 70.00% of our total income was denominated in foreign currencies while approximately 72.34% of our total expenditure was denominated in foreign currencies. Accordingly, while our operations provide a degree of natural hedge protection against currency exchange fluctuations, to the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to increase more than the proportionate revenues on a given contract. For example, a rise in the value of Indian rupees against such foreign currencies, especially the U.S. dollar, could adversely affect our income from sales of products for the relevant fiscal period, given that we extend credit lines that range from 120 days to 180 days to our customers.

As of September 30, 2005, we had foreign currency borrowings aggregating U.S.$100.59 million (Rs.4,424.94 million). Therefore, declines in the value of the rupee against such other currencies could increase the rupee cost of servicing our debt. The exchange rate between the Indian rupee and the U.S.

dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. While we enter into currency hedging arrangements as part of our treasury operations, there can be no assurance that these arrangements will successfully protect us from losses due to fluctuations in currency exchange rates.

Interest Rate Risk

Changes in interest rates could significantly affect our financial condition and results of operations. As of September 30, 2005, Rs.5,944.00 million (U.S.$135.12 million) of our borrowings were at floating rates of interest. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows. Although we may in the future enter into hedging arrangements against interest rate risks, there can be no assurance that these arrangements will successfully protect us from losses due to fluctuations in interest rates.

Inflation

In recent years, although India has experienced significant fluctuation in inflation rates, inflation has not had any material impact on our business and results of operations. According to the Office of the Economic Advisor, Department of Industrial Policy and Promotion, inflation in India was approximately 3.7%, 3.4%, and 5.4% in the fiscal years ended 2002, 2003 and 2004, respectively.

Unusual or Infrequent Events or Transactions

Except as described in this Prospectus, there have been no events or transactions to our knowledge which may be described as "unusual" or "infrequent".

Known trends or uncertainties

Other than as described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between costs and income

Other than as described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus, to our knowledge there are no known factors which will have a material adverse impact on our operation and finances.

New product or business segment

Other than as described in this Prospectus, to our knowledge, there are no new products or business segments.

Seasonality of business

For information relating to seasonal variations in our product sales, please refer to "Factors affecting our results of operations – Seasonal fluctuations in our sales" on page 220 of this Prospectus.

Competitive conditions

We expect competition to intensify from existing and potential competitors in the diamond and jewellery business in India and internationally. For further details, please refer to the discussions on our competition in "Risk Factors" and "Business" beginning on pages viii and 71 in this Prospectus.

Significant developments after September 30, 2005 that may affect our future results of operations

Except as disclosed in this Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Prospectus which materially and adversely affects or is likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as disclosed in this Prospectus, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on our reserves, profits, earnings per share and book value.

OUTSTANDING LITIGATION

Except as described below, there are no outstanding litigations, suits or civil proceedings or criminal or prosecutions, proceedings or tax liabilities against the Company, and there are no defaults, non payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/ and other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act) that would result in a material adverse effect on our consolidated business taken as a whole.

Against the Company

Sr. No.	Appeal No./ Case No.	Dated	Complainant/ Plaintiff/ Petitioner	Accused/ Defendants/ Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Nature of Case	Status
1.	**Civil Appeal No.813-814 of 2004**	7.2.04	Commissioner of Customs	Gemplus Jewellery India Ltd.	Before the Hon'ble Supreme Court, Delhi.	Rs.6.43 million	Customs duty was demanded for alleged non accounting of gold imports in violation of notification No.177/94.	The Appellate Tribunal set aside the demand for customs duty and the commissioner of custom filed an appeal against the order of the tribunal in the Honorable Supreme Court being Appeal no. 813-814, of 2004 which is pending hearing.
2.	**C/971/01 of 2001**	19.12.01	Commissioner of Customs (preventive)	Gemplus Jewellery India Ltd.	Before the CESTAT Mumabi	Rs. 0. 12 millions	Penalty is imposed under the Customs Act for the alleged removal of waste of gold in violation of notification No.177/94 dated 21.10.94	The said Appeal is Pending before CESTAT
3.	**Show Cause Notice No.DRI/820/ E/2/98**	31.03.99	-	Gitanjali Gems Limited	Commissioner of Customs, Air Cargo Complex.	Rs.28.85 million	Customs duty is demanded on the footing that special imprest license purchased from the open market and presented to the custom authority for import of gold and silver were forged.	Pending before commissioner of customs, Air Cargo for adjudication. Pending investigation, the company has deposited Rs.5 million.

We have received a notice from the Trade Marks Registry in respect of our application made to it for registration of our trade mark 'Christy', thereby intimating to us the date of hearing being February 23, 2006. At the hearing held before the learned officer at the Trademark Registry on February 23, 2006 for the trademark "Christy", the learned officer was pleased to order advertisement of the mark before acceptance. Accordingly, the mark will now be advertised in the Trademark Journal in due course.

Significant cases by the Company

Sr. No.	Appeal No./ Case No.	Dated	Complainant/ Plaintiff/ Petitioner	Accused/ Defendants/ Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Nature of Case	Status
1.	**Negotiable Instruments Act Related** Criminal Complaint no.1329 & 1330 of 2001	16.5.01	Gemplus Jewellery India Ltd.	Naresh K. Chokshi	Chief Metropolitan Magistrate Court at Ahmedabad	Rs.50 million	Complaint filed in respect of dishonour of cheque by the Accused.	The complaint is pending before the Magistrate's Court.
2.	**Recovery Suits**							
	Civil Suit No. 4589/2001	29.9.01	Gitanjali Gems Ltd.	Archana Exim Ltd.	City Civil Court at Ahmedabad.	Rs.108.99 million	Recovery of outstanding dues in respect of goods supplied to the Defendants.	The suit is pending in the City Civil Court.
	Civil Suit No. 4587/2001	29.9.01	Gitanjali Gems Ltd.	Mansing Amritlal Chokshi	City Civil Court at Ahmedabad.	Rs.13.19 million	Recovery of outstanding dues in respect of goods supplied to the Defendants.	The suit is pending in the City Civil Court.
	Civil Suit No. 1099/2002	15.03.02	Gemplus Jewellery India Ltd.	Naresh Chokshi	City Civil Court at Ahmedabad.	Rs.126.72 million	Recovery of outstanding dues under invoices and delivery notes.	The Suit is pending in the City Civil Court.

Income tax matters
AY 1997 - 98
The Income Tax department has preferred an appeal before the Income Tax Appelate Tribunal ("ITAT") against the relief in respect of deduction under section 80HHC given by Commissioner of Income Tax (Appeal) ("CIT(A)") . The tax effect of the disputed amount is NIL. The tax effect in respect of tax credit under section 115JA carried forward for set off amounts to Rs. 5,908,384

AY 2001 – 02
The company has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The Income Tax department has also preferred an appeal before the ITAT against the part relief in respect of deduction under section 80HHC given to the Company. The tax effect of the disputed amount is Rs.19,297,399.

AY 2002 – 03
The company has preferred an appeal before the CIT(A) against the adjustments made by the assessing officer in claim of deduction under section 80HHC which resulted in assessed income of Rs. 89,47,820 as against the Returned income of NIL shown by the Company. The tax effect of the disputed amount is Rs.NIL on account of MAT Credit available to the Company.

Matters pertaining to Gemplus prior to merger with the Company

<u>Income tax matters</u>

AY 1997 – 98

The Company has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 10A and under section 80HHC. The Income Tax department has also preferred an appeal before the ITAT against the part relief given to the company. The tax effect of the disputed amount is Rs.43,80,735.

AY 1998 – 99

The Company has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 10A and under section 80HHC. The Income Tax department has also preferred an appeal before the ITAT against the part relief given to the Company. The tax effect of the disputed amount is Rs.7,63,029.

AY 2001 – 02

The company has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 10A and under section 80HHC. The Income Tax department has also preferred an appeal before the ITAT against the part relief given to the Company. The tax effect of the disputed amount is Rs.55,86,854.

AY 2002 – 03

The company has preferred an appeal before the CIT(A) against the adjustments made by the assessing officer in claim of deduction under section 10A. The tax effect of the disputed amount is Rs.NIL as returned loss of Rs. 1,78,89,571 has been assessed at loss of Rs. 47,48,317.

Against the Company's Subsidiaries

Except as described below, there are no outstanding litigation, suits or criminal prosecutions or civil proceedings or tax liabilities against the Subsidiaries, and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions, defaults in dues payable to holders of any debentures, bond or fixed deposits and arrears on preference shares issued by the Subsidiaries (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

Gitanjali Exports Corporation Ltd.

Sr. No.	Appeal No./ Case No.	Dated	Complainant/ Plaintiff/ Petitioner	Accused/ Defendants/ Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Nature of Case	Status
1.	**Labour Matters Complaint(ULP) No.209 of 2001**	December 21, 2001	Mr. Nicholas J. Pereira	Gitanjali Exports Corporation Ltd.	2nd Labour Court, Mumbai.	Amount not accertained. Demand for reinstatement with full back wages and continuity of services w.e.f. 15th January 2001.	Reliefs in respect of wrongful termination of services by the Company.	Order dated 29.10.2001 partly allowing interim reliefs against the Company. Company filed a Revision Application against the order in the Industrial Court. Cases in the Labour Court and Industrial Court are pending.

<u>Income tax matters</u>

AY 1994 - 95

The Firm has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The tax effect of the disputed amount is Rs.27,78,031.

AY 1995 - 96
The Firm has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The tax effect of the disputed amount is Rs.38,52,594.

AY 1997 – 98
The Firm has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The tax effect of the disputed amount is Rs.4,87,037.

AY 2000 - 2001
The Firm has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The Income Tax department has preferred an appeal before the ITAT against the part relief in respect of deduction under section 80HHC given to the firm. The tax effect of the disputed amount is Rs.19,28,055.

AY 2001 - 2002
The Income Tax department has preferred an appeal before the ITAT against the part relief in respect of deduction under section 80HHC given to the firm. The tax effect of the disputed amount is Rs.53,27,788.

AY 2001 – 02
The Income Tax department has preferred an appeal before the ITAT against the part relief in respect of deduction under section 80HHC given to the company. The tax effect of the disputed amount is Rs.20,37,217.

AY 2002 – 03
The assessment of the company was completed under section 143(3) and net taxable income was determined at Rs. 1,82,94,070 and tax demand was arrived at Rs. 62,95,971. The company preferred appeal with CIT(A) against the assessment order and was granted part relief. Based on the order of CIT(A), net taxable income of the company has been determined at Rs. 81,11,930

Against Company's Associates

Gili India Limited

<u>Income Tax matters</u>

A.Y. 2001-2002
The company has filed an appeal before the ITAT against the calculation of the export profit for determining deduction under section 80 HHC and against the calculation of profit from manufacturing activity for claiming deduction under section 80 IB. The disputed amount of tax is Rs.8,21,898 (Rupees Eight lacs tewenty one thousand eight hundred ninety eight only).

By the Company's Subsidiaries

Gitanjali Exports Corporation Ltd.

Sr. No.	Appeal No./ Case No.	Dated	Complainant/ Plaintiff/ Petitioner	Accused/ Defendants/ Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Nature of Case	Status
	Summary Suit No. 73 of 2003	**6.9.2000**	Gitanjali Exports Corporation Ltd.	Naresh Keshavlal Chokshi	Civil Court at Ahmedabad.	Rs. 87.42 million	Recovery of outstanding dues in respect of goods supplied to the Defendants	The Suit is pending in the Civil Court.

Against the Directors

Except as described below, there are no outstanding litigations, suits or criminal prosecutions or civil proceedings, and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions or defaults against banks/ financial institutions by the Directors (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act).

Mehul C. Choksi

High Court, Bombay Civil Suit no. 3370 of 1990.	Mr. Mahesh Parikh & Ors. Being the Plaintiffs.	Vijay Deep Developments & others as the Defendants. Mr. Mehul C. Choksi joined as Defendant no.20 in the Suit and being a member of Gokul Condominium.	Written Statement of Mr. Mehul C. Choksi has been filed in the Bombay High Court. The Suit is pending.

Sujal Shah

Nature of Litigation/ Dispute/ Default/ Non-payment/ Insolvency	Quantum of claims/ demands	Status/outcome of litigation, dispute
(1) Arbitration among partners of N. M. Raiji & Co.	(1) No quantification	(1) The matter is ongoing
(2) Criminal complaint filed by one of the partners of N.M. Raiji & Co. with Kurla Magistrate Court against 13 Chartered Accountant	(2) No quantification	(2) The matter is ongoing

Vijay Kumar Jatia

Nature of Litigation/ Dispute/ Default/ Non-payment/ Insolvency	Quantum of claims/ demands	Status/outcome of litigation, dispute
Criminal complaint (BIR) No. 2 of 2003 filed by Janardhan Sonu against Mr. Vijay Kumar Jatia, Mr. Poddar and The Modern Mills Ltd.	No quantification	A stay has been obtained in this matter.

