

GITANJALI

GITANJALI GEMS LIMITED

(Incorporated in the Republic of India with limited liability under the Indian Companies Act, 1956)

Offering of 15,511,892 Global Depository Receipts, each representing one Share
(subject to an over-allotment option for up to an additional 3,102,379 Global Depository Receipts)

Offer Price: U.S.\$9.67 per Global Depository Receipt

This Offering Circular (the "Offering Circular") relates to an offering (the "Offering") of 15,511,892 Global Depository Receipts ("GDRs"), each representing one equity share of par value Rs. 10 each (the "Shares") of Gitanjali Gems Limited (the "Company" or the "Issuer") represented by Global Depository Receipts ("GDRs"). This Offering Circular comprises listing particulars in compliance with the listing rules under section 79 of the Financial Services and Markets Act 2000 (the "FSMA").

The Company has granted to J.P. Morgan Securities Limited, Global Coordinator, Sole Bookrunner and Lead Manager (the "Lead Manager") an option (the "Option"), exercisable in whole or in part, and on one or more occasions at any time on or prior to the date which is 30 days after the Closing Date, to purchase or procure purchasers for up to an additional 3,102,379 GDRs (which is in aggregate not more than 20.0% of the total number of GDRs (excluding those GDRs subject to the Option) being offered) (the "Option GDRs") at the offer price referred to above (the "Offer Price") and on the terms and conditions set forth in this Offering Circular.

The GDRs and the underlying Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). The Offering comprises an offering of GDRs in the United States only to qualified institutional buyers ("QIBs") in reliance on the exemption from registration provided by Rule 144A under the Securities Act and an offering of GDRs to persons outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers are hereby notified that the sellers of the GDRs may be relying on the exemption from the registration requirements of Section 5 of the Securities Act. The GDRs may not be offered, sold, pledged or otherwise transferred to any person located in India, residents of India, or to, or for the account or benefit of such persons, except in accordance with applicable law and regulations. See "Transfer Restrictions" and "Plan of Distribution" for information about transfer restrictions and eligible offerees.

The holders of GDRs ("Holders") will have no voting rights in respect of the Shares. See "Terms and Conditions of the Global Depository Receipts—Voting Rights" for a description of how rights attaching to the Shares will be exercised by the Depository.

Prior to the Offering, there has been no market for the GDRs. Application for the listing of up to 26,000,000 GDRs (consisting of 15,511,892 GDRs pursuant to the Offering, up to 3,102,379 GDRs pursuant to the Option and up to 7,385,729 additional GDRs to be issued from time to time) has been made to the Professional Securities Market of the London Stock Exchange (the "PSM"), which is not a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). However, there can be no assurance that the applications to the PSM will be approved. The Company has received in-principle approval for listing of the Shares underlying the GDRs on the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE", and collectively with the BSE, the "Indian Stock Exchanges") pursuant to their letters dated November 16, 2007 and November 15, 2007, respectively. The closing price of the Shares on the BSE and the NSE on December 10, 2007 was Rs. 422.40 and Rs. 422.85, respectively. Approval has been obtained to have the Rule 144A GDRs designated to be eligible for trading on the PORTAL™ Market, a subsidiary of The NASDAQ Stock Market, Inc.

Investment in the GDRs involves risks. See "Risk Factors" beginning on page 10.

A copy of this Offering Circular will be delivered to the Registrar of Companies of Maharashtra at Mumbai (the "RoC"), the BSE and the NSE for record purposes only.

Global Coordinator, Sole Bookrunner and Lead Manager

JPMorgan 

Co-Manager

JEFFERIES INTERNATIONAL LIMITED

The date of this Offering Circular is December 11, 2007.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Ford, Rhodes, Parks & Co., Chartered Accountants, accept responsibility for the content of their auditor's report and audit review as set out at pages F-2 to F-36 in this Offering Circular and confirm that, having taken all reasonable care to ensure that such is the case, the information contained in their reports on pages F-2 to F-36 is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect their import.

This Offering Circular does not constitute an offer to sell, or an invitation by or on behalf of the Company, the Lead Manager or Jefferies International Limited, acting as Co-Manager to the Offering (the "Co-Manager, and collectively with the Lead Manager, the "Managers"), Deutsche Bank Trust Company Americas ("Depositary") or Deutsche Bank AG, Mumbai Branch ("Custodian") or any other person to subscribe for or purchase any of the GDRs, in any jurisdiction in which such offer or invitation would be unlawful. The distribution of this Offering Circular and the offering or sale of the GDRs in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe such restrictions. For a description of certain further restrictions on offers and sales of the GDRs and distribution of this Offering Circular, see "Transfer Restrictions". Delivery of this Offering Circular to any other person or any reproduction of this Offering Circular, in whole, or in part, without the consent of the Company and the Managers, is prohibited.

The Managers have not independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the GDRs or the Shares. Nothing contained in this Offering Circular may be relied upon as a promise or representation by the Managers or any of their affiliates as to past or future events. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers or any of their affiliates in connection with its investigation of the accuracy of such information or its investment decision and each such person must rely on its own examination of the Company and the merits and risks involved in investing in the GDRs.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Managers. The information contained herein is correct only as of the date of this Offering Circular, notwithstanding the date of delivery of this Offering Circular and of the sale of the GDRs. The publication of this Offering Circular, the Offering and the sale and delivery of the GDRs do not imply under any circumstances that there has been no adverse change or no event likely to give rise to any adverse change with respect to our condition (financial or otherwise) or that the information contained herein is still correct after the date of this Offering Circular.

The Managers are acting for the Company and no one else in connection with the Offering and will not regard any other person as their client in relation to the Offering and will not be responsible to anyone, other than the Company, for providing the protections afforded to customers of the Managers or for providing advice in relation to the Offering or any other transaction or arrangement referred to in this Offering Circular.

In connection with this Offering, the Lead Manager may, over-allot or effect transactions with a view to supporting the market price of the GDRs at levels higher than that which might otherwise prevail in an open market for a limited period from the date hereof. However, there shall be no obligation on the Lead Manager to undertake any stabilization activity. Any stabilization activity, if commenced, may be discontinued at any time and must be discontinued within 30 days after

the Closing Date. Such stabilization shall be conducted in compliance with applicable laws, rules and regulations.

The Shares underlying the GDRs may be withdrawn by Holders only after the listing of the underlying Shares on at least one of the Indian Stock Exchanges, which may take up to 45 days after closing of the Offering or approximately 45 days after the closing of the Option for any GDRs that are sold as part of an exercise of the Option. The Company has received in-principle approvals for the listing of the Shares underlying the GDRs from the NSE and the BSE. It is the Company's belief that it will receive final approval for listing after the Closing Date but there is no guarantee that this listing will be granted. After grant of final listing approval for the listing of the Shares underlying the GDRs, holders of GDRs may request the Depositary to withdraw from the depositary facility the Shares represented thereby and transfer such Shares to the Holder. The Shares represented by the GDRs will be registered in the name of the Depositary and the Depositary will issue the GDRs in accordance with the terms of the Deposit Agreement.

In connection with the Offering, the Managers and their respective affiliates acting as investors for their own account may take up the GDRs and in that capacity may retain, purchase or sell for their own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this Offering Circular to the GDRs being offered or placed should be read as including any offering or placement of such securities to the Managers and their respective affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions, other than in accordance with any legal or regulatory obligation to do so.

Investors are not to construe the contents of this Offering Circular as legal, tax or investment advice. Each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the GDRs and the underlying Shares. In addition, neither the Company nor the Managers nor their affiliates and advisors are making any representation to any offeree or purchaser of the GDRs regarding the legality of an investment in the GDRs by such offeree or purchaser under applicable legal investment or similar laws or regulations.

This Offering Circular is being furnished by the Company in connection with an offering exempt from registration under the Securities Act and applicable state securities laws in the United States solely for the purpose of enabling prospective purchasers to consider the purchase of the GDRs offered hereby.

A copy of this Offering Circular will be delivered, to the RoC, the BSE and the NSE for record purposes only.

CERTAIN U.S. MATTERS

THE GDRs OFFERED HEREBY AND THE SHARES UNDERLYING THE GDRs HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE GDRs ARE BEING SOLD IN THE UNITED STATES ONLY TO QIBs IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A AND TO PERSONS OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE GDRs MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON TRANSFER OF THE GDRs, SEE "TRANSFER RESTRICTIONS".

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE MERITS OF THE OFFERING OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

FOR NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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AVAILABLE INFORMATION

For so long as any of the GDR's are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") nor exempt from the reporting requirements of the Exchange Act under Rule 12g3-2(b) thereunder, provided upon request to the registered holder of any GDRs or to each prospective purchaser designated by any such registered holder, in each case upon the written request of such registered holder or prospective purchaser, the information required to be provided by Rule 144(d)(4) under the Securities Act.

The Company will furnish the Depositary with copies of its annual audited financial statements in English prepared in conformity with Indian GAAP (as defined below). The Company also intends to furnish the Depositary with unaudited quarterly and semi-annual interim financial information in English prepared in accordance with the requirements of the listing agreement it has entered into with the Indian Stock Exchanges. The Company will also arrange for prompt transmittal to the Depositary of sufficient copies in English of any notices, reports or communications that are made generally available by the Company to the holders of Shares. At the reasonable request of the Company, the Depositary will make such notices, reports and communications available to all holders of GDRs in the same manner as the Company makes them generally available to the holders of Shares or on such other basis as the Company may advise the Depositary as being required by any law or regulation or any requirement of any stock exchange to which the Company may be subject, subject to any limitations imposed by applicable law.

CERTAIN CONVENTIONS AND PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Circular, unless the context otherwise indicates or implies, references to "Gitanjali", the "Company", "Issuer", are to Gitanjali Gems Limited on a standalone basis and "we", "our" and "us" are to Gitanjali Gems Limited and its subsidiaries, joint ventures and associate company on a consolidated basis. In this Offering Circular, references to "India" are to the Republic of India and its territories and possessions; all references to the "U.S." and "United States" are references to the United States of America and its territories and possessions; all references to the "Indian Government" or the "Government" are to the Government of India; all references to the "Companies Act" are to the Indian Companies Act, 1956, as amended.

In this Offering Circular, all references to "Rupees" and "Rs." are to the legal currency of India and all references to "U.S. dollars" and "U.S.\$" are to the legal currency of the United States. We publish our financial statements in Rupees, however, solely for the convenience of the reader, this Offering Circular presents translations of certain Rupee amounts into U.S. dollars at specified rates. All translations from Rupees to United States dollars are made (unless otherwise indicated) on the basis of the noon buying rate in New York City for cable transfers in Rupees as certified by the Federal Reserve Bank of New York on September 28, 2007 which was Rs. 39.75 = U.S.\$1.00. This should not be construed as a representation that the Rupee amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all.

Our financial year ends on March 31 of each year, therefore all references to a particular financial year or fiscal year are to the twelve months ended March 31 of that year. We prepare our financial statements in accordance with generally accepted accounting principles in India ("Indian GAAP"). Our consolidated financial statements included in this Offering Circular as of and for the fiscal years ended March 31, 2007, 2006 and 2005 have been prepared in accordance with Indian GAAP and audited by Ford, Rhodes, Parks & Co., our statutory auditors. Our consolidated financial statements included in this Offering Circular as of and for the six months ended September 30, 2007 and 2006 have been prepared in accordance with Indian GAAP and reviewed by Ford, Rhodes, Parks & Co., our statutory auditors. The limited review conducted by Ford, Rhodes, Parks & Co., our statutory auditors, did not constitute an audit and they did not express an audit opinion on the unaudited consolidated financial statements as of and for the six months ended September 30, 2007 and 2006. Accordingly, in light of the limited nature of the review procedures applied, potential investors' reliance on their report should be limited.

Indian GAAP differs in certain significant respects from IFRS. For a narrative description of the principal differences between Indian GAAP and IFRS relevant to the Company, see "Summary of Significant Differences between Indian GAAP and IFRS".

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data contained in this Offering Circular consists of estimates based on data reports compiled by professional organizations and analysts, on data from other external sources and on our knowledge of our markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither we nor the Managers have independently verified that data and neither we nor the Managers make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Managers can assure potential investors as to their accuracy.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes statements which contain words or phrases such as “anticipate”, “are likely”, “believe”, “can”, “continue”, “could”, “estimate”, “estimating”, “expect”, “expected to”, “future”, “intend”, “is likely”, “likely result”, “may”, “objective”, “plan”, “project”, “propose to”, “pursue”, “seek to”, “seeking to”, “should”, “trying to”, “will”, “would”, and similar expressions or variations of such expressions, that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Offering Circular. These forward-looking statements and any other projections contained in this Offering Circular (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

- general economic and business conditions in India;
- our ability to successfully finance and implement our strategy and our growth and expansion plans;
- future acquisitions or joint venture developments which may result in additional costs;
- a decrease in the availability and an increase in the price of diamonds and other materials;
- our ability to retain our customers or encourage repeat purchases;
- demand for our diamonds and jewellery products;
- increasing competition in the diamonds and jewellery manufacturing and retail businesses;
- changes in political conditions and regulatory environment in India;
- changes in the value of the Rupee and other currency changes; and
- other factors beyond our control, such as provided under “Risk Factors”.

Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of the foregoing, and the risks, uncertainties and assumptions discussed in “Risk Factors” and elsewhere in this Offering Circular, any forward-looking statement discussed in this Offering Circular may change or may not occur, and our actual results could differ materially from those anticipated in such forward-looking statements.

ENFORCEMENT OF CIVIL LIABILITIES

We are a limited liability public company incorporated under the laws of India. Substantially all of our directors and executive officers are residents of India and all or a substantial portion of our assets and the assets of such persons are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments.

Recognition and enforcement of foreign judgments is provided for under Section 13 of the Code of Civil Procedure, 1908 as amended (the "Civil Code"). Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title except (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, as defined under Section 44A, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory for the purposes of Section 44A, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to a decree or judgment of a superior court under which a sum of money is payable, not being a sum in respect of taxes or other charges of a like nature or in respect of a fine or other penalty, and shall in no case include an arbitration award, even if such award is enforceable as a decree or judgment.

The United Kingdom has been declared by the Government to be a reciprocating territory for the purpose of Section 44A of the Civil Code. However, the United States has not been so declared. Accordingly, a judgment of a court in the United States may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit must be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

GLOSSARY OF CERTAIN TERMS

This glossary contains definitions of certain terms as they are used in this Offering Circular and which definitions may not correspond to standard industry definitions.

BSE	The Bombay Stock Exchange Limited
“Board” or “Board of Directors”	The board of directors of the Company, as constituted from time to time
Bonds	The U.S.\$110.0 million foreign currency convertible bonds issued by the Company
Closing Date	The date on which payment for the GDRs will be delivered, which is expected to be on or around December 14, 2007
Companies Act	The Companies Act, 1956, as amended
DTC	Diamond Trading Company
FEMA	Foreign Exchange Management Act, 1999, as amended
“Fiscal” or “Fiscal Year”	The fiscal year ended on March 31
FII	Foreign Institutional Investors
FIPB	Foreign Investment Promotion Board
Foreign Direct Investment	Investments in an Indian company by a non-resident investor in accordance with the foreign direct investment scheme
Foreign Institutional Investor Regulations	The SEBI (Foreign Institutional Investors) Regulations, 1992, as amended
GDRs	The Global Depository Receipts
IFRS	The International Financial Reporting Standards
Income Tax Act	The Income Tax Act 1961, as amended
Indian AS	Indian Accounting Standards
Indian GAAP	The generally accepted accounting principles in India
Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended
MOF	Ministry of Finance, Government of India
NRIs	Non-resident Indians
NSE	The National Stock Exchange of India Limited
Promoter	Mr. Mehul C. Choksi
Principal Shareholders ..	Mr. Mehul C. Choksi, Ms. Priti M. Choksi, Ms. Guniyal C. Choksi, Partha Gems Private Limited, Priyanka Gems Private Limited, Rohan Diamond Private Limited, Mozart Investments Private Limited and Digico Holdings Limited
QIBs	Qualified institutional buyers as defined under the Securities Act

RBI	The Reserve Bank of India
RoC	The Registrar of Companies of Maharashtra at Mumbai
Regulation S	Regulation S under the Securities Act
Rule 144A	Rule 144A under the Securities Act
SEBI	The Securities and Exchange Board of India
SEZ	Special Economic Zone
Securities Act	The U.S. Securities Act of 1933, as amended
Shares	The equity shares of the Company of par value Rs.10 each
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended

SUMMARY

The following summary highlights information contained elsewhere in this Offering Circular. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and our consolidated financial statements prepared in accordance with Indian GAAP and included elsewhere in this Offering Circular.

We are one of the largest integrated diamond and jewellery manufacturing and retailing companies in India, having more than four decades of experience in the gems and jewellery industry. Our operations include sourcing of rough diamonds from primary and secondary suppliers in international markets, cutting and polishing of rough diamonds for exports, manufacturing and selling of diamond and other branded and unbranded jewellery.

We export cut and polished diamonds and jewellery products to various international markets including the United States, Belgium, Italy and the Middle East as well as to several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand.

We also sell diamond and other jewellery products in India through our nationwide sales and distribution network that, as of September 30, 2007, consisted of 112 distributors and 1,246 outlets, including outlets in host stores such as department stores, 10 exclusive stores and 28 stores set up through franchisee arrangements. In addition, our subsidiary, Samuels operates 7 exclusive stores and 91 shops in department stores and, our subsidiary, Rogers Limited, Inc. operates 46 stores, in the United States. In addition, we also sell diamond and other jewellery products to large jewellery stores and department stores. We also have a large customer base spread across India and international markets that includes various jewellery manufacturers, large department store chains, retail stores and wholesalers.

Our "Gili" brand of jewellery, introduced in 1994, was among the first branded jewellery introduced in India. Our brands and sub-brands are aimed at different customer profiles, various markets and price segments and enjoy significant brand equity and market share. According to July 2005 special edition of Solitaire International, a magazine published by Gem & Jewellery Export Promotion Council, Solitaire-TNS survey of India's best known brands featured five brands retailed by us, "Asmi", "Sangini", "Gili", "D'Damas" and "Nakshatra" among the ten best known jewellery brands in India. "Gili" and "Nakshatra" were each selected as a "Superbrand" in 2004 by the Indian Consumer Superbrands Council ("ICSC"), an independent branding arbiter.

The Company acquired a 84% equity stake in Samuels Jewelers, Inc ("Samuels"), one of the largest retail jewellery chains in United States on December 19, 2006. In addition, the Company intends to acquire up to an additional 13% equity stake in Samuels by December 19, 2008, which would increase its aggregate shareholding in Samuels to 97%. The aggregate consideration for the acquisition of Samuels is approximately U.S.\$12.02 million and issuance of approximately 1.55 million equity shares of the Company to the former owners of Samuels. Samuels offers exclusive designer jewellery collection and a large selection of loose and mounted diamonds under a variety of brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds" and "24 Karat Card", which are primarily targeted at the middle and upper middle class consumers through 98 retail stores across the United States. We expect Samuels to source a significant portion of its jewellery products for sales from the Company, which will be then sold through Samuels' stores.

In February 2007, our wholly-owned subsidiary, Gitanjali U.S.A Inc. acquired a 70% equity stake in Tri-Star Worldwide LLC ("Tri-Star"). Tri-Star is a direct customer of BHP Billiton and a licensee of CanadaMarkTM, a tracking system that records all CanadaMarkTM Diamonds in its database. It is a manufacturer and global distributor of "Canadia" brand diamonds and diamond jewellery in various countries, such as Australia, Canada, England, Ireland, Northern Ireland, New Zealand, Scotland, and the United States.

On November 16, 2007, the Company acquired Rogers Limited, Inc. ("Rogers") through the purchase of 100% of the equity interest of Rogers from Jefferey W. Lazarow, Jody Lazarow,

Andrew Lazarow, Jonathan Lazarow, the 2005 Theodore S. Lazarow Irrevocable Trust and Myrna Lazarow Family Trust (the "Lazarows"), for an aggregate purchase price of US\$17.61 million. Rogers operates 46 retail jewellery stores, located primarily in the midwest region of the United States under the names "Rogers Jewelers" and "Andrews Jewelers". The acquisition of Rogers enables us to offer our diamonds and other jewellery products in such stores, providing us with retail presence in new geographies and value chain synergies.

We have modern diamond manufacturing facilities located at Borivili in Mumbai and in Surat, Gujarat. We believe that our diamond cutting and polishing facility at Borivili is one of the largest diamond manufacturing facilities in India. We also have a sophisticated jewellery designing and manufacturing facility for diamond studded jewellery at the Santacruz Electronics Exports Processing Zone ("SEEPZ"), Mumbai producing gold and platinum diamond studded jewellery for exports. In addition, we produce jewellery for our Indian and international retail operations at two other modern jewellery manufacturing facilities in Andheri.

We intend to develop SEZ projects in India. We have received central government notification to set up an SEZ in Hyderabad, Andhra Pradesh and formal approval to set up an SEZ in Raigad, Maharashtra. In addition, we have also received in-principle approvals from central and/or state governments for setting up four SEZ projects in Nanded, Nashik, Aurangabad and Nagpur in Maharashtra. Our SEZ projects will primarily focus on gems and jewellery manufacturing and we intend to partner with reputed real estate developers for development of SEZ infrastructure.

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing.

As of September 30, 2007, the Company had approximately 4,000 employees, and including more than 1,535 contract employees, of which more than 2,100 were employed at our manufacturing facilities and nearly 1,200 were employed in retail operations. In fiscal 2007, our total income was Rs. 34,715.27 million (U.S.\$ 873.34 million) and net profit (after adjustment for consolidation) was Rs. 917.51 million (U.S.\$ 23.08 million). For the six months ended September 30, 2007, our total income was Rs. 20,985.67 million (U.S.\$ 527.94 million) and net profit (after adjustment for consolidation) was Rs. 768.67 million (U.S.\$ 19.34 million).

Recent Developments

On November 24, 2007, the Company entered into a joint venture agreement with ARMO Netherlands Finance B.V., a Dutch company and a wholly-owned subsidiary of Morellato, to form a joint venture, Morellato India Private Limited ("Morellato India"). The Company will have a 50% equity interest in Morellato India, with the balance to be held by ARMO Netherlands Finance B.V.. Morellato India proposes to manufacture, import, wholesale and distribute a number of products, such as watches, leather goods, writing instruments and jewellery under a diverse range of brand names in India.

Competitive Strengths

Large, integrated diamond and jewellery company with strong international credentials

We are one of the largest integrated manufacturers and retailers of diamonds and jewellery in India. Our operations capture the entire value chain from sourcing rough diamonds, manufacturing jewellery to retailing branded jewellery lines in India and internationally. We are increasingly strengthening our presence on the high end of the value chain including jewellery retailing and manufacturing. The design and quality of our diamond and jewellery products and large customer base outside India, including jewellery manufacturers, large department store chains, retail stores and wholesalers, have enabled us to develop strong credentials in international markets. We export a significant part of our cut and polished diamonds and branded

and unbranded diamond and other jewellery products to various international markets in the Far East, Middle East, Europe and the United States.

Broad product range and strong brand equity

We offer products aimed at a range of jewellery categories, customer and price segments. Our branded diamond and jewellery products are certified for caratage, authenticity and quality. We regularly upgrade our designs to cater to changing consumer preferences. Our "Gili" brand was among the first branded jewellery lines introduced in India. Over the years, we have sought to strengthen 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. While we own the "Gili", "Asmi", "Sangini" and "D'Damas" brands, we also market and sell jewellery products under the "Nakshatra" brand, which is licensed to us by DTC. In addition, we acquired brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds", "24 Karat Card" and "Canadia" through the acquisitions of Samuels and Tri-Star. We have also recently acquired brands "Rogers Jewelers" and "Andrews Jewelers" through the acquisition of Rogers in November 2007.

Strong marketing and distribution network and significant retail operations

A substantial majority of our cut and polished diamonds are exported to diamond wholesalers and large jewellery manufacturers in international markets. We also have a strong marketing and distribution network in India. These channels include exclusive distributors for jewellery products, direct sales to large department stores and reputable jewellery stores and direct sales to end customers through retail operations. We sell diamond and other jewellery products in India through our nationwide sales and distribution network that, as of September 30, 2007, consisted of 112 distributors and 1,246 outlets, including outlets in host stores such as department stores, 10 exclusive stores and 28 stores set up through franchisee arrangements. In addition, our subsidiary, Samuels operates 7 exclusive stores and 91 shops in department stores and, our subsidiary, Rogers operates 46 stores, in the United States. In addition, we also sell diamond and other jewellery products to large jewellery stores and department stores. Our retail operations are supported by an inventory management system that enables us to move inventory to and from, and channel sales through, various outlets depending on demand and customer needs.

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

We source a significant part of our rough diamond requirements from the Diamond Trading Company ("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, been a "sightholder" (one of approximately 90 diamond processors worldwide who can participate in DTC organised diamond selling sessions) for more than three decades. As a sightholder under the DTC's "Supplier of Choice" program, we benefit from an assured and steady source of quality rough diamonds at competitive prices, continued advertising and marketing support to develop the brands under which we sell our diamonds and jewellery and access to DTC's consumer research knowledge base. Further, Tri-Star is a direct customer of BHP Billiton and a licensee of CanadaMark™, a tracking system that records all CanadaMark™ Diamonds in its database.

Well-developed manufacturing capabilities

We have modern diamond manufacturing facilities located at Borivili in Mumbai and in Surat, Gujarat. We believe that our diamond cutting and polishing facility at Borivili is one of the largest diamond manufacturing facilities in India. We also have a sophisticated jewellery designing and manufacturing facility for diamond studded jewellery at the SEEPZ, Mumbai producing gold and platinum diamond studded jewellery for exports. In addition, we produce jewellery for our Indian

and international retail operations at two other modern jewellery manufacturing facilities in Andheri.

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing. Our well-developed manufacturing and design capabilities and focus on quality control enable the production of quality certified diamonds and jewellery. Our scale of operations and presence in India provides us a significant competitive and cost advantage and we expect that it would support our retail expansion plans.

Proven management team

Our well-qualified senior management has significant industry experience and has been instrumental in the consistent growth of our revenues and operations. In addition, our Board includes a combination of management executives and independent members that brings significant business experience. Our Chairman and Managing Director has been involved in the diamond and jewellery industry for more than 25 years and has driven our growth initiative. In addition to our senior management team, our middle management team across business verticals provides us with the critical leadership depth needed to manage our growth.

Ability to attract, retain and train employees

We have been successful in hiring, training and retaining necessary talent for our operations. We believe that the Company is considered as one of the preferred employers by aspiring professionals in the gems and jewellery industry in India. Diamond and jewellery manufacturing industry requires highly skilled labour and we have set up a dedicated training center at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing.

Business Strategy

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:

Continue to grow retail operations

In the 12 months period between September 30, 2007 and September 30, 2006, we have added approximately 408 new outlets and three stand-alone stores and have appointed 38 new distributors, in India. In addition, subsequent to the acquisition of Samuels and Rogers, we own and operate 144 retail stores in United States. We intend to further grow our retail operations by leveraging our existing sales and distribution network and developing innovative retail marketing initiatives for diamond and jewellery products. We intend to continue to introduce retail stores in the large Indian cities and United States that offer a wide range of diamond and other jewellery products targeting different customer and price segments. We also intend to continue to increase our brand and product visibility and sales and distribution network through smaller stores and outlets in order to benefit from increased store density with a lower capital outlay. These smaller outlets will better equip us to offer jewellery aimed at the customer demography of the specific outlet. We intend to expand our retail operations in India, the United States and the Far East organically and inorganically.

As part of our strategy to increase our presence in the United States, the largest market for diamond jewellery products, we acquired a 84% equity stake in Samuels in December 2006 and a 100% equity stake in Rogers in November 2007. Subsequent to the acquisitions of Samuels and Rogers, we intend to increase the export of our jewellery products to the United States. We expect

Samuels and Rogers to source a significant portion of their jewellery products for sales from the Company, which will be then sold through their stores.

Expand market penetration for branded jewellery

We intend to continue to expand our existing range of product offerings to cater to different customer and price segments. We will seek to continue to work closely with suppliers, distributors and customers and to participate in jewellery fairs, trade shows and other industry forums to introduce new designs. We intend to further develop existing branded jewellery lines in India and internationally by capitalising on our experience in developing the branded jewellery market and the goodwill associated with our established branded jewellery lines such as "Nakshatra", "Sangini", "Gili", "Asmi" and "D'Damas". We seek to capitalise on the shift of consumer preferences in India from traditional unbranded gold jewellery to branded diamond studded jewellery retailing.

We intend to undertake targeted marketing initiatives, promotional campaigns and participation in host store marketing programmes. We also intend to pursue initiatives to enhance the value of our brands internationally and to introduce global brands in the Indian market. In the United States, we intend to continue to promote brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds", "24 Karat Card", "Rogers Jewelers" and "Andrews Jewelers". In July 2007, we launched the first ever Jewellery Credit Card in India in association with ICICI Bank. The ICICI Bank-Gitanjali credit card provides a host of features, benefits and rewards and is targeted to further enhance retail branded jewellery sales for our business. The ICICI Bank-Gitanjali credit card allows cardholders to avail of benefits across 0.2 million merchants in India and more than 22 million merchants overseas.

Increase market share in India and other international markets

We intend to leverage our significant diamond processing and jewellery design and manufacturing capabilities, our ability to provide a wide range of branded and unbranded diamond and jewellery products and our retail and distribution capacities to increase market share in the Indian and international diamonds and jewellery business. We also intend to draw on our experience and success in India to grow our business in consumer markets of the United States, China, Europe and the United Arab Emirates. We intend to leverage our international relationships, export network and experience in successfully retailing branded jewellery in India to further develop our international markets and increase our revenues by directly retailing jewellery products to the ultimate consumer. Subsequent to the acquisitions of Samuels and Rogers, we intend to use their brands and retail network to increase market share in United States through organic and inorganic routes.

Increase jewellery manufacturing capacities and develop infrastructure

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing. Our well-developed manufacturing and design capabilities and focus on quality control enable the production of quality certified diamonds and jewellery. Our scale of operations and presence in India provides us a significant competitive and cost advantage and we expect that it would support our retail expansion plans.

We intend to develop other infrastructure projects to cater to the export production needs of domestic and international gem and jewellery manufacturers. The Indian government is encouraging the development of industry specific SEZs and providing tax and other benefits to producers who locate their operations within these zones. We are committed to the development of gems and jewellery and multi-product and multi-service SEZ projects in India. Our SEZ projects

will primarily focus on gems and jewellery manufacturing and we intend to partner with reputed real estate developers for development of SEZ infrastructure.

Explore growth opportunities in new sectors focusing on jewellery and lifestyle products

We seek to take advantage of the increasing demand for lifestyle and luxury goods in India and our understanding of the consumer behaviour for these products. In addition to branded jewellery, we are also actively considering entering into the retail of lifestyle products such as watches, silverware and other lifestyle accessories. In this regard, the Company has recently incorporated a 100% owned subsidiary, Gitanjali Lifestyles Limited (“Gitanjali Lifestyles”) with the intent to take advantage of increased spending by Indian retail customers on the high value lifestyle products. Gitanjali Lifestyles will offer lifestyle products such as branded jewellery, watches and other lifestyle accessories.

Pursue strategic acquisitions and alliances

Our acquisition strategy is focused on strengthening our integrated business model and enhancing our distribution capabilities globally. We have recently acquired 84% equity stake in Samuels and 100% equity stake in Rogers which provides us with an established marketing and distribution network in the United States. In February 2007, our subsidiary Gitanjali U.S.A Inc. acquired a 70% equity stake in Tri-Star. Tri-Star is a direct customer of BHP Billiton and a licensee of CanadaMark™, a tracking system that records all CanadaMark™ Diamonds in its database. We are actively exploring opportunities to form alliances or to make acquisitions aimed at enabling us to capture more of the jewellery value chain by internationally retailing the jewellery products manufactured by us. We also intend to continue to further develop strategic branding, marketing and distribution initiatives with DTC and with jewellery designing and manufacturing firms internationally.

SUMMARY OF TERMS OF THE OFFERING

The following is a general summary of the terms of the GDRs. This summary is derived from and should be read in conjunction with, the full text of the Terms and Conditions of the Global Depositary Receipts and the Deposit Agreement between the Company and the Depositary relating to the GDRs, which shall prevail to the extent of any inconsistency with the terms set out in this section. Capitalized terms used herein and not otherwise defined have the respective meanings given to such terms in the Terms and Conditions of the Global Depositary Receipts.

The Company Gitanjali Gems Limited, a company incorporated under the laws of the Republic of India as a public limited company.

The Offering An offer of 15,511,892 GDRs at the Offer Price to QIBs within the United States in reliance on Rule 144A of the Securities Act and to other investors outside the United States in reliance on Regulation S under the Securities Act.

Over-Allotment

Option We have granted the Lead Manager an option, exercisable in whole or in part and on one or more occasions at any time on or prior to the date which is 30 days after the Closing Date, to purchase or procure purchasers for up to an additional 3,102,379 GDRs at the Offer Price and on the same terms as the Offering.

The GDRs Each GDR will represent one Share. The GDRs have been created in accordance with the Companies Act. We will issue and deliver one or more share certificates in respect of the Shares underlying the GDRs that are issued ("Deposited Shares") to the Custodian in the name of the Depositary, against which the Depositary will issue and deliver the GDRs. Subject to the restrictions set out in "Transfer Restrictions" and "Terms and Conditions of the Global Depositary Receipts", the Deposited Shares may be withdrawn from the depositary facility at any time after the Closing Date, subject to the receipt of final listing approval from the Indian Stock Exchanges and other conditions. For more information, see "Terms and Conditions of the Global Depositary Receipts", "Description of Shares" and "Transfer Restrictions".

The Shares The equity shares underlying the GDRs are of par value of Rs. 10 each. The rights attaching to the Shares are described under "Description of Shares".

Offer Price The GDRs are being offered at a price of U.S.\$9.67 per GDR.

Closing Date On or around December 14, 2007.

Shares issued and outstanding

immediately before and after the Offering.....

We had 61,756,556 Shares issued and outstanding immediately before the Offering. Following the Offering, we will have 77,268,448 Shares (a dilution of 20.1%) issued and outstanding (or 80,370,827 Shares (a dilution of 23.2%) if the Option is exercised in full).

Use of Proceeds The aggregate net proceeds of the Offering will total approximately U.S.\$175.50 million, after deducting the fees, commissions and Offering expenses. Subject to compliance with applicable laws and regulations, we intend to use the net proceeds received from the Offering for expansion of our new and existing businesses, including through acquisitions, investment in our subsidiaries, both in India and

abroad and general corporate and working capital purposes. See "Use of Proceeds".

Sale and withdrawal of Shares

GDR holders may not surrender their GDRs to the Depositary for the purpose of withdrawing the Deposited Shares until the Company has confirmed the receipt of final listing approval from at least one of the Indian Stock Exchanges. The Company expects to receive the confirmation from the Indian Stock Exchanges of the listing of the Shares underlying the GDRs approximately 45 days after closing of the Offering or approximately 45 days after the closing of the Option for any GDRs that are sold as part of an exercise of the Option.

Voting Rights and Restrictions

Holders of GDRs will have no voting rights with respect to the Deposited Shares. The Depositary will not exercise any voting rights in respect of the Deposited Shares unless it is required to do so by law. If so required, the Depositary will, at the direction of the Board of Directors (subject to the advice of legal counsel taken by the Depositary and the Company at the expense of the Company), either vote as directed by the Board of Directors of the Company or give a proxy or power of attorney to vote the Deposited Shares in favour of a Director of the Company or other person or vote in same manner as those shareholders designated by the Board of Directors of the Company. A valid corporate decision of the Company will bind the Depositary and the Holders notwithstanding these restrictions on voting rights.

Shares which have been withdrawn from the deposit facility and transferred on the Company's register of members to a person other than the Depositary, or its nominee, may be voted as determined by the holders. However, Holders of GDRs may not receive sufficient advance notice of shareholders meetings to enable them to withdraw the Shares and vote at such meetings.

Dividends

Holders of GDRs will be entitled, subject to the provisions of the Deposit Agreement, to receive dividends paid, if any, in respect of fiscal 2008 and subsequent years in accordance with applicable laws. The owner of each GDR will receive from the Depositary an amount equal to the net after tax amount of the dividend per Share which the Depositary receives from the Company less any fees, costs and expenses payable under the Deposit Agreement. See "Terms and Conditions of the Global Depositary Receipts — Cash Distributions".

Lock-Up

The Company and Mr. Mehul C. Choksi, Ms. Priti M. Choksi, Ms. Guniyal C. Choksi, Partha Gems Private Limited, Priyanka Gems Private Limited, Rohan Diamonds Private Limited, Mozart Investments Private Limited and Digico Holdings Limited ("Principal Shareholders"), have agreed that during the period commencing on the date of pricing of the Offering and ending 180 days after the Closing Date, the Company and the Principal Shareholders will not, without the prior written consent of the Managers (i) directly or indirectly, issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Shares or any securities convertible into or exercisable or exchangeable for Shares, or (ii) enter into any swap or any other agreement or any

transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Shares or any securities convertible into or exercisable or exchangeable for Shares, or (iii) publicly announce any intention to enter into such swap or transaction described in sub-clause (i) or (ii) above, whether any such swap or transaction described in sub-clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, provided that no prior written consent of the Managers shall be required in case of issuance of Shares by the Company for conversion of bonds, issued on November 24, 2006, into Shares.

Listing and Market for GDRs

Application for admission to the official list of the United Kingdom Listing Authority and to trading on the PSM of up to 26,000,000 GDRs (consisting of 15,511,892 GDRs pursuant to the Offering, up to 3,102,397 GDRs pursuant to the Option and up to 7,385,729 additional GDRs to be issued from time to time) has been made. It is anticipated that such admission will become effective on December 17, 2007, subject only to the issue of the Master GDRs. In-principle approvals to list the Shares underlying the GDRs have been received from the BSE and the NSE on November 16, 2007 and November 15, 2007, respectively. Final applications for listing the Shares underlying the GDRs will be made upon issuance of the underlying Shares after the Closing Date. It is anticipated that the Shares underlying the GDRs will be eligible for trading on the BSE and the NSE within approximately 45 days from the Closing Date. Approval has been obtained to have the Rule 144A GDRs designated to be eligible for trading on the PORTAL™ Market, a subsidiary of The NASDAQ Stock Market, Inc.

Taxation

For a discussion of certain tax considerations relevant to an investment in the GDRs, see "Taxation".

Depository for the GDRs

Deutsche Bank Trust Company Americas

Custodian for the GDRs

Deutsche Bank AG, Mumbai Branch

Trading Symbol

GITG

Identification Numbers

RULE 144A GDRs:
 CUSIP NUMBER : 376 364 105
 ISIN NUMBER : US3763641053
 COMMON CODE : 033316429

 REGULATION S GDRs:
 CUSIP NUMBER : 376 364 204
 ISIN NUMBER : US3763642044
 COMMON CODE : 033316186

Governing Law

The Deposit Agreement and the GDRs will be governed by English Law. The rights and obligations attached to the Deposited Shares will be governed by Indian law.

RISK FACTORS

This Offering Circular contains certain forward-looking statements that involve risks and uncertainties. The risks described below and any additional risks and uncertainties not presently known to us could adversely affect our business, financial condition, liquidity or results of operations. As a result, the trading price of the GDRs or the Shares could decline and investors may lose part or all of their investment. Prospective investors should carefully consider the following risk factors, which comprise all material risk factors, as well as other information included in this Offering Circular prior to making any decision as to whether or not to invest in the GDRs. Prospective investors should also pay particular attention to the fact that we are an Indian company and are subject to a legal and regulatory environment which may differ from that of other countries.

Risks Related to the Company's Business

A decrease in the availability or an increase in the price of diamonds may make it difficult to procure diamonds at competitive prices.

The supply and price of rough 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 ("DTC"), the rough diamond marketing arm of the De Beers group. We source significant portion of our supply of rough diamonds through our promoter group company, Digico Holdings Limited ("Digico"), which enjoys "sightholder" status with DTC. Any decisions made to restrict the supply of rough diamonds by DTC could affect our ability to procure diamonds at competitive 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. Our failure to secure diamonds at reasonable commercial prices and in sufficient quantities would lower our revenues and adversely impact results of operations. In addition, increases in the price of diamonds may adversely affect consumer demand, which could cause a decline in sales.

The Company is dependent on continuing relationships with our customers.

Our business is dependent on certain customers, including wholesalers, distributors and retail jewelers. Our top 10 customers provided approximately 37.61% and 34.68% of sales of products in fiscal 2007 and the six months ended September 30, 2007, respectively. Furthermore, customers purchase diamonds and diamond jewellery under specific purchase orders and we do not have any long-term contracts with customers. Our business and results of operations would be adversely affected if we were unable to maintain or further develop our relationship with significant customers.

Failure to establish brands could prevent us from acquiring additional customers and increasing sales.

A significant component of our business strategy is the continued establishment and promotion of existing brands. Due to the competitive nature of the diamonds and jewellery industry, if we do not continue to sustain and further develop our brands and branded product lines, we may fail to increase our sales. To promote brands and branded products, we have incurred and will continue to incur substantial expenses related to advertising and other marketing efforts as well as in relation to distribution channels and retail outlets.

In future, we may introduce a new product category that is not accepted by consumers or fails to successfully integrate product offerings from subsidiaries, joint ventures and associate companies, which could adversely affect our goodwill, sales and result of operations.

We face intense competition in our principal markets.

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, we must continuously strive to reduce procurement, production and distribution costs and improve operating efficiencies. If we fail to do so, other producers of diamonds and jewellery may be able to sell their products at lower prices, which would have an adverse affect on our market share and results of operations.

Our 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 Indian Government could bring new competition to the Indian market. There can be no assurance that we can continue to effectively compete with such competitors in the future, and our failure to be competitive may have an adverse effect on our business, financial condition and results of operations.

We may be unable to implement our expansion strategy or successfully manage our retail operations.

In the 12 month period between September 30, 2007 and September 30, 2006, we have added approximately 408 new outlets and three stand-alone stores and have appointed 38 new distributors, in India. In addition, subsequent to the acquisitions of Samuels and Rogers, we own and operate 144 retail stores in United States. We are actively considering entering into the retail of lifestyle products such as branded jewellery, watches and other lifestyle accessories. We are also developing SEZ projects in India.

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 business plans or if completed we will be able to achieve our targeted return on investment on these projects.

Integration of overseas operations subsequent to the acquisitions of Samuels, Rogers and Tri-Star in the United States, into our existing operations may consume a considerable amount of management and financial resources. There may be unforeseen operating difficulties and expenditures associated with integration, which may also require significant management attention. Any failure to integrate or successfully manage our overseas operations could adversely affect our business, financial condition and results of operations.

Our plans to develop SEZs are subject to a number of contingencies and may not be successful.

As part of our business strategy, we intend to develop SEZ projects in India. We have received central government notification to set up an SEZ in Hyderabad, Andhra Pradesh and formal approval to set up an SEZ in Raigad, Maharashtra. In addition, we have also received in-principle approvals from central and/or state governments for setting up four SEZ projects in Nanded, Nashik, Aurangabad and Nagpur in Maharashtra. Our SEZ projects will primarily focus on gems and jewellery manufacturing and we intend to partner with reputed real estate developers for development of SEZ infrastructure.