Against the Promoter Group

Except as provided below, there are no outstanding litigation, suits or criminal proceedings or civil prosecutions or tax liabilities against companies or partnership firms promoted by our Promoter, and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions, defaults in dues payable to holders of any debentures, bond or fixed deposits and arrears on preference shares issued by the group companies (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

Gitanjali Gold and Precious Limited

Income tax matters
A.Y. 2001 - 02
The company has preferred an appeal before the ITAT against the disallowances of business promotion expenses, advertise and publicity expenses and addition on account of cessation of liability. Sum total of such disallowances and addition amounted to Rs. 57,56,950. The tax effect of the disputed amount after considering relief granted by CIT(A) is NIL.

Diamond Creations

A.Y. 1995 – 96

The Firm has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The Income Tax department has also preferred an appeal before the ITAT against the part relief in respect of deduction under section 80HHC given to the firm. The tax effect of the disputed amount is Rs.36,56,282.

A.Y. 2001 – 02
The Firm has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The tax effect of the disputed amount is Rs.7,64,606.

A.Y. 2002 – 03
The Firm has preferred an appeal before the CIT(A) against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The tax effect of the disputed amount is Rs.10,32,994.

Touchstone

A.Y. 2001 – 02
The Firm has preferred an appeal before the ITAT against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The tax effect of the disputed amount is Rs.9,75,295.

A.Y. 2002 – 03
The assessment of the company was completed under section 143(3) and net taxable income was determined at Rs. 4583750 and tax demand was arrived at Rs. 18,67,480. The firm preferred appeal with CIT(A) against the assessment order and was granted part relief by CIT(A). The firm is yet to receive order giving effect to the order of CIT(A).

The Next Diamond Company

AY 2001 – 02
The Firm has preferred an appeal before the Income Tax Authorities against the adjustments made by the assessing officer in claim of deduction under section 80HHC. The tax effect of the disputed amount is Rs.8,35,941.

The Company confirms that there has been no litigation proceedings initiated against the Company, Subsidiaries, Promoter Group, Directors or Promoters, as of the date of this Prospectus except as disclosed above.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last audited financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability on a consolidated basis or the value of our consolidated assets or our ability to pay our material liabilities within the next twelve months.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Offer and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Offer or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Prospectus.

Approvals for the Business

We require various approvals to carry on our business. The approvals that we require and have obtained include the following:

Tax Authorities

- The Company's Permanent Account Number is AAACG1642F and its Tax Deduction Account Number under the Income Tax Act, 1961 is MUMG08469G
- Registration under the Central Sales Tax Act, 1956; Central Sales Tax (Registration and Turnover) Rules, 1957; Customs Act, 1962; Central Excise Act, 1944; Central Excise Rules, 2002
- Registration under the Sales Tax Acts of various states in India for local sales tax. At present the Company has local sales tax registrations under the Bombay Sales Tax Act, 1959; Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975; Maharashtra State Tax on Professions Act, 1971

Labour and Environment

- Principal employer registration under the Contract Labor (Regulation and Abolition) Act, 1970.
- Registration under the Factories Act, 1948.
- Registration No. 31-32631-102 under the Employees' State Insurance Act, 1948, which was granted on March 24, 1992.
- Registration under Employees Provident Fund and Miscellaneous Provisions Act, 1952; and a relaxation under paragraph 79 of the Employee Provident Fund Scheme, 1952; the Payment of Gratuity Act, 1972
- Consent letters under the Air (Prevention and Control of Pollution) Act, 1981; the Water (Prevention and Control of Pollution) Act, 1974 and the Hazardous Waste Rules, 1989; Maharashtra Pollution Control Board

General

- Registration under the Bombay Shops and Establishments Act, 1948
- Approvals required for operating as SEZ unit
- Membership certificate from the Gem and Jewellery Export Promotion Council (GJEPC)
- Registration under the Foreign Trade (Development and Regulation) Act, 1992; Certificate dated November 22, 2004 granting the Company recognition as an export house, valid till March 31, 2009. The Importer Exporter Code (IEC) number of the Company is 0388212861.

Intellectual Property

Application for registration of trademarks in India under the relevant classes of Schedule IV of the Trademark Rules, 2002.

Following is a list of trademarks that have been registered or that we have applied for registration.

Gitanjali Gems Limited

Serial Number	Trade Mark	Class	Application Number	Products	Used Since
1.	CHRISTY	14	914706	Studded as well as plain gold, silver and platinum jewellery, gold and silver bars, diamonds, watches, artifacts, jewellery and other related items	Proposed
2.	GITANJALI	14	1382098	Package Diamond and Jewellery	1970

(Gemplus Jewellery India Limited)

Serial Number	Trademark	Class	Application Number	Products	Used Since
1.	TARIKA	14	1214171	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
2.	TRIANA	14	1214172	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
3.	VIVAHA	14	1214173	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
4.	ANIKA	14	1215693	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
5.	BINDY	14	1215694	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
6.	SENSES	14	1215695	Gold and Diamond, Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
7.	JHALAK	14	1211134	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
8.	RAENA	14	1211133	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
9.	D'DAMAS A Diamond for everyone	14	1226293	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed
10.	D'DAMAS A Diamond for everyone Hindi Version	14	1226294	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	Proposed

(Giantti Jewels Private Limited)

Serial Number	Trademark	Class Applied	Application Number	Products	Used Since
1.	GIANTTI	14	1387179	Precious metal and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones, horological, and other chronometric instruments	December, 2000

(Prism Jewellery Private Limited)

Serial Number	Trademark	Class	Application Number	Products	Used Since
1.	BARZHEIM	14	1357037	All kinds of Watches	Proposed
2.	TICINO	14	1357038	All kinds of Watches	Proposed
3.	ISTA	14	1357039	All kinds of Watches	Proposed
4.	TICHINO	14	1359766	All kinds of Watches	Proposed
5.	T	14	1359767	All kinds of Watches	Proposed
6.	T TICHINO	14	1359768	All kinds of Watches	Proposed
7.	PASSION STONE	14	1382100	Package Diamond & Jewellery	01.04.2005

CRIA Jewellery Private Limited

Serial Number	Trademark	Class	Application Number	Products	Used Since

1.	DIAMOND MANGALSUTRAM	14	1153908	Plain and Diamond Studded Gold Jewellery	Proposed
2.	MANGALSUTRA	14	1153909	Plain and Diamond Studded Gold Jewellery	Proposed
3.	MANGALSUTRAM	14	1153910	Plain and Diamond Studded Gold Jewellery	Proposed
4.	DIAMOND MANGALSUTRA	14	1153911	Plain and Diamond Studded Gold Jewellery	Proposed

Gili India Limited

Serial Number	Trademark	Class	Registration Number	Products	Date of Registration
1.	Gili	3	855282	Perfumery, Cosmetics Etc '	5/7/1999
2.	Rivaz	14	855286	Gold, Silver, Platinum Jewellery and many other metals, plain or studded with diamonds, precious and/or semi precious stones of any kind.	5/7/1999
3.	Gili	33	855279	Wines, Spirits and Liqueurs.	5/7/1999
4.	Gili	18	855281	Leather and Imitation of Leather	5/7/1999
5.	Gili	16	855283	Stationary & Advertisement Materials, Promotional (Printed) Materials, Brochures related to our trade.	5/7/1999
6.	Gili	15	855285	Musical Instruments	5/7/1999

D'Damas Jewellery (India) Private Limited

Serial Number	Trademark	Class	Application Number	Products	Used Since
1.	D'DAMAS	Part A	1216498	Plain and Diamond Studded Gold Jewellery	22/07/03
2.	GLITTERATI	14	1257816	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	24/09/04
3.	VIVAAHA	14	1257817	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	24/09/04
4.	GLITTERATI Star shown at TT	14	1257818	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	24/09/04
5	NIZAM	14	1257819	Gold and Diamond Studded Jewellery, Silver, Platinum, Imitation Jewellery	24/09/04

Approvals for the Issue

No approvals of the FIPB or the RBI are required for the allotment/transfer of Equity Shares under this Issue.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Company

The Board of Directors has, pursuant to resolution passed at its meeting held on October 14, 2005, authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act. Pursuant to the authority granted by the Board of Directors of the Company at its meeting held on October 25, 2005, the IPO Committee of the Board approved the Issue on November 10, 2005.

The shareholders have authorized the Issue by a special resolution in accordance with Section 81(1A) of the Companies Act, passed at the Extra-Ordinary General Meeting of the Company held on November 9, 2005 at Mumbai.

Prohibition by SEBI

The Company, the Directors, the Promoters, Directors or the person(s) in control of the Promoters, the Company's subsidiaries and affiliates and companies with which the Directors are associated with as directors have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

The Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as confirmed the Auditors of the Company:

In terms of clause 2.2.1 of SEBI (Disclosure & Investor Protection) Guidelines 2000, the Company may make an initial public offering of equity shares as the Company meets the following conditions; with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs.30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- The Company has had a pre-Issue net worth of not less than Rs.10 million in each of the three preceding full years;
- The Company has had a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2005;
- The Company has not changed its name during the last one year.

The distributable profits as per Section 205 of the Companies Act and the net worth for the last five years as per Company's restated unconsolidated financial statements are as under:

					(in Rupees million)
	For the year ended March 31,				
	2001	**2002**	**2003**	**2004**	**2005**
Distributable Profits [1]	241.45	218.64	184.17	114.55	87.18
Net Worth [2]	1648.21	1866.85	2031.01	2166.29	2253.47
Net Tangible Assets [3]	5469.49	6785.11	6601.66	6795.63	7438.05
Monetary Assets [4]	169.47	267.55	394.58	378.13	240.68
Monetary Assets as a% of Net Tangible Assets	3.10	3.94	5.98	5.56	3.24

Note:

(1) Distributable profits have been defined in terms of section 205 of the Companies Act.

(2) Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.

(3) Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by the Institute of Chartered Accountants of India.

(4) Monetary assets comprise of cash and bank balances.

Disclaimer Clause

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED AND KEYNOTE CORPORATE SERVICES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED, AND KEYNOTE CORPORATE SERVICES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 15, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"(a) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE ISSUE.

(b) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY

WE CONFIRM THAT:

THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE ISSUE.

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Prospectus with the RoC in terms of section 60B of the Companies Act, as also any guidelines, instructions, etc., issued by SEBI, GOI and any other competent authority. All legal requirements pertaining to the issue will be complied with at the time of registration of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act as also any guidelines, instructions, etc., issued by SEBI, GOI and any other competent authority.

The filing of the Prospectus does not, however, absolve the Company from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in the Prospectus.

Disclaimer from the Company and the BRLMs

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

The Company, the Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.gitanjaligroup.com , would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and the Company dated December 13, 2005 and the Underwriting Agreement entered into among the Underwriters and the Company.

All information shall be made available by the Company and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Neither the Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted Non-Residents including Eligible NRIs, FIIs and eligible foreign investors. This Prospectus does not, however, constitute an invitation to subscribe to Equity Shares Issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be Issued or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be Issued or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be Issued and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those Issues and sales occur.

Disclaimer Clause of the BSE

As required, a copy of this Prospectus has been submitted to the BSE. Bombay Stock Exchange has given vide its letter dated January 23, 2006 permission to the Company to use its name in this Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. BSE has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner:

i. warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
ii. warrant that the Company's securities will be listed or will continue to be listed on BSE; or iii. take any responsibility for the financial or other soundness of the Company, its promoters, ots management or any scheme or project of this Company;

and it should not for any reason deemed or construed that his Prospectus has been cleared or approved by BSE. Every person who desired to apply for otherwise acquires anu securities of the Company may do so pursuant tp independent inquiry, investigation and analysis and shall not have anu claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required a copy of this Prospectus has been filed with the National Stock Exchange (NSE). NSE has given vide its letter Ref. No. NSE/LIST/19970-7 dated January 25, 2006 permission to the Company to use NSE's name in this Prospectus as one of the stock exchanges on which the Companies securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation (i.e the paid up capital shall not be less than Rs. 10

crores and market capitalisation shall not be less than Rs. 25 crores at the time of listing). NSE has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctively understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on NSE; nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of this Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration with RoC situated at Mumbai.