Our success in the development of SEZs would depend upon our ability to partner with a developer and the ability of developer to execute the project. We are yet to obtain notification

from central government to start development of five of our SEZ projects. We may face substantial delays in receiving the required approvals or these approvals may not be granted on terms favourable to us or at all.

Our success also depends on our ability to attract other manufacturing units that conduct business within the SEZs as well as the continued availability of fiscal incentives under the SEZ regime. Since the SEZ regulations have been in force for only a relatively short time, they may not be interpreted in a consistent manner and there may be instances of divergent opinion among local, regional and national authorities as to their application. The uncertainty of application and the evolution of SEZ laws and the possibility of withdrawal of the applicable benefits and concessions create a risk for our current and planned investment in SEZ developments.

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

We have grown our business organically and inorganically. The Company acquired businesses of Samuels, Rogers and Tri-Star in the United States. We may undertake strategic acquisitions of or investments in other diamond or jewellery manufacturing companies or retail companies, which we believe will enhance our business operations. It is possible that a suitable acquisition or investment opportunity may not be identified, or that if a suitable opportunity is identified, such transactions may not be completed on terms commercially acceptable to us or at all.

In addition, any future acquisitions may result in the 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 amortisation of goodwill and other intangible assets or other charges to operations, any of which could have an adverse effect on our business, financial condition or results of operations.

Our sales are seasonal with higher sales during the peak season, which is from October to March and also includes the wedding season in India.

Our business exhibits seasonality in the third and fourth quarters of our fiscal year (October-March period), which typically covers festivals like Durga Puja, Diwali and Christmas and also the wedding season in India. In our retail business, our fixed costs like lease rentals, employee costs, store operating costs, distribution and logistics costs form a substantial portion of our costs. Since overheads in the retail business are largely fixed, our profits traditionally have been higher during this period. Any substantial decrease in sales for this period could have an adverse effect on our financial condition and results of operations.

If we are unable to accurately manage our inventory, our goodwill and results could suffer.

We maintain physical inventory for substantially all of our diamond and jewellery products. Changes in consumer tastes for these products exposes us to significant inventory risks. The demand for specific products can change between the time of manufacturing a product and the time of shipment of these products from our facilities. 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 goodwill and results of operations. In addition, if our products do not achieve widespread consumer acceptance, we may be required to take significant inventory markdowns, or may not be able to sell the products at all, which would substantially affect our results of operations.

Working capital and expansion requirements may have an adverse effect on our results of operations.

Our business requires a significant amount of working capital to finance the purchase of raw materials in the form of rough diamonds and gold and for maintaining distribution and retail

outlets. Moreover, we may need substantial working capital for expansion of our business. Our working capital requirements are also affected by the significant credit lines that are typically extended to customers in line with industry practice. These factors have resulted, or may result, in increases in the amount of receivables and short-term borrowings. There can be no assurance that we will be successful in arranging adequate working capital for our operations and any failure in doing so may adversely affect our business, financial condition and results of operations.

We may be in violation of the pre-emptive rights of Damas Jewellery LLC (“Damas”) and D’Damas.

Under the terms of a shareholders agreement dated July 14, 2004, relating to our shareholding in D’Damas, any investment opportunity procured by or offered to us in relation to our business in India is required to be first offered to D’Damas, our 51% owned subsidiary, in which Damas owns the remaining 49% shareholding. In the event of rejection of the offer by D’Damas, we are required to offer the investment opportunity to Damas. We are permitted to pursue investment opportunities on our own only when Damas rejects such offer. We have entered into various joint venture agreements and have also invested in various companies related to our business without explicitly offering the opportunity to D’Damas or Damas. Damas has also recently commenced its operations in India and we compete with Damas for retailing of jewellery products. It is possible that either D’Damas or Damas could allege a violation of their pre-emptive rights and institute proceedings in this regard. We could be required to compensate D’Damas and Damas for their lost business opportunities as a result of any such proceedings, however, as of the date of this Offering Circular, neither D’Damas nor Damas have alleged any breach of pre-emptive rights.

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

Our diamond cutting and polishing facilities and jewellery manufacturing facilities are prone to damage or interruption by human error, fire, flood, loss of electricity, terrorist attacks, acts of war, break-ins, earthquake and similar events. Any interruptions in manufacturing operations for a significant period of time could affect our ability to manufacture and deliver products to our customers, harm our goodwill and adversely affect our business and results of operations.

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 to be in accordance with customary industry practices. We also insure against loss or damage suffered during transit of stock and stock in trade except cash and currency notes under certain circumstances. However, the amount of insurance coverage may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses that may be suffered should a risk materialise.

Results of operations could be adversely affected by strikes, work stoppages or increased wage demands by employees.

As of September 30, 2007, the Company had approximately 4,000 employees, including more than 1,535 contract employees, of which more than 2,100 were employed at our manufacturing facilities and nearly 1,200 were employed in retail operations. While current labour relations are considered to be good, there can be no assurance that future disruptions will not be experienced 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 contract employees. All contract employees engaged at our manufacturing facilities are assured minimum wages that are fixed by the appropriate state governments. Any upward revision of wages required by such state governments to be paid to such contract employees, or offers of permanent employment or the

unavailability of the required number of contract employees, may adversely affect our business and results of operations.

The loss of the services of the chairman or other members of our senior management or our inability to attract and retain skilled personnel could adversely affect its business.

We are highly dependent on our senior management, our directors and our other key personnel. Our future performance will depend upon the continued services of these persons and our ability to attract and retain qualified senior and mid-level managers. Mr. Mehul C. Choksi, in particular, is closely involved in the overall strategy, direction and management of our business. The loss of his services or those of 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.

Our Promoter will continue to have considerable influence over the Company's business.

As of the date of this Offering Circular, our Promoter, together with the promoter group, owned 59.80% of our issued Shares. After the completion of this Offering, our Promoter, together with the promoter group, will collectively own approximately 45.95% of our issued Shares, assuming the exercise of the Option in full. Our promoter, together with the promoter group, has the ability to control our business, including matters relating to any sale of all or substantially all of our assets, timing and distribution of dividends, election of our officers and directors and change of control transactions. This control could delay, defer or prevent a change in our control, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer to obtain our control even if it is in our best interest. We are dependent on Digico, a promoter group company, which enjoys a "sightholder" status with DTC for our supply of rough diamonds. The Promoter may have interests that are adverse to the interests of GDR holders.

We may face conflicts of interest in transactions with related parties.

Certain decisions concerning our operations or financial structure may present conflicts of interest among our controlling shareholders, other shareholders, directors, executive officers and the holders of the GDRs and the Shares. We maintain trade accounts receivable and short and long-term payables with some of our affiliates. These accounts receivable and accounts payable balances are due mainly to purchases and sales of goods at prices and on terms equivalent to the average terms and prices of similar transactions that we enter into with third parties. Commercial transactions between us and these affiliates could result in conflicting interests. Our shareholders, directors, and executive officers may have an interest in pursuing transactions that, in their judgment, enhance the value of their equity investment, even though such transactions may involve risks to the holders of the GDRs and the Shares. We cannot assure you that our directors and executive officers will be able to address these conflicts of interests in an impartial manner.

Failure to renew or maintain statutory and regulatory permits and approvals required to operate our business may have a material adverse effect.

Certain statutory and regulatory permits and approvals are required to operate our business. In the future, such permits and approvals will be required to be renewed while new permits and approvals for any proposed operations will need to be obtained. There can be no assurance that the relevant authorities will issue any of such permits or approvals on time or at all. Failure to renew, maintain or obtain required permits or approvals may result in the interruption of our business operations and may have an adverse effect on our business, financial condition and results of operations.

Actions by federal, state or local governments in India and abroad concerning environmental matters could result in laws or regulations that could increase our cost of production or otherwise adversely affect demand for our products. Moreover, there can be no assurance that we will be able to maintain our environmental licenses and permits in order to be able to continue our operations. In particular, a licence issued to the Company by the Maharashtra Pollution Control Board granting us consent under the Water Act, 1974, as amended ("Water Act") and the Air Act, 1981, as amended ("Air Act") for manufacture of diamonds at our manufacturing facility at Borivili has expired. The Company has applied for renewal of this licence, however it is yet to obtain the renewal. In addition, the Company engages contract manufacturers at its facilities, the Company has not obtained a registration under the Contract Labour (Regulation and Abolition) Act, 1970, as amended, for contract employees engaged at certain of its facilities. The Company may therefore, be in violation of certain provisions of such legislations and may be subjected to penal provisions.

Failure to adequately protect trademarks could adversely affect our business and results of operations.

We have registered or have applied for registration of 42 trademarks in India in connection with our brands, including those owned by our subsidiaries or associates. Certain of these trademarks and brand names are currently used in connection with our jewellery business. We also use 22 brand names for various jewellery products without having applied for their registration as trademarks. While we own most of the brands under which we sell branded jewellery lines, we also sell jewellery products under the "Nakshatra" brand that is currently owned by DTC. There can be no assurance that we will be permitted to continue to sell jewellery products under this or any other brands owned by DTC. Our results of operations may be adversely affected in the event we lose the right to use these brands.

We do not own all the premises at which our retail stores are located.

We do not currently own all the premises at which our retail stores in India or overseas are located. We typically enter into a lease and license agreement, which is valid for a period between 12 and 24 months for the use of these premises. In addition, in the United States, we are typically required to remodel the store locations as a condition to the renewal of the lease term. These remodeling requirements can vary between stores and the amount of remodeling work is negotiated at the time of lease renewal. In the event that we are unable to renew our lease on favourable terms, or are required to vacate the premises, we may have to seek new premises at short notice, which may adversely affect our business or increase our operating expenses.

Currency exchange rate fluctuations may have an adverse effect on our results of operations.

We generate a significant portion of our total income in U.S. Dollars and incur a significant portion of our expenses in Rupees. In addition, subsequent to the acquisition of Samuels business in United States, for the six months ended September 30, 2007, approximately 51% of our revenue was derived in U.S. dollars. The exchange rates between the Rupee and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future. To the extent that we are unable to match income received in U.S. Dollars with costs paid in U.S. Dollars, exchange rate fluctuations could adversely affect our business and results of operations.

As of September 30, 2007, the Company had foreign borrowings of approximately U.S.\$116.91 million, including foreign currency convertible bonds of approximately U.S.\$110.00 million. In addition, a significant portion of our rough diamonds and precious metals are purchased in foreign currency. Accordingly, depreciation of the Rupee against the U.S. Dollar may adversely affect our financial condition and results of operations by increasing the rupee cost of servicing and repaying our foreign borrowings and spending.

We are involved in a number of legal proceedings and provisions made by us may not be adequate.

There are various legal proceedings that we are a party to, in our ordinary course of business, which are pending at different levels of adjudication before various courts, tribunals and statutory and regulatory authorities. A significant degree of judgment is required to assess our exposure in these proceedings and determine the appropriate level of provisions, if any. There can be no assurance that the provisions made by us will be adequate to cover all losses that we may incur in such proceedings, or that the actual liability will be as reflected in any provision that has been made in connection with any legal proceeding.

The corporate governance standards which we are required to adhere to may be different than those applicable in certain other jurisdictions, which may limit the information available to, and the shareholder rights of, holders of our GDRs.

The Company is required to comply with the respective Listing Agreements with the NSE and BSE which stipulate corporate governance norms applicable to Indian listed companies. Corporate governance norms applicable to Indian companies may vary significantly from those in certain other jurisdictions, and therefore the Company may not be subject to corporate governance norms and the levels of disclosure that are applicable to listed companies in the investors' respective jurisdictions.

Risks Related to Investments in Indian Companies

A substantial portion of our business and operations are located in India and we are subject to regulatory, economic, social and political uncertainties in India.

We are incorporated in India and a substantial portion of our business and operations are located in India. Consequently, our financial performance and the market price of our GDRs will be affected by changes in exchange rates and controls, interest rates, changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India.

The Government of India has exercised and continues to exercise significant influence over many aspects of the Indian economy. Since 1991, successive Indian governments have pursued policies of economic liberalization, including by significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant and we cannot assure you that such liberalization policies will continue. The present government, formed in May 2004, has announced policies and taken initiatives that support the continued economic liberalization policies that have been pursued by previous governments for more than a decade. A significant change in India's policy of economic liberalization and deregulation could adversely affect business and economic conditions in India generally and our business in particular if new restrictions on the private sector are introduced or if existing restrictions are increased.

Terrorist attacks and other acts of violence involving India or other neighboring countries could adversely affect our operations directly.

Terrorist attacks and other acts of violence or war involving India or other neighboring countries may adversely affect the Indian markets and the worldwide financial markets. The occurrence of any of these events may result in a loss of business confidence, which could potentially lead to economic recession and generally have an adverse effect on our business, results of operations, financial condition and cash flows. In addition, any deterioration in international relations may

result in investor concern regarding regional stability which could adversely affect the price of our equity shares and GDRs.

South Asia has also experienced instances of civil unrest and hostilities among neighboring countries from time to time, especially between India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in the region of Kashmir. There have also been incidents in and near India such as terrorist attacks in Mumbai, Delhi and on the Indian Parliament, troop mobilizations along the Indian border and an aggravated geopolitical situation in the region. Such military activity or terrorist attacks in the future could adversely affect the Indian economy by disrupting communications and making travel more difficult. Resulting political tensions could create a greater perception that investments in Indian companies involve a high degree of risk. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue our operations. Our insurance policies for a substantial part of our business do not cover terrorist attacks or business interruptions from terrorist attacks.

Any downgrading of India’s debt rating by an international rating agency could have an adverse impact on our business.

Any adverse revision to India’s credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our financial performance and our ability to obtain financing for our growth on favourable terms or at all.

Investors may not be able to enforce a judgment of a foreign court against us.

It may not be possible for investors in the GDRs to effect service of process outside of India on us or those of our directors and executive officers, who are residents of India, or to enforce judgments obtained against us or these persons in foreign courts predicated upon the liability provisions of foreign countries. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian law and practice. See “Enforcement of Civil Liabilities”.

There may be less information available regarding Indian securities markets compared to information available regarding securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants in those markets, and that of markets in the United States and other more developed economies. The Securities and Exchange Board of India (the “SEBI”) and the Indian stock exchanges are responsible for setting standards for disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in other more developed economies. As a result, you may have access to less information about our business, results of operations and financial condition compared to companies subject to the reporting requirements of other more developed countries like the United States.

A third party could be prevented from acquiring control of us because of the takeover regulations under Indian law.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of us. These provisions may discourage or prevent a third party from

attempting to take control of the Company, even if a change in control would result in the purchase of your GDRs at a premium to the market price or would otherwise be beneficial to you. For more information, see “Indian Securities Market—Takeover Code”.

Significant differences exist between Indian GAAP and other accounting principles such as IFRS which may be material to investors’ assessments of our financial condition.

Our financial statements included in this Offering Circular are prepared and presented in conformity with Indian GAAP consistently applied for the periods stated in those reports, and no attempt has been made to reconcile any of the information given in this Offering Circular to any other principles or to base it on any other standards. Indian GAAP differs significantly from accounting principles in other countries with which prospective investors may be familiar, such as IFRS. Although a summary of differences between Indian GAAP and IFRS is included, investors should rely upon their own examination of us, the terms of the Offering and the financial information contained in this Offering Circular. See “Summary of Significant Differences between Indian GAAP and IFRS”.

A slowdown in economic growth in India could cause our business to suffer.

Our performance and the quality and growth of our business are necessarily dependent on the health of the overall Indian economy. The Indian economy has grown significantly over the past few years. However, there have been periods of slowdown in economic growth during the 1990s. The Indian economy is also largely driven by the performance of the agriculture sector, which depends on the quality of the monsoon and is difficult to predict. In the past, such economic slowdowns have harmed manufacturing industries and any future slowdown in the Indian economy could adversely affect our business and results of operations.

Indian stock exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees could affect the market price and liquidity of our shares.

The Indian securities markets are smaller than the securities markets in the United States and Europe and have experienced volatility from time to time. The regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the United States and some European countries. Indian stock exchanges have experienced problems, including temporary exchanges closures, broker defaults, settlement delays and strikes by brokerage firm employees, which, if those or similar problems were to continue or recur, could adversely affect the market price and liquidity of the securities of Indian companies, including the Shares, in both domestic and international markets.

If financial instability occurs in other countries, particularly emerging market countries in Asia, our business could be disrupted and the price of our GDRs could go down.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Russia and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investors’ reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our business, our future financial performance and the price of our Shares and GDRs.

Risks related to GDRs and this Offering

There has been no public market for our GDRs prior to this Offering, and the Offering price of the GDRs may not be indicative of the value of the GDRs in the future. We cannot assure you that an active trading market or a specific GDR price will be established, and restrictions on a holder's ability to re-deposit equity shares with the depository could adversely affect the price of our GDRs.

Prior to the Offering, there has been no public trading market for our GDRs. An active trading market for our GDRs may not develop or be sustained after the Offering, which would adversely affect the liquidity and market price of our GDRs. GDR holders are entitled to withdraw the Deposited Shares from the Depository at any time, provided that the Deposited Shares are listed on at least one of the Indian Stock Exchanges. Under current Indian law, Shares so acquired may not be eligible for re-deposit with the Depository unless certain requirements are complied with. Therefore, the number of outstanding GDRs will decrease to the extent that Shares are withdrawn from the Depository, which may adversely affect the market price and the liquidity of the GDRs. The initial public offering price per GDR was determined with reference to the trading price of our Shares on the Indian Stock Exchanges, and may not be indicative of the market price of our GDRs. We cannot assure you that you will be able to resell your GDRs at or above the Offer Price.

GDR holders will bear the risk of fluctuations in the price of the Shares.

The market price of the GDRs is expected to be affected by the fluctuations in the market price of the Shares. Trading prices of the GDRs will be influenced by, among others factors, our financial condition, results of operations and political, economic and financial factors. Any decline in the price of the Shares may have an adverse effect on the market price of the GDRs. Sales of a substantial number of Shares in the public market could adversely affect the prevailing market price of the Shares.

Any future issuance of shares by us or sales of our Shares by any significant shareholders may adversely affect the trading price of the Shares and the GDRs.

Any future issuance of the Shares or sales of our Shares by any significant shareholder, including our promoter, may also adversely affect the trading price of our Shares and GDRs, 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 the Shares and the GDRs.

Investors will not be able to vote their GDRs.

Holders of GDRs will have no voting rights or other direct rights of a shareholder with respect to the Deposited Shares. The Depository will, if it is required to vote by law in respect of the Deposited Shares, vote in accordance with the instructions of the Board of Directors. See "Terms and Conditions of the Global Depository Receipts—Voting Rights". Registered holders may withdraw Deposited Shares from the depository facility and become entitled to vote, and exercise other direct shareholder rights, in accordance with applicable Indian law, with respect to their withdrawn Shares. However, holders of GDRs may not receive sufficient advance notice of shareholders' meetings to enable them to withdraw the Shares and vote at such meetings. The process of withdrawal of Deposited Shares may be subject to delays and investors may not be able to re-deposit the Shares. For a discussion of the legal restrictions triggered by a withdrawal of the Deposited Shares from the depository facility upon surrender of GDRs, see "Restrictions on Foreign Ownership of Indian Securities".

Holders of GDRs may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.

Under the Indian Companies Act, 1956, as amended, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by adopting a special resolution passed by 75% of the shareholders present and voting at a general meeting. Holders of GDRs may be unable to exercise pre-emptive rights for Deposited Shares. In the case of future issuances, the new securities may be issued to the Depository, which may sell the securities for the benefit of the holders of the GDRs. The value the Depository would receive from the sale of such securities cannot be predicted. To the extent that holders of GDRs are unable to exercise pre-emptive rights granted in respect of the Shares represented by their GDRs, their proportional interest in the Company would be diluted.

As the Deposited Shares are quoted in Rupees in India, investors may be subject to potential losses arising out of exchange rate risk on the Rupee and risks associated with the conversion of Rupee proceeds into foreign currency.

Investors that purchase GDRs are required to pay for the GDRs in U.S. dollars. Investors may be subject to currency fluctuation risk and convertibility risk since the Shares are quoted in Rupees on the Indian Stock Exchanges on which they are listed. Dividends on the Shares will also be paid in Rupees, and then converted into U.S. dollars for distribution to GDR investors. Holders of Rupees in India may also generally not purchase foreign currency without general or special approval from the RBI. However, dividends received by the Depository in Rupees and Rupee proceeds arising from the sale of shares on an Indian stock exchange, which have been withdrawn from the depository facility may be converted into U.S. dollars at the market rate.

Past dividend ratios should not be construed as they are reflections of future performance.

The payment of dividends is subject to a series of business and legal factors, such as our earning levels and contractual restrictions regarding dividend payments, making it difficult to determine future pay-out ratios. Accordingly, there can be no assurance that past dividend pay-out ratios will necessarily be maintained, or that we will pay dividends in the future.

As a result of Government regulations relating to foreign ownership, the price of the GDRs could decline.

Transfer of ownership of Indian securities by or to persons resident outside India is regulated and is partially restricted. Any sale of Shares by or to persons resident outside India is required to be at a price based on norms stipulated by the RBI failing which the sale may require Indian regulatory approvals. GDRs issued by companies in certain emerging markets, including India, may trade at a discount to the underlying Shares, in part because of the restrictions on transfer of Indian securities by or to persons resident outside India and in part because GDRs are sometimes perceived to offer less liquidity than Shares which can be traded freely in local markets by both local and international investors. See "Restrictions on Foreign Ownership of Indian Securities".

Indian law imposes foreign investment restrictions that limit a holder's ability to convert Shares into GDRs.

Under existing regulations in India, conversion of our Shares into GDRs will only be allowed in limited circumstances subject to compliance of conditions stipulated by the RBI, including that (i) the Shares are purchased by a registered stockbroker on a recognized stock exchange in India in

the name of the Depository, on behalf of the non-resident investor who wishes to convert such Shares into GDRs, (ii) the Shares are purchased with the permission of the Custodian and are deposited with the Custodian, and (iii) the number of Shares so purchased and sought to be converted into GDRs do not exceed the GDRs converted into underlying Shares. For more information, see "Restriction on Foreign Ownership of Indian Securities."

There is no guarantee that the Deposited Shares will be listed on the Indian Stock Exchanges.

Permission for listing of the Deposited Shares will not, in accordance with Indian law and practice, be granted until after those Shares and the GDRs representing them have been issued and allotted. There is no guarantee that such Shares will be admitted to listing on the Indian Stock Exchanges. There could also be a delay in the listing of the Shares on the Indian Stock Exchanges. Deposited Shares may be withdrawn by holders of the GDRs only after the listing of the underlying Shares on at least one of the Indian Stock Exchanges. Any failure or delay in obtaining such approval would restrict the ability of GDR holders to withdraw the Deposited Shares from the depository facility and trade them, which could adversely affect the liquidity of such GDRs.

MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE SHARES

The Shares have been listed on the BSE and the NSE since March 10, 2006. As of the date of this Offering Circular, 61,756,556 Shares of the Company were issued and paid up. The prices for Shares as quoted in the official list of each of the Indian Stock Exchanges are in Rupees.

The following table shows:

- the reported high and low trading prices quoted in Rupees for our Shares traded on the BSE and the NSE; and
- the average of the aggregate trading volume of our Shares on the BSE and the NSE.

	BSE			NSE		
	Closing price of shares		Average daily share trading volume of shares	Closing price of shares		Average daily share trading volume of shares
	High	Low		High	Low	
Monthly prices:	Rs.	Rs.		Rs.	Rs.	
April 2007	216.25	185.65	432,673	217.05	186.20	474,301
May 2007	205.85	189.45	226,727	205.85	189.35	290,685
June 2007	207.35	182.00	332,116	207.55	181.80	277,677
July 2007	270.75	191.75	919,200	271.20	192.40	1,026,293
August 2007	294.90	252.30	565,438	294.50	252.25	575,370
September 2007	319.10	284.65	468,172	320.30	284.70	487,039
October 2007	423.75	327.65	368,657	423.60	327.00	419,666
November 2007	434.20	329.45	622,999	433.85	329.80	721,796
December 2007 (through Dec. 10, 2007)	464.70	422.40	903,559	465.25	422.85	1,468,352
Year ended March 31, 2007						
First quarter	223.00	113.45	1,036,498	223.55	114.20	1,081,354
Second quarter	214.30	111.15	555,595	214.15	110.40	571,988
Third quarter	244.35	189.15	810,971	245.55	189.85	859,205
Fourth quarter	250.55	180.20	546,831	250.95	179.65	545,422
Year ended March 31, 2006						
Fourth quarter	176.40	151.50	1,799,387	175.55	151.80	2,397,309

Source: www.bseindia.com and www.nseindia.com

There is no public market outside India for our Shares. We have U.S.\$110 million foreign currency convertible bonds (the "Bonds") listed with the Official List of the Singapore Exchange Securities Trading Limited. The Bonds are convertible at the option of the bondholder into Shares at an initial conversion price of Rs. 275 per Share between December 24, 2006 and November 25, 2011. The Bonds are also redeemable at the Company's option between November 25, 2009 and November 25, 2011, subject to certain conditions of the Bonds. As of the date of this Offering Circular, the Company has issued 1,204,011 Shares pursuant to the receipt of conversion notices from its bondholders. In case all outstanding Bonds are converted into Shares, the Company will be required to issue an additional 16,741,989 Shares.

We have received in-principle approvals for the listing of the Shares underlying the GDRs on the BSE and the NSE, and will apply for final approval after the Closing Date to have the Shares listed on the BSE and the NSE. It is expected that these underlying Shares will be listed within approximately 45 days of the Closing Date.

On December 10, 2007 the closing price of the Shares on the BSE and the NSE were Rs. 422.40 and Rs. 422.85 per Share, respectively.

The BSE and the NSE have experienced significant fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. For more information, see “Indian Securities Market—Listing”.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Shares on the Indian Stock Exchanges and, as a result, will affect the market price of the GDRs. These fluctuations will also affect the conversion into U.S. dollars by the Depository of any cash dividends paid in Rupees on the Shares represented by GDRs.

The following table sets forth, for the periods indicated, information concerning the exchange rates between Rupees and U.S. dollars based on the noon buying rate in New York City for cable transfers in Rupees as certified by the Federal Reserve Bank of New York on September 28, 2007 which was Rs. 39.750 = U.S.\$1.00.

Period (Rupees per U.S. dollar)	Period end	Average	High	Low
Year ended March 31, 2007	43.10	45.12	46.83	42.78
Year ended March 31, 2006	44.48	44.17	46.26	43.05
Year ended March 31, 2005	43.62	44.86	46.45	43.27
April 2007	41.04	42.02	43.05	40.56
May 2007	40.36	40.57	41.04	40.14
June 2007	40.58	40.59	40.90	40.27
July 2007	40.18	40.27	40.42	40.12
August 2007	40.63	40.68	41.15	40.25
September 2007	39.75	40.15	40.81	39.50
October 2007	39.26	39.36	39.72	38.48
November 2007	39.52	39.33	39.68	39.11
December 2007 (through Dec. 10, 2007)	39.30	39.33	39.39	39.22

Source: Federal Reserve Bank of New York website

(1) Average for the year or quarter was determined as an average of daily end buying rates during the respective period.

(2) Exchange rates considered are the noon buying rates.

We publish our financial statements in Rupees. This Offering Circular contains translations of Rupees amounts into U.S. dollars at specific rates solely for the convenience of the reader. For convenience only and unless otherwise noted, all translations from Rupees to U.S. dollars and from U.S. dollars to Rupees in this Offering Circular were made at a rate of Rs. 39.750 to U.S.\$1.00. No representation is made that the Rupee or U.S. dollar amounts referred to in the Offering Circular could have been or could be converted into U.S. dollars or Rupees, as the case may be, at any particular rate or at all.

USE OF PROCEEDS

We estimate that the net proceeds of the Offering (after the deduction of fees, commissions and Offering expenses totalling approximately U.S.\$4.5 million) are expected to be approximately U.S.\$175.50 million and will be used for:

- expansion of our new and existing businesses, including through acquisitions;
- investment in our subsidiaries, both in India and abroad; and
- general corporate and working capital purposes.

As of the date of this Offering Circular, we have not entered into any binding letter of intent or definitive agreement or termsheets commitment for any acquisition, strategic alliance or investment. Pending the use of proceeds as described above, we may temporarily invest the net proceeds of this Offering in accordance with applicable law and regulations.

DIVIDENDS AND DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon the recommendation of its board of directors and on approval by a majority of the shareholders who can decrease, but not increase, the dividend amount recommended by the company's board of directors. Under the Companies Act, dividends may be paid out of profits or reserves of the company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous accounting years.

Dividends are payable within 30 days of approval by shareholders at annual general meeting which is held not later than six months from the close of the accounting year (or as extended for up to another three months by permission of the Government authorities). The dividend so declared is required to be deposited in a separate account within five days of the date of declaration of the dividend, and the amount so deposited may only be used for the payment of the dividend. The Shares represented by the GDRs will rank pari passu with other Shares in respect of dividends, and so will be entitled to a payment in respect of any dividend declared on the Shares in respect of the financial period in which the GDRs are issued and allotted.

Our management does not have a stated dividend policy and determines the amount of dividends to be recommended for approval by the shareholders on a year-by-year basis with reference to our earnings, cash flow, financial condition and other factors prevailing at the time. The following table sets forth, for the periods indicated, the aggregate dividends paid by the Company:

Year ended March 31,	Dividends paid (including dividend tax) (Rs. in millions)	Dividend per Share (in rupees)
2005	Nil	Nil
2006	67.27	1.00
2007	106.27	1.50

Certain of our financing agreements stipulate conditions with respect to the payment of dividends by the Company. Under certain of these agreements, we are also required to obtain the consent of our lenders to pay any dividends, so long as we are in default to meet our obligations to pay the interest and/or commission and/or installments and/or other monies payable to the said lenders.

Although the Company has declared dividends in fiscal 2007 and 2006, there is no guarantee that any future dividends will be declared or paid or that the amount thereof will not be decreased. Holders of GDRs will be entitled to receive dividends paid on Shares represented by such GDRs. Cash dividends on Shares represented by GDRs will be paid to the Depositary in Rupees and, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts", will be converted by the Depositary into U.S. dollars and distributed, net of depositary fees, taxes, if any, and expenses, to the holders of such GDRs.

For more information on dividends, see "Description of Shares".

CAPITALISATION

The following table sets forth our capitalisation as of September 30, 2007, on an actual basis and on adjusted basis after giving effect to the issuance of the GDRs and after deducting discounts, commissions and estimated expenses of the Offering, and further assuming no exercise by the Lead Manager of the Option and no other change to the number of GDRs sold. The following information should be read in conjunction with our consolidated financial statements and notes thereto prepared in accordance with Indian GAAP and included elsewhere in this Offering Circular. The amounts expressed in U.S. dollars do not form a part of any of our financial statements and are provided solely for the convenience of the reader.

	As of September 30, 2007			
	Actual		As adjusted	
	Rs.	U.S.\$ ⁽¹⁾	Rs.	U.S.\$ ⁽¹⁾
	(in millions)			
Indebtedness:				
Secured	9,269.82	233.20	9,269.82	233.20
Unsecured	4,963.69	124.87	4,963.69	124.87
Total indebtedness	14,233.51	358.07	14,233.51	358.07
Shareholders' funds				
Share capital ⁽²⁾	605.53	15.23	791.67	19.92
Share premium	3,787.46	95.28	10,674.74	268.55
Reserves and surplus	4,998.74	125.75	4,998.74	125.75
Total shareholders' funds	9,391.73	236.26	16,465.15	414.22
Total capitalisation	23,625.24	594.33	30,698.66	772.29

(1) The exchange rate is based on the noon buying rate in New York City for cable transfers in Rupees as certified by the Federal Reserve Bank of New York on September 28, 2007, which was Rs. 39.750 = U.S.\$1.00.

(2) As of the date of this Offering Circular, 61,756,556 Shares of the Company were issued and paid up. In addition, the Company has U.S.\$110 million Bonds listed with the Official List of the Singapore Exchange Securities Trading Limited. As of the date of this Offering Circular, the Company has issued 1,204,011 Shares pursuant to the receipt of conversion notice from the bondholders. In case all outstanding Bonds are converted into Shares, the Company will be required to issue an additional 16,741,989 Shares.

Other than the matters referred to in this Offering Circular, there has been no material change in our capitalisation since September 30, 2007. Pursuant to a shareholders' resolution dated November 3, 2007, certain of our Principal Shareholders will be allotted an aggregate of 10,000,000 share warrants. For details, see "Principal Shareholders". These share warrants will be issued at the conversion price of Rs. 312 per Share, in accordance the applicable law and regulations. These share warrants will be convertible into Shares at the option of the warrant holder within a period of 18 months from the date of allotment.

SELECTED FINANCIAL INFORMATION

The following financial information has been extracted from our audited consolidated financial statements as of and for the years ended March 31, 2007, 2006 and 2005 and notes thereto and our unaudited consolidated financial statements as of and for the six months ended September 30, 2007 and 2006, prepared in accordance with Indian GAAP and appearing elsewhere in this Offering Circular. The consolidated financial statements prepared in accordance with Indian GAAP as of and for the years ended March 31, 2007, 2006 and 2005 were audited by Ford, Rhodes, Parks & Co., our statutory auditors, and each of their audit reports in relation thereto are included elsewhere in this Offering Circular.

Profit & Loss Account

	For the six months ended September 30,				For the year ended March 31,			
	2007		2006		2007		2006	2005
	(Rs. in millions)	(U.S.\$ in millions)	(Rs. in millions)	(Rs. in millions)	(U.S.\$ in millions)	(Rs. in millions)	(Rs. in millions)	
Income:								
Sales (net)	20,920.52	526.30	14,111.88	34,674.44	872.31	24,033.21	13,711.56	
Other income	65.15	1.64	5.74	40.83	1.03	13.98	20.20	
Total income	20,985.67	527.94	14,117.62	34,715.27	873.34	24,047.19	13,731.76	
Expenditure:								
Cost of trading goods/ materials consumed ...	18,505.35	465.54	12,985.10	31,706.09	797.64	22,522.13	13,316.45	
Operating expenses	1,234.55	31.06	357.40	1,289.82	32.45	457.44	139.48	
Interest	265.02	6.67	182.53	496.41	12.49	409.37	130.73	
Depreciation and amortization	74.67	1.88	16.93	70.37	1.77	26.92	4.30	
Total expenditure	20,079.59	505.15	13,541.96	33,562.69	844.35	23,415.86	13,590.96	
Profit before tax	906.08	22.79	575.66	1,152.58	28.99	631.33	140.80	
Provision for tax	109.50	2.75	77.24	143.43	3.61	91.84	53.19	
Profit after tax (before adjustment for consolidation)	796.58	20.04	498.42	1,009.15	25.38	539.49	87.61	
minority interest	(38.11)	(0.96)	(29.68)	(97.87)	(2.46)	(31.53)	–	
share of profit from associate companies ..	10.20	0.26	1.87	6.23	0.16	6.48	13.92	
Profit after tax (after adjustment for consolidation)	768.67	19.34	470.61	917.51	23.08	514.44	101.53	

Balance Sheet

	As at September 30,			As at March 31,			
	2007		2006	2007		2006	2005
	(Rs. in millions)	(U.S.\$ in millions)	(Rs. in millions)	(Rs. in millions)	(U.S.\$ in millions)	(Rs. in millions)	(Rs. in millions)
Sources of funds							
Share capital	605.53	15.23	589.98	589.98	14.84	589.98	300.10
Share suspense	–	–	–	450.67	11.34	–	–
Reserves & surplus	8,786.20	221.04	7,556.07	7,686.23	193.36	7,103.03	2,225.43
Shareholders' funds	9,391.73	236.27	8,146.05	8,726.88	219.54	7,693.01	2,525.53
Minority interest	1,102.33	27.73	714.77	941.33	23.68	619.83	–
Secured loans	9,269.82	233.20	7,744.46	9,567.22	240.68	6,810.36	3,138.08
Unsecured loans	4,963.69	124.87	263.87	5,021.51	126.33	158.62	–
Loan funds	14,233.51	358.07	8,008.33	14,588.73	367.01	6,968.98	3,138.08
Deferred tax liability (net)	–	–	–	0.07	0.00	–	–
Total	24,727.57	622.07	16,869.15	24,257.01	610.23	15,281.82	5,663.61
Application of funds							
Gross block	1,379.91	34.71	489.40	1,162.30	29.24	354.83	142.82
Less: depreciation	306.43	7.71	185.40	231.76	5.83	131.30	47.04
Net block	1,073.48	27.00	304.00	930.54	23.41	223.53	95.78
Capital work-in-progress	179.95	4.53	15.60	275.06	6.92	5.19	0.95
Fixed assets	1,253.43	31.53	319.60	1,205.60	30.33	228.72	96.73
Advances on capital account	217.12	5.46	77.45	147.28	3.71	114.95	–
Expenditure during construction period, pending allocation ..	28.46	0.72	–	14.37	0.36	–	–
Goodwill on consolidation	402.71	10.13	166.14	402.71	10.13	–	–
Investments	155.07	3.90	19.11	229.13	5.76	101.19	58.77
Deferred tax asset	0.13	0.00	4.47	–	–	1.78	(0.51)
Inventories	7,953.06	200.08	5,532.90	7,797.18	196.16	2,629.17	923.06
Sundry debtors	19,423.18	488.63	13,863.52	15,184.95	382.01	12,372.00	6,170.17
Cash & bank balances ..	6,667.10	167.73	2,726.83	6,174.54	155.33	4,112.80	262.03
Loans & advances	3,864.50	97.22	1,512.53	2,687.41	67.60	1,298.65	339.51
Current assets, loans and advances	37,907.84	953.66	23,635.78	31,844.08	801.10	20,412.62	7,694.77
Less: current liabilities and provisions							
Current liabilities	14,936.29	375.76	6,900.11	9,312.75	234.28	5,220.60	2,088.65
Provisions	515.53	12.97	453.88	518.75	13.05	357.80	97.50
	15,451.82	388.73	7,353.99	9,831.50	247.33	5,578.40	2,186.15
Net current assets	22,456.02	564.93	16,281.79	22,012.58	553.77	14,834.22	5,508.62
Miscellaneous expenditure (to the extent not written off or adjusted)	214.63	5.40	0.59	245.34	6.17	0.96	–
Total	24,727.57	622.07	16,869.15	24,257.01	610.23	15,281.82	5,663.61

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements as of and for the fiscal years ended March 31, 2007, 2006 and 2005 and notes thereto and our unaudited consolidated financial statements as of and for the six months ended September 30, 2007 and 2006, prepared in accordance with Indian GAAP and appearing elsewhere in this Offering Circular. Indian GAAP differs in certain significant respects from IFRS. For a narrative description of the principal differences between Indian GAAP and IFRS relevant to us, see "Summary of Significant Differences Between Indian GAAP and IFRS".

This discussion contains forward-looking statements and reflects our current views with respect to certain future events and our financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this Offering Circular.

Overview

We are one of the largest integrated diamond and jewellery manufacturing and retailing companies in India, having more than four decades of experience in the gems and jewellery industry. Our operations include sourcing of rough diamonds from primary and secondary suppliers in international markets, cutting and polishing of rough diamonds for exports, manufacturing and selling of diamond and other branded and unbranded jewellery.

We export cut and polished diamonds and jewellery products to various international markets including the United States, Belgium, Italy and the Middle East as well as to several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand.

We also sell diamond and other jewellery products in India through our nationwide sales and distribution network that, as of September 30, 2007, consisted of 112 distributors and 1,246 outlets, including outlets in host stores such as department stores, 10 exclusive stores and 28 stores set up through franchisee arrangements. In addition, our subsidiary, Samuels operates 7 exclusive stores and 91 shops in department stores and, our subsidiary, Rogers operates 46 stores, in the United States. In addition, we also sell diamond and other jewellery products to large jewellery stores and department stores. We also have a large customer base spread across India and international markets that includes various jewellery manufacturers, large department store chains, retail stores and wholesalers.

Our "Gili" brand of jewellery, introduced in 1994, was among the first branded jewellery introduced in India. Our brands and sub-brands are aimed at different customer profiles, various markets and price segments and enjoy significant brand equity and market share. According to July 2005 special edition of Solitaire International, a magazine published by Gem & Jewellery Export Promotion Council, Solitaire-TNS survey of India's best known brands featured five brands retailed by us, "Asmi", "Sangini", "Gili", "D'Damas" and "Nakshatra" among the ten best known jewellery brands in India. "Gili" and "Nakshatra" were each selected as a "Superbrand" in 2004 by the Indian Consumer Superbrands Council ("ICSC"), an independent branding arbiter.

The Company acquired a 84% equity stake in Samuels Jewelers, Inc ("Samuels"), one of the largest retail jewellery chains in United States on December 19, 2006. In addition, the Company intends to acquire up to an additional 13% equity stake in Samuels by December 19, 2008, which would increase its aggregate shareholding in Samuels to 97%. The aggregate consideration for the acquisition of Samuels is approximately U.S.\$12.02 million and issuance of approximately 1.55 million equity shares of the Company to the former owners of Samuels. Samuels offers exclusive designer jewellery collection and a large selection of loose and mounted diamonds under a variety of brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds" and "24 Karat Card", which are primarily targeted at the middle and upper middle class

consumers through 98 retail stores across the United States. We expect Samuels to source a significant portion of its jewellery products for sales from the Company, which will be then sold through Samuels' stores.

In February 2007, our wholly-owned subsidiary, Gitanjali U.S.A Inc. acquired a 70% equity stake in Tri-Star Worldwide LLC ("Tri-Star"). Tri-Star is a direct customer of BHP Billiton and a licensee of CanadaMark™, a tracking system that records all CanadaMark™ Diamonds in its database. It is a manufacturer and global distributor of "Canada" brand diamonds and diamond jewellery in various countries, such as Australia, Canada, England, Ireland, Northern Ireland, New Zealand, Scotland, and the United States.

On November 16, 2007, the Company acquired Rogers Limited, Inc. ("Rogers") through the purchase of 100% of the equity interest of Rogers from Jeffrey W. Lazarow, Jody Lazarow, Andrew Lazarow, Jonathan Lazarow, the 2005 Theodore S. Lazarow Irrevocable Trust and Myrna Lazarow Family Trust (the "Lazarows"), for an aggregate purchase price of approximately US\$17.61 million. Rogers operates 46 retail jewellery stores, located primarily in the midwest region of the United States under the names "Rogers Jewelers" and "Andrews Jewelers". The acquisition of Rogers enables us to offer our diamonds and other jewellery products in such stores, providing us with retail presence in new geographies and value chain synergies.

We have modern diamond manufacturing facilities located at Borivili in Mumbai and in Surat, Gujarat. We believe that our diamond cutting and polishing facility at Borivili is one of the largest diamond manufacturing facilities in India. We also have a sophisticated jewellery designing and manufacturing facility for diamond studded jewellery at the Santacruz Electronics Exports Processing Zone ("SEEPZ"), Mumbai producing gold and platinum diamond studded jewellery for exports. In addition, we produce jewellery for our Indian and international retail operations at two other modern jewellery manufacturing facilities in Andheri.

We intend to develop SEZ projects in India. We have received central government notification to set up an SEZ in Hyderabad, Andhra Pradesh and formal approval to set up an SEZ in Raigad, Maharashtra. In addition, we have also received in-principle approvals from central and/or state governments for setting up four SEZ projects in Nanded, Nashik, Aurangabad and Nagpur in Maharashtra. Our SEZ projects will primarily focus on gems and jewellery manufacturing and we intend to partner with reputed real estate developers for development of SEZ infrastructure.

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing.

As of September 30, 2007, the Company had approximately 4,000 employees, and including more than 1,535 contract employees, of which more than 2,100 were employed at our manufacturing facilities and nearly 1,200 were employed in retail operations. In fiscal 2007, our total income was Rs. 34,715.27 million (U.S.\$ 873.34 million) and net profit (after adjustment for consolidation) was Rs. 917.51 million (U.S.\$ 23.08 million). For the six months ended September 30, 2007, our total income was Rs. 20,985.67 million (U.S.\$ 527.94 million) and net profit was Rs. 768.67 million (U.S.\$ 19.34 million).

Key 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. Also, 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.

- *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 results of operations and financial results. In addition, the jewellery industry in general is affected by fluctuations in the prices of precious metals and precious and semi-precious stones. Shortages of these materials or sharp changes in their prices, substantial change in our relationship with DTC or Digico, our promoter group company, which holds "sightholder" status with DTC, could affect our results of operations and financial condition.
- *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 and mass retailers and discounters. 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.
- *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. We are also intending to develop five other SEZs which will primarily focus on gems and jewellery manufacturing and intend to partner with reputed real estate developers for development of SEZ infrastructure. Our expansion plans are subject to various potential problems and uncertainties, including changes in economic conditions, delays in completion, integration of acquired businesses, 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.
- *Success of our brands and branded jewellery line:* 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, Sangini, 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.
- *Fluctuations in Currency Rates:* Changes in currency exchange rates influence our results of operations. Although we prepare and report our consolidated financial statements in Rupees, significant portions of our income and expenditure are denominated in currencies other than rupees, most significantly the U.S. dollar. Almost all of our rough diamonds purchases and our exports are denominated in U.S. dollars. Subsequent to our acquisition of Samuels, our exposure to U.S. dollar has increased substantially.

Significant Accounting Policies

Our consolidated financial statements have been prepared in accordance with Accounting Standard ("AS") 21 for consolidated financial statements, AS 23 for accounting of investments, AS 27 for reporting of interest in joint ventures, each issued by the Institute of Chartered Accountants of India ("ICAI"). The financial statements of our foreign subsidiary, Samuels, used in the consolidation are drawn up to the same reporting date as that of the Company, i.e., March 31. To

the extent possible, the consolidated financial statements of Samuels have been prepared substantially in the same format as adopted by the Company.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries, which are more than 50% owned and controlled by the Company. Investments in associates are accounted for as per the equity method and its share of interest in joint venture on the basis on line-by-line consolidation. All material inter-company accounts and transactions are eliminated on consolidation.

The difference between the cost of investment in the subsidiaries and net assets at the time of acquisition of shares in subsidiaries is recognized in the financial statements as goodwill and grouped with fixed assets or capital reserve and grouped with reserves, as the case may be. In case where loss is in excess of the minority interest in the equity of the subsidiary, it is adjusted against the majority interest.

Minority interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

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 standalone financial statements.

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 and comply with Indian GAAP including the mandatory Accounting Standards issued by the ICAI and the provisions of the Companies Act, 1956. Accounting policies not referred to otherwise are consistent with Indian GAAP.

Use of Estimates: The preparation of consolidated financial statements, in conformity with Indian GAAP, requires estimates and assumptions to be made that impact the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognized in the period in which the results are known and/or materialised.

Fixed Assets and Intangibles

Fixed assets are recorded at cost of acquisition inclusive of freight, duties and taxes and incidental expenses related to the acquisition. Expenditure incurred during the construction period is added to the cost of assets. Capital work-in-progress includes capital advances.

The costs of improvements to leased properties are capitalized and disclosed appropriately.

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 currency credits at the rate of exchange prevailing at the date of the balance sheet and also by gains or losses on foreign exchange rate fluctuation which arise on repayment of foreign currency credits during the year.

Assets taken on lease on or after April 1, 2001 are accounted for as fixed assets in accordance with AS 19 on "Leases", as issued by the ICAI.

Finance lease: Assets taken on finance lease are accounted for as fixed assets at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

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

Impairment of Fixed Assets

An asset is treated as impaired when the carrying amount of assets exceeds its recoverable value in accordance with AS 28. An impairment loss is determined and charged to the respective profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

Depreciation and Amortization of Fixed Assets

Depreciation is charged on the fixed assets under the written down value method in accordance with the provisions of Schedule XIV to the Companies Act, 1956. The expenditure incurred on improvement of assets acquired on lease is written off evenly over the balance period of the lease. However, in respect of fixed assets of our foreign subsidiary, Samuels, the depreciation method and rates followed by such subsidiary are different from those followed by the Company. In case of Samuels, depreciation is computed under the straight line method over the estimated useful lives of assets.

Leasehold land is amortised over the period of lease.

Goodwill

Goodwill arises out of consolidation of subsidiaries and joint ventures with group companies, being the excess of value of investments over proportionate stake in net assets of subsidiaries or joint venture entities in terms of book value which are indicated in the consolidated balance sheet. In the case of a foreign subsidiary, goodwill and other intangible assets are originally recorded at their fair values at the date of acquisition. Goodwill is not amortised but subjected to periodic impairment testing where applicable. Goodwill of business combinations working out to negative is deducted proportionately from the fixed assets of the acquired entity.

Deferred Revenue Expenditure

Expenditure incurred on advertisement and brand promotion up to March 31, 2004 has been amortised over a period of three years.

Investments

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

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

Borrowing Costs

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

Foreign Currency Transactions

Transactions in foreign currency are recorded at the rate prevailing on the date of such 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 or 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/prevaling rate of exchange at the date of balance sheet and the resultant gains or losses are adjusted to respective cost of assets.

The financial statements of our foreign subsidiaries are translated to Rupees in accordance with the guidance issued by the ICAI in the background material to AS 21. Briefly stated:

- All income and expenses are translated at the average rate of exchange prevailing during the year.
- Assets and liabilities are translated at the closing rate at the date of balance sheet.
- Share capital is translated at historical rate.
- The resulting exchange differences are accumulated in currency translation reserve.

Inventories

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

Raw Material	Lower of cost and net realizable value
Rough Diamond Rejections	At net realizable value
Trading Goods	Lower of cost and net realizable value
Finished Goods — Polished Diamonds	Lower of cost and net realizable value
Work in progress — Jewellery	Lower of market value and material cost plus proportionate labour and overheads
Finished Goods — Jewellery	Lower of market value and material cost or estimated cost plus labour and overheads
Finished Goods — Gold	Lower of cost and market value
Consumable Stores and Tools	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, 1961, as amended (the "Income Tax Act").

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.

Retirement Benefits

Regular contributions are made to provident funds. Provision for liability in respect of gratuity to employees (wherever applicable) is made on actuarial basis assessed by an independent actuary and provided for as at the date of balance sheet. The leave salary is provided as per the company policy.

Provisions and Contingent Liabilities and Contingent Assets

Provision is recognized when we have a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Contingent liabilities are not provided for and are disclosed by way of notes. Contingent assets are neither recognized nor disclosed in the financial statements.

Results of Operations

The following table sets forth select financial data from our profit and loss account for the six months ended September 30, 2007 and 2006 and the fiscal years 2007, 2006 and 2005, the components of which are also expressed as a percentage of total income for such periods.

	For the six months ended September 30,				For the year ended March 31,					
	2007		2006		2007		2006		2005	
	(Rs. in millions)	% of total income	(Rs. in millions)	% of total income	(Rs. in millions)	% of total income	(Rs. in millions)	% of total income	(Rs. in millions)	% of total income
Income:										
Sales (net)	20,920.52	99.69	14,111.88	99.95	34,674.44	99.88	24,033.21	99.94	13,711.56	99.85
Other income	65.15	0.31	5.74	0.05	40.83	0.12	13.98	0.06	20.20	0.15
Total income	20,985.67	100.00	14,117.62	100.00	34,715.27	100.00	24,047.19	100.00	13731.76	100.00
Expenditure:										
Cost of trading goods/materials consumed	18,505.35	88.18	12,985.10	91.98	31,706.09	91.33	22,522.13	93.66	13,316.45	96.97
Operating expenses	1,234.55	5.88	357.40	2.53	1,289.82	3.71	457.44	1.90	139.48	1.01
Interest	265.02	1.26	182.53	1.29	496.41	1.43	409.37	1.70	130.73	0.95
Depreciation and amortization	74.67	0.36	16.93	0.12	70.37	0.20	26.92	0.12	4.30	0.04
Total expenditure	20,079.59	95.68	13,541.96	95.92	33,562.69	96.68	23,415.86	97.37	13,590.96	98.97
Profit before tax	906.08	4.32	575.66	4.08	1,152.58	3.32	631.33	2.63	140.80	1.03
Provision for tax	109.50	0.52	77.24	0.54	143.43	0.41	91.84	0.38	53.19	0.39
Profit after tax (before adjustment for consolidation)	796.58	3.80	498.42	3.54	1,009.15	2.91	539.49	2.25	87.61	0.64
Less: minority interest	38.11	0.18	29.68	0.21	97.87	0.28	(31.53)	(0.13)	–	–
Add: share of profit from associate companies	10.20	0.05	1.87	0.01	6.23	0.02	6.48	0.03	13.92	0.10
Profit after tax (after adjustment for consolidation)	768.67	3.67	470.61	3.34	917.51	2.64	514.44	2.15	101.53	0.74

Income: We are primarily engaged in the business of sale of diamond and jewellery in India and overseas. Our income primarily comprises of income from sale of our products and other income.

Sales: Our income from sales includes income from export of diamonds and jewellery and domestic sales in India of diamonds, bullion and jewellery.

Other income: Our other income primarily comprises of income from export commissions received, dividend received, professional charges received, job work income, discount received from suppliers, service charges received and other miscellaneous income that vary from period to period.

The following table sets forth our income from our domestic sales and export of diamond and jewellery products for the periods indicated:

	For the six months ended September 30,				For the year ended March 31,					
	2007		2006		2007		2006		2005	
(Rs. in millions, except percentage data)										
Diamonds										
Domestic sales	5,397.10	25.80%	3,352.42	23.76%	8,098.87	23.36%	5,083.76	21.15%	3,683.03	26.86%
Exports	6,931.51	33.13%	7,111.62	50.39%	15,453.47	44.57%	15,252.52	63.46%	9,517.38	69.41%
Jewellery										
Domestic sales	4,848.04	23.17%	861.61	6.11%	6,218.66	17.94%	1,560.49	6.50%	511.13	3.73%
Exports	3,743.87	17.90%	2,786.23	19.74%	4,899.13	14.13%	2,136.42	8.89%	0.02	–
	20,920.52	100%	14,111.88	100%	34,670.13	100%	24,033.19	100%	13,711.56	100%

Expenditure: Our expenditure includes cost of trading goods and raw materials consumed, operating expenses, interest cost and depreciation and amortization.

Cost of trading goods/raw materials consumed: Expenses on raw materials constitutes the single largest component of our expenditure. The raw materials consumed includes expenses on the purchase of rough diamonds, polished diamonds and precious metals, including gold and platinum. Cost of trading goods/materials consumed also consists of labour charges paid towards manufacturing of cut and polished diamonds and jewellery as well as consumable stores and packing materials used.

Operating expenses: Operating expenses primarily includes payment of provisions on behalf of employees, administrative expenses and selling and distribution expenses.

The payments on behalf of employees include salaries, bonuses and allowances paid to employees, contributions made to provident fund and other funds, expenditure on staff welfare, expenditure relating to staff recruitment, gratuity and leave encashment.

Our administrative expenses primarily include commissions paid to banks and financial institutions, rent, rates and other taxes, legal and professional charges, traveling expenses, electricity charges, insurance and other miscellaneous expenses, including postage and telephone charges.

Our selling and distribution expenses consist of expenditure relating to advertisement and business promotion activities as well as commission on sales and also expenditure relating to exports such as freight and forwarding charges.

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.

Depreciation and amortization: Depreciation and amortization 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, except in respect of Samuels where it has been provided under straight line method over the estimated useful lives of assets.

Taxes: We provide for current taxes, comprising of income tax, wealth tax and fringe benefit tax, as well as deferred taxes.

Current tax: Current tax rates applicable to us for the fiscal year 2007 are as follows:

Type of tax	Rate
Corporate income tax	30%
Minimum alternate tax	10%
Surcharge on corporate income tax and minimum alternate tax	10%
Education cess on corporate income tax, minimum alternate tax and surcharge	2%

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.

Six months ended September 30, 2007 compared to six months ended September 30, 2006

Income

Our total income increased to Rs. 20,985.67 million for the six months ended September 30, 2007 from Rs. 14,117.62 million for the six months ended six months ended September 30, 2006, an increase of 48.65%. This increase is primarily due to our increased sales income and on account of change in sales mix from diamonds to jewellery products which commands higher margin.

Expenditure

Our total expenditure increased to Rs. 20,079.59 million for the six months ended September 30, 2007 from Rs. 13,541.96 million for the six months ended September 30, 2006, an increase of 48.28%. This increase is primarily due to the increased cost of goods sold resulting from our increased sales levels as well as the consolidation of Samuels' operations. Our operating expenses also increased in line with the increased sales levels during such period.

Cost of Trading Goods and Materials Consumed

Our cost of trading goods and materials consumed increased to Rs. 18,505.35 million for the six months ended September 30, 2007 from Rs. 12,985.10 million for the six months ended September 30, 2006, an increase of 42.51%. This increase is primarily due to an increase in consumption of raw materials due to the growth in our business and operations as well as increase in average prices of raw materials.

Operating Expenses

Our operating expenses increased to Rs. 1,234.55 million for the six months ended September 30, 2007 from Rs. 357.40 million for the six months ended September 30, 2006, an increase of 245.43%. This increase is primarily due to an increase in costs of salaries, wages and allowances due to annual revisions in compensation as well as increase in number of employees, on account of consolidation of Samuels operation, increases in administrative expenses and selling and distribution expenses.

Depreciation and Amortization

Our depreciation and amortization charges increased to Rs. 74.67 million for the six months ended September 30, 2007 from Rs. 16.93 million for the six months ended September 30, 2006, an increase of 341.05%. This increase is primarily due to the increase in fixed assets subsequent to the acquisition of Samuels.

Interest

Our interest charges paid to banks and financial institutions primarily in connection with our working capital facilities increased to Rs. 265.02 million for the six months ended September 30, 2007 from Rs. 182.53 million for the six months ended September 30, 2006, an increase of 45.19%. This increase is primarily due to an increase in interest paid, as a result of an increase in

outstanding indebtedness, consolidation of Samuels' operations and an increase in variable interest rates.

Profit Before Tax

Our net profit before tax increased to Rs. 906.08 million for the six months ended September 30, 2007 from Rs. 575.66 million for the six months ended September 30, 2006, an increase of 57.40%. This increase in profit is primarily on account of change in sales mix from diamond to jewellery which commands higher margins.

Taxation

Our provision for taxes increased to Rs. 109.50 million for the six months ended September 30, 2007 from Rs. 77.24 million for the six months ended September 30, 2006, an increase of 41.77%. This increase is primarily due to an increase in taxes provided for on account of higher profits.

Profit After Tax

Our profit after tax and adjustment for consolidation increased to Rs. 768.67 million for the six months ended September 30, 2007 from Rs. 470.61 million for the six months ended September 30, 2006, an increase of 63.33%.

Fiscal 2007 compared to fiscal 2006

Our result of operations for fiscal 2007 reflects the additional business and operations of our subsidiary, Samuels in the United States and also consolidation of operation of Gili India Limited in India which became subsidiary of the Company during fiscal 2007. We acquired a 84% equity stake in Samuels pursuant to a share subscription agreement dated December 19, 2006. In addition, the Company intends to acquire up to an additional 13% equity stake in Samuels by December 19, 2008, which would increase its aggregate shareholding in Samuels to 97%.

Income

Our total income increased to Rs. 34,715.27 million for fiscal 2007 from Rs. 24,047.19 million for fiscal 2006, an increase of 44.36%. This increase is primarily due to the increased sales income which increased to Rs. 34,674.44 million for fiscal 2007 from Rs. 24,033.21 for fiscal 2006.

Expenditure

Our total expenditure increased to Rs. 33,562.69 million for fiscal 2007 from Rs. 23,415.86 million for fiscal 2006, an increase of 43.33%. This increase is primarily due to the increased cost of goods sold resulting from our increased sales levels as well as the consolidation of Samuels operations. Our operating expenses also increased in line with the increased sales levels and acquisitions and consolidation of existing business during such period.

Cost of Trading Goods and Materials Consumed

Our cost of trading goods and materials consumed increased to Rs. 31,706.09 million for fiscal 2007 from Rs. 22,522.13 million for fiscal 2006, an increase of 40.77%. This increase is primarily due to an increase in consumption of raw materials due to the growth in our business and operations and also on account of increase in average prices of raw materials.

Operating Expenses

Our operating expenses increased to Rs. 1,289.82 million for fiscal 2007 from Rs. 457.44 million for fiscal 2006, an increase of 181.96%. This increase is primarily due to an increase in costs of salaries, wages and allowances due to annual revisions in compensation as well as increase in number of employees on account of the acquisition of Samuels and consolidation of the existing business, increases in administrative expenses and selling and distribution expenses.

Depreciation and Amortization

Our depreciation and amortization charges increased to Rs. 70.37 million for fiscal 2007 from Rs. 26.92 million for fiscal 2006, an increase of 161.40%. This increase reflects the increase in fixed assets subsequent to the acquisition of Samuels and consolidation of existing business.

Interest

Our interest charges paid to banks and financial institutions in primarily in connection with our working capital facilities increased to Rs. 496.41 million for fiscal 2007 from Rs. 409.37 million for fiscal 2006, an increase of 21.26%. This increase is primarily due to an increase in outstanding indebtedness, and an increase in variable interest rates.

Profit Before Tax

Our net profit before tax increased to Rs. 1,152.58 million for fiscal 2007 from Rs. 631.33 million for fiscal 2006, an increase of 82.56%. The increase in profit is primarily on account change in sales mix from diamonds to jewellery products which commands higher margin.

Taxation

Our provision for taxes increased to Rs. 143.43 million for fiscal 2007 from Rs. 91.84 million for fiscal 2006, an increase of 56.17%. This increase was primarily due to higher taxes paid primarily on account of higher profits. Our effective tax rate for fiscal 2007 was 12.44% as compared to 14.55% for fiscal 2006.

Profit After Tax

Our profit after tax and adjustment for consolidation increased to Rs. 917.51 million for fiscal 2007 from Rs. 514.44 million for fiscal 2006, an increase of 78.35%.

Fiscal 2006 compared to fiscal 2005

Three of our group companies, Gemplus, Prism and Giantti were merged with us with effect from April 1, 2005. Also pursuant to the merger, CRIA became our subsidiary and D'Damas became our joint venture company. Our consolidated results of operations in the year ended March 31, 2006 reflect additional business and operations of the amalgamated entities, including jewellery exports of Gemplus and the retail operations of Prism and Giantti as well as of our subsidiary, CRIA, and our joint venture, D'Damas.

Income

Our total income increased to Rs. 24,047.19 million for fiscal 2006 from Rs. 13,731.76 million for fiscal 2005, an increase of 75.12%. This increase reflects our increased sales income and higher sale of jewellery business, as compared to cut and polished diamonds business, conducted by our group companies, which were merged with us with effect from April 1, 2005.

Expenditure

Our total expenditure increased to Rs. 23,415.86 million for fiscal 2006 from Rs. 13,590.96 million for fiscal 2005, an increase of 72.29%. This increase reflects the increased cost of goods sold resulting from our increased sales levels as well as the consolidation of group companies operations. Our operating expenses also increased in line with the increased sales levels and merger with group companies during such period.

Cost of Trading Goods and Materials Consumed

Our cost of trading goods and materials consumed increased to Rs. 22,522.13 million for fiscal 2006 from Rs. 13,316.45 million for fiscal 2005, an increase of 69.13%. This increase is primarily

due to an increase in consumption of raw materials due to the growth in our business and operations and also on account of increase in average prices of raw materials.

Operating Expenses

Our operating expenses increased to Rs. 457.44 million for fiscal 2006 from Rs. 139.48 million for fiscal 2005, an increase of 227.96%. This increase is primarily due to an increase in costs of salaries, wages and allowances due to annual revisions in compensation as well as increase in number of employees, increases in administrative expenses and selling and distribution expenses.

Depreciation and Amortization

Our depreciation and amortization charges increased to Rs. 26.92 million for fiscal 2006 from Rs. 4.30 million for fiscal 2005, an increase of 526.04%. This increase reflects the increase in our fixed assets pursuant to amalgamation with group companies.

Interest

Our interest charges paid to banks and financial institutions in connection with working capital facilities increased to Rs. 409.37 million for fiscal 2006 from Rs. 130.73 million for fiscal 2005, an increase of 213.14%. This increase is primarily due to an increase in interest paid, as a result of an increase in outstanding indebtedness, and also amalgamation of group companies.

Profit Before Tax

Our net profit before tax increased to Rs. 631.33 million for fiscal 2006 from Rs. 140.80 million for fiscal 2005, an increase of 348.38%.

Taxation

Our provisions for taxes increased to Rs. 91.84 million for fiscal 2006 from Rs. 53.19 million for fiscal 2005, an increase of 72.66%. This increase is primarily due to the higher taxes paid primarily on account of higher profits. Our effective tax rate for fiscal 2006 was 14.55% as compared to 37.78% for fiscal 2005.

Profit After Tax

Our profit after tax and adjustment for consolidation increased to Rs. 514.44 million for fiscal 2006 from Rs. 101.53 million for fiscal 2005, an increase of 406.68%.

Financial Condition, Liquidity and Capital Resources

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have historically financed our capital requirements primarily through funds generated from our operations and financing from banks and financial institutions primarily in the form of working capital loans in the form of export finance, cash credit and overdraft facilities. We have also raised equity pursuant to an initial public offering of equity shares in 2006 and issuance of foreign currency convertible debentures in 2006. Our primary capital requirements have been to finance purchases of raw materials such as diamond, gems and other precious stones and metals, capital expenditures for expansions of our existing businesses, as well as other capital expenditure and working capital requirements. We believe that we will have sufficient capital resources from

our operations, net proceeds of this Offering and other financings from banks and financial institutions to meet our capital requirements for at least the next 12 months.

Cash Flows

The following table summarises our cash flows for fiscal 2007 and fiscal 2006:

	Year ended March 31, 2007	Year ended March 31, 2006
	Rs. in millions	
Net cash generated from/ (used in) operating activities.....	(1,425.70)	(966.16)
Net cash generated from/ (used in) investing activities	(1,320.47)	(151.55)
Net cash provided by/ (used for) financing activities.....	4,807.91	4,691.01
Net increase/ (decrease) in cash and cash equivalents.....	2,061.74	3,573.30

Operating Activities

Net cash used in operating activities was Rs. 1,425.70 million in fiscal 2007 and Rs. 966.16 million in fiscal 2006. This increase was primarily due to an increase in trade and other receivables, loans and increase in inventories, which was partially off set by an increase in current liabilities and increase in taxes paid.

Investing Activities

Net cash used in investing activities was Rs. 1,320.47 million in fiscal 2007 and Rs. 151.55 million in fiscal 2006. This increase was primarily due to the increase in fixed assets on account of purchases and on account of acquisitions and consolidation of existing businesses and increase in investment in other subsidiary companies.

Financing Activities

Net cash generated from financing activities was Rs. 4,807.91 million in fiscal 2007 and Rs. 4,691.01 million in fiscal 2006. This increase was primarily due to an increase in unsecured loan on account of the offering of foreign currency convertible bonds by the Company and increase in secured loan which was partially offset by payment of interest and dividend.

The consolidated cash flows for the year ended March 31, 2007 include the gross effect (based on total consideration of cash and shares) of the business acquisitions made during the year to give meaningful information. Based on the net effect (excluding consideration paid in shares), the cash flow used in operating activities would be lower by Rs. 600.94 million, cash used in investing activities would be lower by Rs. 172.87 million and cash from financing activities would be lower by Rs. 773.81 million, with no impact on net increase in cash and cash equivalents during the fiscal 2007.

Historical and Planned Capital Expenditures

Our capital expenditures in fiscal 2007, 2006 and 2005 was Rs. 1,077.34 million, Rs. 216.25 million and Rs. 2.14 million, respectively, while capital expenditures for the six months ended September 30, 2007 and for the six months ended September 30, 2006 was Rs. 122.50 million and Rs. 144.98 million, respectively. The capital expenditures for the six months September 30, 2007 was primarily on account increase in fixed assets on account of construction at Hyderabad SEZ. Capital expenditure was incurred in fiscal 2007 for building, plant and machinery, furniture and fixtures and office equipment in connection with our manufacturing facilities and our retail operations. The higher capital expenditure was also incurred on account of acquisition and consolidation of businesses.

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We also intend to continue to expand our retail operations. We anticipate that we will incur capital expenditure for the development of our proposed diamond and jewellery manufacturing facilities, for the proposed expansion of our retail operations and for development of SEZs in India. In the past, we have grown our business and operations organically and inorganically. We believe that strategic investments and acquisitions will continue to act as an enabler for the growth of our business. For such purpose, we may obtain secured and unsecured 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 or sale of equity in the capital markets.

Indebtedness

Our secured loan is primarily a working capital loan which has been arranged through a consortium of public sector and private sector banks led by a lead bank, which assesses our working capital requirements annually. Each lending bank agrees a different interest rate for the amount it loans to us. As of September 30, 2007, our total amount of outstanding secured (fund based) loan debt was Rs. 9,269.82 million, which included U.S.\$75.69 million secured (fund based) loan taken by Samuels.

In addition, we have unsecured loan accounting to Rs. 4,963.69 million which primarily include Bonds issued in an amount of U.S.\$ 110 million.

We acquired 100% of the equity interest of Rogers Limited, Inc. on November 16, 2007. As of August 2, 2007, Rogers had total outstanding revolving credit and term loan indebtedness of US\$16.21 million.

Contingent Liabilities

The following table provides our contingent liabilities as of September 30, 2007:

Particulars	Rs. million
Guarantees given by the Company for Working capital facilities availed by subsidiary companies (other than included in indebtedness)	380.00
Outstanding Letters of Credit	207.33
Bank Guarantee given by subsidiary companies	3.47
Disputed Income Tax	6.39
Estimated Amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances given)	0.17

Inflation

In recent years, although India has experienced fluctuation in inflation rates, inflation has not had a material impact on our business and results of operations.

Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risks derives primarily from changes in interest rates and foreign exchange rates. Generally, our objective is to ensure that we understand, measure and monitor these risks and takes appropriate actions to minimise our exposure to such risks. Our policies for managing these risks are described below.

Foreign exchange risk. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. We are exposed to foreign exchange risk arising from various currency exposures,

primarily with respect to the U.S. dollar. We derived 51% of our income for the six months ended September 30, 2007 in U.S. dollars. To manage our foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, we use forward contracts. Our finance department is responsible for managing the net position in each foreign currency by using external forward currency contracts. We also strive to maintain minimum credit period for foreign exchange denominated recognised assets.

Interest rate risk. Our interest rate risk primarily arises from working capital borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates expose us to fair value interest rate risk. From time to time, we negotiate the terms of the borrowings with financial institutions to convert our high interest bearing borrowings with lower interest bearing borrowings.

Credit risk. We are exposed to credit risk on monies owed to us by our customers. If our customers do not pay us promptly, or at all, we may have to make provisions for or write-off such amounts. Debts which are outstanding for periods more than six months and are considered doubtful are fully provided for.

Commodity risk. We purchase our raw materials on a purchase order basis. As a result, we are exposed to market risk with respect to the prices of these raw materials. We are exposed to variation in the prices of our raw materials, particularly our key materials such gems and precious metals. For the six months ended September 30, 2007 and the fiscal year 2007, we did not enter into any hedging contracts in respect of any of our raw materials.

Related Party Transactions

The Company maintains trade accounts receivable and short and long-term accounts payable with some of its affiliates. These accounts receivable and accounts payable balances are primarily on account of purchases and sales of goods in the ordinary course of business at arms length prices.

In addition, the Company has used a significant portion of proceeds received from its initial public offering of Shares and issuance of foreign currency convertible bonds for making investments in its subsidiary companies including foreign subsidiaries, which in certain cases is shown as amount outstanding as advance to such companies. Company has also provided corporate guarantees for their working capital facilities obtained by some of its subsidiaries from various banks and financial institutions. In addition, our promoter has provided guarantees for working capital facilities obtained by the Company and some of its subsidiaries from various banks and financial institutions.

For details, see note 12 and Annexure II of our audited consolidated financial statements.

Seasonality

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 seasons, and we expect this seasonality to continue in the future.

Off Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

INDUSTRY

The information in this section, some of which is reproduced elsewhere in this Offering Circular, has been derived from the following sources: the Gems and Jewellery Export Promotion Council website ("GJEPC"), the GJEPC-KPMG report on the global gems and jewellery industry, FICCI-KPMG Report on Indian Retail 2006, IMAGES F&R Research India Retail Report 2007, the website of De Beers and DTC and India Brand Equity Foundation ("IBEF"). The Company and the Managers make no representation as to the accuracy or completeness of the information provided by this source. This information has not been independently verified. The Company confirms that this information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by authors referred to above, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Overview

The size of the global gems and jewellery industry is estimated to be close to U.S.\$145 billion. Diamond-studded jewellery constitutes the largest segment within the global market contributing close to 50% of the total demand, followed by plain gold jewellery which contributes over 40% of the total demand. The United States, Middle East, China, India, Japan, Italy and the United Kingdom are the largest consumers of jewellery products and constitute close to 75% of the global demand.

The diamond manufacturing and gems and jewellery industry occupies an important position in the Indian economy. It is a leading foreign exchange earner and also one of the fastest growing industries in the country. India occupies a prominent place in the global diamond industry and is the largest exporter of cut and polished diamonds in the world. The gems and jewellery industry constitutes one of the largest component of merchandise exports from the country.

India's imports and exports of raw material and gems and jewellery (2006-07)



Source: GJEPC

India is also one of the largest consuming markets for jewellery and is the largest consumer of gold in the world. A predominant portion of gold jewellery manufactured in India is consumed in the domestic market. However, a major portion of rough, uncut diamonds processed in India has traditionally been exported, either in the form of polished diamonds or finished diamond jewellery.

The Indian consumer population is among the youngest in the world with nearly two-thirds of the population below 35 years of age. The proportion of working population has also been consistently increasing along with the increasing per capita income. This has resulted in increasing disposable income and discretionary spending by Indian consumers leading into a change in consumer behavior towards demand for branded and luxury products.

Overview of the Diamond Market and Industry

Demand for gem quality rough diamonds is ultimately derived from the demand for the polished end-product, namely diamond jewellery. The value of the worldwide retail market for diamond jewellery, as estimated by De Beers was close to U.S. \$72 billion for 2006. Being a luxury retail product, general consumer confidence and economic conditions are major drivers of total diamond demand. General growth in the developed world is therefore believed to be a significant factor in the growth in demand, as is the emerging strength of the Indian and Chinese economies. The United States currently represents over 45% of total worldwide diamond jewellery sales and the diamond jewellery industry has, therefore, been strongly linked to the United States economy.

The table below represents the global diamond value chain:

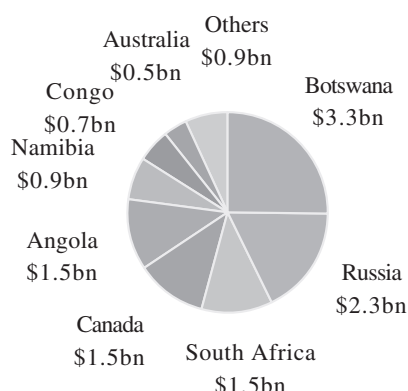
Activity	Description
Exploration	Modern exploration uses highly sophisticated technologies such as airborne surveys to determine the economic viability of deposits
Mining	Mining could be kimberlite, alluvial and marine mining
Sorting and distribution	Rough diamonds are sorted based on characteristics such as shape, size, colour, cuttability and quality. The DTC sorts and distributes 45% of the world's rough diamond supply. The balance is sorted and sold in centres such as Antwerp and Mumbai. The DTC exclusively sells to over 90 clients that are called "Sightholders".
Cutting and polishing	Processing takes place in 30 countries but is concentrated in five locations: Antwerp, Johannesburg, Mumbai, New York and Tel Aviv. China and Thailand are increasingly active centres.
Jewellery manufacturing	Wholesalers and retailers manufacture diamonds into jewellery. Manufacturers are located close to consumer markets, with about 40% based in the United States, 15% in Japan, approximately 5% in India and the rest spread out across Africa, Asia and Europe.
Retail	There are about 200,000 diamond jewellery retail outlets worldwide. Globally, 49% of jewellery is sold in the United States, 27% in Asia and 8% in Europe.

Source: De Beers website

The diamond manufacturing industry is largely dependent on the supply of rough diamonds. Russia, Australia, Botswana and South Africa are the major suppliers of rough diamonds and constitute most of the diamond mining market. According to DTC, global diamond production grew from U.S.\$7.4 billion in 2002 to U.S.\$13.1 billion in 2006, at a CAGR of 15%. 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. The Rio-Tinto group and BHP Billiton Inc. are the other major companies engaged in diamond production.

Global Diamond Production Market Shares by value (2006)



Source: DTC

India is a key participant in the global diamond industry as the leading diamond processor in the world. The craftsmanship and relatively low cost of Indian diamond processors has given India a competitive advantage in diamond cutting and polishing. India accounts for approximately 60% of the global polished diamond market in terms of value, approximately 80% in terms of caratage and over 90% in terms of number of pieces. Import of rough diamonds has grown from U.S.\$4.2 billion in FY 2001-02 to U.S.\$8.8 billion in FY 2006-07 representing a CAGR of 15.8%. The following chart indicates the countries from which diamonds are sourced into India.

Import of Rough Diamonds into India

Year ended March 31,	2005	2006	2007
Country	U.S.\$ in millions	U.S.\$ in millions	U.S.\$ in millions
Belgium	4499.9	5260.0	5,023.5
United Kingdom	1787.7	1884.1	1,997.3
Israel	614.5	675.9	655.5
United Arab Emirates	232.2	421.4	571.5
Hongkong	397.9	313.2	313.1
United States	36.7	18.6	21.1
Others	100.8	124.9	184.5
Total	7,669.7	8,698.1	8,766.5
Total volume (mm carat)	176.7	173	176.2
Average price per carat*	\$ 43.4	\$ 50.3	\$ 49.8

Source: GJEPC

* Note: Average price per Carat has been derived by dividing total value of imports by total volume imported during the year.

Distribution of Rough Diamonds

The Diamond Trading Corporation ("DTC"), a marketing subsidiary of De Beers, currently sorts and values about half of the world's annual supply of rough diamonds by value. The DTC markets rough diamonds produced both by De Beers' mines, as well as other mines from which it purchases diamonds. It performs sophisticated sorting of rough diamonds into approximately 12,000 different categories based on size, shape, quality and colour, and then sells bulk lots to a limited number of clients, known as "Sightholders", who are the world's leading diamantaires, selected for their diamond and marketing expertise. DTC has over 90 sightholders globally.

Cut and Polished Diamonds

Rough diamonds are cut and polished in preparation for sale as gemstones. The cutting and polishing of rough diamonds is a specialized skill that is concentrated to a limited number of locations worldwide. India, China, Israel and Belgium are the leading countries engaged in the global diamond cutting and polishing industry.

According to GJEPC, 11 of the 12 diamonds set in jewellery are manufactured in India. India also accounts for approximately 60% of the global polished diamond market in terms of value, approximately 80% in terms of caratage and over 90% in terms of number of pieces. India's dominance in the cutting and polishing segment can be attributed to experienced craftsmanship and the relatively low cost of Indian labour. The expansion of the industry in India has allowed more smaller diamonds to be prepared as gems than was previously economically feasible. The major export destinations for cut and polished diamonds from India are the United States, Hong Kong, United Arab Emirates and Belgium.

Exports of cut and polished diamonds (US\$ million)

Country	2005	2006	2007	CAGR
U.S.A.	2,584.8	2,858.1	2,899.0	6%
Hongkong.....	3,042.1	3,432.0	3,439.1	6%
U.A.E.	1,847.6	985.0	1,144.7	(21%)
Belgium.....	1,261.3	1,350.3	1,358.5	4%
Singapore.....	581.0	1,300.9	115.6	(55%)
Israel.....	700.6	769.5	859.7	11%
Japan.....	468.6	443.3	382.5	(10%)
Thailand.....	263.1	285.6	302.9	7%
U.K.	60.9	61.6	74.8	11%
Switzerland.....	162.6	128.9	130.0	(11%)
Germany.....	44.4	43.5	46.8	3%
Australia.....	57.0	65.2	75.6	15%
Others.....	107.8	107.5	80.7	(13%)
Total.....	11,181.6	11,831.4	10,909.9	(1%)
Total volume (mm carat).....	47.9	43.2	36.1	(13%)
Average price per carat*.....	\$ 233.4	\$ 274.0	\$ 302.2	14%

Source: GJEPC

* Note: Average price per Carat has been derived by dividing total value of exports by total volume exported during the year.

The bulk of India's diamond processing sector is unorganised and employs about 2 million workers in approximately 100,000 diamond manufacturing units. However, traditionally Indian diamond manufacturers have been largely involved in the lower-sized and lower-valued market. The higher value diamond market has been dominated by European manufacturers.

Overview of Jewellery Industry

Due to the presence of experienced craftsmanship and the relatively low cost of labour, India is considered to be one of the lowest cost manufacturer of jewellery and also one of the only country with manufacturing capabilities in all types of jewellery (i.e. plain gold, diamond and gemstone jewellery). The crucial role of the gems and jewellery industry in the Indian economy is evident from the contribution it makes in terms of exports from India. According to GJEPC, the exports of gems and jewellery in 2006-07 accounted for about 13.8% of total merchandise

exports. Gems and jewellery exports (excluding cut and polished diamonds) have also recorded an 17.5% CAGR over the past two years as illustrated in the table below.

Exports of Gems and Jewellery (excluding Cut and Polished Diamonds) (US\$ million)

Country	2005	2006	2007	CAGR
U.S.A.	1,516.6	1,894.8	2,500.2	29%
Hongkong	74.8	138.3	191.6	60%
U.A.E.	1,926.2	1,587.4	2,232.3	7%
Belgium	18.2	27.0	28.4	25%
Singapore	129.8	132.6	127.6	0%
Israel	3.1	3.9	4.7	22%
Japan	36.1	44.2	45.5	12%
Thailand	31.4	47.9	46.9	22%
U.K	169.5	164.3	211.9	12%
Switzerland	43.2	29.7	21.2	-30%
Germany	42.8	50.6	61.7	20%
Australia	21.9	26.2	33.4	24%
Others	482.6	723.2	743.9	24%
Total	4,496.2	4,870.1	6,249.3	18%

Source: GJEPC

Indian Gems and Jewellery Industry

As per the IMAGES F&R Research India Retail Report 2007, the estimated total domestic market for jewellery was INR 520 billion in 2006. An estimated 65% of jewellery in India is bought during weddings while gifts account for 26% of total demand. India's consumption of jewellery as a percentage of disposable income is considered to be amongst the highest in the world. Gold jewellery and diamonds are the significant constituents of the industry in India. While most of the gold jewellery manufactured in India is for domestic consumption, a major portion of processed diamonds is exported. There has also been a favourable shift in the consumer attitude towards diamond jewellery in the domestic jewellery market in India.

Gold Jewellery

In India, gold jewellery is the preferred form of jewellery and accounts for about 20% of the annual global demand for gold jewellery. India is the largest importer of gold in the world. According to the IBEF, gold jewellery forms around 80% of the Indian jewellery market. Gold jewellery is also a popular investment and occupies the second position for investment of savings after bank deposits. India accounts for less than 1.0% of total gold production. As India has a relatively low production of gold domestically, the majority of gold demand is met through imports. 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 generally 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 the organised sector having a small market share.

India's exports of gold jewellery grew from U.S.\$3.9 billion in fiscal year 2006 to U.S.\$5.2 billion in fiscal year 2007 (provisional), representing a growth of 34.2%. The United Arab Emirates and the United States are the major export destinations and together constituted approximately 86.9% of gold jewellery exports from India in fiscal 2007 (provisional).

Diamond Jewellery

The United States is the largest consumer of retail diamond jewellery, accounting for approximately 48% of world diamond jewellery consumption. The United States is India's largest export market for gems and jewellery contributing approximately 32% of the total gems and jewellery exports and 27% of cut and polished diamonds in fiscal 2007 (provisional). Hong Kong, United Arab Emirates and Belgium accounted for 21%, 20% and 8% of the total gems and jewellery exports in fiscal year 2007 (provisional) respectively.

India and China are rapidly developing as major markets for diamond consumption and are considered to be among the largest diamond consumers after the United States and Japan. Many diamond manufacturers in India are targeting these markets by setting up retail distribution channels to penetrate the increasing demand for diamond jewellery.

There has been a favourable shift in the consumer attitude towards diamond jewellery in the domestic jewellery market in India. In 1992, a survey conducted by the DTC found that only 10% of women surveyed identified diamonds as their preferred type of jewellery while gold jewellery was preferred by 67% of the women. A similar survey conducted in 2006 found that 37% of women in the same socio-economic groups identified diamond jewellery as their first preference, compared with 44% for gold jewellery. This development can be largely attributed to the marketing activities conducted by the DTC and its sightholders, as well as an increase in living standards and disposable income. According to DTC, retail sales of diamond jewellery rose by 350% during the period 1995—2006, largely due to increased disposable income and large scale marketing by the diamond industry.

Jewellery Retailing

Indian Retail

Organised retail in India has witnessed significant growth over the last five to seven years. Retailing in India is currently estimated to be a U.S.\$ 200 billion industry, of which organised retailing makes up 3% or U.S.\$6.4 billion. By 2010, organised retail is projected to reach U.S.\$23 billion. (Source: FICCI-KPMG Report on Indian Retail, 2006).

Key Growth Drivers in the Indian retail sector include the following:

- Growth in the number of households in the middle income and the higher income categories.
- Favourable demographics are creating a new consumer class. Nearly two-third of India's one billion plus population is under 35 years of age, making it one of the youngest nations in the world on a sizeable base. Lower liquidity constraints and borrowing constraints have substantially reduced with consumer finance companies becoming aggressive lenders.
- Changing lifestyles and larger number of households are pushing up demand for consumer goods, which has a direct impact on the overall consumption patterns and fuels further growth of organised retail.
- Strong economic growth after liberalisation and increasing globalisation has resulted in higher household incomes, and these continue to rise with the Indian economy growing at a brisk pace.

Approximately 300,000 traditional retailers or "Family jewelers" form the unorganised sector in the jewellery industry in India and dominate the country's jewellery retail landscape with a 97% market-share, while organised retail contributed less than 3% of the overall market, as per the IMAGES F&R Research India Retail Report 2007. While the family owned jewellery store remains the predominant retail format, new formats such as boutiques, supermarkets and gold souks are emerging for jewellery retail. Indian customers are displaying growing preference for quality, designs and branding.