Listing

Applications have been made to the BSE and the NSE for permission for listing of the Equity Shares being issued through this Prospectus.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then the Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(c) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to the Issue; and (b) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

Ford Rhodes Parks & Co., Chartered Accountants, the Company's Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Prospectus, the Company has not obtained any expert opinions.

Issue Related Expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Activity	**Amount (Rs million)**	**Estimated Percentage of Issue Expenses**	**Estimed Percentage of total Issue size**
Lead Management, underwriting and selling commission	124.3	62.06%	3.75%
Advertisement and Marketing expenses	24.0	11.98%	0.72%
Printing and stationery	32.0	15.98%	0.97%
Others (Registrars fee, legal fee, listing fee, etc)	20.0	9.99%	0.60%
Total estimated Issue expenses	200.3	100.00%	6.04%

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLMs, a copy of which is available for inspection at the administrative office of the Company located at 6 Backbay View, 3rd Floor, Mama Parmanand Marg, Opera House, Mumbai 400 004.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the registered office of the Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Bidding Period / Issue Period

BID / ISSUE OPENED ON	Thurday, February 16, 2006
BID / ISSUE CLOSED ON	Tuesday, February 21, 2006

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

The Company reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the website of the BRLMs and at the terminals of the Syndicate.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by us.

In accordance the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

We will provide adequate funds required for despatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Particulars regarding Public or Rights Issues during the Last Five Years

We have not made any public or rights issues during the last five years.

Issues otherwise than for Cash

Except as stated in the section entitled "Capital Structure" on page 19 of this Prospectus and "History and Corporate Matters" on page 90 of this Prospectus, the Company has not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on Previous Issues of the Equity Shares

Since this is the initial public issue of the Company's Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies under the Same Management

There is no other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than the subsidiaries, joint ventures, associates, Promoters and Promoter group companies, details of which companies are provided in the sections entitled "History and Certain Corporate Matters" and "Promoters and Promoter Group" beginning on pages 90 and 109 of this Prospectus..

Promise vs. Performance – Last Issue of Group/Associate Companies

There has been no public issue by any of the Group/Associate Companies in the past.

Outstanding Debentures or Bonds

The Company does not have any outstanding debentures or bonds.

Outstanding Preference Shares

The Company does not have any outstanding preference shares.

Stock Market Data of our Equity Shares

This being an initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

Other Disclosures

The Promoter group, the directors of the Promoters or the Promoter group companies or the Directors have not purchased or sold any securities of the Company during a period of six months preceeding the date on which this Prospectus is filed with SEBI except as stated on page 23 of this Prospectus.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and the Company, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by the Company

The Company estimates that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed Kishor Baxi, GM (Legal and Secretarial) and Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address: Gitanjali Gems Limited, 6, Backbay View, 3rd Floor, Mama Parmanand Marg, Opera House, Mumbai 400 004.

Changes in Auditors

There have been no changes of the auditors in the last three years except as provided below:

Ford, Rhodes, Parks & Co was appointed as the auditors of the Company on June 6, 2003 in place of Sampat Mehta & Associates. Sampat Mehta & Associates ceased to be the auditors of the Company on May 31, 2003 due to reasons of preoccupation.

Capitalization of Reserves or Profits

Except as disclosed in this Prospectus, the Company has not capitalized its reserves or profits at any time during the last five years.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Interest of Promoters and Directors

Promoters

The promoter of the Company may be deemed to be interested to the extent of the remumeration received and shareholding in the Company.

Directors

All the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or any committee thereof. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees.

Payment or Benefit to Officers of the Company

Except as stated otherwise in this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except the normal remuneration rendered as Directors, officers or employees since incorporation of the Company. None of the beneficiaries of loans, and advances and sundry debtors are related to the Directors of the Company.

ISSUE STRUCTURE

The present Issue of 17,000,000 Equity Shares comprises of a fresh issue of 17,000,000 Equity Shares of Rs.10 each for cash by the Company issued at a price of Rs.195 per Equity Share, aggregating Rs.3,315 million, and is being made through the 100% Book Building Process. 150,000 Equity Shares will be reserved in the Issue for subscription by Eligible Employees at the Issue Price.

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation	150,000 Equity Shares	Upto 8,425,000 Equity Shares, of which 421,250 Equity Shares shall be available for allocation to Mutual Funds.	At least 2,527,500 Equity Shares(1)	At least 5,897,500 Equity Shares(1)
Percentage of Issue Size	Up to 0.88% of the Issue.	Upto 50% of the Net Issue.(2) 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	At least 15% of the Net Issue to public or Net Issue size less allocation to QIBs and Retail Portion(2)	At least 35% of the Net Issue to public or Net Issue size less allocation to QIBs and Retail Portion (2)
Basis of Allocation	Proportionate	Proportionate (a) 421,250 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 8,003,750 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	35 Equity Shares and in multiples of 35 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 35 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 35 Equity Shares	35 Equity Shares and thereafter in multiples of 35 Equity Shares
Maximum Bid	Not exceeding 10,000 Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidders	Not exceeding the size of the Issue subject to regulations applicable to the Bidders	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs.100,000
Allotment Mode	Compulsorily in dematerialized mode	Compulsorily in dematerialized mode	Compulsorily in dematerialized mode	Compulsorily in dematerialized mode
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply(3)	Indian Nationals who are permanent employees and Directors of the Company who are based in India.	Public financial institutions, as defined in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs.250 million and Pension Funds with minimum corpus of Rs.250 million	Resident Indian individuals, HUF (in the name of *Karta*), companies, corporate bodies, Eligible NRIs, societies and trusts	Individuals including Eligible NRIs and HUFs (in the name of *Karta*) applying for such number of Equity Shares such that the Bid Amount does not exceed Rs.100,000

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate
Margin Amount	Full Bid Amount on Bidding	At least 10% of the Bid Amount on Bidding	Full Bid Amount on Bidding	Full Bid Amount on Bidding

(1) The unsubscribed portion, if any, out of the Equity Shares under Employee Reservation Portion will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50.

(2) Subject to valid bids being received at or above the Issue Price, undersubscription, if any, in the Non Institutional Bidder and Retail Individual Bidder categories, would be allowed to be met with spill over from other categories or combination of categories, at the discretion of the Company in consultation with the BRLMs.

(3) In the event that the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the Retail and Non Institutional categories, would be allowed to be met with spill over from any other category or combination of categories by the Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 421,250 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

TERMS OF THE ISSUE

The Equity Shares being Issued are subject to the provisions of the Companies Act, the Memorandum and Articles, the terms of the Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form and other terms and conditions as may be incorporated in the CAN, allotment advice and any other document/certificates that may be executed in respect of the Issue. In addition, the Equity Shares shall also be subject to all applicable laws, guidelines, notifications, rules and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on October 14, 2005, authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act. Pursuant to the authority granted by the Board of Directors of the Company at its meeting held on 25th October, 2005, the IPO Committee of the Board approved the Issue by the Company on 10th November, 2005.

The shareholders have authorized the Issue by a special resolution in accordance with Section 81 (1A) of the Companies Act, passed at the EGM of the Company held on November 9, 2005 at Mumbai.

Mode of Payment of Dividend

The Company shall pay dividend to its shareholders as per provisions of the Companies Act.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act, the Memorandum and Articles of Association of Gitanjali Gems Limited and shall rank pari passu in all respects with the existing Equity Shares of the Company including in respect of the rights to receive dividends. See the section entitled "Main Provisions of Articles of Association of the Company" beginning on page 281 of this Prospectus for a description of the Articles of Association of the Company. The persons in receipt of Allotment will be entitled to dividends or any other corporate benefits (including dividends), if any, declared by the Company after the date of Allotment.

Face Value and Issue Price

The Equity Shares having a face value of Rs.10 each are being issued in terms of this Prospectus at a price of Rs.195 per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 each and the floor price is 17 times of the face value and the cap price is 19.5 times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive Issues for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Articles of Association relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, see the section entitled "Main Provisions of Articles of Association of the Company" beginning on page 281 of this Prospectus.

Market Lot and Trading Lot

As trading in the Equity Shares is compulsorily in dematerialized form, the tradable lot is one Equity Share. Allotment of Equity Shares will be done in electronic form, in multiples of one Equity Share, subject to a minimum allotment of 35 Equity Shares.

Jurisdiction

Exclusive jurisdiction for purposes of this Issue is with the competent courts in Mumbai, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Shares. Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Shares in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of the Equity Shares by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the Registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require a change in the nomination, they are requested to inform their respective depository participant.

Application by Eligible NRIs/FIIs registered with SEBI and FVCIs registered with SEBI

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs registered with SEBI or FVCIs registered with SEBI. Such Eligible NRIs, FIIs registered with SEBI or FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue less the Employee Reservation Portion including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of Companies Act.

Further in accordance with Clause 2.2.2 A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be Issued or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be Issued and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those Issues and sales occur.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process where up to 50% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, at least 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 150,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. The Company, in consultation with BRLMs reserves the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non Institutional Bidders, Retail Individual Bidders and bids under the Employee Reservation Portion, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form, bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed color of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian Public, Eligible NRIs applying on a non-repatriation basis	White
Non-residents, including Eligible NRIs, FVCIs and FIIs applying on a repatriation basis	Blue
Bidders in the Employee Reservation Portion	Green

Who Can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three);
3. Hindu undivided families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;

4. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in equity shares;
5. Mutual Funds;
6. Indian financial institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI guidelines and regulations, as applicable);
7. Venture capital funds registered with SEBI;
8. Foreign venture capital investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
9. FIIs registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
10. State Industrial Development Corporations;
11. Insurance companies registered with Insurance Regulatory and Development Authority;
12. Provident funds with minimum corpus of Rs.250 million and who are authorized under their constitution to invest in Equity Shares;
13. Pension funds with minimum corpus of Rs.250 million and who are authorized under their constitution to invest in Equity Shares;
14. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in the Equity Shares;
15. Eligible NRIs subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
16. Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals in the Issue;
17. Scientific and/or industrial research organizations in India authorized under their constitution to invest in Equity Shares; and
18. Permanent employees or Directors (whole-time Directors, part-time Directors or otherwise) of the Company, who are Indian Nationals and are based in India. The permanent employees should be on the payroll of Gitanjali Gems Limited as of February 1, 2006 and the Directors should be Directors on the date of the Prospectus.

As per existing regulations, OCBs cannot Bid in the Issue.

Note:

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.

The BRLMs and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation except as may be permitted by SEBI.

SEBI has, however, pursuant to its letter dated November 25, 2004, permitted certain associates of ICICI Securities Limited, namely ICICI Bank Limited, ICICI Lombard General Insurance Company Limited and ICICI Prudential Life Insurance Company Limited, to participate in the portion of public issues managed by ICICI Securities Limited where allocation is discretionary.

Bidders should note that:

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.

In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of the Company (i.e. 10% of 58,998,495 Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid-up capital or 5% of the total paid-up capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 50% of its total paid-up capital, pursuant to a shareholders' resolution dated September 30, 2005.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

In accordance with the current regulations, the following restrictions are applicable for investments by SEBI registered VCFs and FVCIs:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any venture capital fund or foreign venture capital investor should not exceed 25% of the corpus of the venture capital fund or of the foreign venture capital investor.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

For Retail Individual Bidders

The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.100,000. In case the Bid Amount is over Rs.100,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

For Non Institutional Bidders and QIB Bidders

The Bid must be for a minimum of such number of Equity Shares and in multiples of 35 Equity Shares thereafter, so as to ensure that the Bid Amount exceeds Rs.100,000. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under applicable laws, regulations and guidelines. **Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB Margin upon submission of the Bid cum Application Form. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Prospectus.**

In case of revision in Bids, the Non Institutional Bidders who are individuals will have to ensure that the Bid Amount is greater than Rs.100,000 for being considered for allocation in the Non Institutional Bidders category. In case the Bid Amount reduces to Rs.100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Individual Bidder category would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed the option of bidding at the Cut-off Price.

Information for the Bidders

1. The Company will file the Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

2. The members of the Syndicate will circulate copies of the Prospectus along with the Bid cum Application Form to potential investors.

3. Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Prospectus along with the Bid cum Application Form can obtain the same from the Registered Office of the Company or from any of the members of the Syndicate.

4. Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorized agent(s) to register their Bids.

5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms that do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

1. The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band in the Prospectus filed with RoC and publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period (in accordance with the terms of the Syndicate Agreement).

2. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and the Bidding/Issue Period will be published in two national newspapers (one each in English and Hindi) and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate and the Bidding/Issue Period may be extended, if required, for an additional three working days, subject to the total Bidding/Issue Period not exceeding 10 working days.

3. During the Bidding/Issue Period, investors who are interested in subscribing to the Equity Shares should approach the members of Syndicate or their authorized agents to register their Bid. Every member of the Syndicate shall accept Bids from investors who place orders through them and shall have the right to vet the Bids.

4. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below) within the

Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.

5. The Bidder cannot bid on another Bid cum Application Form after Bid(s) on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page 265 of this Prospectus.

6. The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip or TRS, for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into Escrow Account" on page 263 of this Prospectus.

8. During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept bids from all clients/ investors who place orders through them and shall have the right to vet the Bids.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs.170 to Rs.195 per Equity Share, Rs.170 being the Floor Price and Rs.195 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re.1/-.

2. The Company, in consultation with the BRLMs, can revise the Price Band during the Bidding/Issue Period, in which case the Bidding/Issue Period shall be extended further for a period of three additional working days, subject to the total Bidding/Issue Period being a maximum of 10 working days. The cap on the Price Band will not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the price band disclosed in the Prospectus.

3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and also indicating the change on the web site of the BRLMs and at the terminals of the members of the Syndicate.

4 The Company, in consultation with the BRLMs, can finalize the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.

5. The Bidder can bid at any price within the Price Band in multiples of Re 1. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding up to Rs.100,000 may bid at "Cut-off". Employees applying for a maximum Bid in any of the bidding options not exceeding up to Rs.100,000 may also bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders who bid for an amount exceeding Rs.100,000, and such Bids shall be rejected.

6. Retail Individual Bidders/Bidders in the Employee Reservation Portion who bid at the Cut-Off agree that they shall purchase the Equity Shares at the Issue Price, as finally determined which will

be any price within the Price Band. Retail Individual Bidders/ Bidders in the Employee Reservation Portion bidding at Cut-Off shall deposit in the Escrow Account the Bid Amount based on cap of the Price Band. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Individual Bidders/ Bidders in the Employee Reservation Portion (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders/ Bidders in the Employee Reservation Portion shall receive the refund of the excess amounts from the respective Refund Account.

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders/ Bidders in the Employee Reservation Portion who had bid at Cut-Off could either (i) revise their Bid or (ii) make additional payment based on the Cap of the Revised Price Band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.100,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allocation, such that the no additional payment would be required from the Bidder.

8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders or Bidders in the Employee Reservation Portion who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.

9. In the event of any revision in the Price Band whether upwards or downwards the minimum application size shall remain 35 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs.7,000.

Escrow Mechanism

The Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement with the Company. Payments of refund to the Bidders shall also be made from the Escrow Accounts as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of the Bid in favor of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page 271 of this Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. In case of the QIB Portion, the Margin Amount has to be submitted along with the Bid to the Syndicate. Bid cum Application Forms accompanied by cash/stock invest/money order shall not be accepted. The maximum Bid Amount has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Banks. The Escrow Collection Banks will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow

Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund in the Refund Account. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Individual Bidders and Bidders in the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The details of the Margin Amount payable is mentioned under the section entitled "Issue Structure" on page 253 of this Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full Bid Amount has to be paid at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of equity shares than such bidder had bid for the excess amount paid on bidding, if any, after adjustment for allocation will be refunded to such bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the period mentioned above.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city where a stock exchange centre is located in India, and where Bids are accepted.

2. NSE and BSE will Issue a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid/Issue Closing Date, members of the Syndicate will upload the Bids until such time as permitted by the Stock Exchanges.

3. The aggregate demand and price for Bids registered on each of the electronic facilities of NSE and BSE will be consolidated on half hourly basis. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding/Issue Period.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

   - Name of the investor;
   - Investor Category — Individual, Corporate, Eligible NRI, FII, or QIBs, etc.;
   - Numbers of Equity Shares bid for;
   - Bid price;
   - Bid cum Application Form number;
   - Whether payment is made upon submission of Bid cum Application Form; and
   - Depository participant Identification number and Client Identification number of the demat account of the Bidder.

5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.

6. **Such TRS will be non-negotiable and by itself will not create any obligation of any kind.**

7. The members of the Syndicate have the right to review the Bid. Consequently QIB Bids procured can be rejected by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, their Bids shall not be rejected except on the technical grounds listed elsewhere in this Prospectus.

8. It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by the Company or the BRLMs are cleared or approved by NSE or BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoters, the management or any scheme or project of the Company.

9. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by NSE or BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis in accordance with market practice.

2. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis

2. During the Bidding/Issue Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form that is a part of the Bid cum Application Form.

3. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

4. The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revisions in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form (or copies thereof).**

5. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

6. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the member of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of having revised the Bid.**

7. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In the event of discrepancy of data between the bids registered on the online IPO system and the physical bid cum application form, the decision of the Company in consultation with the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLMs shall analyze the demand generated at various price levels and discuss pricing strategy with the Company.

2. The Company, in consultation with the BRLMs, shall finalize the "Issue Price" and the number of Equity Shares to be allotted and the allotment to successful Bidders.

3. The allocation to QIBs of up to 50% of the Net Issue would be on a proportionate basis (with a minimum 5% allocation of the QIB Portion reserved for Mutual Funds, and such Mutual Funds can participate in the remaining 45% allocation for QIBs) in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price, in the manner as described in the section titled "Basis of Allotment – Allotment to QIB Bidders" below. The allocation to Non Institutional Bidders and Retail Individual Bidders of at least 15% and at least 35% of the Net Issue, respectively, would be on a proportionate basis, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Issue Price.

4. Under subscription, if any, in the Retail and Non Institutional categories, would be allowed to be met with spill over of demand from any of the other categories or combination of categories, at the sole discretion of the Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 4,21,250 Equity Shares, the balance Equity Shares from the 5% specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. Any under subscription in the Equity Shares reserved for allocation to Bidders in the Employee Reservation Portion would be treated as part of the Net Issue to the public and allocation in accordance with the Basis of Allocation described in the section "Other Regulatory and Statutory Disclosures" beginning on page 244 of this Prospectus.

5. Allocation to Eligible NRIs, FIIs registered with SEBI or FVCIs registered with SEBI will be subject to applicable laws, rules, regulations, guidelines and approvals.

6. The BRLMs and the Company shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders where the full Bid Amount has not been collected from the Bidders.

7. The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reason therefore, but before allotment.

8. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

1. The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price.

2. After the Underwriting Agreement is signed, the Company will file the Prospectus with the RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, size of the Issue, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note (CAN)

1. Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

2. The Members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account at the time of submitting the Bid cum Application Form shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.

3. Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of submitting the Bid cum Application Form shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allotted to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company will allot/transfer the Equity Shares to the Allottees. Successful Bidders will receive credit for the Equity Shares directly in their Depository Accounts. Equity Shares will be allotted only in the dematerialized form to the Allottees. Successful Bidders will have the option to rematerialize the Equity Shares so allotted/transferred if they so desire as per the provisions of the Companies Act and the Depositories Act.

The Company will ensure the Allotment within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company will ensure that credit is given to the successful Bidders' depository accounts within two working days from the date of Allotment.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to this Issue.

General Instructions

Do's:

- Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Prospectus;
- Read all the instructions carefully and complete the Resident Bid cum Application Form (white in color) or Non-Resident Bid cum Application Form (blue in color) or Employee Bid Application Form (green in color), as the case may be;
- Ensure that you Bid only within the Price Band;
- Ensure that the details about Depository Participant and beneficiary account are correct as Allotment of Equity Shares will be in dematerialized form only;

- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have collected a TRS for all your Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- **Investors should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the depository account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the depository account is also held in the same joint names and such joint names are in the same sequence in which they appear in the Bid cum Application Form.**
- Ensure that you mention your PAN allotted under the I.T. Act where the maximum bid for Equity Shares by a Bidder is of a total value of Rs.50,000 or more. In case neither the PAN nor the GIR number has been allotted mention "Not allotted" in the appropriate place.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise the Bid to a price that is less than the Floor Price or higher than the Cap Price;
- Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- Do not Bid at Cut-off price (for Non Institutional Bidders or QIB Bidders for whom the Bid Amount exceeds Rs.100,000);
- Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under applicable laws or regulations or under the terms of the Prospectus; and
- Do not submit Bids accompanied by stockinvest or postal order or money order.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revision of Bids

Bids and revision of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white color for Resident Indians and Eligible NRIs applying on non-repatriation basis and blue color for Non-Residents, including Eligible NRIs, FIIs registered with SEBI, foreign venture capital investors registered with SEBI applying on repatriation basis and green color for Bidders in the Employee Reservation Portion).

2. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

3. For Retail Individual Bidders, the Bids must be for a minimum of 35 Equity Shares and in multiples of 35 thereafter subject to a maximum Bid Amount of Rs.100,000.

4. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 35 Equity Shares thereafter.

Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws and regulations.

5. For Bidders in the Employee Reservation Portion the bid must be for a minimum of 35 Equity Shares and shall be in multiples of 35 Equity Shares thereafter subject to a maximum of 10,000 Equity Shares. The Allotment in the Employee Reservation Portion will be on a proportionate basis in the event of oversubscription

6. In single name or in joint names (not more than three) and in the same order as their Depository Participant details).

7. Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidder's bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These demographic details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/allocation advice and printing of bank particulars on the refund order and the demographic details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, each Bidder will be deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the

Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of CANs/refund orders. Please note that any such delay shall be at the Bidder's sole risk.

In case no corresponding record is available with the Depositories that match three parameters, i.e., name of the Bidder (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, eligible corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or bye laws must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application Form, subject to such terms and conditions as we may deem fit.

Bids by Eligible NRIs

Eligible NRI Bidders to comply with the following:

1. Individual Eligible NRI Bidders can obtain the Bid cum Application Forms from the Company's registered office at 801/ 802, Prasad Chambers, Opera House, Mumbai 400 004, India, the BRLMs, members of the Syndicate or the Registrar to the Issue.

2. Eligible NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (white in color).

Bids by Eligible NRIs, FIIs registered with SEBI/ FVCIs registered with SEBI/ Multilateral and Bilateral Development Financial Institutions on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable, and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three).

3. By Eligible NRIs -Bids for a Bid Amount of up to Rs.100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs.100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation;

   By FIIs/FVCIs — for a minimum of such number of Equity Shares and in multiples of 35 thereafter that the Bid Amount exceeds Rs.100,000 for further details see "Issue Procedure - Maximum and Minimum Bid Size".

4. In the names of individuals, or in the names of FIIs/ FVCIs or multilateral and bilateral development institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals excluding Eligible NRIs or their nominees.

5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs, and all such Bidders will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

The Company shall open Escrow Accounts with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

1. The Bidders for whom the applicable margin is equal to 100%, shall, with the submission of the Bid cum Application form, draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate along with the Bid cum Application Form.

2. In case the Margin Amount paid by the Bidders during the Bidding/Issue Period is less than the Issue Price multiplied by the Equity Shares allotted to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN, which shall be subjected to a minimum period of two days from the date of communication of the allotment list to the Syndicate Member(s) by the BRLMs.

3. In case the payment of the Bid Amount has been waived by a member of the Syndicate during the Bidding/Issue Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be a minimum period of two days from the date of communications of the allocation list to the members of the Syndicate by the BRLMs.

4. The payment instruments for payment into the Escrow Account should be drawn in favor of:

(a) In case of Resident QIB Bidders: **"Escrow Account QIB – Gitanjali Gems Limited Public Issue – R**"

(b) In case of Non Resident QIB Bidders: **"Escrow Account QIB – Gitanjali Gems Limited Public Issue – NR**"

(c) In case of Resident Retail and Non Institutional Bidders: **"Escrow Account —Gitanjali Gems Limited Public Issue"**

(d) In case of Non Resident Retail and Non Institutional Bidders: "**Escrow Account — Gitanjali Gems Limited Public Issue -NR"**

(e) In case of Eligible Employees : **"Escrow Account – Gitanjali Gems Limited Public Issue – Employee"**

- In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

- In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

- In case of Bids by FIIs/FVCIs/multilateral and bilateral financial institutions, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

5. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

6. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue.

8. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque or demand draft drawn on any bank (including a Co-operative bank) which is situated at and is a member of, or sub-member of the bankers clearing house, located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques/bank drafts are liable to be rejected. Cash/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.001/2003-04 dated November 5, 2003, the option to use the stockinvest instrument for payment of the Bid money was withdrawn. Accordingly, payment through stockinvest will not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid cum Application Forms. A member of the Syndicate may, at its discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and the Revision Form in the case of QIB Bidders, provided however that for QIB Bidders the Syndicate Member shall collect the QIB Margin and deposit the same in a specified escrow account.

The collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

Other Instructions

Joint Bids in the case of Individuals

Individuals may make bids in single or joint names (not more than three). In the case of joint Bids, all refund amounts will be made only in favor of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employee Reservation Portion as well as in the Net Issue shall not be treated as multiple bids.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in all or any categories.

PAN or GIR Number

Where the Bid is for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be**

specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving license (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

Through its circular MAPIN/Cir-13/2005, with effect from July 1, 2005, SEBI has suspended all fresh registrations for obtaining a Unique Identification Number ("UIN") and the requirement to provide or quote a UIN under the SEBI MAPIN Regulations.

Right to Reject Bids

The Company in consultation with the BRLMs may reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, the Company will have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bids by minors;
5. PAN or GIR Number not given if Bid is for Rs.50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investor;
7. Bids at a price less than the floor of the Price Band and higher than the cap of the Price Band;
8. Bids at Cut-off price where the Bid Amount exceeds Rs.100,000;
9. Bids for number of Equity Shares, which are not multiples of 35;
10. Category not ticked;
11. Multiple Bids;

12. In case of Bid under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;

13. Bid cum Application Form does not have the stamp of a member of the Syndicate;

14. Bid cum Application Form does not have the Bidder's depository account details, including as specified below;

15. Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Bid cum Application Form;

16. Bids for amounts greater than the maximum permissible amounts prescribed by the applicable regulations;

17. Bids not duly signed by the sole/joint Bidders;

18. Bids by OCBs;

19. Bids accompanied by stockinvest/cash/money order;

20. Bids by U.S. residents or U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933;

21. Bids by Employees or Directors of the Company not eligible to apply in the Employee Reservation Portion;

22. In case no corresponding record is available with the Depositories that matches three parameters, i.e., name of the Bidder (including the sequence of names of joint holders), the depository participant's ID (DP ID) and the beneficiary's identity; and

23. Bids by persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

24. Bids that are not accompanied by the applicable Margin Amount.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Net Issue size less Allotment to Non-Institutional Bidders and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this portion is less than or equal to 5,897,500 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.

- If the aggregate demand in this category is greater than 5,897,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Net Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 2,527,500 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than 2,527,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows;

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.

    (ii) In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

  (b) In the second instance allocation to all QIBs shall be determined as follows:

    (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

  (c) The aggregate allocation to QIB Bidders shall be up to 8,425,000 Equity Shares.

Basis of Allocation

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.

(c) If the proportionate Allotment to a Bidder is a number that is more than 35 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

(d) In all Bids where the proportionate Allotment is less than 35 Equity Shares per Bidder, the Allotment shall be made as follows:

- Each successful Bidder shall be Allotted a minimum of 35 Equity Shares; and
- The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be Allotted a minimum of 35 Equity Shares.

(e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Equity Shares in Dematerialized Form with NSDL or CDSL

In terms of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

In this context, two tripartite agreements have been entered into between the Registrar to the Issue, the Depositories and the Company:

1. An agreement dated February 2, 2006 among NSDL, the Company and the Registrar to the Issue for issuing the Depository option to the investors; and
2. An agreement dated February 1, 2006 between CDSL, the Company and the Registrar to the Issue for issuing the Depository option to the investors.

Bidders will be allotted Equity Shares only in the dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the depository participants of NSDL or CDSL prior to making the Bid.

2. The Bidder must necessarily fill in the details (including the beneficiary account number and depository participant's identification number) appearing in the Bid cum Application Form or Revision Form.

3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the depository participant) of the Bidder.

4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).

5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

6. The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her depository participant.

7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the stock exchanges where the Equity Shares are proposed to be listed are connected to NSDL and CDSL.

8. The trading of the Equity Shares would be in dematerialized form only and for all investors in the demat segment of the respective stock exchange.

9. Non-transferable allotment, advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.

Communications

All future communications in connection with Bids made in the Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Pre-Issue and Post Issue related problems

The Company has appointed Mr. Kishor Baxi, GM (Legal & Secretarial) and Company Secretary as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems. He can be contacted at the following address:
Gitanjali Gems Ltd., 6, Backbay View, 3rd Floor, Mama Parmanand Marg, Opera House, Mumbai 400004.

Undertakings by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;
- that we shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the Bidders shall be dispatched within specified time; and

- that no further Issue of Equity Shares shall be made until the Equity Shares issued through this Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription, etc.

Utilization of Issue Proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized; and
- details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

Disposal of Applications and Application Money

We shall ensure dispatch of allotment advice or refund orders and giving of benefit to the beneficiary account with depository participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the dispatch of refund orders, if any, of value up to Rs.1,500, "Under Certificate of Posting", and dispatch of refund orders above Rs.1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertakes that:

- Allotment/transfer of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;

- The Company would ensure dispatch of refund orders within 15 days of the Bid/Issue Closing Date; and

Interest in Case of Delay in Despatch of Allotment Letters/Refund Orders in Case of Public Issues

The Company agrees that the allotment of securities offered to the public shall be made not later than 15 days of the closure of public. The Company further agrees that it shall pay interest @ 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the date of the closure of the Issue.

The Company will provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

The Company shall not have recourse to the Issue proceeds until the approvals for trading of the Equity Shares has been received from the Stock Exchanges.

Restrictions on Foreign Ownership of Indian Securities

No person shall make a Bid in pursuance of this Issue, unless such person is eligible to acquire Equity Shares of the Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

DEFINITIONS

"Beneficial Owner" shall have the meaning assigned thereto by Section 2 (1) (a) of the Depositories Act, 1996.

"Dividend" includes Bonus.

"The Register" means the Register of Members or debenture holders to be kept pursuant to the Act.

"The Registrar" means the Registrar of Companies of the state in which the office of the Company is for time being situated.

'Security' means such security as may be specified by SEBI from time to time.

'Stock Exchange' means any stock exchange for the time being recognized by the Central Government under the Securities Contracts (Regulation) Act, 1956.

Dematerialization of Securities

16

(1) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.

(2) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

(3) All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153,153A, 163B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

(4) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

(5) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depositary, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

(6) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

(7) Notwithstanding anything in the Act or these Articles, where a depository deals with securities, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

(8) Nothing contained in the Act or these Articles, regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

(9) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

(10) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by a depository.

(11) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing shares, debentures and other securities and rematerialise its such shares, debentures and other securities held by it with the Depository and /or offer its fresh shares and debentures and other securities in a dematerialised form pursuant to the depositories Act, 1996 and the Rules framed thereunder, if any.

Share Capital

17 The Authorised Share Capital of the Company shall be as per Clause V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase or decrease the Authorised Share Capital in accordance with Company's regulations and legislative provisions for the time being in that behalf.

Power to Increase Capital

18 (a) The Company in General Meeting may, from time to time increase the capital by the creation of new shares; such increase to be of such aggregate amount and of such classes and to be divided into shares of such respective amounts as the resolution shall prescribe.

(b) Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the Company in General Meeting shall prescribe, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company, and with a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company is increased under the provisions of these Articles, the Directors shall comply with the provisions of Section 97 of the Act.

New Capital same as existing capital

19 Except so far as otherwise provided by the conditions of issue of or by these Articles, any capital raised by the creation of new shares shall be considered as part of the existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission voting and otherwise.

Sub-division or consolidation of Capital

22 Subject to the provision of Section 94 of the Act, the Company in General Meeting may from time to time:

(i) Consolidate and divide all or any of its Share Capital of larger amount than its existing Shares;

(ii) Convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares of any denomination;

(iii) Sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in the case of the shares from which the reduced share is derived;

(iv) Cancel shares, which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken be any person, and diminish the amount of its Share Capital by the amount of the shares so cancelled.

Modification of class rights

25 (a) If at any time the share capital by reason of the issue of preference share or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, and whether or not the Company is being wound up, be varied, modified, abrogated or dealt with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting.

(b) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise the shares of that class be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

SHARE CERTIFICATE

Certificate of Shares

33 (a) Certificate under common seal of the Company specifying any shares held by any member shall be prima facie evidence of the member to such shares.

(b) Certificate of Share shall indicate date of issue and specify the name of the person in whose favour the certificate is issued, the share to which it relates and the amount paid thereon.

(c) The certificates of title to shares shall be issued under the Seal of the Company which shall be affixed in the presence of and signed by (i) two Directors or persons acting on behalf of the Directors under a duly registered Power of Attorney; and (ii) the Secretary or other person appointed by the Board for the purpose; provided that if the composition of the Board permits, at least one of the aforesaid two Directors shall be a person other than a Managing Director or whole time Director. A Director may sign a share certificate by affixing his signature thereon by means of any mechanical means such as engraving in metal or lithography.

PROVIDED ALWAYS that notwithstanding anything contained in this Article, the certificates of title to shares may be executed and issued in accordance with such other provisions of the Act or the Rules made thereunder as may be in force for the time being and from time to time.

Certificate

35 The Company may issue such fractional certificates as the Board of Directors may approve in respect of any of the shares of the Company on such terms as the Board of Directors think fit as to the period within which the fractional certificates are to be converted into share certificates.

Calls

46 The Board of Directors may, from time to time subject to the terms on which any shares may have been issued and to the provisions of Section 91 of the Act and by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be made payable by installments.

FORFEITURE & LIEN

If money payable on share not paid, notice to be given to member	54	If any member or his legal representatives fails to pay any call or installments or any money due in respect of any shares either by way of interest or otherwise of a call on or before the day of appointed for the payment of the same or any such extension thereof as aforesaid, the Board of Directors may, at any time thereafter while the call or installments remain unpaid, give notice to him requiring him to pay the same together with any interest that may have been accrued by the Company by reason of such non-payment.
Terms of notice	55	The notice shall name a day (not being less than thirty days from the date of service of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on before the time, and at the place appointed, the Shares in respect of which such call was made or installment is payable will be liable to be forfeited.
In default of payment, share to be forfeited	56	If the requisitions of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may, at any time thereafter but before the payment of all calls, or installments, interest and expenses or other money due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
Notice of forfeiture to the member	57	When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register of members but no forfeiture shall be in any manner invalid by any omission or neglect to give such notice or to make such entry as aforesaid.
Forfeited Shares to be the property of the Company and may be sold etc.	58	Any share so forfeited shall be deemed to be the property of the Company, and may be sold, re-allocated or otherwise disposed off, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board of Directors may think fit
Power to annul forfeiture	59	The Board of Directors may at any time before any share so forfeited shall have been sold, re-allocated or otherwise disposed off, annul the forfeiture upon such condition as it thinks fit.
Member liable to pay money owing at time of forfeiture and interest	60	Any member whose share shall have been forfeited shall notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses and other monies owing upon or in respect of such share at the date of the forfeiture, together with interest thereon from the date of forfeiture until the payment at such rate not exceeding 12% per annum or such other rate as the Board of Directors may determine, and the Board of Directors may enforce the payment thereof, or any part thereof, if it thinks fit.
Effect of forfeiture	61 (b)	A declaration in writing that the Declarant is a director or, secretary of the Company and that certain shares in the Company have been duly forfeited on a date stated in declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares and the purchasers shall not be bound to see to the application of the purchase money, nor shall his title to such shares be affected by any irregularity or invalidity in the proceeding in the reference to such forfeiture, sale or disposition.
Company's lien on Shares	62 (a)	The Company shall have a first and paramount lien on every share other than fully paid-up shares for all monies registered in the name of each member whether solely or jointly with others whether presently payable or not payable at fixed time in respect of such shares. PROVIDED THAT the Board of Directors may at any time declare any share to be wholly or in part exempt

from the provisions of these Articles.

(b) Any lien on shares shall extend to all dividends from time to time declared in respect of such share.

(c) Unless otherwise agreed, the registration of a transfer of share shall operate as a waiver of the Company's lien, if any, on such shares.

(d) The Director may at any time declare any shares to be wholly or in part to be exempt from the provisions of this article.

Enforcement of lien by sale

63 For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they think fit; but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served as provided for service of documents in these Articles, on such member, his heirs, executors or administrators and default shall have been made by him or them in the payment, fulfillment, or discharge of such debts, liabilities or engagements for thirty days after such notice. To give effect to any such sale, the Board may authorise some person to execute an instrument of transfer in respect of the share sold and to transfer the share sold to the purchaser thereof and the purchaser shall be registered as the holders of the shares comprised in any such transfer. Upon any such sale as aforesaid the certificate in respect of the shares sold shall stand cancelled and become null and void and of no effect, and the directors shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser concerned.