Rapid growth in the overall retail industry, growing output from jewellery manufacturing bases, rapidly emerging alternative retail channels and dynamic consumer attributes are fast driving consolidation and formalisation in the industry. Urban consumers in India have become more exposed to western lifestyles. There is a shift towards preference for machine made jewellery over the traditional handcrafted jewellery. Demand for branded jewellery has also been increasing, as the quality (through gemstone certifications, jewellery hallmarking and guarantees), reliability and wearability of the jewellery is becoming important. In the last few years, the internet has emerged as a growing channel for jewellery retail in major markets. Retail jewellery stores accept payments by credit and debit cards, a significant change from the previous cash purchase of jewellery, which has made it easy for people to buy jewellery.

Further, due to the increasing disposable income levels and globalization, there is an increasing demand for the international brands for lifestyle products such as jewellery, watches and other fashion accessories. This trend has led to increasing investments in the retail assets for high value lifestyle products.

As per the IMAGES F&R Research India Retail Report 2007, organized jewellery retail sales accounted for over U.S.\$350 million, contributing less than 3% of the overall retail sales in 2006 and is expected to grow up to U.S.\$2.28 billion by 2010.

Branded Jewellery in India

Traditionally most of the retail sales of jewellery in India have been through 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.

There has been a significant development in the industry over last few years and a new segment has developed for branded jewellery. Emphasis on designs and brand value has gained importance, leading into rapid growth for branded jewellery retailing in India.

“Tanishq” and “Gili” were among the first jewellery brands in India. The branding of jewellery in India follows international trends where most 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 also has been a shift in consumer preferences towards diamond jewellery due to the extensive positioning of diamond jewellery as both affordable and contemporary. Certain other well known Indian Jewellery brands are “Nakshatra”, “Asmi”, “Sangini” and “Agni”.

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 tends to prefer to buy branded jewellery.

Retailing Formats for Branded Jewellery in India

While family owned jewellery store are the preferred retail format, branded jewellery players have adopted the following retail formats 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;
- Display of branded jewellery in shops of local jewelers; and
- Online retail sale of jewellery through the internet.

U.S. Jewellery Retailing

Jewellery retailing in the U.S. is highly fragmented. There are a large number of independent regional and local jewellery retailers, as well as national jewellery chains such as Zale Corp., Signet Group, Tiffany & Co. and Helzberg Diamonds. Jewellery retailers also include retailers who sell jewellery and gift items such as department stores, discounters, direct mail suppliers, online retailers and television home shopping programs. Jewellery retailers compete on the basis of their reputation for high quality products, brand recognition, store location, distinctive and value-priced merchandise, personalized customer service and ability to offer private label credit card programs to customers wishing to finance their purchases.

The United States and Canadian retail jewellery industry accounted for approximately U.S.\$66 billion of sales in 2006, according to publicly available data. Diamond jewellery accounts for approximately 55% of total jewellery sales in the United States market (Source: Diamond Information Centre). About 50% of worldwide diamond jewellery sales are made in the United States according to the International Diamond Exchange.

The largest jewellery retailer in North America is believed to be Wal-Mart Stores, Inc. Other significant segments of the fine jewellery industry include national chain department stores (such as J.C. Penney Company, Inc. and Sears, Roebuck and Co.), mass merchant discount stores (such as Wal-Mart Stores, Inc.), other general merchandise stores and apparel and accessory stores. The remainder of the retail jewellery industry is comprised primarily of catalog and mail order houses, direct-selling establishments, TV shopping networks (such as QVC, Inc.) and online jewellers.

Special Economic Zones

SEZs are specifically delineated duty free enclaves deemed to be foreign territories for purposes of Indian custom controls, duties and tariffs. There are three main types of SEZs: integrated SEZs, which may consist of a number of industries; services SEZs, which may operate across a range of defined services; and sector specific SEZs, which focus on one particular industry line.

Government has stated its objective behind setting up of SEZs as creation of an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units upto U.S. \$ 500 million in a year.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single window clearance for Central and State level approvals.
- Exemption from State sales tax and other levies as extended by the respective State Governments.

The fiscal incentives offered to the developer of a SEZ for attracting investments into the SEZs, include:

- Exemption from minimum alternate tax under section 115JB of the Income Tax Act, 1961.
- Exemption from any duty of customs, under the Customs Act, 1962, as amended or the Customs Tariff Act, 1975, as amended or any other law for the time being in force, on goods imported into, or services provided in a SEZ or unit, to carry on the authorized operations by the Developer.
- Exemption from any duty of customs, under the Customs Act, 1962, as amended or the Customs Tariff Act, 1975, as amended or any other law for the time being in force, on goods exported from, or services provided from, a SEZ or Unit, to any place outside India.
- Exemption from any duty of excise, under the Central Excise Act, 1944, as amended or the Central Excise Tariff Act, 1985, as amended or any other law for the time being in force, on goods brought from domestic tariff area to a SEZ or Unit, to carry on the authorized operations by the Developer.
- Drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the domestic tariff area into a SEZ or Unit, or services provided in a SEZ or Unit by service providers located outside India to carry on the authorized operations by the Developer.
- Exemption from service tax under the Finance Act, 2007, as amended on taxable services provided to a Developer or Unit to carry to carry on the authorized operations in a SEZ.
- Exemption from levy of taxes on the sale or purchase of goods other than newspapers under the Central Sales Tax Act, 1956, as amended if such goods are meant to carry on the authorized operations by the Developer.
- Exemption from tax on distributed profits in respect of the total income of an undertaking or enterprise engaged in developing or developing and operating or developing, operating and maintaining a SEZ for any assessment year on any amount declared, distributed or paid by such Developer or enterprise, by way of dividends out of its current income either in the hands of the Developer or enterprise or the person receiving such dividend.
- Subject to section 54GA of the Income Tax Act, 1961, exemption from capital gains on transfer of a capital asset used for the purposes of the business of an industrial undertaking situated in an urban area effected in the course of shifting of such industrial undertaking to any SEZ.

BUSINESS

We are one of the largest integrated diamond and jewellery manufacturing and retailing companies in India, having more than four decades of experience in the gems and jewellery industry. Our operations include sourcing of rough diamonds from primary and secondary suppliers in international markets, cutting and polishing of rough diamonds for exports, manufacturing and selling of diamond and other branded and unbranded jewellery.

We export cut and polished diamonds and jewellery products to various international markets including the United States, Belgium, Italy and the Middle East as well as to several diamond and jewellery markets in Asia including Japan, China, Hong Kong and Thailand.

We also sell diamond and other jewellery products in India through our nationwide sales and distribution network that, as of September 30, 2007, consisted of 112 distributors and 1,246 outlets, including outlets in host stores such as department stores, 10 exclusive stores and 28 stores set up through franchisee arrangements. In addition, our subsidiary, Samuels operates 7 exclusive stores and 91 shops in department stores and, our subsidiary, Rogers operates 46 stores, in the United States. In addition, we also sell diamond and other jewellery products to large jewellery stores and department stores. We also have a large customer base spread across India and international markets that includes various jewellery manufacturers, large department store chains, retail stores and wholesalers.

Our "Gili" brand of jewellery, introduced in 1994, was among the first branded jewellery introduced in India. Our brands and sub-brands are aimed at different customer profiles, various markets and price segments and enjoy significant brand equity and market share. According to July 2005 special edition of Solitaire International, a magazine published by Gem & Jewellery Export Promotion Council, Solitaire-TNS survey of India's best known brands featured five brands retailed by us, "Asmi", "Sangini", "Gili", "D'Damas" and "Nakshatra" among the ten best known jewellery brands in India. "Gili" and "Nakshatra" were each selected as a "Superbrand" in 2004 by the Indian Consumer Superbrands Council ("ICSC"), an independent branding arbiter.

The Company acquired a 84% equity stake in Samuels Jewelers, Inc ("Samuels"), one of the largest retail jewellery chains in United States on December 19, 2006. In addition, the Company intends to acquire up to an additional 13% equity stake in Samuels by December 19, 2008, which would increase its aggregate shareholding in Samuels to 97%. The aggregate consideration for the acquisition of Samuels is approximately U.S.\$12.02 million and issuance of approximately 1.55 million equity shares of the Company to the former owners of Samuels. Samuels offers exclusive designer jewellery collection and a large selection of loose and mounted diamonds under a variety of brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds" and "24 Karat Card", which are primarily targeted at the middle and upper middle class consumers through 98 retail stores across the United States. We expect Samuels to source a significant portion of its jewellery products for sales from the Company, which will be then sold through Samuels' stores.

In February 2007, our wholly-owned subsidiary, Gitanjali U.S.A Inc. acquired a 70% equity stake in Tri-Star Worldwide LLC ("Tri-Star"). Tri-Star is a direct customer of BHP Billiton and a licensee of CanadaMarkTM, a tracking system that records all CanadaMarkTM Diamonds in its database. It is a manufacturer and global distributor of "Canadia" brand diamonds and diamond jewellery in various countries, such as Australia, Canada, England, Ireland, Northern Ireland, New Zealand, Scotland, and the United States.

On November 16, 2007, the Company acquired Rogers Limited, Inc. ("Rogers") through the purchase of 100% of the equity interest of Rogers from Jefferey W. Lazarow, Jody Lazarow, Andrew Lazarow, Jonathan Lazarow, the 2005 Theodore S. Lazarow Irrevocable Trust and Myrna Lazarow Family Trust (the "Lazarows"), for an aggregate purchase price of US\$17.61 million. Rogers operates 46 retail jewellery stores, located primarily in the midwest region of the United States under the names "Rogers Jewelers" and "Andrews Jewelers". The acquisition of Rogers

enables us to offer our diamonds and other jewellery products in such stores, providing us with retail presence in new geographies and value chain synergies.

We have modern diamond manufacturing facilities located at Borivili in Mumbai and in Surat, Gujarat. We believe that our diamond cutting and polishing facility at Borivili is one of the largest diamond manufacturing facilities in India. We also have a sophisticated jewellery designing and manufacturing facility for diamond studded jewellery at the Santacruz Electronics Exports Processing Zone ("SEEPZ"), Mumbai producing gold and platinum diamond studded jewellery for exports. In addition, we produce jewellery for our Indian and international retail operations at two other modern jewellery manufacturing facilities in Andheri.

We intend to develop SEZ projects in India. We have received central government notification to set up an SEZ in Hyderabad, Andhra Pradesh and formal approval to set up an SEZ in Raigad, Maharashtra. In addition, we have also received in-principle approvals from central and/or state governments for setting up four SEZ projects in Nanded, Nashik, Aurangabad and Nagpur in Maharashtra. Our SEZ projects will primarily focus on gems and jewellery manufacturing and we intend to partner with reputed real estate developers for development of SEZ infrastructure.

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing.

As of September 30, 2007, the Company had approximately 4,000 employees, and including more than 1,535 contract employees, of which more than 2,100 were employed at our manufacturing facilities and nearly 1,200 were employed in retail operations. In fiscal 2007, our total income was Rs. 34,715.27 million (U.S.\$ 873.34 million) and net profit (after adjustment for consolidation) was Rs. 917.51 million (U.S.\$ 23.08 million). For the six months ended September 30, 2007, our total income was Rs. 20,985.67 million (U.S.\$ 527.94 million) and net profit was Rs. 768.67 million (U.S.\$ 19.34 million).

On November 24, 2007, the Company entered into a joint venture agreement with ARMO Netherlands Finance B.V., a Dutch company and a wholly-owned subsidiary of Morellato, to form a joint venture, Morellato India Private Limited ("Morellato India"). The Company will have a 50% equity interest in Morellato India, with the balance to be held by ARMO Netherlands Finance B.V.. Morellato India proposes to manufacture, import, wholesale and distribute a number of products, such as watches, leather goods, writing instruments and jewellery under a diverse range of brand names in India.

Competitive Strengths

Large, integrated diamond and jewellery company with strong international credentials

We are one of the largest integrated manufacturers and retailers of diamonds and jewellery in India. Our operations capture the entire value chain from sourcing rough diamonds, manufacturing jewellery to retailing branded jewellery lines in India and internationally. We are increasingly strengthening our presence on the high end of the value chain including jewellery retailing and manufacturing. The design and quality of our diamond and jewellery products and large customer base outside India, including jewellery manufacturers, large department store chains, retail stores and wholesalers, have enabled us to develop strong credentials in international markets. We export a significant part of our cut and polished diamonds and branded and unbranded diamond and other jewellery products to various international markets in the Far East, Middle East, Europe and the United States.

Broad product range and strong brand equity

We offer products aimed at a range of jewellery categories, customer and price segments. Our branded diamond and jewellery products are certified for caratage, authenticity and quality. We regularly upgrade our designs to cater to changing consumer preferences. Our "Gili" brand was among the first branded jewellery lines introduced in India. Over the years, we have sought to strengthen 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. While we own the "Gili", "Asmi", "Sangini" and "D'Damas" brands, we also market and sell jewellery products under the "Nakshatra" brand, which is licensed to us by DTC. In addition, we acquired brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds", "24 Karat Card" and "Canada" through the acquisitions of Samuels and Tri-Star. We have also recently acquired brands "Rogers Jewelers" and "Andrews Jewelers" through the acquisition of Rogers in November, 2007.

Strong marketing and distribution network and significant retail operations

A substantial majority of our cut and polished diamonds are exported to diamond wholesalers and large jewellery manufacturers in international markets. We also have a strong marketing and distribution network in India. These channels include exclusive distributors for jewellery products, direct sales to large department stores and reputable jewellery stores and direct sales to end customers through retail operations. We sell diamond and other jewellery products in India through our nationwide sales and distribution network that, as of September 30, 2007, consisted of 112 distributors and 1,246 outlets, including outlets in host stores such as department stores, 10 exclusive stores and 28 stores set up through franchisee arrangements. In addition, our subsidiary, Samuels operates 7 exclusive stores and 91 shops in department stores, and our subsidiary, Rogers operates 46 stores, in the United States. In addition, we also sell diamond and other jewellery products to large jewellery stores and department stores. Our retail operations are supported by an inventory management system that enables us to move inventory to and from, and channel sales through, various outlets depending on demand and customer needs.

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

We source a significant part of our rough diamond requirements from the Diamond Trading Company ("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, been a "sightholder" (one of approximately 90 diamond processors worldwide who can participate in DTC organised diamond selling sessions) for more than three decades. As a sightholder under the DTC's "Supplier of Choice" program, we benefit from an assured and steady source of quality rough diamonds at competitive prices, continued advertising and marketing support to develop the brands under which we sell our diamonds and jewellery and access to DTC's consumer research knowledge base. Further, Tri-Star is a direct customer of BHP Billiton and a licensee of CanadaMarkTM, a tracking system that records all CanadaMarkTM Diamonds in its database.

Well-developed manufacturing capabilities

We have modern diamond manufacturing facilities located at Borivili in Mumbai and in Surat, Gujarat. We believe that our diamond cutting and polishing facility at Borivili is one of the largest diamond manufacturing facilities in India. We also have a sophisticated jewellery designing and manufacturing facility for diamond studded jewellery at the SEEPZ, Mumbai producing gold and platinum diamond studded jewellery for exports. In addition, we produce jewellery for our Indian and international retail operations at two other modern jewellery manufacturing facilities in Andheri.

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities

are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing. Our well-developed manufacturing and design capabilities and focus on quality control enable the production of quality certified diamonds and jewellery. Our scale of operations and presence in India provides us a significant competitive and cost advantage and we expect that it would support our retail expansion plans.

Proven management team

Our well-qualified senior management has significant industry experience and has been instrumental in the consistent growth of our revenues and operations. In addition, our Board includes a combination of management executives and independent members that brings significant business experience. Our Chairman and Managing Director has been involved in the diamond and jewellery industry for more than 25 years and has driven our growth initiative. In addition to our senior management team, our middle management team across business verticals provides us with the critical leadership depth needed to manage our growth.

Ability to attract, retain and train employees

We have been successful in hiring, training and retaining necessary talent for our operations. We believe that the Company is considered as one of the preferred employers by aspiring professionals in the gems and jewellery industry in India. Diamond and jewellery manufacturing industry requires highly skilled labour and we have set up a dedicated training center at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing.

Business Strategy

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:

Continue to grow retail operations

In the 12 months period between September 30, 2007 and September 30, 2006, we have added approximately 408 new outlets and three stand-alone stores and have appointed 38 new distributors, in India. In addition, subsequent to the acquisition of Samuels and Rogers, we own and operate 144 retail stores in United States. We intend to further grow our retail operations by leveraging our existing sales and distribution network and developing innovative retail marketing initiatives for diamond and jewellery products. We intend to continue to introduce retail stores in the large Indian cities and United States that offer a wide range of diamond and other jewellery products targeting different customer and price segments. We also intend to continue to increase our brand and product visibility and sales and distribution network through smaller stores and outlets in order to benefit from increased store density with a lower capital outlay. These smaller outlets will better equip us to offer jewellery aimed at the customer demography of the specific outlet. We intend to expand our retail operations in India, the United States and the Far East organically and inorganically.

As part of our strategy to increase our presence in the United States, the largest market for diamond jewellery products, we acquired a 84% equity stake in Samuels in December 2006 and a 100% equity stake in Rogers in November 2007. Subsequent to the acquisitions of Samuels and Rogers, we intend to increase the export of our jewellery products to the United States. We expect Samuels and Rogers to source a significant portion of their jewellery products for sales from the Company, which will be then sold through their stores.

Expand market penetration for branded jewellery

We intend to continue to expand our existing range of product offerings to cater to different customer and price segments. We will seek to continue to work closely with suppliers, distributors and customers and to participate in jewellery fairs, trade shows and other industry forums to introduce new designs. We intend to further develop existing branded jewellery lines in India and internationally by capitalising on our experience in developing the branded jewellery market and the goodwill associated with our established branded jewellery lines such as "Nakshatra", "Sangini", "Gili", "Asmi" and "D'Damas". We seek to capitalise on the shift of consumer preferences in India from traditional unbranded gold jewellery to branded diamond studded jewellery retailing.

We intend to undertake targeted marketing initiatives, promotional campaigns and participation in host store marketing programmes. We also intend to pursue initiatives to enhance the value of our brands internationally and to introduce global brands in the Indian market. In the United States, we intend to continue to promote brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds", "24 Karat Card", "Rogers Jewelers" and "Andrews Jewelers". In July 2007, we launched the first ever Jewellery Credit Card in India in association with ICICI Bank. The ICICI Bank-Gitanjali credit card provides a host of features, benefits and rewards and is targeted to further enhance retail branded jewellery sales for our business. The ICICI Bank-Gitanjali credit card allows cardholders to avail of benefits across 0.2 million merchants in India and more than 22 million merchants overseas.

Increase market share in India and other international markets

We intend to leverage our significant diamond processing and jewellery design and manufacturing capabilities, our ability to provide a wide range of branded and unbranded diamond and jewellery products and our retail and distribution capacities to increase market share in the Indian and international diamonds and jewellery business. We also intend to draw on our experience and success in India to grow our business in consumer markets of the United States, China, Europe and the United Arab Emirates. We intend to leverage our international relationships, export network and experience in successfully retailing branded jewellery in India to further develop our international markets and increase our revenues by directly retailing jewellery products to the ultimate consumer. Subsequent to the acquisitions of Samuels and Rogers, we intend to use their brands and retail network to increase market share in United States through organic and inorganic routes.

Increase jewellery manufacturing capacities and develop infrastructure

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing. Our well-developed manufacturing and design capabilities and focus on quality control enable the production of quality certified diamonds and jewellery. Our scale of operations and presence in India provides us a significant competitive and cost advantage and we expect that it would support our retail expansion plans.

We intend to develop other infrastructure projects to cater to the export production needs of domestic and international gem and jewellery manufacturers. The Indian government is encouraging the development of industry specific SEZs and providing tax and other benefits to producers who locate their operations within these zones. We are committed to the development of gems and jewellery and multi-product and multi-service SEZ projects in India. Our SEZ projects will primarily focus on gems and jewellery manufacturing and we intend to partner with reputed real estate developers for development of SEZ infrastructure.

Explore growth opportunities in new sectors focusing on jewellery and lifestyle products

We seek to take advantage of the increasing demand for lifestyle and luxury goods in India and our understanding of the consumer behaviour for these products. In addition to branded jewellery, we are also actively considering entering into the retail of lifestyle products such as watches, silverware and other lifestyle accessories. In this regard, the Company has recently incorporated a 100% owned subsidiary, Gitanjali Lifestyles with the intent to take advantage of increased spending by Indian retail customers on the high value lifestyle products. Gitanjali Lifestyles will offer lifestyle products such as branded jewellery, watches and other lifestyle accessories.

Pursue strategic acquisitions and alliances

Our acquisition strategy is focused on strengthening our integrated business model and enhancing our distribution capabilities globally. We have recently acquired 84% equity stake in Samuels and 100% equity stake in Rogers which provides us with an established marketing and distribution network in the United States. In February 2007, our subsidiary Gitanjali U.S.A Inc. acquired a 70% equity stake in Tri-Star. Tri-Star is a direct customer of BHP Billiton and a licensee of CanadaMark™, a tracking system that records all CanadaMark™ Diamonds in its database. We are actively exploring opportunities to form alliances or to make acquisitions aimed at enabling us to capture more of the jewellery value chain by internationally retailing the jewellery products manufactured by us. We also intend to continue to further develop strategic branding, marketing and distribution initiatives with DTC and with jewellery designing and manufacturing firms internationally.

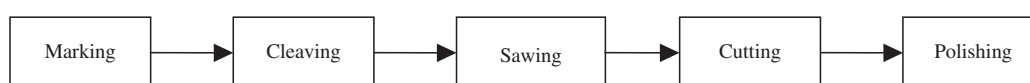
Business Operations

Diamond Manufacturing

We have two diamond manufacturing facilities located at Borivili in Mumbai and at Surat in Gujarat. The diamond cutting and polishing facility at Borivili is spread over an area of more than 40,000 square feet with modern diamond processing equipment and employs more than 1,200 workers. We intend to set up additional diamond manufacturing facilities at SEEPZ, Mumbai. We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing. The sales of cut and polished diamonds constituted approximately 68% and 59% of our total revenues in fiscal 2007 and for the six months ended September 30, 2007, respectively.

The diamond cutting and polishing process is labour-intensive and requires specialised skills. Rough (uncut and unpolished) 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 illustrates the diamond cutting and polishing process:



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 can 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 sawed instead.

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 diamond 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 stone is then sent to the "blocker", who specialises in placing the first 18 main facets on a brilliant-cut diamond. It then goes to a "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.

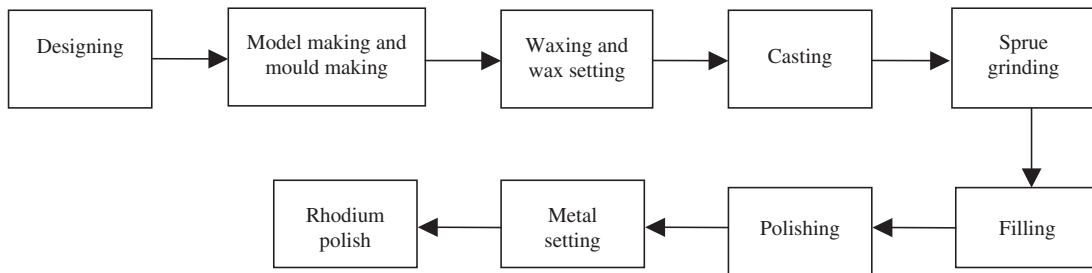
The final stages of the diamond manufacturing process consist of checking for damage, cleaning by boiling in various acids and the final sorting before marketing to the customer.

Jewellery Manufacturing

We have a large jewellery designing and manufacturing facility at SEEPZ, Mumbai that employs 576 employees. This fully export oriented facility also produces gold and platinum diamond studded jewellery. We also produce jewellery for our Indian and international operations at two manufacturing facilities in Andheri, Mumbai. In addition, we also have three small jewellery manufacturing facilities in an SEZ in Surat, Gujarat. We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008.

The sales of jewellery products constituted approximately 32% and 41% of our total revenues in fiscal 2007 and for the six months ended September 30, 2007, respectively. The branded jewellery products manufactured by us include diamond studded and other jewellery. We believe that our branded jewellery lines enjoy significant brand equity in their respective market segments. Our "Gili" brand of jewellery introduced in 1994 was among the first branded jewellery introduced in India. Over the years, we have sought to strengthen 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 unbranded jewellery products manufactured by us primarily include products manufactured for exports on basis of specific orders received from our clients.

The following diagram illustrates the jewellery manufacturing process:



Designing. Our in-house designers develop and create new designs for jewellery products in consultation with merchandisers to cater to emerging trends and meet specific customer requirements.

Model making and mould making. Approved designs are sent to the model-making department where the model for the jewellery is fabricated in silver. 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 then finished and precious stones are studded onto the wax pieces. The wax tree produced is forwarded to the casting department.

Casting. The wax tree is invested in a casting flask. After drying, the flask is placed in a furnace to melt or vaporise the wax to create a cavity in the investment flask. Thereafter, the cavity is filled with the metal in which the jewellery required is to be manufactured.

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

Filling. Any remaining excess metal in the grooves and channels in the jewellery pieces is removed. Thereafter, the jewellery pieces are cleaned of casting dust.

Polishing. The filled jewellery is polished to develop the final surface finish.

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

Rhodium polish. Following the studding and polishing of the jewellery, it undergoes rhodium treatment for gold plating. The jewellery pieces then undergo final quality checks and are then forwarded to the packing division.

Branded Jewellery

We have been the pioneers in the branded jewellery segment and are amongst the first few companies to launch its own outlets to sell branded jewellery in India. Our "Gili" brand of jewellery introduced in 1994 was among the first branded jewellery introduced in India. Over the years, we have sought to strengthen 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 July 2005 special edition of Solitaire International, a magazine published by Gem & Jewellery Export Promotion Council, Solitaire-TNS survey of India's best known brands featured five brands retailed by us, "Asmi", "Sangini", "Gili", "D'Damas" and "Nakshatra" among the ten best known jewellery brands in India. "Gili" and "Nakshatra" were

each selected as a “Superbrand” in 2004 by the ICSC, an independent branding arbiter. Following table lists down our key jewellery brands:

Brand	Brand message	Description	Brand ownership and management
Gili	“Easy Elegance”	<ul style="list-style-type: none"> • Diamond studded branded jewellery at reasonable prices • Pan-India retail presence with approximately 150 outlets • Awarded Superbrand status in 2004 by ICSC 	Owned and managed by Gitanjali
Asmi	“The Fire Within”	<ul style="list-style-type: none"> • Was originally introduced by DTC • Premium work wear collection 	Owned and managed by Gitanjali
Nakshatra	“The Enchanting Enigma”	<ul style="list-style-type: none"> • Includes entire range including bridal jewellery • Awarded Superbrand status in 2004 by ICSC • Brand focus on couples 	Owned by DTC and managed by Gitanjali’s associate company
Sangini	“Partners for Life”	<ul style="list-style-type: none"> • Covers entire product range including bridal jewellery 	Gitanjali’s JV with Sanghavi Exports
D’damas	“The Art of Beauty”	<ul style="list-style-type: none"> • Designs combine international quality and Indian values 	Gitanjali’s JV with Damas
Collection G	“The Art of the Different”	<ul style="list-style-type: none"> • Gold jewellery brand under D’Damas • Offers contemporary and modern designs in gold jewellery 	Owned and managed by Gitanjali
Vivaaha	“The Wedding Collection”	<ul style="list-style-type: none"> • Plain gold as well as diamond jewellery for weddings 	Owned and managed by Gitanjali
Maya	“Pure. Proud. Precious”	<ul style="list-style-type: none"> • Gold jewellery aimed at Indian wedding market and other similar events 	Owned and managed by Gitanjali
Giantti	“Unique International Allure”	<ul style="list-style-type: none"> • High-end jewellery brand 	Owned and managed by Gitanjali
Desire Lifestyle	“Lifestyle Redefined”	<ul style="list-style-type: none"> • Offers branded jewellery, watches and other lifestyle accessories 	Owned and managed by Gitanjali
Samuels	NA	<ul style="list-style-type: none"> • Retail jewellery chain founded in 1891 • 98 retail stores across United States • Brands such as “Samuels Jewelers”, “Schubach Jewelers”, “Samuels Diamonds” and “24 Karat Card” 	Majority owned by Gitanjali
Canada	NA	<ul style="list-style-type: none"> • Source of “Mined in Canada” brand diamonds • Canada branded diamond jewellery sold by retailers in U.S., UK, Canada and Australia 	Majority owned by our subsidiary

Brand	Brand message	Description	Brand ownership and management
Rogers	NA	<ul style="list-style-type: none"> • 46 retail stores across United States • Brands such as "Rogers Jewelers" and "Andrews Jewelers" 	Owned by Gitanjali

Retail Operations

Indian Retail Operations

We are one of the largest specialty retail players in the highly fragmented and unorganized jewellery retail market in India. We also sell diamond and other jewellery products in India through our nationwide sales and distribution network that, as of September 30, 2007, consisted of 112 distributors and 1,246 outlets, including outlets in host stores such as department stores, 10 exclusive stores and 28 stores set up through franchisee arrangements. In addition, our subsidiary, Samuels operates 7 exclusive stores and 91 shops in department stores, and our subsidiary, Rogers operates 46 stores, in the United States. In addition, we also sell diamond and other jewellery products to large jewellery stores and department stores. The following table represents the break-up of our retail outlets and show-rooms:

Brand	Exclusive stores	Retailers	Malls/shop in malls	Franchisee	Total	Distributors
Gili	3	130	123	—	256	—
Asmi	2	102	—	—	104	17
Nakshatra.....	—	374	—	1	375	31
Sangini	—	69	5	6	80	10
D'damas	2	380	3	21	406	54
Desire Lifestyle.....	—	12	10	—	22	—
Gitanjali	3	—	—	—	3	—
Samuels	7	—	91	—	98	—
Rogers.....	—	—	46	—	46	—
Total	17	1,067	278	28	1,390	112

Lifestyle Business

The Company has recently incorporated a 100% owned subsidiary, Gitanjali Lifestyles, which is expected to market lifestyle products, with the intent to take advantage of increased spending by Indian retail customers on such high value products. Gitanjali Lifestyles will offer products such as branded jewellery, watches and other lifestyle accessories. This lifestyle business will include an extension of gold and diamond jewellery line into fashion accessories and branded jewellery using materials such as titanium, zircons and steel. Gitanjali Lifestyles also has plans of setting up luxury malls across the country which would house international jewellery brands, world class fashion stores, fine-dine restaurants, spas and wedding stores.

International Retail Business

The Company has recently acquired a 84% equity stake in Samuels, one of the largest retail jewellery chains in United States. In addition, the Company intends to acquire up to an additional 13% equity stake in Samuels by December 19, 2008, which would increase its aggregate shareholding in Samuels to 97%. Samuels offers exclusive designer jewellery collection and a large selection of loose and mounted diamonds under a variety of brands such as "Samuels Jewelers", "Schubach Jewelers", "Samuels Diamonds" and "24 Karat Card", which are primarily targeted at the middle and upper middle class consumers through 98 retail stores across Western and parts of Midwest and Mid-Atlantic United States, including 91 stores within shopping malls and 7 exclusive stores. Samuels employs approximately 600 store sales executives and managers.

On November 16, 2007, the Company acquired Rogers through the purchase of 100% of the equity interest of Rogers from Jefferey W. Lazarow, Jody Lazarow, Andrew Lazarow, Jonathan Lazarow, the 2005 Theodore S. Lazarow Irrevocable Trust and Myrna Lazarow Family Trust, for an aggregate purchase price of US\$17.61 million. Rogers operates 46 retail jewellery stores, located primarily in the midwest region of the United States under the names "Rogers Jewelers" and "Andrews Jewelers". The acquisition of Rogers enables us to offer our diamonds and other jewellery products in such stores, providing us with retail presence in new geographies and value chain synergies.

We seek acquisition opportunities in the U.S. and other countries from time to time. However, we have not signed any definitive agreements or termsheets in relation to any transaction as of the date of this Offering Circular. See, "Risk Factors—We may undertake strategic acquisitions or investments, which may be difficult to manage or may not be successful."

Special Economic Zones

We have received central government notification to set up an SEZ in Hyderabad, Andhra Pradesh and formal approval to set up an SEZ in Raigad, Maharashtra. In addition, we have also received in-principle approvals from central and/or state governments for setting up four SEZ projects in Nanded, Nashik, Aurangabad and Nagpur in Maharashtra. Our SEZ projects will primarily focus on gems and jewellery manufacturing and we intend to partner with reputed real estate developers for development of SEZ infrastructure.

We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing.

The following table sets forth the status of our SEZ approvals:

Location	Type of SEZ	Area (in hectares)	Approval status
Hyderabad, Andhra Pradesh	Gems and jewellery	80.93	Formal approval received. Notified by the central government
Raigad, Maharashtra	Gems and jewellery	10.20	Formal approval received from central government
Nanded, Maharashtra	Gems and jewellery	50.00	In-principle approval received from state and central government
Aurangabad, Maharashtra	Gems and jewellery	50.00	In-principle approval received from state government
Nagpur, Maharashtra	Multi product	1,000.00	In-principle approval received from state government
Nashik, Maharashtra	Multi services	100.00	In-principle approval received from state and central government

Sales, Marketing and Distribution

We have independent sales and distribution networks for our diamonds and jewellery products in India. While cut and polished diamonds are primarily exported to 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

A substantial majority of processed diamonds are exported to diamond wholesalers and large jewellery manufacturers in international markets in the United States, Europe including Belgium, Italy and 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 for the production of branded and unbranded jewellery. As an industry practice, the export of diamonds 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 the ability to identify specific customer requirements and to satisfy such requirements efficiently within the shortest possible time frame. Continuing relationships with customers enable us to better identify production requirements and supply diamonds of specific sizes, shapes, cuts and quality to customers in accordance with their specifications. Continuing relationships with customers also enables us to reduce payment risks.

International customers typically visit our diamond manufacturing facilities in India and place orders for diamonds of certain specifications. We also participate in significant trade shows in international markets to enable existing and potential customers to examine our manufacturing capabilities and evaluate our processed diamonds' product range. Participation in such trade shows and fairs also enables 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 international markets that act as procurement agents for jewellery retailers in these markets. The wholesalers receive orders from larger jewellery retailers and place orders 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 low due to commissions paid to the wholesaler.

As part of our strategy to increase our presence in the United States, the largest market for diamond jewellery products, we acquired a 84% equity stake in Samuels in December 2006 and a 100% equity stake in Rogers in November 2007. Subsequent to the acquisitions of Samuels and Rogers, we intend to increase the export of our jewellery products to the United States. We expect Samuels and Rogers to source a significant portion of their jewellery products for sales from the Company, which will be then sold through their stores.

We also expect to increase our margins in jewellery export sales by using our Hyderabad SEZ as the production hub for manufacturing export jewellery. We are entitled to take advantage of certain tax exemptions, duty waivers and other deductions available to an SEZ in India, which is also expected to contribute to improving our margins.

In order to increase margins on jewellery sales, we seek to leverage our relationships with certain jewellery retailers in international markets in order to sell jewellery products directly to them rather than through the wholesalers. We also intend to continue to leverage our design capabilities and the quality of our jewellery products to attempt to procure repeat orders from big

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.

Sale of Jewellery Products in India

The sales and distribution channels for jewellery products include: (i) sales effected through distributors for jewellery products; (ii) direct sales to large department stores and jewellery stores; and (iii) direct sales to customers through retail operations.

In order to increase the visibility of our branded jewellery lines, we operate through an extensive distributor network. The distributor purchases jewellery products from us for resale to individual retailers. The distributor is responsible for ensuring the 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 directly with distributors 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 them and collection and payment history. From time to time we organise jewellery exhibitions in the more significant Indian cities and towns to display designs to existing distributors and to identify new distributors. On our delivery of products to the distributors, they become responsible for sales. Distributors may exchange old stock purchased from us for new stock. The commission paid to distributors varies from 15% to 25%.

We also sell jewellery products to large department stores and jewellery retailers in major cities and towns. Since these are large clients and pose significantly less collection and payment risks, we sell jewellery products to these department stores and retailers directly. Major retail chains in India to which we directly sell our jewellery products include Lifestyle, Piramyd, Oyzterbay, Inorbit, Shoppers' Stop and Akbarally's. We provide brand promotional support to retail distributors and to retail chains, including through sales promotion campaigns. We also provide facilities for the replacement of unsold stock and circulate design catalogues, updated every quarter, from which distributors and retailers can select our latest jewellery designs and offerings.

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

Owned retail stores. We have several retail stores in major metropolitan areas through which we sell branded jewellery products directly to end customers. Retail stores are already operational for 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.

Outlets in department stores. We also sell products through outlets in various host stores such as large department store chains and shopping malls.

Franchisee network. As of September 30, 2007, we operated 28 retail outlets through franchisees. We select our franchisees primarily on the basis of their 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 the help of continuing branding and sales promotional support. The initial investment by a franchisee agent typically ranges between Rs. 5 million and Rs. 6 million. All sales under these structures are effected through trained sales and marketing personnel and a fixed commission is paid to the department store/franchisee from the sales of our products.

Our sales and distribution channels in India are common to all branded jewellery lines except for jewellery products sold under the "Gili" brand name. The "Gili" brand of jewellery products is sold through an independent distribution network through regional offices across India, which supplies jewellery products directly to small retailers within the geographic region under such regional office. The "Gili" brand is also sold 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 outlets within Shoppers' Stop stores to provide custom made jewellery for customers.

Corporate Details

Changes in Memorandum of Association

Since the incorporation of the Company, the following changes have been made to its Memorandum of Association:

Date of shareholders approval	Amendment
June 20, 1987	Increase in authorised capital of the company from Rs. 0.2 million to Rs. 7 million.
January 8, 1991.....	Increase in authorised capital of the company from Rs. 7 million to Rs. 9.95 million.
March 21, 1992.....	Increase in authorised capital of the company from Rs. 9.95 million to Rs. 30 million.
July 20, 1994	Increase in authorised capital of the company from Rs. 30 million to Rs. 150 million.
November 25, 1994	Increase in authorised capital of the company from Rs. 150 million to Rs. 250 million.
March 30, 1999.....	Increase in authorised capital of the company from Rs. 250 million to Rs. 750 million
September 30, 2005.....	Change in authorised capital of the company by reclassification of shares.
September 21, 2006.....	Change in authorised capital of the company by reclassification of shares.
March 9, 2007	Increase in authorised capital of the company from Rs. 750 million to Rs. 1,200 million.

Changes in Share capital history

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

Date of allotment	Face value	Issue price	No. of shares	Cumulative paid-up capital	Nature of allotment	Consideration
	(Rs.)	(Rs.)		(Rs.)		
August 21, 1986	10	10	20,000	200,000	Subscriber	Cash
July 10, 1987	10	10	480,000	5,000,000	Further issue	Cash
January 1991	10	10	250,000	7,500,000	Further issue	Cash
June 22, 1993	10	—	2,250,000	30,000,000	Bonus	N.A.
August 16, 1994	10	—	7,000,000	100,000,000	Bonus	N.A.
March 31, 1999	10	—	20,000,000	300,000,000	Bonus	N.A.
March 29, 2003	10	71.55	10,000	300,100,000	Further issue	Cash
October 14, 2005	10	10	9,988,495	399,984,950	Issued pursuant to the merger with Gemplus Jewellery India Limited, Prism Jewellery Private Limited and Giantti Jewels Private Limited	N.A.
October 25, 2005	10	300	2,000,000	419,984,950	Conversion of fully convertible debentures pursuant to agreement dated September 22, 2005.	N.A.
March 6, 2006	10	195	17,000,000	589,984,950	Initial public offering	Cash
May 29, 2007	10	290	1,554,050	605,525,450	Preferential allotment	Issued as part consideration towards acquisition of majority stake of Samuels Jewelers Inc. USA by the Company
November 17, 2007	10	275	1,204,011	61,756,556	Part conversion of Bonds pursuant to subscription agreement dated November 21, 2006	N.A.

Subsidiaries, Joint Venture Companies and Associate Companies

The Company was 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. It subsequently converted into Gitanjali Gems Limited, a public limited company pursuant to a certificate of change of name dated December 8, 1994.

The Company has 17 direct and indirect subsidiaries, three joint venture companies and one associate company as of the date of this Offering Circular. Our percentage shareholding in these companies and their country of incorporation is mentioned below:

Subsidiaries

1. Gitanjali Exports Corporation Limited (51.00%), India
2. Mehul Impex Limited (100.00%), India
3. Fantasy Diamond Cuts Private Limited (99.98%), India
4. Desire Lifestyle Private Limited (100.00%), India
5. CRIA Jewellery Private Limited (99.80%), India
6. Gili India Limited (60.00%), India
7. D'Damas Jewellery (India) Private Limited (51.00%), India
8. Shubalavanyaa Jewel Crafts Private Limited (51.00%), India
9. Hyderabad Gems SEZ Limited (100.00%), India
10. Samuels Jewelers Inc (84.00%), United States
11. Gitanjali Infratech Limited (100.00%), India
12. Gitanjali Ventures DMCC (100.00%), United Arab Emirates
13. Gitanjali Lifestyles Limited (100.00%), India
14. Ivida Technologies Private Limited (100.00%), India
15. Gitanjali USA Inc. (100.00%), United States
16. Tri-Star Worldwide LLC (70.00% held through Gitanjali USA Inc.), United States
17. Rogers Limited, Inc. (100.00%), United States

Joint Ventures

1. Modali Jewels Private Limited (50.00%), India
2. Modali Gems Private Limited (formerly known as Modali Distributors Private Limited) (50.00%), India
3. Spectrum Jewellery Private Limited (50.00%), India

Associate

1. Brightest Circle Jewellery Private Limited (33.34%), India

Our material subsidiaries, joint venture companies and associate companies are:

Gitanjali Exports Corporation Limited ("GECL"): GECL was originally formed as a partnership in 1966 and subsequently converted into public limited company with effect from September 12, 2000. GECL became our 51% owned subsidiary in September 2005. GECL manufactures and exports of diamonds and diamond studded jewellery and trades in diamonds.

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

	For the year ended March 31,		
	2007	2006	2005
Shareholders funds (Rs. in millions).....	1,443.3	1,265.0	1,200.6
Loan funds (Rs. in millions)	2,747.5	2,104.4	1,843.7
Income from sales (Rs. in millions).....	8,444.2	8,153.8	7,996.1
Profit after tax (Rs. in millions).....	178.3	64.3	49.1

Gili India: Gili India owns the "Gili" brand and manufactures and sells jewellery. We own and control 60% of the equity share capital of Gili India.

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

	For the year ended March 31,		
	2007	2006	2005
Shareholders funds (Rs. in millions)	218.0	179.7	145.0
Loan funds (Rs. in millions)	174.5	183.8	166.9
Income from sales (Rs. in millions)	1,647.7	916.1	833.3
Profit after tax (Rs. in millions)	44.0	40.4	40.4

D'Damas: D'Damas is a 51% owned subsidiary of the Company which was initially incorporated as a 50:50 joint venture with Damas, a prominent jewellery group in Dubai. D'Damas manufactures and retails plain and diamond studded jewellery and has a manufacturing facility at Mumbai.

The financial performance of D'Damas for the past three fiscal years is as follows:

	For the year ended March 31,		
	2007	2006	2005
Shareholders funds (Rs. in millions)	189.0	133.7	61.0
Loan funds (Rs. in millions)	319.1	82.6	14.0
Income from sales (Rs. in millions)	511.0	467.4	230.1
Profit after tax (Rs. in millions)	18.3	2.6	(72.9)

Brightest Circle: Brightest Circle is a tripartite venture among Gitanjali Gems Limited, Dimexon and Mahendra Brothers and sells its diamond studded jewellery under the "Nakshatra" brand name. "Nakshatra" brand is owned by DTC.