TRANSFER AND TRANSMISSION OF SHARES

Execution &Registration of Transfer etc.

68 No transfer shall be registered unless a proper instrument of transfer has been delivered to the Company in the prescribed form and in accordance with the provisions of Section 108 of the Act. Every such instrument of transfer shall be duly stamped and executed both by the transferor and the transferee and witnessed. The transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register in respect thereof.

Transfer of Securities

69 Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of depository.

Notice to transferor and transferee of refusal to transfer shares

71 If the Board of Directors refuses to register a transfer of any shares, they shall within two months from the date on which the transfer was lodged with the Company send to the transferee and the transferor notice of the refusal in accordance with the provisions of the Act.

Restriction on transfer

72 No transfer shall be made to a person of unsound mind or insolvent or to a firm or partnerships in the name of the firm or to the name of the minor.

Title to shares of deceased member

76 The executors or administrators of a deceased member shall be the only persons recognized by the Company as having any title to his share except in the case of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be recognized; but nothing herein contained shall release the estate of any share jointly held by him. The company shall not be bound to recognize such executor or administrators unless he shall have first obtained probate or Letters of Administration or other Legal representation as the case may be from a duly constituted Court in India to grant such probate or Letters of Administration; provided nevertheless that in cases, which the Board in its discretion consider to be special cases and in such case only, it shall be lawful for the Board of Directors to dispense with the production of probate or Letter of Administration or a Succession Certificate upon such terms as to indemnify publication of notice or otherwise as the Board of Directors may, deem fit.

Registration of Persons entitled to share otherwise

77 Subject to the provisions of these Articles any person becoming entitled to shares in consequence of the Death, lunacy, bankruptcy or insolvency of any

than by transfer (Transmission clause) — member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board of Directors (Which the Board shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article or his title, as the Board of Directors think sufficient, be registered as a member in respect of such share, or may, subject to the regulation as to transfer hereinabove contained, transfer such shares. This clause is hereinafter referred to as "The Transmission Clause".

Directors' right to refuse registration

78 Subject to the provisions of the Act and Section 22 of Securities Contracts (Regulation) Act, 1956, the Board of Directors without assigning any reason shall have the same right to refuse to register a person entitled by the transmission to any shares or his nominee, as if he was the transferee named in any ordinary instrument of transfer presented for registration.

BORROWING POWERS

Power to borrow

81 (a) Subject to the provisions of Sections 58A, 58B, 292 and 293 of the Act and these Articles, the Board of Directors may from time to time at its discretion by a resolution passed by a Meeting of the Board, accept deposits from members, either in advance of calls or otherwise or accept deposits from the public and may generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company not exceeding aggregate of paid up capital of Company and its reserves. (Not being any reserves set apart for any specific purpose.) Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the company's Bankers in the ordinary course of the business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such moneys without the consent of the ompany in General Meeting.

(b) The Company may invite or renew either from the public or from its members deposit up to the limit and in the manner and subject to the rules and conditions prescribed by the Central Government as contemplated under the Act and the rules framed there under.

The Repayment of moneys borrowed

82 Subject to the provisions of the Act and these Articles the payment or repayment of moneys borrowed aforesaid may be secured in such manner and upon such terms and conditions in all respect as the Board of Directors may think fit, and, in particular, pursuant to resolution passed at a meeting of the Board and not passed by a circular resolution by the issue of bonds perpetual or redeemable debenture or debenture-stock of the Company, or any mortgage or charge or security upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being.

Terms of Issue of Debenture

83 Any debentures, debenture stock or other securities may be issued subject to the provisions of the Act at a discount, premium or otherwise and may be issued on conditions that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending general meeting of the Company and the right to appoint Directors and otherwise. Debentures carrying the right of conversion into or allotment of shares shall be issued only with the consent accorded by a resolution of the Company in the General Meeting. Provided that Debentures with right to allotment of or conversion in shares other than debentures issued to institution specified by Central Government in their behalf for purpose of clause (b) of proviso of (3) of Section 81 of the Act shall be issued only by special resolutions of the Company in General Meeting.

GENERAL MEETING

Annual or Ordinary General Meeting

89 The Annual General Meeting shall be held in accordance with section 166 (1) and subject to section 166(2) of the act and shall be called for a time during business hours, on a day that is not a public holiday and shall be held either at the registered office of the company or at some other place within the city or town where the registered office of the Company is situated as the board of

directors may determine and the notice calling the meeting shall specify it as the annual general meeting.

Who May Call an Extra-ordinary General Meetings	93	The board may, whenever it thinks fit, call an Extra-ordinary General Meeting. If at any time they are not within India directors capable of acting who are sufficient in number to form a quorum, any director may call an extra-ordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the board at such time and place as he may determine.
Notice of meeting	95	A General Meeting of the Company may be called by giving not less than 21 days notice in writing. however, general meeting may be called after giving a shorter notice than 21 days, if consent is accorded thereto as provided in section 171 of the Act. Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purposes of this article in respect of the former resolutions but not in respect of the later.
Content of Notice	96	Every notice of a Meeting of the Company shall specify the place, the date and hour of the meeting and shall contain a statement of the business to be transacted thereat. no general meeting, annual or extra-ordinary, shall be competent to enter upon, discuss or transact any business, which has not been specially mentioned in the notice, or notices upon which it was convened.
Omission to give notice not to invalidate Meeting	100.	The accidental omission to give notice of any meeting to or the non-receipt of any notice by the member or other person whom it should be given shall not invalidate the proceedings at the meetings.

PROCEEDINGS OF GENERAL MEETING

Quorum	102	Five members personally present shall be the quorum for a General Meeting. A Corporation being a member shall be deemed to be personally present if it is represented according to section 187 of the Act. President of India or Governor of the state shall be deemed to be personally present if he is represented in accordance with section 187-A of the Act. No business shall be transacted at any General Meeting unless requisite quorum shall be present at the commencement of the business.
If quorum not present meeting when to be dissolved and when to be adjourned	103 (a)	If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of the members shall stand dissolved. in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or to such other day, time and place as the Board may determine.
	(b)	If at such adjourned meeting a quorum is not present within half an hour from time appointed for holding the meeting, those members who are present shall be a quorum and may transact the business for which the meeting was called.
Chairman of General Meeting	104	The Chairman and in his absence the Vice-Chairman, if any, of the Board of Directors shall be entitled to take the chair at every General Meeting, if there be no such Chairman or if at any, meeting he or the Vice-Chairman, if any shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be Chairman and in default of their doing so, the members present shall choose a director as chairman and if no director is present or if all the directors present decline to take the chair, then the members present shall choose one of themselves to be Chairman. no business shall be discussed at any general meeting except election of Chairman while chair is vacant.
How questions to be decided at meetings	105	Every question submitted to a General Meeting and every resolution put to the vote at a General Meeting, unless poll is demanded as hereinafter provided, be in the first instance decided by a show of hands.
Chairman's declaration of	106	A declaration by the chairman, that on a show of hands a resolution has or has

result of voting by show of hands to be conclusive		been carried either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the company shall be conclusive evidence of the fact, without proof of the number of proportion of the votes cast in favour of or against such resolution.
Demand for Poll	107 (a)	At any general meeting unless a poll is (before or on declaration of the result of voting on any resolution on show of hands), ordered to be taken by the Chairman of the meeting on his own motion or on a demand made in that behalf by members present in person or by proxy and holding shares in the company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up, a declaration by the Chairman that a resolution has or has not been carried either unanimously, or by a particular majority and an entry to that effect in the book containing the minutes of the proceedings of the general meeting of the company shall be conclusive evidence of the fact, without proof of the number of the proportion of the votes cast in favour of or against the resolution.
	(b)	The person or person who made the demand may withdraw the demand for a poll at any time.
Time of taking Poll	108	A poll demanded on any other question (not being a question relating to election of which is provided for in the Article 107 thereof) shall be taken at such time not being later than forty-eight hours from the time when the demand was made, as the Chairman may direct.
Power to adjourn General Meeting	109	The Chairman of a General Meeting may, with the consent of the members, adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business left unfinished at the meeting at which the adjournment took place.
Right of member to use his votes differently	110	On a poll taken at a meeting of the Company, a member entitled for more than one vote of his proxy or other person entitled to vote for him, as the case may be, need not if he votes, use all his votes or cast in the same way all the votes he uses.
Scruitinizers at poll	111 (a)	Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinizers to scrutinize the votes given on the poll and to report thereon to him.
	(b)	The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutinizer from office and to fill vacancies in the office of scrutinizers arising from such removal or from any other cause.
	(c)	Of the two scrutinizers, appointed under this article one shall always be a member (not being an officer or employee of the company) present at the meeting provided such a member is available and willing to be appointed.
Other business may proceed notwithstanding demand of poll	112	The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.
Chairman's decision conclusive on vote or poll	113	The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting by show of hands. The Chairman present at the taking of a poll shall be sole judge of the validity of every vote tendered at such poll.
Manner of taking poll and result thereof	114 (a)	Subject to the provisions of the act, the Chairman of the meeting shall have power to regulate the manner in which the poll shall be taken.
	(b)	The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.
Motion how decided in case of equality of votes	115	In case of any equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll as demanded shall be entitled to a casting vote in addition to his own

vote or votes to which he may be entitled as member.

DIRECTORS

Number of Directors

135 (a) Until otherwise determined by a General Meeting, and approved by the Central Government and subject to Section 252 of the Act the number of Directors shall not be less than 3 (three) or more than 12 (twelve).

(b) The Present Directors of the Company are:

Mr. Mehul C. Choksi
Mr. Dhanesh Sheth
Mr. G.K.Nair
Mr. Adrianus Voorn

Special Directors

136 The Company shall, subject to the provisions of the Act, be entitled to agree with any person, firm or corporation that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon terms mutually decided. Such nominee and their successors in office appointed under these Articles shall be called Special Directors of the Company.

The Special Directors appointed under this Article shall be entitled to hold office until requested to retire by the Government, Financial Institution, persons, firm or corporation who may have appointed them and will not be bound to retire by rotation or be subject to Articles 136 and 137 of the Articles of Association of the Company. A Special Director shall also not be required to hold any qualification share. As and whenever a Special Director vacates office whether upon request as aforesaid or by death, resignation or otherwise, the Government, Financial Institution, person, firm or corporation who appointed such Special Director may appoint any other Director in his place. The Special Director may at any time by notice in writing to the Company resign his office. Subject as aforesaid, a Special Director shall be entitled to the same rights and privileges and be subject to the same obligation as any other Director of the Company.

Nominee Directors

137 Notwithstanding anything to the contrary contained in these Articles, so long as any moneys, remain owing by the Company to any Bank, the Industrial Development Bank of India Limited (IDBI), Industrial Finance Corporation of India Limited (IFCI), The Industrial Reconstruction Bank of India Limited (IRBI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Corporation of India (GIC), National Insurance Company Limited (NIC), The Oriental Insurance Company Limited (OIC), The New India Assurance Company Limited (NIA), United India Insurance Company Limited (UII) or a State Financial Corporation or any financial institution owned or controlled by the Central Government or a State Government or by Government or by two or more of them or by Central Government or a State Government by themselves (each of the above is hereinafter in this Article referred to as 'the Corporation') out of any loans/debenture/ assistance granted by them to the Company or so long as the Corporation holds or continues to hold Debentures/ Shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole-time or non whole-time (which Director or Directors is/are hereinafter referred to as 'Nominee Director/s') on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys, remain owing by the Company to the Corporation or so long as the Corporation holds debentures in the Company as a result of direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of any guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys, owing by the Company to the Corporation is paid off or on the Corporation ceasing to hold Debentures, shares in the Company or on the satisfaction of liability of the Company arising out of any Guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and to attend all General Meetings, Board Meetings and to meetings of the Committee of which the Nominee Director/s is/are Member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Directors of the Company are entitled, but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commission, moneys and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall accordingly be paid by the Company directly to Corporation. Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the Lenders and have such rights are usually exercised or available to a whole time Director, in the management of the affairs of the Borrower. Such Nominee Director/s shall be entitled to receive such remuneration; the Lenders may approve fees, commission and moneys.

Debenture Director

138 (a) Any trust deed for securing Debentures or Debenture-Stock of the Company may provide for appointment of a Director by the Trustee thereof or by the holders of Debentures (hereinafter referred to as a 'Debenture Director') for and on behalf of the holders of Debentures or Debenture-Stock for such period as is therein provided not exceeding the period for which the Debentures or Debenture-Stocks shall remain outstanding and may empower such Trustee of holders of Debentures or Debenture-Stocks for the removal from office of such Debenture Director and on a vacancy being caused whether by resignation, death, removal or otherwise, for appointment of another Debenture Director in his place. A Debenture Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed from office except as provided as aforesaid.

(b) The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

Appointment of Special Director/Collaborator Director

139 (a) In connection with any collaboration arrangement with any company or corporation or firm or person for supply of technical know-how and/or machinery or technical advice, the Directors may authorise such company, corporation, firm or person (hereinafter in this clause referred to as 'Collaborator') to appoint from time to time any person or persons as Director or Directors of the company (hereinafter referred to as 'Special Director') and may agree that such Special Director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director, so however, that such Special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the company and such collaborator under the collaboration

arrangements or at any time thereafter.

(b) The collaborator may at any time and from time to time remove any such Special Director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time, appoint any other person as a Special Director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the company at its Registered Office

(c) It is clarified that every collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as Director(s) and so that if more than one collaborator is so entitled there may at any time be as many Special Director as the collaborators eligible to make the appointment.

Appointment of Alternate Director	140	Subject to the provisions of section 313 of the Act the Board of Directors of the Company may appoint an Alternate Director to act for a Director (hereinafter referred to as 'Original Director') during his absence for a period of not less than three months from the State of Maharashtra in which meetings of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to notice of meeting of the Board of Directors and to attend and vote thereat accordingly. An Alternate Director appointed under this Article shall vacate office if and when the Original Director returns to the said State. If the term of the office of the Original Director is determined before he so returns to the said State, any provision in the Act or in these Articles for the automatic reappointment of retiring Directors in default of another appointment shall apply to the Original Director and not to the Alternate Director. Provided always that no person shall be appointed by the Board as an Alternate Director who shall not have been previously selected and approved in writing by the Original Director or by the party which had appointed the Original Director as Special Director under Articles 136 or 139. The Directors shall have power at any time and from time to time to appoint any qualified person to be a Director to fill a vacancy. The Board of Directors at a meeting of the Board shall fill such casual vacancy. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid but he shall then be eligible for re-election. The Directors shall also have power at any time and from time to time to appoint any other qualified person to be a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed maximum fixed above. Any person so appointed as an addition to the Board shall retain his office only upto the date of the next Annual General Meeting, but shall be eligible for re-election at such meeting.
Directors may fill up vacancies and add to their number	141	Subject to the provisions of sections 260,262 and 284(6) of the Act, the Board of Directors shall have power at any time and from time to time, to appoint any person to be a Director either as an addition to the Board or to fill a casual vacancy occurring on account of the office of any Director appointed by the Company in general meeting being vacated before his term of office would expire in the normal course, but so that the total number of Directors shall not at any time exceed the maximum fixed in Article 135 above. Any person so appointed as an addition to the Board shall retain his office only upto the date of the next Annual General Meeting of the Company. Any person appointed to fill a casual vacancy as aforesaid shall hold office upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid.
Qualification Shares of Directors	142	A Director shall not be required to hold any equity shares to qualify him to act as a Director of the Company.
Remuneration of Directors	143	Subject to the provisions of sections 198, 309, 310 and 311 and schedule XIII of the Act, the remuneration, traveling and other expenses payable to the

Directors of the Company may be as hereinafter provided:

(a) Unless otherwise determined by the Company in General Meeting or by the terms and conditions of remuneration of the Managing Director or Director, each Director shall be entitled to receive out of the funds of the Company for each meeting of the Board or a committee thereof attended by him such fees as has been determined of as may from time to time be determined by the Board but not exceeding such sum as may from time to time be prescribed by or under the Act and applicable to the Company.

(b) In addition to the remuneration payable as above, the Directors may allow and pay to any Director who is not a bonafide resident of the place where a meeting is held and who shall come to such place for the purpose of attending the meeting, such sum as the Board may consider fair compensation for travelling, hotel and other expenses incurred by him, in attending and returning from meeting of the Board of Directors or any Committees thereof or General Meetings of the Company.

(c) If any Director be called upon to perform extra services or special exertions or efforts, the Board may arrange with such Director for such special remuneration for such extra service or special exertions or efforts either by a fixed sum or otherwise as may be determined by the Board subject to the provisions of the Act and such remuneration may be in addition to his remuneration above provided.

(d) In addition to the remuneration payable under sub-clause (c) above, the Directors may allow and pay to any Director such sum as the Board may consider fair compensation for traveling, hotel and other expenses incurred by him in connection with the business of the Company.

(e) The maximum remuneration of a Director for his service shall be such a sum as may be prescribed by the Act or the Central Government from time to time for each meeting of the Board of Directors or the committee thereof attended by him.

(f) Expression travelling expenses means and shall always be deemed to include expenditure incurred for travelling, lodging and boarding and incidental expenses.

When office of a Director to be vacated

145 (a) The office of a Director shall become vacant on any of the grounds as applicable in Section 283(1) and 314 of the Act.

(b) Subject to the provisions of the Act a Director may resign his office at any time by notice in writing addressed to the Company or to the Board of Directors.

Directors may contract with Company

148 (a) Subject to the provisions of this Article and the restrictions imposed by Article 147 and other Article hereof and the Act and the observance and fulfillment thereof, no Director shall be disqualified from his office by reason of his office from contracting with the Company either as vendor, purchaser, agent, broker or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any of the Director shall be in any way interested, be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but it is declared that the nature of his interest must be disclosed by him as provided in the Act.

(b) Every Director who is in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board of Directors or in the manner set out in Section 299 of the Act.

(c) Nothing in Clause (b) hereof shall apply to any contract or arrangement entered into or to be entered into between the Company and any other company where any one of the Directors of the Company or two or more of them together holds or hold not more than 2 per cent of the paid up capital in the other company.

Retirement of Directors by rotation

152 (a) Not less than two-thirds of the total number of Directors save and except the permanent Director of the Company shall be person whose period of office is liable to determination by retirement of Directors by rotation and save as otherwise expressly, provided in the Act and these Articles, be appointed by the Company in General Meeting.

(b) The remaining Directors shall be appointed in accordance with the provisions of these Articles.

Ascertainment of Directors retiring by rotation and eligibility for reappointment

153 (a) At every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office.

(b) Subject to Section 284(5) of the Act, the Directors to retire by rotation under the foregoing Articles at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between person who become Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves be determined by lot. A retiring Director shall be eligible for re-appointment.

(c) Notwithstanding anything contained in any other provisions of Articles of this Articles of Association, so long as Mr. Mehul C. Choksi and his family members and/or any company or companies in which they hold majority of the paid-up voting equity share capital of the Company and are the single largest shareholding group in the Company, they shall have the right to appoint majority of the Directors of the Company, and they shall designate one of the directors to be the Chairman of the Board, and may also designate one of the Directors to be the Vice Chairman of the Board: and they shall determine the period for which each of them shall hold such office and the Chairman and Vice Chairman so designated shall not be liable to retire by rotations

POWER OF DIRECTORS

Certain Powers to be exercised by the Board only at meeting

179 Certain powers to be exercised by the Board only at meeting:

1 Without derogating from the power vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at Meeting of the Board:

(a) The power to make calls on shareholders in respect of money unpaid on their shares.

(b) The power to authorize the buy-back referred to in the first proviso to clause (b) of sub - section (2) of Section 77A of the Act.

(c) The power to issue debentures.

(d) The power to borrow moneys otherwise than on debentures.

(e) The power to invest the funds of the Company.

(f) The power to make loans.

Provided that the Board may by resolution passed at a meeting delegate to any Committee of Directors or to Managing or Whole-time Director or any other Principal Officer of the Company or to a Principal Officer or any of its branch officers, the powers specified in (c), (d) and (e) of clause 158 to the extent specified in the Act on such conditions as the Board may prescribe.

2 Nothing in this Article contained shall be deemed to affect the right of the Company in General Meeting to impose restrictions and conditions on the on the exercise by the Board of any of the power referred to in (a), (b), (c), (d) (e) and (f) of Clause (1) above.

Specific Powers of theBoard

180 Without prejudice to the general power conferred by Articles 81 and 178 and so as not in any way to limit or restrict these powers, and without prejudice to the other powers conferred by these Articles but subject to the restrictions contained in the last preceding two Articles, the Directors shall have the following powers, that is to say:

(a) To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of sections 76 and 208 of the Act.

(b) Subject to sections 292 and 297 of the Act, to purchase or otherwise acquire for the company any property right or privileges which the Company is authorized to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such titles as all the then prevailing circumstances of the case may justify in the interest of the Company.

(c) At their discretion and subject to the provisions of the Act, to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid up and such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the company and its uncalled capital or not so charged.

(d) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings machinery goods stores produce and other movable property of the company either separately or jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.

(e) To open account with any bank or bankers or with any company firm or individual and to pay moneys and draw money from any such account from time to time as the Directors may think fit.

(f) To secure the fulfillment of any contracts, agreements or Engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

(g) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purposes and to execute and do all such acts and things as may be required in relation to any such trust and to provide for the remuneration of such Trustee or Trustees.

(h) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due or of any claims or demands by or against the Company and to refer any claims or demands by or against the Company or any differences to arbitration and observe, perform implement and enforce any awards made thereon.

(i) To act on behalf of the Company in all matters relating to bankrupts and insolvents.

(j) To accept from any member, so far as may be permissible by law, surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.

(k) To make discharges for moneys payable to the Company and for the claims and demands of the Company.

(l) Subject to the provisions of Sections 292, 293(1), 295, and 372A of the Act, to invest and deal with any moneys of the company, upon such security (not being shares of this Company) or without security and in such manner as they may think fit and from time to time to vary or realize such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.

(m) To execute in the name of and on behalf of the Company in favour of the Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefits of the company such mortgages of the Company's property (present and future) as they think fit and any such mortgage may contain in a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.

(n) To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptance, endorsements, cheque, dividend warrants release, contracts and documents and to give the necessary authority for such purpose.

(o) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any office or other person employed by the company a commission on the profits of any particular business or transactions and to charge such bonus or commission as part of the working expenses of the Company.

(p) To provide for the welfare of the Director or Ex-directors or the employees or ex-employees of the Company and the wives, widows and families or the dependents or connections of such persons, by building of houses, dwellings or chawls or by grants of money pensions, gratuity, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing to provident fund and other payments, and other associations, institutions funds or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board of Directors shall think fit and to subscribe or contribute or otherwise to assist other institutions or object or for any exhibition or for any public general or useful objects.

(q) Before recommending any dividend, to set aside out of the profits of the company such sums as they may think proper for depreciation or to depreciation fund or to an insurance fund or as a reserve funds or sinking fund or any special fund to meet contingencies or to repay debentures or debenture-stock or for special dividends or for equalizing dividend or for repairing, improving, extending and maintaining any of the property of the company and for such other purpose (including the purpose referred to in the preceding clause) as the Board of Directors may, in their absolute discretion, think conducive to the interest of the company and to invest and several sums so set aside or so much thereof as required to be invested, upon such investment (other than shares of the company) as they may think fit and from time to time to deal with and vary such investments and dispose off and apply and expand all or any part thereof for the benefit of the company, in such manner and for such purpose as the Board of directors, in the absolute discretion think conducive to the interest of the company, notwithstanding that the matters to which the Board of Directors apply or upon which they expend the same or any part thereof may be matters to or upon which the capital moneys of the company might rightly be applied or expended and to divide the Reserve fund into such special funds as the Board of Directors may think fit and to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of debenture or debenture-stock and that without being bound to keep the same separate from the assets and without being bound to pay interest on the same, with power however to the Board of

Directors, at their discretion to pay or allow to the credit of such funds interest at such rate as the Board of Directors may think proper.

(r) To appoint and at their discretion, remove or suspend such managers, secretaries, officers, assistants, supervisors, clerks, agents and servants for permanent temporary or special services as they may from time to time think fit and to determine their powers and duties and fix their salaries, entitlement to remunerations and to require security in such instances and to such amount as they may think fit and also without prejudice as aforesaid, from time to time provide for the management and transaction of the affairs of the company in any specified locality in India or elsewhere in such manner as they think fit and the provisions contained in the two next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause.