The financial performance of Brightest Circle for the past three fiscal years is as follows:

	For the year ended March 31,		
	2007	2006	2005
Shareholders funds (Rs. in millions)	43.5	24.8	53.8
Loan funds (Rs. in millions)	258.2	297.8	—
Income from sales (Rs. in millions)	647.6	242.8	71.7
Profit after tax (Rs. in millions)	18.7	(29.0)	(1.2)

Hyderabad SEZ: Hyderabad SEZ was incorporated on December 2, 2004 and became our wholly-owned subsidiary in 2005. Hyderabad SEZ is responsible for developing all aspects of our special economic zone in Hyderabad. We are developing five diamond and jewellery manufacturing facilities at our Hyderabad SEZ, one of which is expected to commence commercial production in December 2007 and four facilities are expected to commence commercial production in calendar year 2008. We set-up a dedicated training centre at Hyderabad SEZ in November, 2006 which presently has capacity to train up to 1,200 workers in diamond and jewellery manufacturing.

The financial performance of Hyderabad SEZ for the past two fiscal years is as follows:

	For the year ended March 31,		
	2007	2006	2005
Shareholders funds (Rs. in millions).....	0.5	0.5	0.5
Loan funds (Rs. in millions)	346.4	53.07	—
Income from sales (Rs. in millions).....	—	—	—
Profit after tax (Rs. in millions).....	—	—	—

Fantasy Diamond Cuts Private Limited: Fantasy Diamond Cuts Private Limited (“FDCPL”) was incorporated on December 18, 1995 and is a 99.98% subsidiary of the Company. FDCPL mainly focuses on manufacturing and retailing of gold jewellery.

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

	For the year ended March 31,		
	2007	2006	2005
Shareholders funds (Rs. in millions)	61.2	6.3	(0.05)
Loan funds (Rs. in millions)	316.9	1.8	0.03
Income from sales (Rs. in millions)	3,056.9	—	—
Profit after tax (Rs. in millions)	15.4	(4.0)	(0.01)

Samuels: Samuels is our recently acquired subsidiary in United States. We currently own 84% equity stake in Samuels and intend to acquire up to an additional 13% equity stake in Samuels by December 19, 2008, which would increase our aggregate shareholding in Samuels to 97%. Samuels offers exclusive designer jewellery collection and a large selection of loose and mounted diamonds under a variety of brands such as “Samuels”, “Schubach” and “Samuels Diamonds”, which are primarily targeted at the middle and upper middle class consumers through 98 retail stores concentrated across Western U.S. and parts of Midwest and Mid-Atlantic U.S., including 91 stores within shopping malls and 7 stores outside malls. Samuels employs approximately 600 store sales executives and managers. For the period from December 19, 2006 to March 31, 2007, Samuels reported revenue of approximately Rs. 1,300.5 million and net loss of Rs. 45.6 million.

Properties

We own or lease several properties in India, including for our corporate purposes, manufacturing operations and retail operations. These properties are located in the Surat in Gujarat, Borivili and Andheri in Mumbai. We also maintain distribution and retail outlets at various locations across India. As of September 30, 2007, we owned properties having an aggregate area of approximately 74,000 square feet and leased an aggregate area of approximately 356,000 square feet at a total cost of approximately Rs. 377.0 million per annum.

We have received central government notification for setting up an SEZ in Hyderabad in an area of approximately 200 acres. As of the date of this Offering Circular, we have been allotted approximately 170 acres for developing Hyderabad SEZ. In addition, the Company has acquired on lease approximately 25 acres of land in Raigad, Maharashtra for development of an SEZ. The Company has received formal central government approval for setting up this SEZ. Further, Gitanjali Infratech, our wholly owned subsidiary acquired approximately 101 acres of land near Pondicherry in Tamil Nadu for development purposes.

Competition

We sell 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. 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 development of 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.

Major Suppliers

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 DTC, the primary world-wide marketing mechanism of the rough diamond industry. A majority of the world's current rough diamond output is sold by DTC and its affiliated companies. We, either directly or through our promoter group companies, have enjoyed sightholder status with DTC for more than three decades. Digico, a promoter group company, is currently one of over 90 sightholders worldwide. In order to diversify the sources of rough diamond supply, we supplement our rough diamond needs by secondary market purchases in the international market. In fiscal 2007 and the six months ended September 30, 2007, rough diamonds sourced from DTC constituted approximately 15.42% and 18.02% of our total rough diamond procurement cost.

Sales for DTC are made in London and South Africa to a group of "sightholder" clients. In order to maintain their purchasing relationship, DTC's clients traditionally have 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 DTC. DTC periodically invites its clients to submit their requirements as to the amount and type of stones they wish to purchase. Certain Gitanjali employees attend offerings of rough diamonds held by the DTC periodically during the year in London. At sights, we purchase, at 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 DTC.

Through its control of a majority of the value of the current world rough diamond output, 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 DTC have been characterised 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 on such price increases to customers. From time to time, however, we have absorbed these price increases in the short term to maintain an orderly pricing relationship with customers. This has, in the past, caused temporary adverse effects on 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 utilisation programs.

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. We believe that we have good relations with our suppliers, including 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 meet our present and foreseeable needs.

Intellectual Property

We have registered or applied for Indian trademark registration for several of our jewellery brands. These trademarks include Christy, Gitanjali, Maya, Desire Lifestyle, Leading Retailers of India, Leading Jewelers of the World, Leading Jewelers of India, Leading brands of India, Leading brands of the World, Tarika, Triana, Vivaaha, Anika, Bindy, Senses, Jhalak, Raena, D'Damas, Barzheim, Ticino, Ista, Tichino, T, T Tichino, Passion Stone, Giantti, Glitterati, Glitterati star shown at TT, Mangalsutra, Mangalsutram, Diamond Mangalsutra, Diamond Mangalsutram, Gili, Rivaz and Nizam. In addition, we are currently using several brands including Le Papillon, Andalucia Collection, the Facet shop, Wedding Collection Diamond mangalsutram collection, Fior Collection, Fleur-Princess Collection, Damas Solitaire, Origin Collection, Victoria Desire Collection, Love-me-do Collection, Eternal Collection, Collection g, D'Damas Gold, Inspirations, Gold Expressions, Petale, Lamhe, Ballerina, DER, Platinum and Bollywood.

We acquired the "Sangini" and "Asmi" brands from DTC and have procured a license to use the "Nakshatra" brand. In addition, through the recent acquisitions of Samuels, Rogers and Tri-Star, we have added "Samuels Jewelers", "Samuels Diamonds", "Schubach Jewelers", "Rogers Jewelers", "Andrews Jewelers", "24 Karat Card" and "Canadia" to our portfolio of brands.

Related Party Transactions

During fiscal 2007, on an arm's length basis and during the ordinary course of our business activities, we purchased goods and services of an aggregate value of Rs. 1,077.04 million from other promoter group companies and made sales of an aggregate value of Rs. 1,296.28 million. In addition, as of March 31, 2007, Rs. 732.99 million was due to us from certain promoter group companies shown under sundry debtors and we owed approximately Rs. 1,025.62 million to other promoter group companies shown under sundry creditors. There can be no assurance that we will be able to collect any amounts due from other members of the promoter group on time or at all or that we may not be required to pay amounts due from promoter group companies without adequate notice or on demand. We may enter into additional transactions with our affiliates in the future.

Regulation

Our export activities are affected by the Indian government's foreign trade policy for 2004-2009. The policy focuses on encouraging foreign trade in the gems and jewellery industry, among others, and provides industry participants with various income tax and import benefits. Participants locating their operations in SEZs have access to additional benefits, including sales and service tax benefits and easier access to international financing opportunities.

Our business operations, and our ownership and operation of real property, are subject to a broad range of national, state, local and foreign environmental, health and safety laws and regulations. We have policies in place to address these detailed and increasingly complex requirements and regularly review practices, operations and compliance at manufacturing facilities. We believe that

we are currently in material compliance with applicable environmental, health and safety laws and regulations.

Gem and Jewellery Export Promotion Council

The Government of India has designated the Gem and Jewellery Export Promotion Council as the importing and exporting authority in India in keeping with its obligations under the Kimberley Process Certification Scheme, which has been implemented in India since 2003. 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 of countries that represent 98% of the world trade in rough diamonds.

Employees and Labour Relations

As of September 30, 2007, we had 2,437 full-time employees, of which 638 employees were employed at our corporate offices, 611 at our manufacturing facilities and 1,188 in our retail operations. Currently, our employees are not represented by any labour unions. While we consider our current labour relations to be good, there can be no assurance that we will not experience future disruptions to operations due to disputes or other problems with our work force.

As of September 30, 2007, approximately 1,528 contract employees were working at our manufacturing facilities. We typically enter into contracts with independent contractors for these contract employees. All contract employees engaged at our manufacturing facilities are assured minimum wages that are fixed by the respective state governments.

The following is the list of our employees for the years ended March 31, 2007, 2006 and 2005 and the six months ended September 30, 2007 and 2006:

Facilities	For the six months ended September 30,				For the year ended March 31,					
	2007		2006		2007		2006		2005	
	Full time Employees	Contract Employees	Full time Employees	Contract Employees	Full time Employees	Contract Employees	Full time Employees	Contract Employees	Full time Employees	Contract Employees
Manufacturing	611	1,528	539	1,329	586	1,528	180	1,700	49	1,200
Corporate.....	638	—	619	—	603	—	683	—	117	—
Retail.....	1,188	7	588	—	1,138	7	287	—	—	—
Total	2,437	1,535	1,746	1,329	2,327	1,535	1,150	1,700	166	1,200

We provide regular training programmes for our employees, often with the assistance of external consultants. Our facility in Hyderabad SEZ has a dedicated training center which has a capacity to train up to 1,200 workers. In addition to a base salary and ad hoc performance linked incentives, we provide a number of benefits to our employees, such as medical expenses, housing or rent assistance, annual leave, provident fund, interest free personal loans and 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.

Legal Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business and operations, including commercial and tax disputes. None of such proceedings are expected to have a material adverse effect on our business or operations.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The Company currently has eight Directors whose business address is Office No. 10, 2nd Floor, 'B' Wing, Laxmi Tower, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

<u>Name and Designation</u>	<u>Date of Appointment</u>	<u>Term</u>
Mr. Mehul C. Choksi Chairman and managing director	August 21, 1986	Five years with effect from August 1, 2007
Mr. G. K. Nair Executive director	September 1, 1999	Five years with effect from September 21, 2006
Mr. Adrianus Voorn Executive director	April 17, 1999	Five years with effect from September 21, 2006
Mr. Dhanesh V. Sheth Non-executive director	August 1, 1990	To retire by rotation
Mr. Prakash D. Shah Independent director	October 25, 2005	To retire by rotation
Mr. Sujal A. Shah Independent director	October 25, 2005	To retire by rotation
Mr. S. Krishnan Independent director	October 25, 2005	To retire by rotation
Mr. Suresh Chukkapalli Independent director	July 31, 2006	To retire by rotation

Ms. Priti Choksi is the wife of Mr. Mehul Choksi. No other members of the Board or our Senior Management are related to each other.

The following table sets forth details of current and past directorships of the Company's directors:

Sr. No.	Name of the Director	Current Directorships	Past Directorships
1.	Mr. Mehul C. Choksi	<ol style="list-style-type: none"> 1. Gitanjali Exports Corporation Limited 2. Gili India Limited 3. Mehul Impex Limited 4. Gitanjali Infratech Limited 5. Gitanjali Lifestyles Limited 6. Hyderabad Gems SEZ Limited 7. Gitanjali Reality Private Limited 8. Maitreyi Impex Private Limited 9. Rohan Mercantile Private Limited 10. Trans-Expo Trade Private Limited 11. Lustre Manufacturers Private Limited 12. Mast Jewellery Distributions Private Limited 13. Decent Securities & Finance Private Limited 14. Facet Shop Private Limited 15. Fantasy Diamond Cuts Private Limited 16. Spectrum Jewellery Private Limited 17. Mannat Jewellery Manufacturing Private Limited 18. Modali Jewels Private Limited 	–

Sr. No.	Name of the Director	Current Directorships	Past Directorships
		19. Modali Gems Private Limited (formerly known as Modali Distributors Private Limited)	
		20. Gitanjali Impex Private Limited	
		21. Brightest Circle Jewellery Private Limited	
		22. D'Damas Jewellery (India) Private Limited	
		23. Digico Holdings Limited	
2.	Mr. G. K. Nair	1. Gitanjali Infratech Limited	1. Partha Gems Private Limited
		2. Hyderabad Gems SEZ Limited	2. Lustre Manufacturers Private Limited
		3. Gitanjali Lifestyles Limited	3. Rohan Diamonds Private Limited
		4. Gili India Limited	4. Trans-Expo Trade Private Limited
		5. Gitanjali Gold & Precious Limited	5. CRIA Jewellery Private Limited
		6. D'Damas Jewellery (India) Private Limited	
		7. Nihar Trading Private Limited	
		8. Spectrum Jewellery Private Limited	
		9. Decent Securities & Finance Private Limited	
		10. Samuels Jewelers, Inc., U.S.A.	
3.	Mr. Adrianus Voorn	1. Mehul Impex Limited	–
		2. Fantasy Diamond Cuts Private Limited	
4.	Mr. Dhanesh Sheth.....	1. Priyanka Gems Private Limited	–
5.	Mr. S. Krishnan	1. Rane Holdings Limited	–
		2. Rane Investments Limited	
		3. Goa Glass Fibre Limited	
		4. Interactive Realities International Private Limited	
		5. Interactive Entertainment Private Limited	
		6. Sangamam Homes Private Limited	
6.	Mr. Sujal Shah	1. Adlabs Films Limited	1. Reliance Capital Trustee Company Limited
		2. Reliance Asset Reconstruction Company Limited	
		3. Process Services (India) Private Limited	
		4. Dawnay Day Av Trustee Company Private Limited	
7.	Mr. Prakash D. Shah	1. Gitanjali Exports Corporation Limited	1. State Bank of India (director of local board)

Sr. No.	Name of the Director	Current Directorships	Past Directorships
			between fiscals 2003 and 2006)
		2. Uniphos Enterprises Limited	
		3. Bharat Serums & Vaccines Limited	
		4. Beico Industries Limited	
8.	Mr. Suresh Chukkapalli		1. Lanco Global Systems Limited
		1. Lanco Projects Limited	2. Lanco Industries Limited
		2. Frontline Constructions Limited	
		3. Hyderabad Gems SEZ Limited	
		4. A.P. Gems & Jewellery Park Private Limited	
		5. IOI (India) Projects Private Limited	
		6. L & T Phoenix Infoparks Private Limited	
		7. Phoenix Infrastructure Private Limited	
		8. Phoenix Logistics Private Limited	
		9. Sahara Asset Management Company Private Limited	
		10. Gitanjali Infratech Limited	
		11. Phoenix Infratech (India) Private Limited	
		12. Phoenix Ventures Private Limited	

Directors' Biographies

Mr. Mehul C. Choksi, aged 49 years, is our Chairman and Managing Director. Mr. Choksi obtained a Bachelor's degree in Commerce and has been associated with the gem and jewellery industry for over three decades and he has wide experience in the diamond industry having an exposure to the entire range of activities, from buying roughs to jewellery sales. He established Gitanjali Gems Limited in 1986. Mr. Choksi has been instrumental in launching several successful brands such as "Gili", "D'Damas" "Maya Gold" and "Giantti" and in positioning various brands like "Nakshatra" and "Asmi" in India. He has been a pioneer in corporatising the jewellery industry in India. He draws a salary of Rs. 4.8 million per annum

Mr. G. K. Nair, aged 46 years, is our Executive Director (Finance). He is a chartered accountant and joined us in 1998. He oversees resource mobilization, corporate planning, restructuring of various group companies and heading the corporate finance team. He is responsible for the finance and accounting, MIS, personnel and administration functions of the Company. He is also responsible for shaping the corporate strategy and identifying global opportunities for the Company. Mr. Nair draws a salary of Rs.2.4 million per annum.

Mr. Adrianus Voorn, aged 63 years, is our Executive Director (Manufacturing). He is a mechanical engineer by qualification and has been a Director on the Board since 1999. Mr. Voorn is a Dutch national. He is in charge of our manufacturing operations. Mr. Voorn draws a salary of Rs.2.8 million per annum.

Mr. Dhanesh V. Sheth, aged 49 years, is our Non-Executive Director. He is a commerce graduate and has been with the Gitanjali Group for the past two decades. He advises the Company on its marketing operations, the buying and selling of rough diamonds and other aspects of business development.

Mr. Prakash Shah, aged 52, is an Independent Director. He is commerce and law graduate and is a practicing Advocate at the Bombay High Court. He is the proprietor of a law firm PDS Legal with over 23 years of experience.

Mr. Sujal Shah, aged 39 years, is an Independent Director. He is a commerce graduate and a Chartered Accountant. As a chartered accountant, Mr. Shah has over 16 years of experience in the field of auditing, taxation and management consultancy. He is partner in the accounting firm of Dalal & Shah. Mr. Shah is currently the Honorary treasurer of the Chamber of Tax Consultants.

Mr. S. Krishnan, aged 61 years, is an Independent Director. He holds a Master's degree in commerce besides being a D.M.M., M.F.M.. He has wide experience in banking, fund management and capital market operations. Mr. Krishnan has held senior management positions in several Corporate Banks and Investment Funds and is on the Board of several Companies.

Mr. Suresh Chukkapalli, aged 47, is an Independent Director. He holds an engineering degree and has held important positions in several trade and industry bodies and is also on the Board of several Companies. He is a Director and founder promoter of the Lanco Group of Companies.

Terms and Conditions of Employment of Executive Directors

Mr. Mehul C. Choksi

Mr. Mehul C. Choksi has been appointed as the Managing Director of our Company for a period of 5 years with effect from August 1, 2007. The terms and conditions of his appointment with the Company are as follows:

- Salary shall be in the grade of Rs.400,000 per month with powers to the Board to give such accelerated increments within the grade, as they deem fit and proper;
- Commission not exceeding 0.25% of the profits after tax in any financial year;
- Perquisites up to Rs.1,500,000 per annum, which includes free furnished accommodation or house rent, gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, medical and personal accident insurance;
- In addition to perquisites, Company's contribution towards provident fund, superannuation fund and annuity fund up to tax exemption limit, gratuity and pension scheme, earned leave and encashment of earned leave at the end of his tenure as per the rules of the Company
- Company car with driver and telephone and other communication facilities for official use;
- Travelling and other expenses incurred for official use;
- All costs, charges and expenses incurred for the purpose of or on behalf of the Company shall be reimbursed;
- Company indemnifies him for liabilities and expenses incurred in discharge of official duties; and
- Upon early determination of his appointment as Managing Director, he shall be entitled to, by way of compensation for loss of office, an amount equivalent to the remuneration he would have earned had he been in office for the unexpired residue of his term as Managing Director or three years, whichever is less.

Mr. Choksi is also given *inter alia* the following powers:

- When so authorised by the Board and within financial limits fixed by the Board, to make loans for such purposes and up to such maximum amount as may be specified by the Board from time to time;
- When so authorised by the Board and within financial limits fixed by the Board, to invest and deal with moneys of the Company not immediately required for investments of such nature as may be specified by the Board;

- To execute all deeds, instruments, contracts, receipts and all other documents or writings on behalf of the Company not required to be executed under its common seal or not otherwise provided in its Articles of Association; and
- To do all such acts on behalf of the Company as are not required to be expressly done by the Company in a general meeting by the Board.

Mr. G.K. Nair

Mr. G.K. Nair has been appointed as an executive director of the Company for a period of 5 years with effect from September 21, 2006. The terms and conditions of his appointment with the Company are as follows:

- Salary shall be in the grade of Rs.200,000 per month with powers to the Board to give such accelerated increments within the grade, as they deem fit and proper;
- All costs, charges and expenses incurred for the purpose of or on behalf of the Company shall be reimbursed; and
- Company indemnifies him for liabilities and expenses incurred in discharge of official duties.

Mr. Adrianus Voorn

Mr. Adrianus Voorn has been appointed as an executive director of the Company for a period of 5 years with effect from September 21, 2006. The terms and conditions of his appointment with the Company are as follows:

- Salary shall be in the grade of Rs.236,174 per month with powers to the Board to give such accelerated increments within the grade, as they deem fit and proper;
- All costs, charges and expenses incurred for the purpose of or on behalf of the Company shall be reimbursed; and
- Company indemnifies him for liabilities and expenses incurred in discharge of official duties.

The salary payments made to our executive directors includes pension contribution and retirement benefits.

Committees

In compliance with the provisions of its listing agreements and the Companies Act, the Company has constituted different committees, including an Audit Committee and an Shareholders'/ Investors' Grievances Committee. The Company does not have a Finance Committee. The constitution of an Audit Committee and an Shareholders'/Investors' Grievances Committee is mandatory in nature and the constitution of a Finance Committee is non-mandatory in nature. Brief details of various committees constituted by the Company are provided hereunder:

Audit Committee

The terms of the Audit Committee comply with the requirements of our listing agreements with the BSE and NSE. The committee consists of four executive and independent directors, with the majority being independent directors. The committee currently comprises Mr. Sujal Shah, Mr. S. Krishnan, Mr. G. K. Nair and Mr. Prakash Shah. Mr. Sujal Shah is the Chairman of the Audit Committee. Ms. Pankhuri Warange is the Secretary of the Audit Committee.

The principal functions of the committee are to:

- review our financial statements, before submission to, and approval by, the Board;
- to review compliance with internal control systems;

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

Shareholders'/Investors' Grievances Committee

The Shareholders'/Investors' Grievances Committee comprises three members, Mr. Prakash Shah, Mr. G. K. Nair and Mr. Dhanesh V. Sheth. Mr. Prakash Shah is the Chairman and Ms. Pankhuri Warange is the secretary of this committee. The Shareholders'/Investors' Grievances Committee looks into shareholder and investor complaints, issue of duplicate or consolidated share certificates, allotment and listing of securities and review of cases for refusal of transfer/transmission of shares and debentures and references to statutory and regulatory authorities. This committee oversees the performance of the registrars and transfer agents of the Company and recommends measures for overall improvement in the quality of investor services.

Investment Committee

The Investment Committee comprises three members, Mr. Mehul C. Choksi , Mr. G. K. Nair and Mr. Dhanesh Sheth. This committee is responsible to deal with the interim use of initial public offering and foreign currency convertible bonds proceeds and to approve and sanction investment limits from time to time.

Remuneration Committee

The Remuneration Committee comprises two members, Mr. Sujal Shah and Mr. Prakash Shah. Mr. Sujal Shah is the Chairman of this committee and Ms. Pankhuri Warange is the secretary. This committee is responsible for determining the remuneration payable to managerial personnel.

Borrowing Committee

The Borrowing Committee comprises three members, Mr. Mehul C. Choksi , Mr. G. K. Nair and Mr. Dhanesh Sheth. Mr. Choksi is Chairman of the committee. This committee is responsible to look into various borrowing requirements of the Company and borrow from time to time for the purpose of business of the company an amount not exceeding the overall limit of fixed by the shareholders vide their resolution dated March 9, 2007 passed pursuant to Section 293(1)(d) of the Companies Act and comply with other necessary or incidental requirements related to borrowings made by the Company from time to time.

Allotment Committee

The Allotment Committee comprises three members, Mr. Mehul C. Choksi, Mr. G.K. Nair and Mr. Dhanesh Sheth. This committee is responsible for dealing with the allotment of Shares upon conversion of foreign currency convertible bonds.

Corporate Governance Norms

The Company complies with India's corporate governance regimes. The corporate governance norms applicable to the Company are stipulated in Clause 49 of the listing agreements entered into by the Company with NSE and BSE ("Clause 49"). The said clause contains stipulations in respect of the composition of the Board of Directors including, *inter alia*, the ratio of executive and non-executive directors, compensation of non-executive directors, meetings of the Board and a code of conduct for the senior management of the Company and the members of the Board. The clause further requires the constitution of an independent audit committee and lays down

norms in respect of its meetings, powers and role. The clause also contains stipulations in respect of management of unlisted subsidiaries of listed companies.

Clause 49 requires certain disclosures to be made by the Company in regard of related party transactions, deviation from accounting standards, risk assessment and minimization procedures, usage of proceeds from public, rights and preferential issues, remuneration of directors and management discussion and analysis.

In addition to the above, Clause 49 mandates the setting up of a Shareholders'/Investors' Grievance Committee, review of financial statements and cash flow statements by the CEO/CFO of the Company and inclusion of a separate section of corporate governance in the Annual Report of the Company with a detailed compliance report by the Company and its auditors or practicing company secretaries.

In compliance with the provisions of its listing agreements, the Company maintains the ratio of executive and non-executive directors and fifty percent of the non-executive directors are independent directors. Further, the Company has constituted the different committees mandated by Clause 49 of the listing agreements, including an Audit Committee and a Shareholders'/Investors' Grievances Committee. (For further details on composition and functions of these committees, please refer to the section "Committees"). Further, the Company has made mandatory disclosures required under Clause 49 of the listing agreements, including in its annual report, and has also adopted a code of conduct for senior management and the members of the Board.

Shareholding of Directors

The Articles do not require the Directors to hold any qualification Shares in the Company. The list of Directors holding Shares and the number of Shares held by each of them as of September 30, 2007 is set forth below:

Shareholders	No. of shares held
Mr. Mehul C. Choksi	29,878,292
Mr. Dhanesh V. Sheth	4,876
Mr. Prakash Shah	2,872
Mr. Sujal Shah	2,839

Our Senior Management

Ms. Priti M. Choksi, aged 43 years, holds of a bachelor's degree in commerce and has been associated with us for the past 10 years. She is the wife of our Chairman, Mr. Mehul C. Choksi, and heads our jewellery division.

Mr. Manjunath Jyothinagar, aged 35 years, is a chemical engineer. He is our President—Business Development and is responsible for leading new business initiatives and building management teams for business operations and systems. He has worked in management positions with leading multinational and other private companies in India.

Mr. Dhruv Desai, aged 54 years, holds a bachelor's degree in commerce and has been associated with us for the last 15 years. He is the general manager for banking, and is responsible for routine fund management.

Mr. Upen Shah, aged 35 years, is a chartered accountant. He is our Vice President—Finance & Taxation. His responsibilities include working capital mobilisation, corporate accounts and taxation.

Mr. Nishit Mehta, aged 35 years, has been associated with us for the last 13 years. He is responsible for developing new customers and servicing existing clients both in India and internationally.

Mr. Sudhir Mehta, aged 44 years, has been working with the Company for almost two decades. He is responsible for the procurement and selling of rough diamonds.

Mr. Sharad Mehta, aged 50 years, is responsible for the Company's manufacturing operations. His responsibilities include monitoring production schedules, arranging required production resources and routine management of the diamond manufacturing facilities.

Ms. Pankhuri Warange, aged 30 years, is a company secretary and graduate in Law and Arts. She has over five years of experience as a company secretary. She joined the Company in 2005 and is responsible for all the legal and secretarial compliances of the Company.

Mr. Vikram Singh, aged 31 years, is associated with us since last eight years. He is a Diploma holder in Accessories Designing from NIFT. He is responsible for total production for export market, design and product development and administration in Gem Plus division of the Company. He is also helping in designing and product development.

Mr. Shashank Pathak, aged 43 years is an MBA (Marketing & Operations) and graduate in mathematics. He is associated with our lifestyle division and is responsible for lifestyle retail operations.

Mr. Prashant Rege, aged 39 years is an engineer. He is responsible for development of factories, various SEZs and supply chain management.

Mr. Jagdeesh Shivdasani, aged 50 years is B. Tech (Chemical) and MBA (Marketing). He is responsible for developing alternative new distribution channels, develop and implement promotional strategies for all brands, tie-ups with strategically synergistic brands, development of call -centre operations and restructuring media department in coordination with various distribution channels.

Mr. Rahul Vira, aged 33 years is MBA (Marketing) with over 11 years of experience. He has worked on national and international level with corporates like Shopper's Stop and Times of India. He is responsible for business development, retail operations and managing lifestyle distribution business.

Mr. Shekhar Wadke, aged 43 years is MBA (Marketing) and an graduate in economics. He has over two decades of experience of working with various multi-national corporates like Procter & Gamble and Pepsi. He joined the group as chief operating officer and business head for Desire (non—diamond and non—gold fashion jewellery).

Mr. Gaurav Marya, aged 34 years is an electronics engineer. He has over 10 years of experience in franchise and retail sector. He has played a key role in building leading brands in India. He is the author of the book 'Science of Reproducing Success'. He is presently heading our lifestyle division. His responsibilities include handling administration, operations and business development, strategic functions and organizational development of lifestyle division.

Mr. Srikanth Badiga, aged 38 years is an MBA (Marketing) with over 15 years of experience in market research, resource planning and e-commerce, business consultancy and business development. He is presently heading our infrastructure division. His responsibilities include procurement of land and planning and execution related to infrastructure development.

Mr. David Barr, aged 44 years is a graduate of the Diamond Council of America. He has been a director of Samuels since 1998 and served as its Co-Chairman since November 2000. He has also been the Chairman of Avado Brands, Inc., the owner and operator of Don Pablos and Hops restaurant concepts, since June 2005. Since 1998, he has been principal owner of PMTD Restaurants, LLC, a franchisee of KFC restaurants. His prior experience includes Great-American Cookie Company ("GACC"), where he served as Chief Executive Officer, President, Vice President of Finance and Treasurer. During his tenure at GACC, he also held other roles, including Executive Vice President of Operations and Chief Financial Officer. Previously, Mr. Barr worked with PepsiCo and with Price Waterhouse.

Mr. Randy McCullough, aged 55 years, joined Samuels in 1997 as Senior Vice-President of Merchandising and Marketing and has been President and Chief Executive Officer since 1998. Prior to joining Samuels, he served as President of Silverman's Factory Jewelers from 1991 to 1997. Previously, he was a senior manager with AA Friedman's for over 18 years. He currently serves on the board of directors for the Diamond Council of America and was inducted into the National Jeweler's Retailer Hall of Fame in 2000.

Shareholding of the Senior Management

The following table illustrates the shareholding of members of the Company's senior management as of September 30, 2007:

Shareholders	No. of shares held
Ms. Priti M. Choksi	483,007
Mr. Upen Shah	1,000

Related Party Transactions

The related party transactions entered into by the Company have been included in our financial statements under "Annexure II — Related Party Transactions". All related party transactions are entered into on an arms' length basis. Further, all related party transactions are placed before the Board of Directors periodically and reviewed by the Audit Committee of the Board. The Company has not entered into any related party transactions with the independent Directors of the Company.

During fiscal 2007, on an arm's length basis and during the ordinary course of our business activities, we purchased goods and services of an aggregate value of Rs. 1,077.04 million from other promoter group companies and made sales of an aggregate value of Rs. 1,296.28 million to such promoter group companies. In addition, as of March 31, 2007, Rs. 732.99 million was due to us from certain promoter group companies and we owed approximately Rs. 1,025.62 million to certain promoter group companies.

There are no potential conflicts of interest between any duties to the Company of any members of the Senior Management and their private interests and/or other duties. The following table represents the related party transactions that the Company has entered into with its key management personnel and their affiliates for fiscal 2007.

Category	Amount (Rs. in millions)
Mr. Mehul C. Choksi	
Advance given	42.34
Advance given received back	42.34
Amount outstanding shown under unsecured loan	87.27
Dividend paid	0.50
Loan returned	9.23
Loan taken	50.51
Purchase of equity shares	85.00
Salary and other payments	3.60
Sales	0.86
Enterprises under common control of Mr. Mehul C. Choksi and his affiliates	
Advance given	247.04
Advance given received back	144.38

Category	Amount (Rs. in millions)
Advances/balances written back	0.21
Advances received	221.18
Advances received given back	206.11
Amount outstanding shown under advances.....	109.24
Amount outstanding shown under advances from customer	62.53
Amount outstanding shown under advances to suppliers	97.84
Amount outstanding shown under loans and advances	2.96
Amount outstanding shown under sundry creditors	551.93
Amount outstanding shown under sundry debtors	390.78
Amount outstanding shown under unsecured loan	11.87
Assortment charges	5.32
Commission paid.....	9.68
Expenses incurred	0.01
Investments	2.15
Labour charges paid	15.01
Labour charges received.....	0.07
Loan returned	0.24
Purchases.....	446.17
Reimbursement of expenses	2.70
Sales	619.62
Share Application money paid	12.30
Relatives of Mr. Mehul C. Choksi and his affiliates	
Amount outstanding shown under creditors for others	8.90
Amount outstanding shown under sundry creditors	405.86
Amount outstanding shown under sundry debtors	341.49
Amount outstanding shown under unsecured loan	10.44
Loan returned	0.08
Purchases.....	580.21
Sales	659.24
Ms. Priti M. Choksi	
Amount outstanding shown under sundry creditors	44.78
Amount outstanding shown under sundry debtors	0.06
Amount outstanding shown under unsecured loan	0.57
Dividend paid	0.25
Loan returned	0.04
Purchase of equity shares.....	42.50
Mr. Adrianus Voorn	
Salary and other payments	2.83

Conflicts of Interest

Certain provisions of the Companies Act and Clause 49 provide for checks and balances to address conflict of interest situations for directors of the Company and disclosures required to be made by the directors and the Company in relation to such transactions.

Clause 49 requires half of the directors on the Board to be independent directors if the Managing Director of a company is an executive director. It further contains stipulations in respect of adoption of a code of conduct for the senior management of the Company and the members of the Board and setting up of an Audit Committee, Shareholders'/Investors' Grievances Committee and Remuneration Committee. Further, Clause 49 requires disclosures to be made with regard to the remuneration of directors and related party transactions.

Section 297 of the Companies Act provides that subject to certain exceptions, consent of the Board /Central Government is required for certain transactions of a company (including sale, purchase or supply of any goods, materials or services by a company) with a director of the company or his relative or a firm in which such director or relative is a partner, any other partner in such firm, or a private company of which the director is a member or director. Section 299 of the Companies Act provides for disclosures to be made by directors with regard to their direct or indirect interest in a contract or arrangement, which is entered into or to be entered into, by or on behalf of the company. Section 300 of the Companies Act prohibits a director to take part in the discussion of, or vote on the contract or arrangement entered into or being entered into by the company in which he is directly or indirectly concerned or interested and further provides that his vote will not be counted for the purpose of forming a quorum at the time of such discussion or voting on such resolution. Section 301 of the Companies Act mandates a company to maintain a register of contracts, companies and firms in which directors are interested or concerned, whether directly or indirectly. This register is required to be kept at the registered office of the company and is open to inspection by the members of the company.

Further, the Companies Act specifies certain matters, resolutions in respect on which can only be passed at a meeting of the Board or shareholders.

The Company is in compliance of Clause 49 and the aforesaid provisions of the Companies Act. In addition it has adopted a code of conduct which is applicable to directors and senior management of the Company. The code of conduct states that in case of conflict between fiduciary and personal duties, the directors and senior management shall act in the best interest of the Company. In addition, all directors must disclose any potential conflicts of interests on an annual basis. The Board of Directors regularly review compliance with relevant provisions of Companies Act, listing agreements and code of conduct to ensure that control is exercised in a fit and proper manner by the directors and senior management. The annual report of the Company presented to shareholders in annual general meeting also includes a declaration of compliance of the code of conduct by all directors and senior management.

Employee Benefit Plans

Gratuity

The Company does not maintain a gratuity fund but it has provisioned for gratuity payments. On cessation of employment all permanent employees who have completed five years of service with the Company are entitled to a payment equal to 15 days of basic salary for every year of completed service in the Company.

Provident Fund

The employees of the Company may elect to access a provident fund scheme constituted in accordance with the Employees Provident Fund and Miscellaneous Provisions Act, 1952. At present the Company deducts 12% from the salary of the employees who have elected to access the scheme and contributes an equal amount to the fund. Amounts deducted are deposited with the Provident Fund registrar along with other charges.

Employees' State Insurance

Eligible employees can make contributions towards benefits Employees State Insurance. The Company pays 4.75% of the value of each such contribution made.

PRINCIPAL SHAREHOLDERS

The following table contains information concerning the beneficial ownership of our Shares by each person who owns 5% or more of our Shares and by all our directors and executive officers as of the date of this Offering Circular:

Beneficial owner	Number of shares beneficially owned	Percentage of shares beneficially owned (%)
Holders of 5% or more shares:		
Mr. Mehul C. Choksi, Chairman and Managing Director*	29,878,292	48.38
Directors and executive officers		
Ms. Priti M. Choksi*	483,077	0.78
Mr. Dhanesh V. Sheth	4,876	0.00
Mr. Prakash Shah	2,872	0.00
Mr. Sujal Shah	2,839	0.00
Mr. Upen Shah	1,000	0.00

* The shareholders have approved allotment of 3,000,000 share warrants to Mr. Mehul C. Choksi and 4,000,000 share warrants to Ms. Priti M. Choksi.

Mr. Mehul C. Choksi is our promoter and directly holds 48.38% of our Shares. He beneficially holds an additional 10.63% of our Shares through private corporate bodies controlled by him. These corporate bodies together with Mr. Mehul C. Choksi and his relatives comprise our promoters and promoter group. Our promoters and promoter group hold an aggregate of 59.80% of our issued and paid up Shares as of the date of this Offering Circular. After the completion of this Offering, our Promoter, together with the promoter group, will collectively own approximately 45.95% of our issued Shares, assuming the exercise of the Option in full.

In order to regulate the control that Mr Choksi has over the Company as its single largest shareholder, Mr Choksi may not be made a member of the Audit and Shareholders'/Investors' Grievances Committees of the Company.

Pursuant to a shareholders' resolution dated November 3, 2007, certain of our Principal Shareholders will be allotted an aggregate of 10,000,000 share warrants. The share warrants will be allotted as follows:

Name of Allottee	Number of share warrants
Ms. Priti M. Choksi	4,000,000
Mr. Mehul M. Choksi	3,000,000
Priyanka Gems Private Limited	1,000,000
Partha Gems Private Limited	1,000,000
Rohan Diamond Private Limited	1,000,000

These share warrants will be issued at the conversion price of Rs. 312 per Share, in accordance the applicable law and regulations. These share warrants will be convertible into Shares at the option of the warrant holder within a period of 18 months from the date of allotment.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE and the NSE and has not been prepared or independently verified by us or the Managers or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulations

India's stock exchanges are regulated primarily by the Securities and Exchange Board of India, (the "SEBI"), as well as by the Government of India acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act 1956 (the "SCRA") and the Securities Contracts (Regulation) Rules 1957 ("SCRR"). The SCRR along with the rules, byelaws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act 1992 (the "SEBI Act") provided for the establishment of SEBI to protect the interests of investors in securities and to promote the development of, and to regulate, the Indian securities market and for matters connected therewith or incidental hereto. SEBI Act granted powers to SEBI to, among other things, regulate the Indian securities market, including stock exchanges and other intermediaries in the capital market, to promote and monitor self regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading, to regulate substantial acquisitions of shares and takeovers of companies, to call for information, to undertake inspections and conduct enquiries and audits of stock exchanges, self regulatory organisations, intermediaries and other persons associated with the securities market.

SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buy back of securities, delisting of securities, employees stock option schemes, stock brokers, merchant bankers, underwriters, mutual funds, foreign institutional investors ("FIIs"), credit rating agencies and other capital market participants.

The Central Listing Authority (the "CLA") has been set up by SEBI to address the issue of multiple listing of the same security at various stock exchanges and to bring about uniformity in the due diligence exercise in scrutinising all listing applications on any stock exchange in India. The functions of the CLA as enumerated in SEBI (Central Listing Authority) Regulations 2003 are to receive and process applications for letter precedent to listing from applicants and issue, if it deems fit, a letter precedent to listing to any such applicant, to make recommendations to SEBI on issues pertaining to the protection of the interests of the investors in securities and development and regulation of the securities market, including listing agreements with the stock exchanges, listing conditions and disclosures to be made in the offer documents and to undertake any other functions as may be delegated to it by SEBI from time to time.

Listing

The listing of securities on a recognised Indian stock exchange is regulated by the Companies Act, the SCRA, the SCRR and the listing agreements with the stock exchanges. Under the standard terms of the listing agreements with the stock exchanges, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of our

obligations under such agreement, subject to our receiving prior notice of the intent of the exchange. SEBI has power to amend the terms of the listing agreements with the stock exchanges and direct the stock exchanges to amend their byelaws. Any amendment of byelaws by the stock exchanges on their own requires prior approval of the SEBI.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines 2003, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. A company may be delisted through a voluntary delisting sought by the promoters of the said company or a compulsory delisting by the stock exchange due to any acquisition of shares of the said company (by the promoter or another person) or scheme of arrangement, or consolidation of holdings by the person in control pursuant to which the public shareholding in the company falls below the minimum limit specified in the listing conditions or in their stock exchange listing agreement. A company may voluntarily delist from the stock exchange where its securities are listed provided that an exit opportunity has been given to the investors at an exit price determined in accordance with a specified formula. The procedure for compulsory delisting also requires the company to make an exit offer to the shareholders in accordance with the above mentioned guidelines.

Pursuant to a recent circular dated April 13, 2006, SEBI has made certain amendments to the form of listing agreement. All listed companies, other than (a) companies which, at the time of initial listing, had offered less than 25% but not less than 10% of the total number of issued shares of a class or kind, or companies desiring to list their shares by making an initial public offering of at least 10%, and (b) companies which, irrespective of the percentage of their shares with the public at the time of initial listing, have reached a size of twenty million or more in terms of number of listed shares and Rs. 10 billion or more in terms of market capitalisation are required to ensure a minimum level of public shareholding at 25% of the total number of issued shares of a class or kind for the purpose of continuous listing. The companies described in (a) and (b) above are required to maintain a minimum level of public shareholding at 10% of the total number of issued shares of a class or kind for the purpose of continuous listing. The provisions of this circular are not applicable to government companies, infrastructure companies, and companies pending reference before the Board for Industrial and Financial Reconstruction.

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond certain level of price volatility. An index-based market-wide circuit breaker system applies at three stages of the index movement either way at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the BSE or the NSE, whichever is breached earlier.

In addition to the market wide index-based circuit breakers, there are currently in place varying individual scrip wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available. The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. We are also subject to daily circuit breakers imposed by the BSE and the NSE which do not allow transactions beyond certain volatility in the price of our Shares. These circuit breakers operate independently of the index-based market-wide circuit breakers generally imposed by SEBI on stock exchanges in India.

Disclosures under the Companies Act and Securities Regulations

All companies, including public limited companies are required under the Companies Act, 1956 to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the Companies Act's disclosure requirements. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreements with the stock exchanges and SEBI regulatory requirements. The companies are also required to publish unaudited financial statements (albeit subject to a limited review by the

company's auditors), on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price sensitive information.

The Institute of Chartered Accountants of India ("ICAI") and the SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide category wise reporting and to increase their disclosure of related party transactions from April 1, 2001 and accounting for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002. As of April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of April 1, 2004, accounting standards regulate accounting for impairment of assets.

Indian Stock Exchanges

There are now 23 stock exchanges in India. Most of the stock exchanges have their governing board for self-regulation. The BSE and the NSE hold prominent positions among the stock exchanges in terms of number of listed companies, market capitalisation and trading activity.

BSE

The BSE is one of the stock exchanges in India on which our Shares are listed. Established in 1875, it is the oldest stock exchange in India. It is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. It has evolved over the years into its present status as the premier stock exchange of India. Pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of SEBI, the BSE has been corporatised and demutualised and is now a company under the Companies Act. The BSE has switched over to an on-line trading network since 1995 and has today expanded this network to over 400 cities in India.

Derivatives trading commenced on the BSE in 2000. The BSE has a wholesale and retail debt trading categories. The retail trading in government securities commenced in January 2003.

As of September 30, 2007, the BSE had 950 members, comprising 178 individuals, 749 Indian companies and 23 foreign institutional investors. As of September 2007, there were 4,871 companies trading on the BSE and the estimated market capitalisation of stocks trading on the BSE was Rs. 52,029,550 millions. The average daily turnover on the BSE in September 2007 was Rs. 61,571.9 millions.

NSE

The NSE is one of the stock exchanges in India on which our Shares are listed. NSE was established by financial institutions and banks to serve as a national exchange and provide nationwide on-line satellite-linked screen-based trading facilities with electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. On its recognition as a stock exchange under the Securities Contracts (Regulation) Act 1956 in 1993, the NSE commenced operations in the wholesale debt market segment in 1994 and operations in the derivatives segment commenced in 2000. NSE trading terminals are now situated in over 350 cities across India.

The NSE offers a fully automated screen based trading system known as the National Exchange for Automated Trading, which operates on a price and time priority basis and enables members from across the country to trade various types of securities efficiently.

As of September 30, 2007, there were 1,319 companies trading on the NSE and the estimated market capitalisation of stocks trading on the NSE was Rs. 48,865,610 millions. The average daily turnover on the NSE in September 2007 was Rs. 133,020 millions.

Takeover Code

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 1997, as amended (the "Takeover Code") prescribes certain thresholds or trigger points in respect of acquisition of shares of a listed company in India that give rise to certain obligations under the Takeover Code. The Takeover Code requires disclosure of the aggregate shareholding or voting rights in a listed company to be made by any acquirer who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him or persons acting in concert with him) entitle him to more than 5%, 10%, 14%, 54% or 74% of the shares or voting rights in that company. Unless specifically exempted, the Takeover Code also requires the making of a public announcement to acquire, generally speaking and subject to the provisions discussed below, a minimum of 20% of the voting capital of a company when:

- (a) Any acquirer who, along with persons acting in concert with him, acquires or agrees to acquire 15% or more of the shares or voting rights in the company.
- (b) Any acquirer who, together with persons acting in concert with him, has acquired, in accordance with the provisions of law, 15% or more but less than 55% of the shares or voting rights in the shares of the company and who acquires additional shares or voting rights entitling him to exercise more than 5% of the shares or voting rights in any financial year ending 31 March.
- (c) Any acquirer who, together with persons acting in concert with him, has acquired, in accordance with the provisions of law, 55% or more but less than 75% of the shares or voting rights in the shares of the company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company) and who acquires any additional share or voting rights.
- (d) Any acquirer who, together with persons acting in concert with him, holds 55% or more, but less than 75% of the shares or voting rights of the company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by its listing agreements with the stock exchanges.
- (e) Any acquirer acquires control over the company (directly or indirectly), irrespective of whether there has been any acquisition of shares or voting rights in the company.

However, in the event a public offer is made pursuant to paragraph (d) above, the minimum size of the public offer to acquire the voting capital of the target company is required to be the lesser of (i) 20% of the voting capital of the company; or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription of the offer, enable the acquirer, together with persons acting in concert with him, to increase his holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding laid down in its listing agreements with the stock exchanges.

Further, if the acquisition of voting capital of a target company made by an acquirer pursuant to a public offer results in the public shareholding in the target company being reduced below the minimum level required in its listing agreements with the stock exchanges for the purpose of continuous listing, the acquirer is required to take necessary steps to facilitate compliance of the target company with the relevant provisions of such listing agreements, within the time period mentioned in such listing agreements.

The obligation to make an open offer in terms of the Takeover Code does not arise pursuant to acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into shares carrying voting rights.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations 1992, as amended (“Insider Trading Regulations”), have been notified by SEBI to prohibit and penalise insider trading in India. The Insider Trading Regulations prohibit an ‘insider’ from dealings in the securities of a listed company on the basis of “unpublished price sensitive information,” communication of such information or the counsel or procurement of any other person to deal in securities on the basis of such information. The Insider Trading Regulations require any person who holds more than 5% shares or voting rights in any listed company to disclose to the company, the number of shares or voting rights held by such person and any change in the shareholding or voting rights, on becoming such holder, within four working days of:

- (i) the receipt of intimation of allotment of shares; or
- (ii) the acquisition or the sale of the shares or voting rights, as the case may be.

On a continuing basis, any person who holds more than 5% shares or voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made, provided such change exceeds 2% of total shareholding or voting rights in the company. Such disclosure is required to be made within four working days of:

- (i) the receipt of intimation of allotment of shares; or
- (ii) the acquisition or sale of shares or voting rights, as the case may be.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse thereof. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading, which is to be implemented by all listed companies and other such entities.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 which provides a legal framework for the establishment of depositories to record ownership details and effectuate transfers in book-entry form. SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 which provide for, among other things, the registration of depositories and participants, the rights and obligations of the depositories, participants, the Company companies and the beneficial owners, creation of pledge of securities held in dematerialised form, and procedure for dematerialisation of shares held in physical form.

The depository system has significantly improved the operations of the Indian securities markets. Trading of securities in book-entry form commenced towards the end of 1996. In January 1998, SEBI notified scrips of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors. SEBI has subsequently notified scrips in which dematerialised trading is compulsory for all investors. The DIP Guidelines provide that no company shall make a public or rights issue or an offer for sale of securities unless the company enters into an agreement with a depository for dematerialisation of securities already issued or proposed to be issued to the public or existing shareholders and the company gives an option to subscribers, shareholders or investors to receive the security certificates or hold securities in dematerialised form with a depository.

Transfers of shares in book-entry form require both the seller and the purchaser of the shares to establish accounts with depository participants registered with the depositories established under the Depositories Act, 1996. Charges for opening an account with a depository participant,

transaction charges for each trade, and custodian charges for securities held in each account vary depending upon the practice of each depository participant and must be borne by the account holder. Upon delivery, the shares are registered in the name of the relevant depository in our books and this depository enters the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner is entitled to all rights and benefits and subject to all liabilities in respect of its securities held by a depository.

The Companies Act provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million (U.S.\$2.3 million) should issue the securities in dematerialised form.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and minor amendment and excepting sentences in italics) will apply to the Global Depositary Receipts, and will be endorsed on each Global Depositary Receipt certificate:

The GDRs represented by this certificate are each issued in respect of one Share of par value Rs. 10 each in the Company pursuant to and subject to an agreement dated December 14, 2007 and made between the Company and Deutsche Bank Trust Company Americas in its capacity as depositary (the "Depositary") for the "Regulation S Facility" and for the "Rule 144A Facility" (such agreement, as amended from time to time, being hereinafter referred to as the "Deposit Agreement"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed Deutsche Bank AG, Mumbai Branch as Custodian (the "Custodian") to receive and hold on its behalf the share certificates in respect of certain Shares (the "Deposited Shares") and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property"). The Depositary shall hold the Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the "Conditions"), references to the "Depositary" are to Deutsche Bank Trust Company Americas and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "Custodian" are to Deutsche Bank AG, Mumbai Branch or any other custodian from time to time appointed under the Deposit Agreement and references to the "Main Office" means, in relation to the relevant Custodian, its head office in Mumbai or such other location of the head office of the Custodian in Mumbai as may be designated by the Custodian with the approval of the Depositary (if outside the city of Mumbai) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

GDRs may take the form of either (i) GDRs represented by a Master Regulation S GDR (the "Master Regulation S GDR") registered in the name of a common nominee for, and held by a common depositary (the "Common Depositary") for, Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear, and held for the account of accountholders in Clearstream, Luxembourg or Euroclear, as the case may be, exchangeable in certain circumstances and upon delivery to the Depositary of either (a) a certificate substantially in the form of Schedule 3 Part A of the Deposit Agreement or (b) an electronic confirmation through Euroclear or Clearstream, Luxembourg, as the case may be, in lieu of such certification set forth in Schedule 3 Part A by or on behalf of such person, for a certificate in definitive registered form in respect of GDRs evidencing all or part of the interest of such person in the Master Regulation S GDR; or (ii) GDRs represented by a Master Rule 144A GDR (the "Master Rule 144A GDR") registered in the name of The Depositary Trust Company (or its nominee) and held for the account of participants therein, exchangeable as set out therein in certain circumstances, upon delivery to the Depositary of either (a) a certificate substantially in the form of Schedule 3 Part A of the Deposit Agreement or (b) an electronic confirmation through Euroclear, Clearstream, Luxembourg or Depositary Trust Company (to the extent permitted) as the case may be, in lieu of such certification set forth in Schedule 3 Part A by or on behalf of such person, for a certificate in definitive registered form in respect of GDRs evidencing all or part of the beneficial interest of such person in the Master Rule 144A GDR. A GDR represented by an individual definitive certificate will not be eligible for clearing and settlement through Clearstream, Luxembourg, Euroclear or Depositary Trust Company. The Master Regulation S GDR and the Master Rule 144A GDR are together referred to as the "Master GDRs".

Subject to the provisions and upon compliance with the conditions of the Deposit Agreement, interests in the Master Regulation S GDR may be exchanged by the Holder thereof for interests in the corresponding number of GDRs represented by the Master Rule 144A GDR, and vice versa. Subject to the limited exceptions set forth herein, prior to the 41st day after the commencement

of the offering and the later of the closing date of the Global Offering (the "Closing Date") and the final closing date in relation to the Over-Allotment Option (as defined in the Offering Circular) (if exercised), interests in the GDRs represented by the Master Regulation S GDR may be held only through Euroclear or Clearstream, Luxembourg. Prior to the 41st day after the later of the commencement of the offering and the later of the Closing Date and the final closing date in relation to the Over-Allotment Option (if exercised), an interest in GDRs represented by the Master Regulation S GDR may be transferred to a person whose interest in such GDRs is subsequently represented by the Master Rule 144A GDR only if such transfer is being made to a person whom the transferor reasonably believes to be a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. On or after such 41st day, such restrictions on transfer will no longer apply to such transfers. Interests in GDRs represented by the Master Rule 144A GDR may be transferred to a person whose interest in such GDRs is subsequently represented by the Master Regulation S GDR at any time if such transfer is being made in accordance with Regulation S under the Securities Act. In such case, entries in the books of the Depository against the Master Regulation S GDR and the Master Rule 144A GDR will be made accordingly to show the relative increase or decrease, as the case may be, in the number of Deposited Shares evidenced thereby.

The Master Regulation S GDR and the Master Rule 144A GDR will only be exchanged for definitive GDRs in registered form in the circumstances described in (i), (ii), (iii), (iv) or (v) below, in whole but not (except in the case of (iv) or (v) below) in part. The Depository shall deliver, within 60 days of the occurrence of the relevant event described in (i), (ii), (iii), (iv) or (v) below, GDRs in definitive form, in exchange for either the Master Regulation S GDR or the Master Rule 144A GDR, to Holders in the event that:

- (i) the Holder of the Master Regulation S GDR or the Master Rule 144A GDR is unwilling or unable to continue as common depository or depository (or as nominee thereof), as the case may be, and a successor common depository or successor depository (or successor nominee therefore), as the case may be, is not appointed within 90 calendar days; or
- (ii) in the case of the Master Rule 144A GDR, Depository Trust Company or any successor ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended; or
- (iii) either Clearstream, Luxembourg or Euroclear (in the case of the Master Regulation S GDR) or Depository Trust Company (in the case of the Master Rule 144A GDR) is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so and no alternative clearing system satisfactory to the Depository is available within 45 days; or
- (iv) the Depository has determined that, on the occasion of the next payment in respect of the GDRs, the Company, the Depository or its Agent would be required to make any deduction or withholding from any payment in respect of the GDRs which deduction or withholding, would not be required were the GDRs in definitive form; or
- (v) the Holder gives notice to the Depository of its desire to exchange a part or the whole of the Master Regulation S GDR or the Master Rule 144A GDR for certificates evidencing GDRs in definitive registered form.

The settlement of cross-market trades between participants in either Clearstream, Luxembourg or Euroclear and participants in Depository Trust Company will take longer than settlement of trades either solely within one clearing system or between Clearstream, Luxembourg or Euroclear and, consequently, investors will not enjoy the same ability to use securities for transactions such as lending and repurchase agreements. Settlement on a delivery versus payment basis will not be available. Investors will have to make their own payment arrangements for such cross-market trades outside the clearing systems. Investors should consult the relevant clearing system if they are in any doubt.

References in these Conditions to the “Holder” of any GDR shall mean the person or persons registered in the books of the Depositary maintained for such purpose (the “Register”) as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. Holders are deemed to have notice of and be bound by all the provisions of the Deposit Agreement applicable to them.

1 Deposit of Shares and other securities

- (A) After the initial deposit of Shares by the Company in respect of each GDR, unless otherwise agreed by the Depositary and the Company and permitted by applicable law, only the following may be deposited under the Deposit Agreement in respect of such GDR:
- (i) Shares issued as a dividend or free distribution on Deposited Shares pursuant to Condition 5;
 - (ii) Shares subscribed or acquired by Holders from the Company through the exercise of rights distributed by the Company to such persons in respect of Deposited Shares pursuant to Condition 7;
 - (iii) securities issued by the Company to the Holders in respect of Deposited Shares as a result of any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or otherwise pursuant to Condition 10; and
 - (iv) (to the extent and in the manner permitted by applicable law and regulation) any other Shares in issue.

References in these Conditions to “Deposited Shares” or “Shares” shall include any such securities, where the context permits.

- (B) In accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form approved by the Depositary) and, if required by the Depositary, either (i) a duly executed certificate substantially in the form of Schedule 3 Part B of the Deposit Agreement by or on behalf of any investor who is to become the beneficial owner of the GDRs or (ii) an electronic confirmation through Euroclear or Clearstream, Luxembourg, as the case may be, in lieu of such certification set forth in Schedule 3 Part B by or on behalf of such person, the Depositary will from time to time issue GDRs in respect of Shares accepted for deposit under this Condition. Such further GDRs will have the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement, shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs. Under the Deposit Agreement, the Company must inform the Depositary if any Shares issued by it which may be deposited under this Condition do not, by reason of the date of issue or otherwise, rank *pari passu* in all respects with the other Deposited Shares. Subject to the provisions of Conditions 5, 7 and 10, if the Depositary accepts such Shares for deposit it will arrange for the issue of temporary GDRs in respect of such Shares which will form a different class of GDRs from the other GDRs until such time as the Shares which they represent become fully fungible with the other Deposited Shares.

Shares may not be deposited by persons located in India, residents of India or for, or on the account of, such persons (except by the Company and the Custodian) and such other persons who are not authorised to do so in accordance with Indian regulations.

Subject to the terms and conditions of the Deposit Agreement and applicable law, upon (i) physical delivery to the Custodian of Shares, (ii) if required, delivery to the Depository of either (a) a certificate substantially in the form of Schedule 3 Part B of the Deposit Agreement and available from the Depository or the Custodian or (b) an electronic confirmation through Euroclear, Clearstream, Luxembourg and Depository Trust Company (to the extent permitted and in the manner), as the case may be, in lieu of such certification set forth in Schedule 3 Part B by or on behalf of such person, (iii) payment of necessary taxes, governmental charges (including transfer taxes) and other fees, expenses and charges as set forth in Condition 16 and the Deposit Agreement, and (iv) receipt of a duly executed notice containing instructions for delivery of GDRs in definitive form at the specified office of the Depository or instructions for crediting interests in the Master Regulation S GDR to the account of the Common Depository and/or the Master Rule 144A GDR to the account of Depository Trust Company (or its nominee), the Depository will adjust its records for the number of GDRs issued in respect of the Shares so deposited and will notify the Common Depository or Depository Trust Company, as the case may be, as to the increase in the number of GDRs represented by the Master Regulation S GDR or the Master Rule 144A GDR, respectively. Each person receiving a GDR or interest therein will be deemed to make the representations, covenants and acknowledgements set forth under "Transfer Restrictions".

- (C) The Depository will refuse to accept Shares for deposit whenever it is notified in writing by the Company that the Company has restricted the transfer of such Shares to comply with ownership restrictions under applicable Indian law or that such deposit would result in any violation of applicable Indian laws or governmental or stock exchange regulations. The Depository will also refuse to accept certain Shares for deposit when notified in writing by the Company that the Deposited Shares or GDRs or any depository receipts representing Shares are listed on a U.S. national securities exchange registered under Section 6 of the Exchange Act or quoted on a U.S. automated interdealer quotation system unless the Company has notified the Depository that it has received evidence satisfactory to it that such securities were not when issued of such class of securities so listed or quoted and accompanied by evidence satisfactory to the Depository that any Shares presented for deposit are eligible for resale pursuant to Rule 144A under the Securities Act. The Depository may also refuse to accept Shares for deposit if such action is deemed necessary or desirable by the Depository, in good faith, at any time or from time to time because of any requirements of law or of any government or governmental authority, body or commission or stock exchange or under any provision of the Deposit Agreement.
- (D) In its capacity as Depository, the Depository shall not lend Shares or other Deposited Property held hereunder or GDRs, provided that the Depository reserves the right subject to applicable law (and without prejudice to its obligations under Clause 2.1 of the Deposit Agreement to (i) issue GDRs or interests in the Master GDRs prior to the receipt of Shares and (ii) deliver Deposited Property prior to the receipt and cancellation of GDRs in accordance with these Conditions, including GDRs which were issued under Condition 1(A)(i) above but for which Shares may not have been received (a "pre-release"). Each such pre-release transaction shall be (a) preceded or accompanied by a written representation from the person to whom GDRs or Deposited Property are to be delivered that at the time of such transaction such person, or its customer (i) beneficially owns the corresponding Deposited Property or GDRs to be received, as the case may be, (ii) assigns all beneficial rights, title and interests in and to such Deposited Property or GDRs, as the case may be, to the Depository in its capacity as such and will hold such Deposited Property or GDRs, as the case may be, in trust for the Depository until their delivery to the Depository or Custodian, (iii) will reflect the Depository as the owner of such Deposited Property or GDRs, as the case may be, on its records, (iv) deliver such Deposited Property or GDRs, as the case may be, to the Depository or Custodian upon the Depository's request and (v) will not take any action with respect to such Deposited Property or GDRs, as the case may be, that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depository, disposing of such Deposited Property or

GDRs, as the case may be), other than to deliver such Deposited Property or GDRs, as the case may be, to the Depositary in its capacity as such, (b) at all times fully collateralised with cash, U.S. government securities, or other collateral of comparable safety and liquidity, (c) terminable by the Depositary on not more than five business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will also set limits with respect to the number of Shares and GDRs involved in transactions to be effected hereunder with any one person on a case by case basis as it deems appropriate. The collateral referred to in (b) above shall be held by the Depositary for the benefit of the Holders as security for the performance of the obligations to deliver such Deposited Property or GDRs, as the case may be, set forth in (a) above.

2 Withdrawal of Deposited Property

- (A) Deposited Property may not be withdrawn until the Depositary has received a written confirmation from the Company that the Shares are listed on at least one of the Indian Stock Exchanges. The Depositary shall notify the Holders of such listings in accordance with Condition 23 as soon as is practically possible after receiving such written confirmation. Subject as set out above and to Condition 2(B) to 2(E) below, at any time, any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, insofar as permitted by Indian law, the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of and entitled to the relevant GDR and such other evidence as the Depositary may reasonably require at the specified office of the Depositary or any Agent accompanied by:
- (i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Office of the Custodian, or (at the request, risk and expense of the Holder) at the specified office from time to time of the Depositary or any Agent (located in India or such other place as permitted under applicable law from time to time) to, or to the order in writing of, the person or persons designated in such order;
 - (ii) either (x) a duly executed and completed certificate substantially in the form set out in Schedule 3 Part C to the Deposit Agreement or (y) an electronic confirmation through Euroclear or Clearstream, Luxembourg, as the case may be, in lieu of such certification set forth in Schedule 3 Part C by or on behalf of such person, (a) if Deposited Property is to be withdrawn or delivered during the Distribution Compliance Period (such term being defined as the 40 day period beginning on the latest of the commencement of the Offering, the original issue date of the GDRs, and the latest issue date with respect to additional GDRs, if any, issued pursuant to the exercise of the Option (as defined in the Offering Circular dated December 11, 2007 relating to the initial offering of the GDRs)) in respect of surrendered GDRs represented by the Master Regulation S GDR, or (b) if Deposited Property is to be withdrawn or delivered at any time in respect of surrendered Rule 144A GDRs represented by the Master Rule 144A GDR;
 - (iii) the payment of such fees, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement; and
 - (iv) the surrender (if appropriate) of the GDR certificates in definitive registered form to which the Deposited Property being withdrawn is attributable.
- (B) Certificates for withdrawn Deposited Shares will contain such legends, and withdrawals of Deposited Shares will be subject to the grant of such approvals as may be required by applicable laws or the Constitutive Documents of Association of the Company (the "Constitutive Documents") and to such transfer restrictions or certifications, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws and the Constitutive Documents.

The Board of Directors of the Company may in certain circumstances refuse to register the transfer of Deposited Shares from the name of the Depositary or its nominee.

A stamp duty of 0.25 per cent. of the market value of Shares is currently charged in respect of any transfer of Shares in physical form, including, on the initial transfer of Shares on withdrawal of the GDRs (if they are in physical form). This duty is payable by the relevant Holder. Currently, in accordance with Indian regulations, the delivery of underlying Shares of GDRs shall only be in the dematerialised form and stock exchanges may not accept delivery of underlying Shares of GDRs in physical form. Holders are advised to seek independent legal advice in relation to transfer and requirement of approval issues.

- (C) Upon production of such documentation and the making of such payment as aforesaid in accordance with Condition 2(A), the Depositary will direct the Custodian, with a copy of such direction being simultaneously sent to the Company for information, within a reasonable time after receiving such direction from such Holder, to deliver at its Office to, or to the order in writing of, the person or persons designated in the accompanying order:
- (i) a certificate for, or other appropriate instrument of title to or evidence of a book-entry transfer in respect of, the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and
 - (ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid;

Provided that the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

- (i) will direct the Custodian to deliver the certificate for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in Condition 2(C)(i) (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agents and is attributable to such Deposited Shares); and/or
- (ii) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied by such instruments of transfer in blank or to the person or persons specified in such order and such other documents, if any, as are required by law for the transfer thereof),

in each case at the specified office from time to time of the Depositary, if any, or any Agent (located in the Republic of India or such other place as is permitted under applicable law from time to time) as designated by the surrendering Holder in such accompanying order as aforesaid.

- (D) Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.
- (E) The Depositary may suspend the withdrawal of all or any category of Deposited Property during any period when the register of shareholders or other relevant holders of the Company is closed, generally or in one or more localities, or in order to comply with any applicable Indian law or governmental or stock exchange regulations. The Depositary shall restrict the withdrawal of Deposited Shares when it is notified in writing that such withdrawal would result in a breach of ownership restrictions under applicable Indian law as notified by the Company from time to time. In the absence of any such notification from the Company, the Depositary is not under any obligation to ascertain or determine whether or not any such delivery should be reduced (including monitoring ownership levels amongst

beneficial owners) and the Depositary, shall not be liable for any loss, damage or other consequences arising from any such refusal.

3 Transfer and Ownership

The GDRs are in registered form, each representing one Share. Transfer of title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable law. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its absolute owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

The Deposit Agreement defines the "owner of GDRs" as, in respect of any GDR represented by the Master Regulation S GDR, such person whose name appears in the records of Clearstream, Luxembourg or Euroclear or, in respect of any GDRs represented by the Master Rule 144A GDR, such person whose name appears in the records of Depositary Trust Company, in each case, as the owner of a particular amount of GDRs, and, in respect of any other GDR, the Holder thereof. The Deposit Agreement defines the "Holder" as the person recorded in the Register as the holder for the time being of a GDR and defines "beneficial owner" of GDRs as such person who holds beneficial title to such GDRs or interests therein. Holders, owners and beneficial owners of GDRs are not parties to the Deposit Agreement and thus, under English law, have no contractual rights against, or obligations to, the Company. The Depositary is under no duty, to enforce any of the provisions of the Deposit Agreement on behalf of any Holder, owner or beneficial owner of GDRs.

There are restrictions on the offer and sale of the GDRs and the Shares in the United States. See "Transfer Restrictions".

4 Cash Distributions

Subject to applicable law, whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into U.S. dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall, as soon as practicable, distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; provided that:

- (i) in the event that the Depositary is aware that any Deposited Shares shall not be entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and
- (ii) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16(A)(iv).

5 Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend in or free distribution or bonus issue of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares evidenced by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such dividend or distribution or bonus issue. Such additional GDRs shall be distributed by an increase in the number of GDRs evidenced by the Master GDRs or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall sell (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6 Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7 Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

- (i) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in Rupees or other relevant currency (where appropriate) together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders

entitled thereto by an increase in the numbers of GDRs represented by the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

- (ii) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or
- (iii) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (i) and (ii) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary, subject to applicable law, (a) will, provided that Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion, subject to applicable laws and regulations) or (b) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold, and in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Conditions 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities represented by such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary that a registration statement is in effect or that the relevant offer, distribution or sale of such rights or securities to such Holders or owners of GDRs is exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable to dispose of the rights in any manner provided in paragraphs (i), (ii) and (iii) above the Depositary shall permit the rights to lapse.

In the absence of its own wilful default, gross negligence or bad faith, the Depositary will not be responsible for any failure to determine that it may be lawful or practicable to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8 Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than U.S. dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgment of the Depositary be converted on a reasonable basis into U.S. dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or other financial institution, by sale or in any other manner that it may

reasonably determine, the currency so received into U.S. dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgment any currency other than U.S. dollars is not convertible on a reasonable basis into U.S. dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in U.S. dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

9 Distribution of any Payments

- (A) Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (which shall be the same date as the corresponding record date set by the Company or as near as practicable to the record date set by the Company) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in U.S. dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDRs, according to usual practice between the Depositary and Clearstream, Luxembourg, Euroclear or Depositary Trust Company, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Conditions, the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relevant Deposited Property.
- (B) Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the entitled Holder, subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its use in accordance with applicable law.

10 Capital Reorganisation

Upon any change in the nominal or par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6, 7 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the

exchange of existing GDRs for new GDRs which reflect the effect of such change or may adopt more than one of these courses of action.

11 Withholding Taxes and Applicable Laws

- (A) Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Indian and other withholding taxes, if any, at the applicable rates.

For a description of Indian withholding taxes with respect to dividends on Deposited Shares and capital gains realised on sales of Deposited Shares, see "Taxation".

- (B) If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in India in order for the Depository to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Conditions 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company will apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement, to the extent reasonably practicable, to take such action as may be required in obtaining or filing the same. The Depository shall not be obliged to distribute GDRs representing such Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities represented by any such rights with respect to which such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent or permit, or to file any such report except in circumstances where the same may only be obtained or filed by the Depository without unreasonable burden or expense.
- (C) The Depository will use reasonable efforts to enable eligible owners of GDRs who are not resident in the Republic of India to benefit from any available reduced withholding tax rate, respecting payments of any dividend, and to recover payment of any fiscal or tax credit payment.

12 Voting Rights

Holders of GDRs will have no voting rights with respect to the Deposited Shares. The Depository will not exercise any voting rights in respect of the Deposited Shares unless it is required to do so by law. If so required, the Depository will, at the direction of the Board of Directors of the Company (subject to the advice of legal counsel taken by the Depository and the Company at the expense of the Company), either vote as directed by the Board of Directors of the Company or give a proxy or power of attorney to vote the Deposited Shares in favour of a Director of the Company or other person or vote in same manner as those shareholders designated by the Board of Directors of the Company. A valid corporate decision of the Company will bind the Depository and the Holders notwithstanding these restrictions on voting rights.

Shares which have been withdrawn from the depository facility and transferred on the Company's register of members to a person other than the Depository or its nominee may be voted by the holders thereof. However, Holders or owners of GDRs may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the Shares and vote at such meetings.

13 Documents to be Furnished, Recovery of Taxes, Duties and Other Charges

The Depository shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR shall be payable by the Holder thereof to the Depository at

any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. In default thereof, the Depository may for the account of the Holder discharge the same out of the proceeds of sale on any stock exchange on which the Shares may from time to time be listed or otherwise on any over-the-counter market in India, and subject to all applicable law and regulations, of any appropriate number of Deposited Shares or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 23.

14 Liability

- (A) In acting hereunder the Depository shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions, and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.
- (B) Neither the Depository, the Custodian, the Company, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person if, by reason of any provision of any present or future law or regulation of India or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depository, the Custodian, the Agent or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the Constitutive Documents, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor (save in the case of wilful default, gross negligence or bad faith) shall any of them incur any liability to any Holder or owner of GDRs or persons with an interest in any GDR by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).
- (C) Neither the Depository nor any Agent shall be liable (except for its own wilful default, gross negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or (except as provided in (P) below) for its failure to perform any obligations under the Deposit Agreement or these Conditions.
- (D) The Depository and its agents may engage or be interested in any financial or other business transactions with the Company, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a company, and not in the capacity of Depository, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and any sales of property) without accounting to Holders or any other person for any profit arising therefrom.
- (E) The Depository shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depository's normal practices and procedures but shall have no liability

(in the absence of its own wilful default, gross negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.

- (F) The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions.
- (G) The Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of a GDR or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.
- (H) In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders, the owners of GDRs or any other person.
- (I) Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its reasonable opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.
- (J) The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.
- (K) Any such advice, opinion, certificate or information shall be in writing and may be sent or obtained by letter, facsimile transmission, telegram or cable and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.
- (L) The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a Director of the Company or by a person duly authorised by a Director of the Company or such other certificate from persons specified in (J) above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.
- (M) The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, gross negligence or bad faith.
- (N) The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, provided that no objection from the Company to any such delegation

as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not (in any circumstances) and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate, arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.

- (O) The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business or do or concur in doing all acts required to be done by such party, including the receipt and payment of money.
- (P) The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in case of deposit with itself, in the absence of its own wilful default, gross negligence or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.
- (Q) Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable, in the absence of its own wilful default, gross negligence or bad faith or that of its agents, directors, officers or employees, in respect of any loss or damage which arises out of or in connection with its performance or non-performance or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement.
- (R) No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.
- (S) No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

15 Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16 Depository's Fees, Costs and Expenses

- (A) The Depository shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:
- (i) for the issue of GDRs (other than upon the issue of GDRs on the date hereof) or the cancellation of GDRs upon the withdrawal of Deposited Property: U.S.\$0.05 or less per GDR issued or cancelled;
 - (ii) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depository to be a reasonable charge to reflect the work, costs and expenses involved;
 - (iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): a sum per GDR certificate which is determined by the Depository to be a reasonable charge to reflect the work, costs (including, but not limited to, printing costs) and expenses involved;
 - (iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares and/or for the operation and maintenance costs associated with the administration of the GDRs: a fee of U.S.\$0.04 per GDR;
 - (v) in respect of any issue of rights or distribution of Shares (whether or not represented by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution (except where converted to cash): U.S.\$0.05 or less per outstanding GDR for each such issue of rights, dividend or distribution; and
 - (vi) for the inspection of the relevant share register maintained by the local registrar undertaken by the Depository, the Custodian or their respective agents: an annual fee of U.S.\$0.01 or less per GDR (such fee to be assessed against Holders of record as at the date or dates set by the Depository as it sees fit and collected at the sole discretion of the Depository by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions);
 - (vii) for the issue of GDRs pursuant to a change for any reason in the number of Shares represented by each GDR, regardless of whether or not there has been a deposit of Shares to the Custodian or the Depository for such issuance: a fee of U.S. \$0.05 or less per GDR (or portion thereof); and
 - (viii) for transferring interests from and between the Master Regulation S GDR and the Master Rule 144A GDR: a fee of U.S.\$0.05 or less per GDR,
- together with all expenses, transfer and registration fees, taxes, duties and charges payable by the Depository, any Agent or the Custodian in connection with any of the above including, but not limited to charges imposed by an central depository and such customary expenses as are incurred by the Depository in the conversion of currencies other than U.S. dollars into U.S. dollars and fees imposed by any relevant regulatory authority.
- (B) The Depository is entitled to receive from the Company such sums and amounts as specified in a letter between the Company and the Depository of even date herewith.

17 Agents

- (A) The Depository shall be entitled to appoint one or more agents (the "Agents") for the purpose, inter alia, of making distributions to the Holders.
- (B) Notice of appointment or removal of any Agent or of any change in the specified office of the Depository or any Agent will be duly given by the Depository to the Holders.

18 Listing

The Company has undertaken in the Deposit Agreement to use its best endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, a listing for GDRs on the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange's Professional Securities Market for listed securities and a listing of the Shares on the at least one of the Indian Stock Exchanges. For that purpose the Company will pay all fees and sign and deliver all undertakings required by the UK Listing Authority, the London Stock Exchange and the Indian Stock Exchanges in connection therewith. In the event that such listings are not maintained, the Company has undertaken in the Deposit Agreement to use its best endeavours to obtain and maintain a listing of the GDRs on another international recognised investment exchange designated as a "recognised investment exchange" for the purposes of Section 1005 of the Income Tax Act 2007 and a listing of the Shares on one or more stock exchanges in India.

19 The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian provided that the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary. Upon receiving notice of the resignation of the Custodian the Depositary shall promptly appoint a successor Custodian (approved by the Company and such approval not to be unreasonably withheld or delayed) which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may terminate the appointment of the Custodian and, in the event of any such termination of the appointment of the Custodian, the Depositary shall promptly appoint a successor Custodian which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; provided that, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are, in the opinion of the Depositary, of a reasonable amount.

20 Resignation and Termination of Appointment of the Depositary

(A) Unless otherwise agreed to in writing between the Company and Depositary from time to time, the Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 90 days' notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving 90 days' notice in writing to the Company and the Custodian. Within 30 days after the giving of such notice, notice thereof shall be duly given by the Depositary to the Holders and by the Company to the UK Listing Authority and the London Stock Exchange. Such resignation by the Depositary shall be subject to the terms and conditions of any other agreement executed between the Depositary and the Company.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in the relevant notice provided that no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary,

the grant of such approvals as may be necessary to comply with applicable laws and with the Constitutive Documents for the transfer of the Deposited Property to such successor depositary, the acceptance of such appointment to act in accordance with the terms thereof by the successor depositary and the payment to the Depositary of all fees, taxes, duties, charges, costs, expenses and other payments as agreed by the Depositary and the Company in any agreement concerning such fees, taxes, duties, charges, costs, expenses and other payments. The Company has undertaken in the Deposit Agreement to use its best endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 23.

- (B) Upon the termination of appointment or resignation of the Depositary, the Depositary shall deliver to its successor depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all Deposited Property held by it under the Deposit Agreement. Upon the date when such termination of appointment or resignation takes effect, the Deposit Agreement provides that the Custodian shall be deemed to be the Custodian thereunder for such successor depositary and shall hold the Deposited Property for such successor depositary and the Depositary shall thereafter have no obligation thereunder.
- (C) The Company has agreed not to appoint any other depositary for the issue of depositary receipts so long as Deutsche Bank Trust Company Americas is acting as Depositary under the Deposit Agreement.

21 Termination of Deposit Agreement

- (A) Subject as set out below, either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

If the Company terminates the Deposit Agreement, it will (unless the termination is due to the wilful default, negligence or fraud of the Depositary) be obligated, prior to such termination, to reimburse to the Depositary all amounts owed to the Depositary as set out in the Deposit Agreement and in any agreement between the Depositary and the Company.

- (B) During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of paragraph (D) of Condition 2 and upon compliance with Condition 2, and further upon payment by the Holder of any sums payable by the Depositary to the Custodian in connection therewith for such delivery and surrender but otherwise in accordance with the Deposit Agreement.
- (C) If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, pro rata to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit

Agreement and these Conditions, except its obligations to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22 Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22 and Clause 11 of the Deposit Agreement) may at any time and from time to time be amended by written agreement between the Company and the Depositary and if required, the Securities and Exchange Board of India (or its successor organisation) in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 2, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, free of the charge specified in paragraph (A)(i) of Condition 16 for such delivery and surrender but otherwise in accordance with the Deposit Agreement. Each Holder at the time when any such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 2, the Deposited Property attributable to the relevant GDR.

23 Notices

- (A) Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.
- (B) Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after receipt, and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any facsimile transmission received by it from the other or from any Holder, notwithstanding that such facsimile transmission shall not subsequently be confirmed as aforesaid.
- (C) So long as GDRs are listed on the official list of the UK Listing Authority and admitted to trading on the London Stock Exchange's Professional Securities Market, all notices to be given to Holders and to Shareholders of the Company generally will also be published in a leading daily newspaper having general circulation in the UK (which is expected to be the Financial Times).

24 Reports and Information on the Company

- (A) The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the

Depository, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:

- (i) in respect of the financial year ending on March 31, 2008 and in respect of each financial year thereafter, the non-consolidated and if published for the holders of Shares, consolidated balance sheets, as at the end of such financial year and the non-consolidated and if published for the holders of Shares, consolidated statements of income for such financial year, in respect of the Company, prepared in conformity with either generally accepted accounting principles in India or, at the option of the Company, in accordance with any other International Accounting Standards and reported upon by independent public accountants selected by the Company, as soon as practicable (and in any event within nine months) after the end of such year;
 - (ii) semi-annual non-consolidated and if published for the holders of Shares, consolidated financial statements as soon as practicable (not later than four months after the date to which they relate) after the same are published; and
 - (iii) quarterly non-consolidated (or if published for holders of Shares, consolidated) financial statements as soon as practicable (and in any event, not later than one month after the date to which they relate) after the same are published.
- (B) The Depository shall, upon receipt thereof, give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.
- (C) For so long as any of the GDRs or the Shares remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, if at any time the Company is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, it will make available to any Holder, owner, or beneficial owner of GDRs or Shares evidenced by GDRs or any prospective purchasers designated by such Holder or beneficial owner, upon the request of such holder, owner, beneficial owner or prospective purchaser, as the case may be, in the English language, from time to time required to be provided pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of GDRs representing Shares or interests therein in reliance on Rule 144A under the Securities Act and otherwise will comply with the requirements of Rule 144A(d)(4) under the Securities Act.

25 Copies of Company Notices

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depository in English on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect therefore or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which in the reasonable opinion of the Company contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company in connection therewith as the Depository may reasonably request. If such notice is not furnished to the Depository in English, either by the Company or the Custodian, the Depository shall, at the Company’s expense, arrange for an English translation thereof (which may be in such summarised form as the Depository may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depository shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to paragraph (A) of Condition 9, and shall make the same available to Holders in such manner as it may determine.

26 Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

27 Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28 Governing Law

- (A) The Deposit Agreement and the GDRs are governed by and shall be construed in accordance with English law except that the certifications set forth in Schedule 3 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Indian law. The Company has submitted in respect of the Deposit Agreement to the jurisdiction of the English courts and has appointed an agent for service of process in London
- (B) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs (“Proceedings”) may be brought in such courts. This submission is made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (C) The Depositary irrevocably appoints the Managing Director for the time being of Deutsche Trustee Company Limited, currently situated at Winchester House, 1 Great Winchester Street, London EC2N 2DB as its authorised agent for service of process in England. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Company of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

29 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce these terms and conditions under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that these terms and conditions expressly provide for such Act to apply.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is Deutsche Bank Trust Company Americas. Deutsche Bank Trust Company Americas was incorporated in 1903 as a bank with limited liability in the State of New York and is a wholly owned subsidiary of Deutsche Bank Trust Corporation, a registered bank holding Company. Deutsche Bank Trust Corporation is a wholly owned subsidiary of Deutsche Bank AG. The Depositary is subject to regulation and supervision by the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation. The registered office of the Depositary is located at 60 Wall Street, New York, NY 10005 and the registered number is BR1026. A copy of the Depositary's by-laws, as amended, together with copies of the most recent annual financial statements and annual report of the Depositary will be available for inspection at the principal administrative establishment of the Depositary located at 60 Wall Street, DR Department, 27th Floor, New York, NY 10005 and at the London office of Deutsche Bank London AG at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. Such information will be updated as long as the GDRs are listed on the PSM and Deutsche Bank Trust Company Americas is the Depositary.

The Company will furnish the Depositary with copies of its annual audited financial statements in English prepared in conformity with Indian GAAP. The Company also intends to furnish the Depositary with unaudited quarterly and semi-annual interim financial information in English prepared in accordance with the requirements of the listing agreement it has entered into with BSE and NSE. Such interim financial information will be available for inspection at the principal administrative establishment of the Depositary located at 60 Wall Street, DR Department, 27(th) Floor, New York, NY 10005, and at the London office of Deutsche Bank AG London at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. The Company will also arrange for the prompt transmittal to the Depositary of sufficient copies in English of any notices, reports or communications that are made generally available by the Company to the holders of Shares.

DESCRIPTION OF SHARES

Set forth below is certain information relating to the Share capital of the Company, including brief summaries of certain provisions of its Memorandum and Articles of Association, the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended and certain related legislation of India, all as currently in effect.

GDR holders will be able to exercise their rights in respect to the Shares only in accordance with the provisions of the Deposit Agreement and the relevant requirements of Indian law. See "Terms and Conditions of the Global Depository Receipts" for more information.

General

As of September 30, 2007, the authorised share capital of the Company consisted of 120,000,000 equity shares of Rs.10 each. As of the date of this Offering Circular, the issued, subscribed and paid up capital of the Company consisted of 61,756,556 equity shares of Rs.10 each.

The Shares are listed on the NSE and the BSE. All of the issued and outstanding shares of the Company are in registered form. The Shares represented by GDRs will be fully paid up on issuance which will occur on the Closing Date. The Shares are issued in accordance with the Companies Act.

Dividends

Under Indian law unless the Company's board of directors (the "Board") recommends the payment of a dividend, the shareholders at the general meeting have no power to declare any dividend. Dividends may not be declared by the Company unless the shareholders of the Company so approve at a general meeting. The shareholders at the general meeting may declare a dividend lower but not higher, than that recommended by the Board. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at the general meeting is distributed and paid to the shareholders in proportion to the paid up value of the shares on the record date for which such dividend is payable. In addition, as is permitted by the Company's Articles of Association, the Board may declare and pay interim dividend. Under the Companies Act, dividend can only be paid in cash to shareholders listed on the register of members on the date specified as the "record date" or "book closure date". In case of Shares held in dematerialised form the dividend is payable to the beneficial owners of the Shares, as per the records of the depository. No shareholder is entitled to a dividend in respect of any Share which has been forfeited in accordance with the Articles of Association of the Company.

For fiscal 2007, the Company paid a dividend of 15.00% (Rs.1.50 per share) on 60,552,545 Shares, aggregating to Rs.106,265,175, including dividend tax.

Any dividend declared shall be deposited in a separate bank account within five days of the declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by the Company to the Investor Education and Protection Fund established by the Government pursuant to which no claim shall lie against the Company or the said Fund.

Under the Companies Act, the Company may only pay a dividend in excess of 10% of paid-up capital in respect of any year out of the profits of that year after it has transferred to the reserves of the Company a percentage of its profits for that year ranging between 2.5% and 10% depending on the rate of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital; (ii) the total amount to be drawn from the

accumulated profits from previous years and transferred to the reserves, may not exceed an amount equivalent to one tenth of the paid-up capital and free reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares is declared; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital.