(s) To comply with the requirements of any local law which in their opinion it shall in the interest of the company be necessary or expedient to comply with.

(t) From time to time and at any time to establish any Local Board for managing any of the affairs of the company in any specified locality in India or elsewhere and to appoint any person to be members of such Local Board or any managers or agents and to fix their remuneration.

(u) Subject to the provisions of section 292 of the Act and Article 152 from time to time and at any time to delegate to any such Local Board or any member or members thereof or any managers or agents so appointed any of the powers, authorities and discretions for the time being vested in the Board of Directors, and to authorize the members for the time being of any such Local Board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation under sub-clause of this article may be made on such terms and subject to such conditions as the Board of Directors may think fit, and the Board of Directors may at any time remove any person so appointed and may annul or vary any such delegation.

(v) At any time and from time to time by Power of Attorney under the Seal of the company to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers authorities and discretions and for such period and subject to such conditions as the Board of Directors, may from time to time think fit.

(w) the Board of Directors may authorize from time to time accept to act as Constituted Attorney for any person or persons resident or non-resident in India or Company whether belongs to resident or non-resident in India and exercise any director or any person authorized by a resolution of the board, all powers obtained in company by the document or power of attorney.

(x) Subject to Sections 294, 297 and 300 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company, to enter into all such negotiations, arrangements and contracts and rescind and vary all such arrangements or contracts and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company.

(y) Generally subject to the provisions of the Act and these Articles to delegate the powers, authorities and discretion vested in the directors to any person, firm, company or fluctuating body or persons as aforesaid.

(z) From time to time to make, vary and repeal byelaws for the regulations of the business of the company, its officers and servants.

MANAGING OR WHOLE-TIME DIRECTORS (S) OR MANAGER

POWER TO APPOINT MANAGING OR WHOLE-TIME DIRECTORS (S)

181 (a) The Directors may from time to time appoint one or more of their members to be Managing or Whole-Time Director / Directors of the Company, for a fix term not exceeding five years at one time for which he or they is / are to hold such office and may from time to time subject to the provisions of any contract between him or them and the Company remove or dismiss him or them from office and appoint or reappoint the same person or persons in his or their place or places.

(b) Subject to any contract between him and the Company, a Managing or Whole-Time Director shall not while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Director to retire, but (Subject to the provisions of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other Directors of the company and he shall ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of director from any cause.

(c) The Company in General Meeting may also from time to time appoint any Managing Director or Managing Directors or Whole – Time Director or Directors of the Company and may exercise all the powers referred to in this article.

(d) A Whole Time Director who is elected as a director immediately on retirement by rotation shall continue to hold his office of whole time director and such election, as director shall not be deemed to constitute a break in his appointment as a Whole Time Director.

182. What provisions they shall be subject to

The remuneration of a Managing Director or Whole-Time Director shall (subject to the provisions of any contract between him and company) from time to time be fixed by the Board of Directors and may be by way of monthly salary and /or commission on net profits of the Company or partly by one and partly by the other.

Duties and power of Managing or Whole Time Director(s)

183 (a) The Directors may from time to time vest in Managing or Whole-time Director/s such of the powers exercisable under these presents by the Directors, as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purpose and upon such terms and conditions and with such restriction as they think expedient, with or to the exclusion of and in substitution for, all or any of the powers of the Directors in that behalf.

(b) The Managing Director shall be entitled to sub-delegate (with the sanction of the Board of Directors, where necessary) all or any of the powers, authorities and discretion for the time being vested in him in particular from time to time provided by appointment of any attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit.

DIVIDENDS

Dividends

188 The profits of the Company subject to any special rights relating thereto created or authorized to be created by the Memorandum or these Articles and subject to the provisions of any law for the time being in force and subject to these Articles shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively.

Provided always that (subject as aforesaid) any capital paid up on a share during the period in respect of which dividend is declared shall, unless the Board of Directors otherwise determine, only entitle and shall be deemed always to have only entitled, the holder of such share to an apportioned amount of such dividend as from the date of payment.

Dividends only to be paid out of profit

190 (a) No dividend shall be paid otherwise than out of the profits of the year or any other undistributed profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of Sections 205, 206 and 207 of the Act or any other law for the time being in force. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

(b) No dividend shall be declared or paid by the Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act.

Interim Dividend

191 Subject to the provisions of the Act or of any law for the time being in force, the Board of Directors may from time to time, pay to the Members interim dividends as in their judgments, the position of the Company justifies.

Returns

193 The Company shall make the requisite annual returns in accordance with section 159 and 161 of the Act and shall file with the Registrar 3 copies of the Balance Sheet and Profit & Loss Account in accordance with section 220 of the Act.

Dividends how remitted

199 (a) Unless otherwise directed, any dividend may be paid by cheque or warrant sent through post to the registered address of the member or person entitled or in case of joint holders to that one of them first named in the register in respect of the joint holding. Every cheque or warrant shall be made payable to the order of the person to whom it is sent. The company shall not be liable or responsible for any cheque or warrant lost in transit or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means. Several executors or administrators of a deceased member in whose sole name any share stands, shall for the purpose of this clause be deemed to be joint holders thereof.

(b) Any dividend remaining un-paid or unclaimed after having been declared by the Company shall be dealt with by the Company in accordance with Section 205A of the Act.

'UNPAID OR UNCLAIMED DIVIDEND'

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called, "Unpaid Dividend Account of "Gitanjali Gems Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Dividend payable in cash

200 (a) No dividend shall be paid otherwise than in cash

(b) There shall be no forfeiture of unclaimed dividend

Dividends and call together

201 (1) Any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but the amount of call on each member shall not exceed the dividend payable to him, and that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the company and the members, be set off against the calls.

(2) The Declaration of directors as to amount of net profits of the Company shall be conclusive.

CAPITALISATION OF PROFITS AND RESERVES

210(1) Any General Meeting may upon the recommendation of the Board resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and, where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other Fund of the company or in the hands of the Company and available for dividend be capitalized:

(a) by the issue and distribution as fully paid up shares of the Company

OR

(b) by crediting shares of the Company, which may have been issued and are not fully paid up with the whole or any of the sum remaining unpaid thereon.

Provided that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the Company to be issued to members (as herein provided) as fully paid bonus shares.

(2) Such issue and distribution under (a) above and such payment to credit of unpaid shares capital under (1) (b) above, shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid upon the shares held by them respectively in respect of which such distribution under (1) (a) or payment under (1) (b) above shall be made on the footing that such members become entitled thereto as capital.

(3) The Directors shall give effect to any such resolution and apply such portion of the profits, General Reserve, Reserve or Reserve Fund or any other Fund or account as aforesaid as may be required for the purpose of making payment in full for the shares of the Company so distributed under (1) (a) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up under (1) (b) above, provided that no such distribution or payment shall be made unless recommended by the Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.

(4) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which arise in regard to the distribution or payments aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such case or shares in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, and fractional certificates or otherwise as they may think fit.

(5) When deemed requisite a proper contract shall be filed in accordance with the act and the Board may appoint any person to sign such contract on behalf of the members entitled, as aforesaid and such appointment shall be effective.

211 Subject to the provisions of the Act and these Articles, in cases where some of the shares of the Company are fully paid and others are partly paid, only such capitalization may be effected by the distribution of further shares in respect of the fully paid shares and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of the fully paid shares and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishments or diminution of the liability on the partly paid shares shall be so applied pro rata in proportion

to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

WINDING UP

Winding Up

238 If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively, and if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up paid up or which ought to have been paid up on shares held by them respectively. But this Article is to be without prejudice to the right of the holders of Shares issued upon special terms and conditions.

239 (1) If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution, divide amongst the contributories, in specie or kind, any part of the assets of the company and may, with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories or any of them, as the liquidators, with the like sanction shall think fit.

(2) If though expedient any such division may, subject to the provisions of the Act, be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who would be prejudiced thereby shall have a right to dissent and shall have ancillary rights as if such determination were a special resolution passed pursuant to section 494 of the Act.

(3) In case any shares to be divided as aforesaid involved a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten days after passing of the special resolution by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the liquidators shall if practicable act accordingly.

240 A special resolution sanctioning sale to any other Company duly passed pursuant to section 494 of the Act, may subject to the provisions of the Act, in like manner as aforesaid determine that any shares or other considerations receivable by the liquidator be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential rights conferred by the said section.

INDEMNITY

Indemnity

241 Subject to the provisions of Section 201 of the Act, every Director, Manager and other officer or servant of the Company shall be indemnified by the Company and it shall be the duty of Directors out of the funds of the Company to pay, all losses and expenses which any such officer or servant or in any way in the discharge of his duties including expenses, and in particular, and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such Director, Manager, Officer or servant in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or he is acquitted or in connection with any application under Section 633 of the Act in which relief as granted by the Court, and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company.

Individual responsibility of Directors	242	Subject to the provisions of Section 201 of the Act, no Director, Manager or other officer of the Company shall be liable for the acts, omissions, neglects of any other or for signing or for any loss or expenses to the Company through the insufficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy insolvency or tortuous act of any person with whom any moneys, securities, or effects shall be deposited or for any loss occasioned by an error of judgement, omission, default or oversight on his part, or for any other loss, damage, or misfortunes whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which would be attached to the copy of the Prospectus, delivered to the Registrar of Companies, Maharashtra for registration and also the documents for inspection referred to hereunder, may be inspected at the administrative office of the Company at 6, Backbay View, 3rd Floor, Mama Parmanand Marg, Mumbai 400 004 from 10.00 am to 4.00 pm on working days from the date of the Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement Letter dated July 26, 2005 and October 20, 2005 for appointment of ICICI Securities Limited, and Keynote Corporate Services Limited, respectively, as BRLMs.

2. Memorandum of Understanding dated December 13, 2005 among the Company and the BRLMs.

3. Memorandum of Understanding dated November 15, 2005 executed by the Company with the Registrar to the Issue.

4. The Escrow Agreement dated February 13, 2006 among the Company, the BRLMs, Syndicate Members, Escrow Collection Banks, and the Registrar to the Issue.

5. The Syndicate Agreement dated February 13, 2006 among the Company, the BRLMs and Syndicate Members.

6. The Underwriting Agreement dated February 24, 2006 among the Company, the Selling shareholders and the BRLMs and Syndicate Members.

Material Documents

1. The Company's Memorandum and Articles of Association, as amended from time to time.
2. The Company's certification of incorporation, amended for change of name, effective August 2, 1991.
3. Shareholders' resolutions dated November 9, 2005 in relation to this Issue and other related matters.
4. Resolutions of the Board and the IPO Committee dated October 14, 2005 and November 10, 2005 authorizing the Issue.
5. Report of the Auditors, Ford, Rhodes, Parks & Co., Chartered Accountants, prepared as per Indian GAAP and mentioned in this Prospectus.
6. Copies of annual reports of the Company and its subsidiaries commencing from April 1, 2000 to March 31, 2005.
7. Consents of the Auditors, being Ford Rhodes Parks & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Prospectus.
8. General powers of attorney executed by the Directors in favor of person(s) for signing and making necessary changes to this Prospectus and other related documents.
9. Consents of Auditors, Bankers to the Company, BRLMs, Underwriters, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Company, International Legal Counsel to the Company, Domestic Legal Counsel to the BRLMs, International Legal Counsel to the BRLMs, the Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
10. Applications dated December 15, 2005 for in-principle listing approval from the BSE and the NSE.

11. In-principle listing approval dated January 23, 2006 and January 25, 2006 from the BSE and the NSE respectively.

12. Agreement between NSDL, the Company and the Registrar to the Issue dated February 2, 2006.

13. Agreement between CDSL, the Company and the Registrar to the Issue dated February 1, 2006.

14. Due diligence certificate dated December 15, 2005 to SEBI from ICICI Securities Limited and Keynote Corporate Services Limited.

15. SEBI observation letter dated January 27, 2006

16. Inseriatim reply of the BRLMs to SEBI observation letter dated February 2, 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act and the guidelines issued by the Government of India or the guidelines issued the by Securities and Exchange Board of India, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SEBI Act or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Prospectus are true and correct.

Signed by all the Directors of Gitanjali Gems Limited

Mr. Mehul C. Choksi

Mr. G K Nair

Mr. Adrian Voorn

Mr. Dhanesh Sheth

Mr. Prakash Shah

Mr. Vijay Kumar Jatia

Mr. S. Krishnan

Mr. Mehul C. Choksi
Chairman and Managing Director

Mr. G K Nair
Executive Director, Finance

Date: February 27, 2006
Place: Mumbai