Capitalisation of Reserves and Issue of Bonus Shares

The Company's Articles of Association permit the Company by a resolution of the shareholders in a general meeting to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium can be capitalised by the issue of fully paid bonus shares or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings. Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such conversion. The bonus issue shall be made out of free reserves built out of the genuine profits or share premium collected in cash only. The bonus issue cannot be made unless the partly paid shares, if any existing, are made fully paid-up. Further, for the issuance of such bonus shares a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. The declaration of bonus shares in lieu of dividend cannot be made. Further a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus. The issuance of bonus shares must be implemented within six months from the date of approval by the board of directors.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, the Company may increase its share capital by issuing new shares. Such new shares shall be offered to existing shareholders listed on the members' register on the record date in proportion to the amount paid-up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to the Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person.

Under the provisions of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders either, if a special resolution to that effect is passed by the shareholders of the company in a general meeting or where only a simple majority of shareholders present and voting have passed the resolution, the Government's permission has been taken.

The issuance of the Shares upon conversion of the GDRs has been duly approved by a special resolution of the shareholders of the Company and such shareholders have waived their pre-emptive rights with respect to such Shares.

General Meetings of Shareholders

The Company must hold its annual general meeting each year within 15 months of the previous annual general meeting, unless extended by the Registrar of Companies at the request of the Company for any special reason. The Board may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than 10% of the paid-up capital of the Company. Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least

21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received from all shareholders entitled to vote, in the case of an annual general meeting, and from shareholders holding not less than 95% of the paid-up capital of the Company in the case of any other general meeting. Currently, the Company gives written notices to all members and, in addition, gives public notice of general meetings of shareholders in a daily newspaper of general circulation in the region of registered office of the Company. The quorum for a general meeting of the Company is five shareholders personally present.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum, buy back of shares under the Companies Act, giving loans or extending guarantee in excess of limits prescribed under the Companies Act, and guidelines issued thereunder, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid-up on each share held by such holder bears to the total paid-up capital of the company. Voting is by show of hands, unless a poll is ordered by the Chairman of the meeting or demanded by shareholder or shareholders holding at least 10% of the voting rights in respect of the resolution or by those holding paid-up capital of at least Rs.50,000 (i.e. 5,000 shares of Rs.10 each). The Chairman of the meeting has a casting vote. No major shareholder has different voting rights to those of other shareholders.

Ordinary resolutions may be passed by simple majority of those eligible and voting. Special resolutions require the vote of three fourths of the members eligible and voting. The Companies Act provides that to amend the Articles of Association, a special resolution is required to be passed in a general meeting. Certain instances, including change in the name of the company, reduction of share capital, approval of variation of rights of special classes of shares and dissolution of the company require a special resolution.

A shareholder may exercise his voting rights by proxy to be given in the form provided by Schedule IX of the Companies Act. The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting. Any shareholder of the Company may appoint a proxy. A proxy shall not vote except on a poll and does not have a right to speak at meetings. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings, who shall not be deemed a proxy. Such an authorised representative can vote in all respects as if a member, including on a show of hands and a poll.

The Companies Act allows for a company to issue shares with differential rights as to dividend, voting or otherwise subject to certain conditions prescribed under applicable law. In this regard, the laws require that for a public company to issue shares with differential voting rights the company must have had distributable profits in terms of the Companies Act for a period of three financial years, the company has not defaulted in filing annual accounts and annual returns for the immediately preceding three years, the articles of association of the company allow for the issuance of such shares with differential voting rights and such other conditions set forth in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001.

GDR holders will be able to exercise their voting rights with respect to the Shares underlying the GDRs only in accordance with the provisions of the Deposit Agreement and the relevant requirements of Indian law. See "Terms and Conditions of the Global Depositary Receipts— Voting Rights."

Convertible Securities/Warrants

The Company may issue from time to time debt instruments that are partly and fully convertible into Shares and/or warrants to purchase Shares. Pursuant to a shareholders' resolution dated November 3, 2007, certain of our Principal Shareholders will be allotted an aggregate of 10,000,000 share warrants. These share warrants will be issued at the conversion price of Rs. 312 per Share, in accordance the applicable law and regulations. These share warrants will be convertible into Shares at the option of the warrant holder within a period of 18 months from the date of allotment.

Register of Members and Record Dates

The Company is obliged to maintain a register of members at its registered office. The register and index of beneficial owners maintained by a depository under the Depositories Act, 1996 is deemed to be an index of members and register and index of debenture holders. The Company recognises as shareholders only those persons who appear on its register of members and the Company cannot recognise any person holding any Share or part of it upon any trust, express, implied or constructive, except as permitted by law. In the case of shares held in physical form, the Company registers transfers of shares on the register of shareholders upon lodgement of the share transfer form duly complete in all respects accompanied by a share certificate or if there is no certificate, the letter of allotment in respect of shares to be transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the Company enters the name of the depository in its records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares that are held by the depository. Transfer of beneficial ownership through a depository is exempt from any stamp duty.

For the purpose of determining the shareholders, the register of members may be closed for periods not exceeding 45 days in any one year or 30 days at any one time. In order to determine the shareholders entitled to dividends the Company keeps the register of members closed for approximately 10 to 20 days, generally before the annual general meeting. Under the listing regulations of the stock exchanges on which the Company's outstanding Shares are listed, the Company may, upon at least 15 days' advance notice to such stock exchanges, set a record date and/or close the register of members in order to ascertain the identity of shareholders. The trading of Shares and the delivery of certificates in respect thereof may continue while the register of members is closed.

Annual Report and Financial Results

The Company's audited financial statements for the relevant financial year, the directors' report and the auditors' report (collectively the "Annual Report") must be laid before the annual general meeting. These also include certain other financial information of the Company, a corporate governance section and management's discussion and analysis and are made available for inspection at the Company's registered office during normal working hours for 21 clear days prior to the annual general meeting.

Under the Companies Act, the Company must file the Annual Report with the Registrar of Companies within 30 days from the date of the annual general meeting. As required under the listing agreement, copies are required to be sent to the BSE and the NSE. The Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where the registered office of the Company is situated.

The Company files certain information on-line, including its Annual Report, interim financial statements, report on corporate governance and shareholding pattern statement, in accordance with the requirements of the Listing Agreement.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty. The Company has entered into an agreement for such depository services with National Securities Depository Limited and the Central Depository Services India Limited.

The Shares of the Company are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of Shares contravenes the SEBI provisions or the regulations issued under it or the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA") or any other law, the Indian Company Law Board may, on an application made by the company, a participant, a depository incorporated in India, an investor or the SEBI, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer is delivered to the company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of equity shares. Under the Companies (Second Amendment) Act, 2002, the Indian Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act 2003, which is expected to come into force shortly, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal. Pursuant to the Listing Agreement, in the event the Company has not effected the transfer of Shares within one month or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Company is required to compensate the aggrieved party for the opportunity loss caused during the period of delay. The Companies Act provides that the shares or debentures of the public listed company (such as the Company) shall be freely transferable. The Articles of Association of the Company provide for certain restrictions on the transfer of shares, including granting power to the board of directors in certain circumstances, to refuse to register or acknowledge transfer of shares or other securities issued by the Company. However, to the extent that the provisions of the Articles are in conflict with any of the provisions of the Companies Act, the Companies Act shall prevail.

Buyback of Shares

The Company is prohibited from buying back its own shares unless the consequent reduction of capital is effected and sanctioned by the High Court of competent jurisdiction. However, pursuant to certain amendments to the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including that:

- the buy back is authorised by the Articles of Association of the company;
- a special resolution has been passed in the general meeting of the company authorising the buy back;
- the buy back is limited to 25% of the total paid up capital and free reserves;
- the ratio of debt owed by the company is not more than twice the capital and free reserves after such buy back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulation, 1998.

The first two conditions mentioned above would not be applicable if the buy-back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorised by the board of directors of the company at its meeting and in such

a case the company buying back its securities is not permitted to buy back any securities for a period of one year from the date of the preceding buy-back, if any. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. A Company which has bought back its shares is not permitted to issue securities for six months except by way of bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares.

Liquidation Rights at the Time of Winding Up

All surplus assets after payments due to workmen, statutory creditors, and secured and unsecured creditors belong to the holders of the equity shares in proportion to the amount paid up or credited as paid-up on such shares respectively at the commencement of the winding-up.

Disclosure of Ownership Interest

The provisions of the Companies Act generally require beneficial owners of equity shares of Indian companies that are not holders on record in the books of the company, to declare to the company, details of the nature of their interest and particulars of the holders on record. Similarly, a holder on record of equity shares of Indian companies who does not hold the beneficial interest in such shares is required to declare to the company the particulars of the person who holds the beneficial interest in such shares.

While it is unclear whether these provisions apply to holders of an Indian company's GDRs, investors who exchange GDRs for equity shares are subject to these provisions. Failure to comply with these provisions would not affect our obligation to register a transfer of Shares or to pay any dividends to the registered holder of Shares in respect of which declaration has not been made, but any person who fails to make the required declaration may be liable for a fine of upto Rs. 1000 for each day this failure continues.

Dematerialisation of Shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the depository systems in India, which are the NSDL (National Securities Depository Ltd.) and the CDSL (Central Depository Services (India) Limited). Approximately 35.76% of the total equity capital was held in dematerialised form with NSDL and CDSL as on September 30, 2007.

Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's equity Shares is INE346H01014.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

General

Prior to June 1, 2000, foreign investment in Indian securities was regulated by the Foreign Exchange Regulation Act, 1973 ("FERA") and the notifications issued by the Reserve Bank of India ("RBI") thereunder. With effect from June 1, 2000, foreign investment in securities issued by Indian companies is regulated by the Foreign Exchange Management Act, 1999 ("FEMA") and the rules, regulations and notifications made under FEMA.

A person resident outside India can subscribe to, acquire or sell any security of an Indian company or any other security to an Indian resident only under the terms and conditions specified in the FEMA and the rules and regulations made thereunder or as permitted by the RBI. An Indian company may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only in the manner specified in the FEMA and the rules and regulations made thereunder or as permitted by the RBI.

The issue of the GDRs is primarily regulated by the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, as amended (the "Depository Receipt Scheme") and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000, as amended (the "Security Regulations").

Issue of GDRs

The relevant regulations, including the Depository Receipt Scheme and the Security Regulations provide that an Indian company may issue GDRs to persons resident outside India, subject to the approval of the Ministry of Finance, Government of India ("MOF"), Foreign Investment Promotion Board ("FIPB") and RBI in certain cases. Any Indian company issuing GDRs is required to comply with certain reporting requirements prescribed by the RBI. The relevant regulations provide the following:

- (i) an Indian company may issue GDRs under the automatic approval route subject to sectoral caps for foreign direct investment prescribed by the Government of India, and subject to compliance with the applicable regulations;
- (ii) GDR proceeds may not be used for investment in stock markets and real estate, other than permitted development of integrated townships. There are no other end use restrictions on the use of GDR proceeds;
- (iii) issue-related expenses for a public issue of GDRs may not exceed 4% of the total issue size; and
- (iv) the price of GDRs may be decided by the Indian company in consultation with the lead manager to the issue, where the issue is on a public offer basis.

The MOF has by a notification dated August 31, 2005 amended the Depository Receipt Scheme and has set out the following additional requirements:

- (i) an Indian company which is not eligible to raise funds from the Indian capital market including a company which has been restrained from accessing the securities market by the SEBI will not be eligible to issue GDRs;
- (ii) erstwhile overseas corporate bodies and other entities which are prohibited to buy, sell or deal in securities by SEBI are not eligible to subscribe to GDRs; and
- (iii) the pricing for the issue of the shares underlying the GDRs may not be less than the higher of:
 - (a) the average of the weekly high and low of the closing price of the related shares quoted on the stock exchange during the six months preceding the relevant date and
 - (b) the average

of the weekly high and low of the closing price of the related shares quoted on the stock exchange during the two weeks preceding the relevant date. For the purpose of computation of the price, the relevant date is the date thirty days prior to the date on which the meeting of the general body of shareholders is held to consider the issue of GDRs .

Investors acquiring GDRs in this Offering do not require to seek specific approval from the Government of India to purchase, hold or dispose off GDRs. We have received in-principle approvals from the relevant Indian stock exchanges for listing of the equity shares underlying the GDRs. We are not required to obtain prior approval of the FIPB, MOF or the RBI.

Transfer of GDRs by non-residents

The MOF has granted general permission for the transfer of GDRs outside India and has also permitted non-resident holders of GDRs to surrender GDRs in exchange for the underlying shares. There are limitations on re-deposits of withdrawn shares under the Deposit Agreement.

The RBI has permitted the re-conversion of shares of Indian companies into GDRs, subject to the following conditions:

- (i) the Indian company has issued GDRs;
- (ii) the shares of the Indian company are purchased by a registered stockbroker in India in the name of the Depository, on behalf of the non-resident investor who wishes to convert such shares into GDRs;
- (iii) the shares are purchased on a recognised stock exchange;
- (iv) the shares are purchased with the permission of the custodian of the GDRs of the Indian company and are deposited with the custodian;
- (v) the custodian has been authorized by the company to accept shares from non-resident investors for re-issuance of GDRs;
- (vi) the number of shares so purchased does not exceed the GDRs converted into underlying shares, and is in compliance with the sectoral caps applicable under the FDI regime; and
- (vii) the non-resident investor, broker, custodian and the overseas depository comply with the provisions of the depository receipt mechanism and the guidelines issued thereunder from time to time.

The RBI has prescribed that the domestic custodians are the entity required to ensure compliance with the RBI guidelines and to file reports with the RBI from time to time. The domestic custodians are also required to perform certain functions, including the following:

- (a) provide a certificate to the RBI and the SEBI stating that the sectoral caps for foreign investment in the relevant company have not been breached;
- (b) monitor the total number of GDRs that have been converted into underlying shares by non-resident investors;
- (c) liaise with the RBI to ensure that the foreign investment restrictions, if any, are not being breached; and
- (d) file a monthly report with the RBI and the SEBI about the GDR transactions under the two-way fungibility arrangement.

Foreign Direct Investment

The Government of India, pursuant to its liberalisation policy, set up the FIPB under the MOF to regulate all investments by way of subscription and/or purchase of securities of an Indian company by a person resident outside India or foreign direct investment ("FDI") into India. FIPB

approval is required for investment in certain notified sectors. In addition, the following investments also require the prior permission of the FIPB:

- (i) investments in excess of specified sectoral caps or in sectors in which FDI is not permitted or in sectors which specifically require approval of the FIPB;
- (ii) investments by any foreign investor who has any existing joint venture or technology transfer or trademark agreement in India (as on January 12, 2005) in the same field as that in which the company in which the investment is proposed to be made. However, no prior approval is required if: (a) the investor is a venture capital fund registered with SEBI, or (b) in the existing joint venture, investment by either of the parties is less than 3%, or (c) the existing joint venture or collaboration is defunct or sick;
- (iii) investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries;
- (iv) proposals for acquisition of shares in an existing Indian company in the financial sector and where the Takeover Code is applicable in cases where approvals are not required from the RBI / Securities and Exchange Board of India ("SEBI") / Insurance Regulatory and Development Authority.

The Government has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. The prescribed applicable norms with respect to determining the price at which shares may be issued by an Indian company to a non resident investor and the price at which shares may be sold by a resident to a non-resident or by a non-resident to a resident would need to be complied with and a declaration in the prescribed form, is required to be filed with the RBI once the issuance / transfer of shares of the Indian company is complete.

The Government of India has set up the Foreign Investment Implementation Authority (the "FIIA") in the Department of Industrial Policy and Promotion. The FIIA has been mandated to (i) translate foreign direct investment approvals into implementation, (ii) provide a pro-active one stop after care service to foreign investors by helping them obtain necessary approvals, (iii) deal with operational problems, and (iv) meet with various Government of India agencies to find solutions to foreign investment problems, and maximise opportunities through a partnership approach.

Investment by Foreign Institutional Investors

Pension funds, mutual funds, investment trusts, insurance or reinsurance companies, endowment funds, university funds, foundation or charitable trusts or charitable societies who propose to invest on their own behalf and asset management companies, nominee companies, institutional portfolio managers, trustees, power of attorney holders, banks who propose to invest their proprietary funds or on behalf of "broad based" funds or on behalf of foreign corporate entities and individuals may register with the SEBI as Foreign Institutional Investors ("Foreign Institutional Investors" or "FIIs").

Investments made by FIIs are governed by the Portfolio Investment Scheme under the Security Regulations. As per the Portfolio Investment Scheme, Foreign Institutional Investors registered with the SEBI may make buy or sell securities of Indian companies on stock exchanges in India through registered stock brokers. FIIs are also permitted to purchase shares and convertible debentures, subject to the percentage limits specified above, of an Indian company either through:

- (i) a public offer, where the price of the shares to be issued is not less than the price at which the shares are issued to Indian residents; or

- (ii) a private placement, where the price of the shares to be issued is not less than the price according to the terms of the relevant guidelines or the guidelines issued by the former Controller of Capital Issues.

Foreign investors are not necessarily required to register with SEBI as Foreign Institutional Investors and may invest in securities of Indian companies pursuant to the Foreign Direct Investment route discussed above. Foreign investors wishing to generally invest and trade in Indian securities in India as a Foreign Institutional Investor are required to register with SEBI and obtain a general permission from the RBI. However, since SEBI provides a single window clearance, a single application must be made to SEBI.

Foreign Institutional Investors who are registered with SEBI are required to comply with the provisions of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 ("Foreign Institutional Investor Regulations"). A registered Foreign Institutional Investor may, subject to the pricing and ownership restrictions discussed below, buy and sell freely securities issued by any Indian company, realise capital gains on investments made through the initial amount invested in India, appoint a domestic custodian for custody of investments made and repatriate the capital, capital gains and dividends that they may receive or make.

Subject to the terms and conditions set out in the Foreign Institutional Investor Regulations, a registered Foreign Institutional Investor or a sub-account of a FII may buy or sell equity shares or debentures of Indian companies (excluding companies engaged in the print media sector) through stock exchanges in India at the ruling market price and also buy or sell shares or debentures of listed or unlisted companies other than on a stock exchange in compliance with the applicable SEBI / RBI pricing norms. A Foreign Institutional Investor is not permitted to hold more than 10% of the total issued capital of an Indian company; a corporate or individual sub-account of the Foreign Institutional Investor is not permitted to hold more than 5% of the total issued capital of an Indian company, and a broad based fund or proprietary fund sub-account is not permitted to hold more than 10% of the total issued capital of an Indian company. The total holding of all Foreign Institutional Investors in an Indian company is subject to a cap of 24% of the total issued capital of the company which may be increased up to the percentage of sectoral cap on FDI in respect of the said company with the passing of a special resolution by the shareholders of the company in a general meeting.

SEBI, via the SEBI (Foreign Institutional Investors) (Amendment) Regulations, 2004, which amended the Foreign Institutional Investors Regulations, has provided that with effect from February 3, 2004, an FII or a sub-account may issue, deal in or hold offshore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against underlying securities, listed or proposed to be listed on any stock exchange in India, only in favour of those entities which are regulated by any regulatory authority in the countries of their incorporation or establishment, subject to compliance with "know your client" requirement. An FII or a sub-account is also to ensure that no further issue or transfer of any off-shore derivative instrument is made to any person other than a regulated entity.

Portfolio Investment by Non-Resident Indians

A variety of methods for investing in shares of Indian companies are available to non-resident Indians ("NRI" or "Non-resident Indians"). Non-Indian residents are permitted to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the Portfolio Investment Scheme, NRIs can purchase upto 5% of the paid up value of the shares issued by an Indian company subject to the condition that the aggregate paid up value of shares purchased by all NRIs does not exceed 10% of the paid up capital of the company. This aggregate ceiling of 10% may be raised to 24% of the total issued capital of the company with the passing of a special resolution by the shareholders of the company in a general meeting. In addition to portfolio investments in Indian companies, Non-Resident Indians may also make investments in Indian companies pursuant to the FDI route discussed above.

Overseas corporate bodies, at least 60% of which are owned by Non-Resident Indians (“OCB” or “Overseas Corporate Bodies”) were earlier allowed to invest by way of portfolio investment until 2001 when the RBI prohibited such investments. Further, Overseas Corporate Bodies are no longer recognised as a class of investor entity in India with effect from September 16, 2003. In this connection, the RBI has issued directions to the authorised dealers in terms of A.P. (DIR Series) Circular No. 14 dated September 16, 2003 and has notified the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations 2003, by Notification No. FEMA 101/2003-RB dated October 3, 2003. However, it has clarified that the entities owned by Non-Resident Indians (which were formerly classified as Overseas Corporate Bodies) would continue to enjoy all the facilities available to other foreign investors.

Transfer of Shares of an Indian Company by a person Resident outside India

Subject to what is stated below, a person resident outside India may transfer the shares held by him in Indian companies in accordance with the Security Regulations. A person resident outside India (other than NRI and OCB), is generally permitted to transfer by way of sale or gift the shares held by him to any other person resident outside India (including NRIs) without the prior approval of the RBI. NRIs and erstwhile OCBs are generally permitted to transfer by way of sale or gift the shares held by them to other NRIs without the prior approval of the RBI. However, in both the above cases, FIPB approval will be required if the person acquiring the shares has an existing venture or tie-up in India (as on January 12, 2005) in the same field in which the company whose shares are being transferred is engaged. This restriction is however, not applicable to the transfer of shares to international financial institutions and to transfer of shares of a company engaged in the information technology sector.

A person resident outside India is generally permitted to transfer any security held by him in an Indian company to a person resident in India by a gift. A person resident outside India is also generally permitted to sell the shares of an Indian company held by him on a recognized stock exchange in India through a registered broker. Further, the RBI has granted, by master circular dated July 2, 2007, general permission for the transfer of shares by a person resident outside India to a person resident in India, subject to compliance with certain terms, conditions and reporting requirements.

A person resident in India is generally permitted to transfer the shares of an Indian company (other than a company in the financial services sector, such as banks, non-banking financial companies, asset reconstruction companies, insurance companies, stock exchanges, etc.) held by him by way of sale to a person resident outside India, subject to compliance with certain terms, conditions and reporting requirements. Transfers by a person resident in India to a person resident outside India requires prior approval of the RBI in the following cases:

- (i) transfer of shares in a company in the financial services sector such as banks, non-banking financial companies, asset reconstruction companies, insurance companies, stock exchanges, etc.
- (ii) transfers which attract the provisions of the Takeover Code.
- (iii) transfer of shares of companies engaged in sectors in which FDI is prohibited or where transfer of shares results in the FDI sectoral caps being breached.

Any person resident outside India seeking to sell shares received upon surrender of GDRs or otherwise transfer such shares, whether or not through a stock exchange, should seek advice of their Indian legal advisers as to the applicable requirements.

TAXATION

Certain Indian Tax Considerations

The following is a summary of the principal Indian tax consequences for non-resident investors of the GDRs and the Shares issuable on the conversion of the GDRs. The summary is based on the taxation law and practice in force at the time of this Offering Circular and is subject to change. Further, it only addresses the tax consequences for persons who are non-resident as defined in the Income Tax Act, 1961 ("Income Tax Act") who acquire GDRs or equity shares pursuant to this Offering Circular and who hold such GDRs or equity shares as capital assets, and does not address the tax consequences which may be relevant to other classes of non-resident investors, including dealers. The summary proceeds on the basis that the person continues to remain a non-resident when the income by way of interest, dividends and capital gains is earned.

EACH PROSPECTIVE PURCHASER IS ADVISED TO CONSULT ITS TAX ADVISERS ABOUT THE PARTICULAR TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE GDRs.

This summary is based on the provisions of Section 115AC and other applicable provisions of the Income Tax Act and the Depository Receipt Scheme promulgated by the Government of India, (together the "Section 115AC Regime"). The offering is in accordance with the Section 115AC Regime, and non-resident Investors of the GDRs will therefore have the benefit of tax concessions available under the Section 115AC Regime subject to the fulfillment of conditions of that section. This summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of the GDRs or equity shares by non-resident investors. Potential investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and sale including, specifically, tax consequences under Indian law, the laws of the jurisdiction of their residence, any tax treaty between India and their country of residence or the country of residence of the Depository, as applicable and, in particular, the application of the provisions of the Income Tax Act and the Section 115AC Regime. The Income Tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of the 115AC Regime may be modified or amended by future amendments to the Income Tax Act.

The Income Tax Act is the law relating to taxes on income in India. The Income Tax Act provides for taxation of persons resident in India on global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arisen in India. Sections 4, 5, 6 and 9 of the Income Tax Act set forth the circumstances under which persons not resident in India are subject to income tax in India.

Residence for the purpose of the Income Tax Act

For the purpose of the Income Tax Act, an individual is said to be resident in India if in any year ended March 31 the individual: (i) is in India for 182 days or more; or (ii) having been in India for 365 days or more, during the last four years preceding that year ended March 31 and is in India for 60 days or more in that year ended March 31. However, in the case of an Indian citizen or a person of Indian origin who is not resident in India and visits during the fiscal year or, an Indian citizen or a person who leaves India as a member of a crew of an Indian ship or for the purpose of employment outside India during the year ended March 31, the 60-day period in (ii) above is extended to 182 days.

A company is resident in India in any year ended March 31, if it is an Indian company or if during that year control and management of its affairs is situated wholly in India.

An Indian company means a company formed and registered under the Companies Act and includes a company formed and registered under any law relating to companies formerly in force in India or, a corporation established by or under a central, state or provincial Act of India or, an institution, association or a body declared by the Central Board of Direct Taxes of India to be a

company for the purpose of the Income Tax Act; provided that the registered office or, as the case may be, our the principal office, corporation, institution, association or body is in India.

A firm or other association of persons, and every other person is regarded as resident in India except where, during the year ended March 31, the control and the management of its affairs are situated wholly outside India.

Taxation of distributions

We are liable to pay a “dividend distribution tax” currently at the rate of 15% (plus a surcharge at 10% and education cess on aggregate of dividend distribution tax and surcharge at the rate of 3%) on the total amount distributed as dividend and dividends are not taxable in India in the hands of the recipient and hence holders of the GDRs or after withdrawal of shares from the depository facility under the Depository Agreement, dividends to such non-resident holders will not be liable to tax in India. The holders of GDRs may take credit of the tax deducted at source on the basis of the certification by the Depository, if permitted by the country of their residence.

Distribution to non-residents of bonus GDRs or bonus shares or rights to subscribe for shares (for the purposes of this Section, “Rights”) made with respect to GDRs or shares are not subject to Indian tax.

Taxation on acquisition of GDRs or shares upon conversion or in exchange for GDRs

The acquisition of equity shares in exchange for GDRs does not constitute a taxable event for Indian income. Such exchange will, however, give rise to stamp duty as described below under “Stamp Duty.”

Taxation of capital gains

Under the Income Tax Act, there are two types of capital gains, namely “long-term capital gain” and “short term capital gain.” Generally, a gain arising on the sale of capital assets held for more than 36 months is considered as long-term capital gain and a gain arising on the sale of capital assets held for less than 36 months is considered as short-term capital gain. Tax on long-term and short-term capital gains, if payable, shall be paid by the transferor in accordance with the relevant provisions of the Income Tax Act.

As per the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993 (“Depository Receipt Scheme”), the transfer of GDRs outside India by a non-resident holder to another non-resident does not give rise to any capital gains tax in India. However, Section 115AC of the Income Tax Act provides that income by way of long-term capital gains arising from the transfer of GDRs outside India by the non-resident holder to another non-resident is subject to tax at the rate of 10%. In the circumstances, if at all, that capital gains arising from a transfer of GDRs are taxable under the Income Tax Act, the same shall be subject to tax as long term capital gains at the rate of 10% plus surcharge at the applicable rate if such GDRs have been held by the non-resident holder for more than three years. In the event that such GDRs have been held by the non-resident holder for less than three years, the capital gains shall be subject to tax as short term capital gains at the normal income tax rates applicable to non-residents under the provisions of the Income Tax Act.

It is unclear whether capital gains derived from the sale by a non-resident investor of Rights will be subject to tax liability in India. This will depend on the view taken by Indian tax authorities on the position with respect to the situs of the rights being offered in respect of the GDRs.

Equity shares (including shares issuable on the conversion of the GDRs) held by the non-resident investor for a period of more than 12 months are treated as long term capital assets. Equity shares held for a period of less than 12 months from the date of conversion are treated as short term capital assets. Capital gains arising to the non-resident investor on the transfer of the equity

shares received upon conversion of the GDRs (whether in India or outside India to a non-resident investor) will be liable for income tax under the provisions of the Income Tax Act.

With effect from October 1, 2004 any gain realised on the sale of the shares held for more than 12 months to an Indian resident, or to a non-resident investor in India, will not be subject to Indian capital gains tax if the Securities Transaction Tax ("STT") has been paid on the transaction. Such transactions are subject to STT of 0.025% to 0.125% depending on whether the transfer of equity shares is delivery based or non-delivery based. No surcharge or education cess is payable on STT. STT is collected by the relevant stock exchange and is paid to the government.

Any long-term gain realised on the sale of equity shares on which no STT has been paid will be subject to Indian capital gains tax at the rate of 10% plus the applicable surcharge on income tax and education cess at the rate of 3%. For the purpose of computing capital gains tax on the sale of shares under the Section 115AC Regime, the cost of acquisition of equity shares received in exchange for GDRs will be determined on the basis of the price of the equity shares prevailing on the BSE or the NSE on the date on which the relevant Depository gives notice to its Custodian for the delivery of such equity shares upon redemption of the GDRs. A non-resident holder's holding period (for the purpose of determining the applicable Indian capital gains tax rate) in respect of equity shares received in exchange for GDRs commences on the date of the advice of withdrawal of such equity shares by the relevant Depository to its Custodian.

Capital gains realised in respect of shares held by the non-resident investor for 12 months or less will be treated as short term capital gains and will be subject to tax at the rate of 10% plus surcharge at the rate of 2.5%, and education cess at the rate of 3%, in the event such transaction is chargeable to securities transaction tax. Where such transaction is not chargeable to securities transaction tax, the non-resident investor will be liable to pay short term capital gains tax at rates specified in the Income Tax Act.

Neither Section 115AC nor the Depository Receipt Scheme deals with capital losses arising on a transfer of shares in India. In general terms, losses arising from a transfer of a capital asset in India can only be set off against capital gains. A long-term capital loss can be set off only against a long-term capital gain. To the extent that the losses are not absorbed in the year of transfer, they may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined by the assessing authority and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off capital losses as above, the non-resident investor would be required to file appropriate and timely tax returns in India and undergo the usual assessment procedures. If the investors are covered by the STT regime, the loss arising from transfer of such long-term capital asset may not be available for set-off against any capital gains.

Tax deduction at source

Tax on long-term and short-term capital gains if payable is to be deducted at source by the person paying for equity shares in accordance with the relevant provisions of the Income Tax Act. The provisions for the Agreement for the Avoidance of Double Taxation entered into by the Government with the country of residence of the non-resident investor or the Depository (as the case may be) will be applicable to the extent that they are more beneficial to the non-resident investor.

Tax treaties

The provisions of the Agreement for Avoidance of Double Taxation entered into by the Government of India with the country of residence of the Depository or the non-resident investor (as the case may be) will be applicable to the extent they are more beneficial to the non-resident investor.

During the period of fiduciary ownership of shares in the hands of the Depository, the provisions of the Agreement for Avoidance of Double Taxation entered into by the Government of India

with the country of residence of the Depository will be applicable in the manner of taxation of income. During the period, if any, when the redeemed underlying shares are held by the non-resident investor on transfer of fiduciary ownership of shares from the Depository, before they are sold to resident purchasers, the provisions of the Agreement for Avoidance of Double Taxation entered into by the Government of India with the country of residence of the non-resident investor will be applicable in the manner of taxation of income.

Stamp duty

Under Indian Law, transfers of GDRs will be exempt from liability to Indian stamp duty. Purchasers of equity shares who seek to register such equity shares in our share register are required to pay Indian stamp duty at Rs.0.25 for every Rs. 100 or part thereof of the market value of such shares. In order to register a transfer of equity shares in physical form with us, it is necessary to present a stamped deed of transfer. An acquisition of equity shares from the Depository in exchange for GDRs representing such equity shares will not render an investor liable to Indian stamp duty, but we will be required to pay stamp duty at the applicable rate on the share certificate. However, as the equity shares are compulsorily deliverable in dematerialised form (except for trades of up to 500 shares which may be delivered in physical form) no stamp duty is payable on the transfer of such shares in dematerialised form.

Other taxes

At present, there are no wealth, gift or inheritance taxes which may apply to the GDRs or the underlying equity shares. Non-resident holders are however advised to consult their own legal and tax advisers regarding this issue.

Service tax

Brokerage or commissions paid to stockbrokers in connection with the sale or purchase of shares listed on a recognised stock exchange in India are subject to a service tax of 12% (plus education cess at the rate of 3%) ad valorem. The stockbroker is responsible for collecting the service tax and paying it to the relevant authority.

Taxation on Buyback

If equity shares held by a non-resident investor are purchased by us from such investor, then such investor will be liable for income tax in respect of the capital gains arising on such buyback as per the provisions of the Income Tax Act. Capital gains tax arising in respect of a buyback would be withheld at source. See "Taxation of Capital Gains".

Taxation on Liquidation or Capital Reduction Payments

Any distribution made by a company to its shareholders upon its liquidation or the reduction of its capital will be treated as deemed dividend income in the hands of the shareholders and will be subject to Indian income tax to the extent to which such distribution is attributable to the accumulated profits of such company. However, tax on such deemed dividend will be paid by the company. Any gains accruing to the shareholders on the company's liquidation or the reduction of its capital in excess of its accumulated profits will be liable to income tax as capital gains in the hands of the shareholders as per the provisions of the Income Tax Act.

Certain U.S. Federal Income Tax Considerations

To ensure compliance with United States Treasury Department Circular 230, investors are hereby notified that: (i) any discussion of United States federal tax issues in this document is not intended or written by us to be relied upon, and cannot be relied upon by investors, for the purpose of avoiding penalties that may be imposed on investors under the United States Internal Revenue Code of 1986, as amended (the "Code"); (ii) such discussion is written in connection with the

promotion or marketing of the transactions or matters addressed herein by the issuer and dealers, managers and underwriters; and (iii) investors should seek advice based on their particular circumstances from their own independent tax advisors. Counsel does not intend to be, and is not, engaged in the promotion or marketing of the transactions or matters described in this document and no inference to the contrary shall be implied by reason of the disclosures set forth in this section.

The following is a discussion of certain material U.S. Federal income tax consequences of purchasing, owning and disposing of Shares or GDRs, but it does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person's decision to acquire Shares or GDRs.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF SHARES OR GDRs IN YOUR PARTICULAR SITUATION.

The discussion applies to you only if you acquire the Shares or GDRs in this Issue and you hold the Shares or GDRs as capital assets for tax purposes (generally, for investment). This section does not apply to you if you are a member of a special class of holders subject to special tax rules, including:

- a dealer in securities or foreign currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or other financial institution;
- a tax-exempt organization;
- a life insurance company;
- a holder liable for alternative minimum tax;
- a holder that actually or constructively owns 10% or more, by voting power, of the Company's voting stock;
- a holder that holds Shares or GDRs as part of a straddle, hedging or conversion transaction; or
- a U.S. holder whose functional currency is not the U.S. Dollar.

This section is based on the Code, existing and proposed income tax regulations issued under the Code, legislative history, and judicial and administrative interpretations thereof, all as of the date hereof. All of the foregoing are subject to change at any time, and any change could be retroactive and could affect the accuracy of this discussion. In addition, the application and interpretation of certain aspects of the passive foreign investment company rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service ("IRS") or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS will not take a different position concerning the U.S. Federal income tax consequences of an investment in the Shares or GDRs or that any such position would not be sustained.

You are a "U.S. holder" if you are a beneficial owner of Shares or GDRs and you are:

- a citizen or resident of the United States;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. Federal income tax purposes;
- an estate whose income is subject to U.S. Federal income tax regardless of its source; or

- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

In addition, this discussion is limited to U.S. holders who are not resident in India for purposes of the Income Tax Treaty between the United States and India.

If a partnership (including for this purpose any entity treated as a partnership for U.S. Federal income tax purposes) is a beneficial owner of the Shares or GDRs, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Shares or GDRs that is a partnership and partners in such a partnership should consult their own tax advisors concerning the U.S. Federal income tax consequences of purchasing, owning and disposing of Shares or GDRs.

A "non-U.S. holder" is a beneficial owner of Shares or GDRs that is not a U.S. holder for U.S. Federal income tax purposes.

The Company believes that it will not be a passive foreign investment company, or PFIC, for U.S. Federal income tax purposes for the current taxable year. However, no assurance can be given that the Company will not be considered a PFIC in the current or future years. The determination whether or not the Company is a PFIC is a factual determination that is made annually based on the types of income it earns and the value of its assets. If the Company was currently or were to become a PFIC, U.S. holders of Shares or GDRs would be subject to special rules and a variety of potentially adverse tax consequences under the Code.

Taxation of Dividends

U.S. Holders. Subject to the PFIC rules referred to above, if you are a U.S. holder you must include in your gross income the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for U.S. Federal Income tax purposes). You should not include the amount of any Indian tax paid by the Company with respect to the dividend payment, as that tax is, under Indian law, a liability of the Company and not the shareholders, unless you are a U.S. corporation that owns 10% or more of the voting stock of the Company and also claims a foreign tax credit against your U.S. tax liability for your share of income taxes paid by the Company. The dividend is ordinary income that you must include in income when you receive the dividend, actually or constructively. Dividends received by an individual taxpayer during taxable years beginning before January 1, 2011 will be taxed at a maximum rate of 15%, where certain holding period and other requirements are satisfied, if such dividends constitute qualified dividend income. Qualified dividend income includes dividends paid by a Qualified Foreign Corporation, and we believe that we are, and will continue to be, a Qualified Foreign Corporation. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Dividends received generally will be income from non-U.S. sources. Such non-U.S. source income generally will be "passive category income", or in certain cases "general category income", which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Shares or GDRs.

The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Indian rupee payments made, determined at the spot Indian rupee/ U.S. dollar exchange rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. Federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Shares or GDRs and thereafter as capital gain.

Non U.S. Holders. Dividends paid to non-U.S. holders generally will not be subject to U.S. income tax unless the dividends are “effectively connected” with your conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis. In such cases you generally will be taxed in the same manner as a U.S. holder. If you are a corporate non-U.S. holder, “effectively connected” dividends may, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Capital Gains

U.S. Holders. If you are a U.S. holder and you sell or otherwise dispose of your Shares or GDRs, you will recognize capital gain or loss for U.S. Federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your Shares or GDRs. Prior to January 1, 2011, capital gains of a non-corporate U.S. holder are generally taxed at a maximum rate of 15% where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met. Your ability to deduct capital losses is subject to limitations.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Treasury Regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (“Reportable Transactions”). Under these regulations, a U.S. holder that disposes of the Shares or GDRs and recognizes a loss with respect to such disposition would be required to report the loss on IRS Form 8886 if the loss were to exceed the thresholds set forth in the Treasury Regulations. This loss threshold is US\$10 million in any single taxable year or US\$20 million in any combination of taxable years for corporations and US\$2 million in any single taxable year or US\$4 million in any combination of taxable years for most partnerships, individuals, S corporations or trusts. U.S. holders should consult with their tax advisors regarding any tax filing and reporting obligation that may apply in connection with acquiring, owning and disposing of the Shares or GDRs.

Reporting of Purchase and Disposition of Shares or GDRs

A U.S. holder generally will be required to file IRS Form 8865 if such U.S. holder purchases Shares or GDRs from the Company in an aggregate amount greater than US\$100,000 over a 12-month period, or such U.S. holder purchases Shares or GDRs from the Company and owns directly or indirectly 10 percent or more of the Company after the purchase. A U.S. holder will also generally be required to file IRS Form 8865 if such US holder has a “reportable event.” A U.S. holder will generally have a reportable event if: (i) the U.S. holder acquires or disposes of Shares or GDRs and the U.S. holder’s direct interest in the Company has increased or decreased, respectively, by at least a 10 percent interest in the Company since the U.S. holder’s last reportable event, (ii) the U.S. holder’s direct proportional interest in Shares or GDRs changed in an amount equivalent to at least a 10 percent interest in the Company since the U.S. holder’s last reportable event, or (iii) the U.S. holder’s direct interest in the Company increases from below 10 percent to at least 10 percent or from at least 10 percent to below 10 percent. A U.S. holder may also be required to file IRS Form 8865 if the U.S. holder held 10 percent or more of the Shares or GDRs at any time during the Company’s taxable year.

Non-U.S. Holders. If you are a non-U.S. holder, you will not be subject to U.S. Federal income tax on gain recognized on the sale or other disposition of your Shares or GDRs unless:

- the gain is “effectively connected” with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis; or
- you are an individual, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist.

In the first case, the non-U.S. holder will be taxed in the same manner as a U.S. holder. In the second case, the non-U.S. holder will be subject to U.S. Federal income tax at a rate of 30% on the amount by which such the non-U.S. holder’s U.S.-source capital gains exceed such non-U.S.-source capital losses.

If you are a corporate non-U.S. holder, “effectively connected” gains that you recognize may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends in respect of Shares or GDRs or the proceeds received on the sale, exchange or redemption of Shares or GDRs paid within the United States (and, in certain cases, outside the United States) to U.S. holders other than certain exempt recipients, such as corporations, and backup withholding tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number (or otherwise establishes, in the manner provided by law, an exemption from backup withholding) or to report dividends required to be shown on the U.S. holder’s U.S. Federal income tax returns.

Backup withholding is not an additional income tax, and the amount of any backup withholding from a payment to a U.S. holder will be allowed as credit against the U.S. holder’s U.S. Federal income tax liability provided that the appropriate returns are filed.

A non-U.S. holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status to the payor, under penalties of perjury, on IRS Form W-8BEN.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Shares or GDRs, including the applicability of the U.S. Federal, state and local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

PLAN OF DISTRIBUTION

The Offering

Pursuant to a subscription agreement dated December 11, 2007 (the "Subscription Agreement"), the Managers have agreed with the Company, subject to the satisfaction of certain conditions to purchase the respective number of GDRs being offered in the Offering set forth opposite their names below:

Manager	Number of GDRs
J.P. Morgan Securities Limited	15,510,892
Jefferies International Limited	1,000

The Offer Price is U.S.\$9.67 per GDR. We estimate that the expenses of the Offering will be approximately U.S.\$4.5 million. As compensation to the Lead Manager, we will pay a total commission of 2.0% (plus, at the option of the Company, a discretionary fee of 0.25%) of the total proceeds from the sale of the GDRs (including any Option GDRs). As compensation to the Co-Manager, we will pay an underwriting and corporate finance fee of US\$300,000.

Prior to this Offering, there has been no public market for our GDRs. Consequently, the Offer Price for the GDRs was determined by negotiations between us and the Managers. Among the factors considered in determining the Offer Price were our record of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our Company.

The GDRs will constitute a new class of securities with no established trading market. We cannot assure you that the prices at which the GDRs will sell in the market after this Offering will not be lower than the Offer Price or that an active trading market for the GDRs will develop and continue after this Offering. We cannot assure prospective purchasers as to the liquidity of or the trading market for the GDRs.

We have agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the GDRs or to contribute to payments that the Managers may be required to make because of any of those liabilities. The Managers reserve the right to withdraw, cancel or modify the Offering and to completely or partially reject any orders.

From time to time the Managers and certain of their affiliates have provided and may continue to provide investment banking, lending, advisory, financial and other services to us and for which we have paid, and in future expect to pay, customary compensation. In particular, Jefferies International Limited acted as the placement agent in connection with our Bond offering of U.S.\$110 million in November, 2006.

Stabilizing Activity

In connection with this Offering, the Lead Manager may, over-allot or effect transactions with a view to supporting the market price of the GDRs at levels higher than that which might otherwise prevail in an open market for a limited period from the date hereof. However, there shall be no obligation on the Lead Manager to undertake any stabilizing activity. Any stabilizing activity, if commenced, may be discontinued at any time and must be discontinued within 30 days after the Closing Date. Such stabilizing shall be conducted in compliance with applicable laws, rules and regulations.

Lock-Up

The Company and Mr. Mehul C. Choksi, Ms. Priti M. Choksi, Ms. Guniyal C. Choksi, Partha Gems Private Limited, Priyanka Gems Private Limited, Rohan Diamonds Private Limited, Mozart Investments Private Limited and Digico Holdings Limited (“Principal Shareholders”), have agreed that during the period commencing on the date of pricing of the Offering and ending 180 days after the Closing Date, the Company and the Principal Shareholders will not, without the prior written consent of the Managers (i) directly or indirectly, issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Shares or any securities convertible into or exercisable or exchangeable for Shares, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Shares or any securities convertible into or exercisable or exchangeable for Shares, or (iii) publicly announce any intention to enter into such swap or transaction described in sub-clause (i) or (ii) above, whether any such swap or transaction described in sub-clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, provided that no prior written consent of the Managers shall be required in case of issuance of Shares by the Company for conversion of bonds, issued on November 24, 2006, into Shares.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the GDRs or the possession, circulation or distribution of this Offering Circular or any other material relating to us or the GDRs in any jurisdiction where action for such purpose is required. Accordingly, the GDRs may not be offered or sold directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the GDRs may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The issue and distribution of this Offering Circular and the offering of the GDRs may be subject to statutory restrictions in other jurisdictions. We request persons into whose possession this Offering Circular may come to inform themselves of and to observe all such restrictions. We do not accept any legal liability for any violation of any such restriction by any person, whether or not a prospective purchaser of the GDRs.

United States

The GDRs (including the Shares underlying such GDRs) have not been and will not be registered under the U.S. Securities Act 1933, as amended (the “Securities Act”), or with any securities regulatory agency of any state or territory within the jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Managers, or any person acting on their behalf, will only offer or sell or solicit offers for, the Rule 144A GDRs as part of their initial distribution only to persons they reasonably believe are QIBs (as defined in Rule 144A) or the Regulations S GDRs to persons in offshore transactions within the meaning of Rule 903 under Regulations S of Securities Act.

Each purchaser of Shares or GDRs will be deemed to have acknowledgements and agreements as described under “Transfer Restrictions”.

European Economic Area

No GDRs or Shares have been offered or sold, or will be offered or sold, to the public in any Member State of the European Economic Area including Members of the European Union plus Iceland, Liechtenstein and Norway, which has implemented Directive 2003/71/EC (the "Prospectus Directive") except: (i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (ii) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a balance sheet with a total balance of more than euro 43,000,000 and (3) an annual net turnover of more than euro 50,000,000, (in the case of (2) and (3)) as shown in its last annual or consolidated accounts; or (iii) in any other circumstances which do not require us to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

Hong Kong

No GDRs or Shares have been offered or sold, and no GDRs or Shares may be offered or sold, in the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the GDRs or Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to GDRs or Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Republic of India

This Offering has not been and will not be registered as a prospectus with the Registrar of Companies in India. This Offering Circular may not be distributed directly or indirectly in India to the residents of India and the Managers may not offer or sell to the public or any members of the public, directly or indirectly, any GDRs in India to, or for the account or benefit, of any resident of India, except in accordance with applicable Indian laws and regulations.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the GDRs or the Shares may not be circulated or distributed, nor may the GDRs or Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the GDRs are subscribed or purchased under Section 275 by a relevant person which is (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in

that trust shall not be transferable for six months after that corporation or that trust has acquired the GDRs under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

United Kingdom

The GDRs may not be offered or sold to persons in the United Kingdom in the absence of admission of the GDRs to listing in accordance with the Financial Services and Markets Act 2000 ("FSMA"), except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the GDRs would otherwise constitute a contravention of Section 19 of the FSMA by us. All sales of GDRs will comply with all applicable provisions of the FSMA with respect to anything done in relation to the Offering and the GDRs in, from or otherwise involving the United Kingdom. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any GDRs in circumstances in which Section 21(i) of the FSMA does not apply to us.

This communication is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Services and Markets Act 2005 (Financial Promotion) Order 2001 (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

United Arab Emirates

The GDRs may not be, have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates other than in compliance with the laws of the United Arab Emirates governing the issue, offering and sale of securities. Further, this Offering Circular does not constitute a public offer of securities in the United Arab Emirates and is not intended to be a public offer.

MATERIAL CONTRACTS

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

Brightest Circle has entered into an agreement dated November 8, 2005 with the Diamond Trading Company ("DTC") and De Beers Centenary AG ("De Beers"), for obtaining a non-assignable, royalty-free, sole license to use the trademarks "Nakshatra" and "The Brightest Circle of Light" in Bahrain, China, the European Community, Hong Kong, India, Japan, Kuwait, Oman, Qatar, Saudi Arabia, Singapore, Thailand, Turkey and the United Arab Emirates. The above trademarks are owned by DeBeers and have been licensed to DTC by DeBeers with the right to sub-license to third parties.

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 of the marks whether before or during the term of the agreement would inure to the benefit of De Beers. Brightest Circle is also prohibited from applying for registration of the marks or any such similar marks.

2. Shareholder's Agreement with Unidesign Jewellery (India) Private Limited, Kirtilal Kalidas Ornaments Exports Private Limited

A shareholders agreement dated April 23, 2005 relating to the shareholding in Brightest Circle Jewellery Private Limited ("Brightest Circle") has been entered into between the Company, Unidesign Jewellery (India) Private Limited ("Unidesign") and Kirtilal Kalidas Ornament Exports Private Limited ("Kirtilal"). The Company holds 33.34% of the equity share capital of Brightest Circle.

According to this agreement, in the event that the Company proposes to sell the equity shares held by it in Brightest Circle to any third party, such equity shares are required to be offered 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. In the event that Unidesign and/or Kirtilal decline to accept the offer made by the Company and fail to nominate another entity in the manner aforementioned, the Company is entitled to offer its equity to any third party with the prior approval of the DTC.

3. Shareholder's Agreement with 'Damas Jewellery LLC' (erstwhile Gemplus Jewellery India Limited) to form a joint venture

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. The agreement provides 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.

4. Registered user agreement between Damas Jewellery LLC, D'Damas and Gitanjali Gems Limited

A registered user agreement dated August 22, 2005 has been entered into between Damas Jewellery LLC, D'Damas and the Company, Damas LLC has granted to D'Damas a non-exclusive,

non-transferable, royalty-free license to use the mark Damas for a period of ten years in India in accordance with the terms of this agreement.

5. Shareholder's Agreement with Sanghavi Exports to form a joint venture

The Company has entered into a shareholders' agreement dated March 21, 2006 with Sanghavi Exports, a partnership firm, relating to its shareholding in Spectrum Jewellery Private Limited ("Spectrum"). Pursuant to this shareholders agreement, the Company and Sanghavi Group formed a joint venture company whereby Sanghavi Group and the Company hold the issued capital of Spectrum equally between them. Spectrum has been formed for the primary purpose of manufacture and distribution of diamond and jewellery products under the brand name "Sangini". Further 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 Spectrum is wound up or if either the Company or Spectrum holds less than 24% of the shareholding in the joint venture undertaking.

6. Trade Mark and Domain Name Assignment Agreement between Spectrum Jewellery Private Limited, Mr. Meyrick Holmes and De Beers Centenary AG

An agreement has been executed between Spectrum Jewellery Private Limited ("Spectrum"), Mr. Meyrick Holmes and De Beers Centenary AG (DBCAG) dated March 1, 2006 for assignment of Trade Mark and Domain Name 'SANGINI'. By virtue of this agreement DBCAG has assigned and transferred all rights, title and interests in the Trademark in India to Spectrum and Mr. Meyrick Holmes has assigned and transferred all rights, title and interests in the Domain name to Spectrum

This agreement is governed by and construed in accordance with laws of England and Wales.

7. Sale agreement between DTC and the Company for brand 'ASMI'

An agreement has been executed between DTC and the Company for sale of brand 'ASMI' dated February 22, 2006. By virtue of this agreement DTC has agreed to sell or procure the sale of the brand assets, i.e. the trademark, the domain name, the web site, the advertising campaign materials, the research materials and the packing and POS materials to the Company.

This agreement is governed by and construed in accordance with laws of England and Wales.

8. Stock Purchase Agreement among the Company, B III Capital Partners, L. P. and B III A Capital Partners L. P. (collectively known as "Buyers") and Samuel Jewelers, Inc ("Samuels")

The Company acquired a 84% equity stake in Samuels pursuant to a stock purchase agreement on December 19, 2006 signed with B III Capital Partners, L.P. and B III-A Capital Partners, L.P.. In addition, as per the terms of the agreement the Company intends to acquire up to an additional 13% equity stake in Samuels by December 19, 2008, which would increase its aggregate shareholding in Samuels to 97%. The aggregate consideration for the acquisition of Samuels is approximately U.S.\$12.02 million and issuance of approximately 1.55 million equity shares of the Company to the Buyers. This stock purchase agreement contains customary representations, warranties and covenants and is governed by the laws of State of Delaware.

9. Subscription Agreement with Jefferies International Limited

The Company signed a subscription agreement dated November 21, 2006 for the issuance of US\$110.00 million (1% Coupon rate) foreign currency convertible bonds ("Bonds"). The Bonds were issued on November 24, 2006 and are currently listed with the Official List of the Singapore Exchange Securities Trading Limited. The Bonds are convertible at the option of the bondholder into Shares at an initial conversion price of Rs.275 per Share between December 24, 2006 and

November 25, 2011. The Bonds are also redeemable at the Company's option between November 25, 2009 and November 25, 2011, subject to certain conditions of the Bonds.

10. Stock Purchase Agreement, as amended, among the Company, Jefferey W. Lazarow, Jody Lazarow, Andrew Lazarow, Jonathan Lazarow, the 2005 Theodore S. Lazarow Irrevocable Trust and Myrna Lazarow Family Trust and Rogers Limited, Inc.

On November 16, 2007, the Company acquired a retail jewellery chain based in the midwest region of the United States of America, through the purchase of 100% of the equity interest of Rogers from the Lazarows, for an aggregate purchase price of US\$17.61 million, pursuant to a stock purchase agreement, as amended. This stock purchase agreement, as amended, contains customary representations, warranties and covenants and is governed by the laws of the State of New York.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Regulation S GDRs, the Shares represented thereby, the Rule 144A GDRs or the Shares represented thereby.

This Offering is being made in reliance on Rule 144A and Regulation S. The GDRs have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction, and may only be offered, sold or delivered (a) within the United States to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (b) outside the United States in offshore transactions in reliance on Regulation S, and in each case in accordance with any other applicable law.

The GDRs may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India, except eligible domestic mutual funds and other eligible persons, in accordance with the applicable rules, regulations and guidelines issued by the Reserve Bank of India and the Securities and Exchange Board of India.

Rule 144A GDRs

Each purchaser of Rule 144A GDRs will be deemed to have represented, agreed and acknowledged as follows (terms used herein are defined in Rule 144A):

- (1) It understands that the Rule 144A GDRs and the underlying Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to restrictions on transfer.
- (2) It is (A) a QIB within the meaning of Rule 144A, (B) acquiring such Rule 144A GDRs for its own account or for the account of a QIB and (C) aware, and each beneficial owner of such Rule 144A GDRs has been advised, that the sale of such Rule 144A GDRs to it is being made in reliance on Rule 144A.
- (3) Such owner will not offer, sell, pledge or otherwise transfer any interest in the Rule 144A GDR or the underlying Shares except as permitted by the applicable legend set out in paragraph 4 below.
- (4) It understands that all Rule 144A GDRs, unless otherwise agreed between the Company and the Depositary, will bear a legend substantially to the following effect:

“THE RULE 144A GLOBAL DEPOSITARY RECEIPTS EVIDENCED HEREBY (THE “GDRs”) AND THE EQUITY SHARES OF GITANJALI GEMS LIMITED REPRESENTED THEREBY (THE “SHARES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE GDRs AND THE SHARES REPRESENTED THEREBY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION PURSUANT TO AND IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE HOLDER OF THE GDRs SHALL, AND SHALL REQUIRE EACH SUBSEQUENT HOLDER, TO NOTIFY ANY PERSON TO WHOM IT SELLS SUCH GDRs OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES UNDERLYING THE GDRs MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY

RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITORY BANK OTHER THAN A RULE 144A RESTRICTED DEPOSITORY RECEIPT FACILITY, UNLESS AND UNTIL SUCH TIME AS SUCH SHARES ARE NO LONGER RESTRICTED SECURITIES WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR ANY GDRs.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST BANK, A NEW YORK CORPORATION, TO THE AGENT AUTHORISED BY THE COMPANY FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE HOLDER HEREOF, BY PURCHASING THE GDRs EVIDENCED BY THIS CERTIFICATE, AGREES FOR THE BENEFIT OF GITANJALI GEMS LIMITED AND THE DEPOSITORY THAT THE GDRs MAY NOT AT ANY TIME BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON LOCATED IN INDIA, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSONS."

- (5) The Company, the Depository, the Initial Purchasers, and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Rule 144A GDRs for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (6) It understands that the GDRs offered in reliance on Rule 144A will be evidenced by the Master 144A GDR. Before any interest in the Master 144A GDR may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Master Regulation S GDR, it will be required to provide the Depository with written certifications (in the forms provided in the Deposit Agreement).

Regulation S GDRs

Each purchaser of Regulation S GDRs will be deemed to have represented and agreed and acknowledged as follows (terms used herein are defined in Regulation S):

- (1) It understands that such Regulation S GDRs and the underlying Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to restrictions on transfer;
- (2) Each owner purchasing prior to the expiration of the Restricted Period (defined as the 40-day period beginning on the latest of the commencement of the GDR offering and the last related closing date) is, or at the time the Regulation S GDRs are purchased will be, the beneficial owner of such Regulation S GDRs and (a) located outside the United States and (b) not the Company or an affiliate of the Company or a person acting on behalf of the Company;
- (3) Such owner, prior to the expiration of the Restricted Period, will not offer, sell, pledge or otherwise transfer any interest in the Regulation S GDRs or the underlying Shares except as permitted by the applicable legend set out in paragraph 4 below;

- (4) It understands that all Regulation S GDRs, unless otherwise agreed between the Company and the Depositary, will bear a legend substantially to the following effect:

“THE REGULATION S GLOBAL DEPOSITARY RECEIPTS EVIDENCED HEREBY (THE “GDRs”) AND THE EQUITY SHARES OF GITANJALI GEMS LIMITED REPRESENTED THEREBY (THE “SHARES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, PRIOR TO THE EXPIRATION OF A RESTRICTED PERIOD (DEFINED AS THE 40-DAY PERIOD BEGINNING ON THE LATEST OF THE COMMENCEMENT OF THE GDR OFFERING AND THE LAST RELATED CLOSING), MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN OFFSHORE TRANSACTION PURSUANT TO AND IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFEROR SHALL, PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES FROM THE REGULATION S FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE DEPOSIT AGREEMENT FOR DEPOSIT IN THE RULE 144A FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) AND THAT RULE 144A GDRs BE ISSUED, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT, TO OR FOR THE ACCOUNT OF SUCH QUALIFIED INSTITUTIONAL BUYER.

UPON THE EXPIRATION OF THE RESTRICTED PERIOD, THIS MASTER REGULATION S GLOBAL DEPOSITARY RECEIPT, THE GLOBAL DEPOSITARY RECEIPTS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER OR SALE OF THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES.

THE HOLDER HEREOF, BY PURCHASING THE GDRs EVIDENCED BY THIS CERTIFICATE, AGREES FOR THE BENEFIT OF GITANJALI GEMS LIMITED AND THE DEPOSITARY THAT THE GDRs MAY NOT AT ANY TIME BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON LOCATED IN INDIA, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSONS.”

- (5) The Company, the Depositary, the purchasers and their respective affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (6) It understands that the GDRs offered in reliance on Regulation S will be evidenced by the Master Regulation S GDR. Before any interest in the Master Regulation S GDR may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Master 144A GDR, it will be required to provide the Depositary with written certifications (in the form provided in the Deposit Agreement).

General

Any resale or other transfer, or attempted resale or other transfer, made otherwise than in compliance with the above-stated restrictions shall not be recognized by the Company or the Depositary in respect of the GDRs or the Shares represented by the GDRs.

LEGAL MATTERS

Certain legal matters with respect to the Offering will be passed upon for the Managers by Jones Day. Certain legal matters related to the issuance of the GDRs and the Shares will be passed upon for the Managers by Amarchand & Mangaldas & Suresh A. Shroff & Co. Certain legal matters related to the issuance of the GDRs and the Shares will be passed upon for the Company by Ranjit Shetty & Associates.

INDEPENDENT AUDITORS

Our audited consolidated financial statements as of and for the years ended March 31, 2007, 2006 and 2005 and related notes thereto have been prepared in accordance with Indian GAAP and audited by Ford, Rhodes, Parks & Co., our statutory auditors, as stated in their report appearing elsewhere in this Offering Circular.

Our unaudited consolidated financial statements as of and for the six months ended September 30, 2007 and 2006 have been prepared in accordance with Indian GAAP and reviewed by Ford, Rhodes, Parks & Co., our statutory auditors, as stated in their report appearing elsewhere in this Offering Circular.

Ford, Rhodes, Parks & Co. has given and not withdrawn its consent to the inclusion of its name and the reports attributable to it in the form and context in which they appear herein, has authorized the contents of this Offering Circular containing financial information and has confirmed that the information contained in the parts of this Offering Circular for which it is responsible is in accordance with the facts and contains no omission likely to affect its import.

GENERAL INFORMATION

1. The Company was originally incorporated on August 21, 1986 as Gitanjali Gems Private Limited and became a deemed public limited company in 1991. We subsequently converted into Gitanjali Gems Limited, a public limited company with effect from December 8, 1994. We became a publicly listed company on March 10, 2006 through an initial public offering of our Shares. Our registered office is at 801/802 Prasad Chambers, Opera House, Mumbai 400004 and our corporate address is at Office No. 10, 2nd floor, 'B' Wing, Laxmi Tower, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. Our telephone number is +91 22 4010 2000 / 21 and our fax number is +91 22 4010 2042.
2. Our objects as set out in the 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 emeralds, 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.
3. The issue of this Offering Circular and the transactions referred to herein were approved by our Board and shareholders pursuant to resolutions adopted on October 6, 2007 and November 3, 2007, respectively.
4. Except as disclosed on page 74 of this Offering Circular, we are not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability.
5. There has been no significant change in the financial or trading position of the Company which has occurred since September 30, 2007 being the end of the last financial period for which either audited financial information or interim financial information have been published.

6. We have received in-principle approvals for the listing of the Shares underlying the GDRs on the BSE and the NSE and will apply for final listing of the Shares on the BSE and the NSE following the Closing Date. All approvals, authorisations, consents or other orders required under the prevailing laws of India have been given or obtained for the issue of the GDRs and Shares.
7. Each underlying Share has a par value of Rs.10. The Shares are governed by the laws of India. Purchasers of GDRs will not be required to pay any expenses incurred in connection with the Offering.
8. Ford, Rhodes, Parks & Co has given and not withdrawn its written consent to the inclusion of its auditor's report and audit review on the Company in this Offering Circular in the form and context in which they appear and has authorised the contents of its auditor's report and audit review in this Offering Circular for the purposes of Rule 5.5.4(2)(f) of the Prospectus Rules.
9. Copies (together with English translations where appropriate) of the following documents may be inspected at our registered address and 21 Tudor Street, London EC4Y ODJ, United Kingdom during customary business hours on any weekday (public holidays excepted) following the date of this Offering Circular:
 - (a) the Articles of Association;
 - (b) the audited financial statements of the Company for the years ended March 31, 2007, 2006 and 2005 and the unaudited financial statements for the six months ended September 30, 2007 and 2006;
 - (c) the reports of Ford, Rhodes, Parks & Co. in respect of the abovementioned financial statements;
 - (d) the Deposit Agreement; and
 - (e) this Offering Circular.
10. There has not been an official conviction for fraudulent offences for the last five years, or any bankruptcy, receivership or liquidation, and there is no official public incrimination of and/or sanctions on any of (a) the members of our administrative, management or supervisory bodies; or (b) any of our senior manager who is relevant to establishing that we have the appropriate expertise and experience for the management of our business by statutory or regulatory authorities (including designated professional bodies) and no such person has ever been disqualified by a court from acting as a member of our administrative, management or supervisory bodies or from acting in the management or conduct of our affairs for at least the previous five years.
11. The address of the Lead Manager is:

J.P. Morgan Securities Limited
125 London Wall
London, EC2Y 5AJ
United Kingdom
12. The address of the Co-Manager is:

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London EC4V 3BJ
United Kingdom

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

The Company's financial statements included in this Offering Circular have been prepared in accordance with Indian GAAP, which differ in certain significant respects from IFRS. Certain significant differences between IFRS and Indian GAAP relevant to the preparation of the Company's financial statements are summarised below. This summary does not address all disclosures, presentation and classification differences between IFRS and Indian GAAP and should not be construed to be exhaustive. In addition, the Company has made no attempt to identify future differences between IFRS and Indian GAAP as a result of prescribed changes in accounting standards that may affect the Company's financial statements. Regulatory bodies that promulgate IFRS and Indian GAAP have significant projects on-going that could affect future comparisons of IFRS and Indian GAAP. The Company has made no attempt to identify all future differences between IFRS and Indian GAAP that may affect its financial statements as a result of transactions or events that may occur in the future.

Subject	IFRS	Indian GAAP
Historical cost	Uses historical cost, but intangible assets, property plant and equipment (PPE) and investment property may be revalued. Derivatives, biological assets and certain securities must be revalued.	Uses historical cost, but property, plant and equipment may be revalued. No comprehensive guidance on derivatives and biological assets.
First-time adoption of accounting frameworks . .	Full retrospective application of all IFRSs effective at the reporting date for an entity's first IFRS financial statements, with some optional exemptions and limited mandatory exceptions.	First-time adoption of Indian GAAP requires retrospective application. In addition, particular standards specify treatment for first-time adoption of those standards.
Basis of presentation	Financial statements must comply with IFRS.	Financial statements must comply with Indian GAAP.
Contents of financial statements—General	Comparative two years' balance sheets, income notes are presented for the current year, statements, cash flow statements, changes in shareholders' equity and accounting policies and notes.	Balance sheet, profit and loss account, cash flow statement, accounting policies and with comparatives for the previous year. Exemptions from certain disclosures exist for small businesses. Public listed company: Consolidated financial statements along with the standalone financial statements. For a public offering, selected financial data for the five most recent years are required, adjusted to the current accounting norms and pronouncements.

Subject	IFRS	Indian GAAP
Balance sheet	Does not prescribe a particular format; entities should present a classified balance sheet. Assets and liabilities should be disclosed in an order which reflects their relative liquidity with current and non-current classification. Certain items must be presented on the face of the balance sheet.	The Companies Act prescribes the balance sheet format; short-term/long-term distinction is only required for certain balance sheet items. No separate disclosure on the face of the balance sheet is required for restricted accounts.
Income statement	Does not prescribe a standard format, although expenditure must be presented in one of two formats (function or nature). Certain items must be presented on the face of the income statement.	No prescribed format for the profit and loss account but there are disclosure norms for certain income and expenditure items under the Companies Act and the accounting standards. Other industry regulations prescribe industry specific format.
Cash flow statements— format and method	Standard headings, but limited flexibility of contents. Use direct or indirect method.	Similar to IFRS, except that use of indirect method is required for listed companies.
Cash flow statements— definition of cash and cash equivalents	Cash includes overdrafts and cash equivalents with original short-term maturities (less than three months).	Cash excludes overdrafts but includes cash equivalents with original short-term maturities of three months or less. Restricted or encumbered cash is not included in cash and cash equivalents. However if restricted or encumbered cash is included in cash and cash equivalents it is required to be disclosed separately.
Cash flows—classification of specific items	Cash and cash equivalents are disclosed on the face of the balance sheet. (i) Interest and dividend paid—Operating or financing activities. (ii) Interest and dividend received—Operating or investing activities. (iii) Taxes paid— Operating— unless specific identification with financing or investing.	Cash and bank balances are disclosed on the face of the balance sheet. (i) Interest and dividend paid—Financing activities. (ii) Interest and dividend received—Investing activities. (iii) Taxes paid—Similar to IFRS.

Subject	IFRS	Indian GAAP
Statement of changes in shareholders' equity	The statement must be presented as a primary statement. The statement shows capital transactions with owners, the movement in accumulated profit and a reconciliation of all other components of equity.	No separate statement required. However, any adjustments to equity and reserve account are shown in the schedules/notes accompanying the financial statements.
Comprehensive income . .	The total of gains and losses recognised in the period comprises net income and the following gains and losses recognised directly in equity: (i) fair value gains (losses) on land and buildings, available for sale investments and certain financial instruments; (ii) foreign exchange translation differences; (iii) the cumulative effect of changes in accounting policy; and (iv) changes in fair values on certain financial instruments if designated as cash flow hedges, net of tax, and cash flow hedges reclassified to income and/or the relevant hedged asset/liability. Recognised gains and losses can be presented either in the notes or separately highlighted within the primary statement of changes in shareholders' equity.	No concept of comprehensive income. However, certain adjustments are allowed through reserves where prescribed by accounting standards, statute or is done in accordance with industry practices and court orders.
Correction of fundamental errors	Restatement of comparatives is mandatory.	Include effect in the current year income statement. The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on current profit or loss can be perceived.
Changes in accounting policy	Restate comparatives and prior-year opening retained earnings.	Include effect in the income statement for the period in which the change is made

Subject	IFRS	Indian GAAP
		except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact needs to be disclosed.
Contents of financial statements—Disclosures . . .	In general, IFRS has extensive disclosure requirements. Specific items include, among others: the fair values of each class of financial assets and liabilities, customer or other concentrations of risk, income taxes and pensions. Other disclosures include amounts set aside for general risks, contingencies and commitments and the aggregate amount of secured liabilities and the nature and carrying amount of pledged assets.	Generally, disclosures are not extensive as compared to IFRS. Disclosures are driven by the requirements of the Companies Act and the accounting standards.
Consolidation	The consolidated financial statements include all enterprises that are controlled by the parent. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control can also exist in certain situations where the parent owns one half or less of the voting power of an enterprise.	Consolidation is required when there is a controlling interest, directly or indirectly through subsidiaries, by virtue of holding majority voting shares or control over board of directors
Accounting for joint ventures in the form of a joint controlled entity (including more than 50% owned entities)	Both the proportional consolidation and equity methods are permitted. An exception to the use of the proportional consolidation	In the consolidated financial statements, the venturer should consolidate the joint venture in case it is also a subsidiary or else to report its interest in the

Subject	IFRS	Indian GAAP
Business combinations . . .	<p>method is where an interest in a jointly controlled entity is acquired and held exclusively with a view to its subsequent disposal within 12 months of acquisition.</p> <p>All business combinations are treated as acquisitions. Assets and liabilities acquired are measured at their fair values. Pooling of interest method is prohibited.</p> <p>Goodwill is capitalised but not amortised. It is tested for impairment at least annually at the cash-generating unit level.</p> <p>After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement.</p>	<p>jointly controlled entity using the proportionate consolidation method. The consolidation of such an entity does not preclude other venturer(s) treating such an entity as a joint venture.</p> <p>On consolidation, for an entity acquired and held as an investment, treated as acquisition.</p> <p>On amalgamation of an entity, either uniting of interests or acquisition.</p> <p>On a business acquisition (i.e., assets and liabilities only) treated as acquisition.</p> <p>On consolidation, the assets and liabilities are incorporated at their existing carrying amounts.</p> <p>On amalgamation, they may be incorporated at their existing carrying amounts or, alternatively, the consideration is allocated to individual identifiable assets and liabilities on the basis of their fair values. On a business acquisition, they may be incorporated at their fair values or value of surrendered assets. Goodwill arising under amalgamations, accounting using the purchase method of accounting is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified. In case of goodwill arising on consolidation, no specific guidance for amortisation. No specific guidance for impairment of goodwill arising on acquisition or consolidation. Any excess of acquirer's interest in the net fair</p>

Subject	IFRS	Indian GAAP
		values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.
Revenue recognition—		
General Criteria	Based on several criteria, which require the recognition of revenue when risks and rewards have been transferred and the revenue can be measured reliably.	Similar to IFRS.
Construction contracts . .	Accounted for using the percentage of completion method. Completed contract method prohibited.	Similar to IFRS.
	IAS 11 allows a contractor to recognise incentive payments as contract revenue when '... it is probable that they will result in revenue ... '. However, the International Accounting Standards Committee (the 'IASC') does not define probable, and that term does not have a universal meaning. As a consequence, contractors may not consistently apply the requirements for recognising incentive payments as contract revenue.	Similar to IFRS.
	A contractor can recognise claim revenue only when it is probable that the customer will accept the claim and the contractor can reliably measure the amount of the probable claim.	Similar to IFRS.
	Under U.S. GAAP the amount recorded as claim revenue is limited to 'the extent that contract costs relating to the claim have been incurred.'	Similar to IFRS.

Subject	IFRS	Indian GAAP
	IAS 11 provides no such limitation and therefore may not preclude the contractor from recording claim revenue on costs not incurred at the billing date.	
	Under IAS 11, a contractor can recognise revenue from a change order when it is probable that the customer will approve the change order and the amount of revenue can be reliably measured. As mentioned above, IAS 11 does not define probable.	Similar to IFRS.
	IAS 11 indicates that a contractor must calculate earned revenues and the cost of earned revenues based on the stage-of-completion percentage.	Similar to IFRS.
	Revenue is the fair value of the consideration received or receivable. This may require estimating the present value of the sale consideration.	No fair value/present value adjustments are made.
Interest expense	Recognised on an accrual basis. Effective yield method used to amortise non-cash finance charges.	Similar to IFRS, however, practice varies with respect to recognition of discounts, premiums and costs of borrowings.
Employee benefits— Defined benefit plans . . .	For gratuity plans, must use the projected unit credit method to determine benefit obligation. An amount equal to the 'net periodic pension cost' is to be charged to the statement of financial performance regardless of whether contributions are made during the period. The net periodic pension cost is an actuarially determined amount equal to: the present value of future benefits which have accrued during the period; and an interest cost component related to the increase in the projected benefit obligation due to the passage of time; less estimated earnings on invested assets segregated to provide	Liability for a gratuity plan, which is a defined benefit scheme, is accrued based on an actuarial valuation.

Subject	IFRS	Indian GAAP
	future benefits; and an amortisation of previously unrecognised prior service costs, transition assets/obligations and experience gains/losses. If contributions differ from the net pension cost, an asset representing prepaid pension costs or a liability for unfunded accrued pension costs arises and is recorded in the statement of financial position.	
Employee benefits—	Recognition of minimum pension liability is not required.	Recognition of minimum pension liability is not required.
Compensated absences . . .	Discounting not prohibited when computing liability for compensated absences.	Determine liability for compensated absences based on an actuarial valuation.
Employee share compensation	Recognise expense for services acquired. The corresponding amount will be recorded either as a liability or as an increase in equity, depending on whether the transaction is determined to be cash or equity-settled. The amount to be recorded is measured at the fair value of the shares or share options granted.	Accounting for share based compensation is mandatory only for listed entities. Compensation is recorded using the intrinsic value method or the fair value method. Companies using the intrinsic value method are required to provide pro- forma disclosures of the impact on the net income and earnings per share had the fair value method been used.
Deferred revenue expenditure	Expensed under IAS 38. Even advertising costs need to be expensed as incurred even though the expenditure incurred may provide future economic benefits.	Under Indian GAAP, after the issuance of Accounting Standard ('AS') 26-Intangible Assets, no such deferred revenue expenses should be recognised. The balances for these items on the date of adoption of AS 26 should continue to be expensed over the number of years originally contemplated.
Preliminary expenses	Expense as incurred under IAS 38.	AS-26 requires to be expensed.
Capital issue expenses . . .	The transaction costs of an equity transaction should be accounted for as a deduction from equity, net of any related income tax benefit. The costs of	AS-26 requires to be expensed.

Subject	IFRS	Indian GAAP
Property, plant & equipment (PP&E)	<p>a transaction which fails to be completed should be expensed.</p> <p>Use historical cost or revalued amounts. Regular valuations of entire classes of assets are required, when revaluation option is chosen.</p>	<p>Use historical cost or revalued amounts. On revaluation, an entire class of assets is revalued, or selection of assets is made on systematic basis. No current requirement on frequency of valuation.</p>
Capitalisation of asset retirement obligations . .	<p>Includes initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Such asset retirement obligations are re-measured annually applying the prevailing discount rates valid for the relative balance sheet. Asset retirement asset adds to the cost basis of the asset and is amortised to expense over the economic useful life of the asset.</p>	<p>Similar to IFRS, except that discounting of an obligation is prohibited.</p>
Capitalisation of borrowing costs	<p>Permitted for qualifying assets, but not required.</p>	<p>Required for all qualifying assets. AS 16, Borrowing Costs, defines the term 'qualifying asset' as 'an asset that necessarily takes a substantial period of time to get ready for its intended use or sale'. The following assets ordinarily take twelve months or more to get ready for intended use or sale unless the contrary can be proved by the enterprise: assets that are constructed or otherwise produced for an enterprise's own use, e.g., assets constructed under major capital expansions; and assets intended for sale or lease that are constructed or otherwise produced as discrete projects (for example, ships or real estate developments).</p>

Subject	IFRS	Indian GAAP
Capitalisation of preoperative, incidental expenses and trial run expenses, net of revenue earned during trial run period	Not permitted, except certain trial run expenses may be capitalised if they are a necessary part of bringing the asset to its working condition.	Required.
Depreciation and amortisation.....	Allocated on a systematic basis to each accounting period over the economic useful life of the asset.	Depreciation under Straight Line Method at the rates specified in Schedule XIV of the Companies Act or rates based on estimated useful life of assets, whichever is higher.
Impairment of long-lived assets	If impairment is indicated, write down assets to recoverable amount which is the higher of net selling price and value in use based on discounted cash flows. If no loss arises, reconsider useful lives of those assets. Impairment loss is recorded in the income statement. Reversal of loss is permitted in certain cases.	Similar to IFRS.
Leases—classification	A lease is a finance lease if substantially all risks and rewards of ownership are transferred. Substance rather than form is important.	Similar to IFRS.
Leases—lessor accounting	Record amounts due under finance leases as a receivable. Allocate gross earnings to give constant rate of return based on (pre-tax) net investment method.	Similar to IFRS.
Leases—lessee accounting	Record finance leases as asset and obligation for future rentals. Depreciate over useful life of asset. Apportion rental payments to give constant interest rate on outstanding obligation. Charge operating lease rentals on straight-line basis.	Similar to IFRS.

Subject	IFRS	Indian GAAP
Leases—lessee accounting: sale and leaseback transactions . . .	For a finance lease, defer and amortise profit arising on sale and finance leaseback. If an operating lease arises, profit recognition depends on sale proceeds compared to fair value of the asset. Consider substance/linkage of the transactions.	Similar to IFRS.
Investment property	Measure at depreciated cost or fair value, and recognise changes in fair value in the income statement.	Consider as long-term investment and carry at cost less impairment.
Inventories	Carry at lower of cost and net realisable value. Use FIFO or weighted average method to determine cost. LIFO prohibited. Reversal is required for subsequent increase in value of previous write-downs.	Similar to IFRS.
Investments	Investments in listed securities are classified as held-to-maturity, available-for-sale or trading at acquisition. Investments classified as held-to-maturity are recorded at amortised cost less impairment, if any. Realised gains and losses are reported in earnings. Investments classified as available-for-sale are reported at fair value. Unrealised gains and losses on the change in fair value are reported in equity, less impairment, if any. Investments classified as trading are reported at fair value with unrealised gains and losses included in earnings. Investments in unlisted equity securities are recorded at cost less impairment if any. There is an option in IFRS to classify any financial asset 'at fair value through profit or loss'. Changes in fair values in respect of such securities are recognised in the income statement. This is an irrevocable option to classify a	Long-term investments are carried at cost (with provision for other than temporary diminution in value). Current investments carried at lower of cost or fair value.

Subject	IFRS	Indian GAAP
	<p>financial asset at fair value through profit or loss.</p> <p>Generally, in non-consolidated financial statements, investment in subsidiary is accounted under the equity method.</p>	<p>In non-consolidated financial statements, investment in subsidiary is carried at cost less impairment, if any.</p>
<p>Foreign currency transactions</p>	<p>Transactions in foreign currency are accounted for at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are restated at the year-end exchange rates.</p>	<p>Similar to IFRS, except for the following:</p> <ul style="list-style-type: none"> • exchange difference arising on repayment/restatement of liabilities incurred prior to 1 April 2004 for the purposes of acquiring fixed assets, is adjusted in the carrying amount of the respective fixed assets; and • exchange difference arising on repayment/restatement of liabilities incurred on or after 1 April 2004 for the purposes of acquiring fixed assets from a country outside India, is adjusted in the carrying amount of the respective fixed assets. The amounts so adjusted are depreciated over the remaining useful life of the respective fixed assets.
<p>Provisions</p>	<p>Record the provisions relating to present obligations from past events if outflow of resources is probable and can be reliably estimated.</p>	<p>Similar to IFRS.</p>
	<p>Discounting required if effect is material.</p>	<p>Discounting is not permitted.</p>
<p>Contingent assets</p>	<p>A possible asset that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control. The item is recognised as an asset when the realisation of the associated benefit such as an insurance recovery, is virtually certain.</p>	<p>Similar to IFRS, except that certain disclosures as specified in IFRS are not required.</p>

Subject	IFRS	Indian GAAP
Contingent liability	A possible obligation whose outcome will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognised because it is not probable that there will be an outflow of economic benefits, or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflows is remote.	Similar to IFRS. Disclosure may be limited compared to and IFRS.
Debt issue costs	Permits, but does not require, direct incremental costs of issuing debt to be deferred as an asset and amortised as an adjustment to yield.	Debt issue costs are expensed as incurred.
Dividends	Dividends are recorded as liabilities when declared.	Dividends are recorded as provisions when proposed.
Deferred income taxes . .	Use full provision method (some exceptions), driven by balance sheet temporary differences. Recognise deferred tax assets if recovery is probable. Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the balance sheet date.	Deferred tax assets and liabilities should be recognised for all timing differences subject to consideration of prudence in respect of deferred tax assets. Where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is certain that such previously unrecognised deferred tax assets will be realised. Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Subject	IFRS	Indian GAAP
Measurement of derivative instruments and hedging activities . . .	Measure derivatives and hedge instruments at fair value. Recognise the changes in fair value in the income statement, except for effective cash flow hedges, where the changes are deferred in equity until effect of the underlying transaction is recognised in the income statement. Ineffective portions of hedges are recognised in the income statement. IFRS requires extensive documentation and effectiveness testing to obtain hedge accounting. Gains/losses from hedge instruments that are used to hedge forecast transaction may be included in cost of non-financial asset/liability (basis adjustment).	There is no comprehensive guidance for derivative accounting.
Fringe benefits tax	Fringe benefits tax is included as part of the related expense (fringe benefit) which gives rise to incurrence of the tax.	Fringe benefits tax should be disclosed as a separate item after determining profit before tax on the face of the profit and loss account for the period in which the related fringe benefits are recognised.
Derecognition of financial assets	Derecognise financial assets based on risks and rewards first; control is secondary test.	No specific guidance. In general, derecognise financial assets based on risks and rewards of ownership. A guidance note issued by ICAI on securitisation requires derecognition based on control.
Financial liabilities—classification	Classify capital instruments depending on substance of the Company's obligations. Mandatorily redeemable preference shares classified as liabilities.	No specific guidance. In practice, classification is based on legal form rather than substance. All preference shares are shown separately as share capital under shareholders' funds.
Derecognition of financial liabilities	Derecognise liabilities when extinguished. The difference between the carrying amount and the amount paid is recognised in the income statement.	No specific guidance but practice is similar to IFRS.

Subject	IFRS	Indian GAAP
Capital instruments— purchase of own shares . . .	Show as deduction from equity.	Purchase of own shares are permitted under limited circumstances subject to the legal requirements stipulated in the Companies Act. On purchase, such shares are required to be cancelled i.e. cannot be kept as treasury stock.
Functional currency definition	Currency of primary economic environment in which entity operates.	Does not define functional currency. Assumes an entity normally uses the currency of the country in which it is domiciled in presenting its financial statements.
Financial currency— determination	If indicators are mixed and functional currency is not obvious, use judgement to determine the functional currency that most faithfully represents the economic results of the entity's operations by focusing on the currency of the economy that determines the pricing of transactions (not the currency in which transactions are denominated).	Does not require determination of functional currency. Assumes an entity normally uses the currency of the country in which it is domiciled in presenting its financial statements. If a different currency is used, requires disclosure of the reason for using a different currency.
Earnings per share— diluted	Use weighted average potential dilutive shares as denominator for diluted EPS. Use "treasury share" method for share options/warrants.	Similar to IFRS.
Post balance sheet events.	Adjust the financial statements for subsequent events, providing evidence of conditions at balance sheet date and materially affecting amounts in financial statements (adjusting events). Disclosing non-adjusting events.	Similar to IFRS. However, non-adjusting events are not required to be disclosed in financial statements but are disclosed in report of approving authority e.g. Directors' Report.
Related party disclosures	There is no specific requirement in IFRS to disclose the name of the related party (other than the ultimate parent entity). There is a requirement to	The scope of parties covered under the definition of related party could be less than under IFRS. Unlike IFRS, the name of the related party is required to

Subject	IFRS	Indian GAAP
	disclose the amounts involved in a transaction, as well as the balances for each major category of related parties. However, these disclosures could be required in order to present meaningfully the 'elements' of the transaction, which is a disclosure requirement.	be disclosed.
Segment reporting	Report primary and secondary (business and geographic) segments based on risks and returns and internal reporting structure. Use group accounting policies or entity accounting policy.	Similar to IFRS.

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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 three years ended March 31, 2005, March 31, 2006 and March 31, 2007 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, its Subsidiaries, Associates and a Joint venture company audited by different auditors and for different periods.
2. These financial statements are the responsibility of the Company's management and have been prepared on the basis of separate financial statements and other financial informations regarding components. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of 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. a. We did not audit the financial statements of certain subsidiaries and a joint venture whose financial statements reflect total assets of Rs. 4,764.05 million as at March 31, 2007, Rs. 362.23 million as at March 31, 2006 (for the year March 31, 2005 they were not part of the Group), and total revenues of Rs. 3,093.63 million as at March 31, 2007, Rs. 469.55 million as at March 31, 2006 for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us. We have placed reliance on the said reports for the purpose of our opinion on the consolidated financial statement.

b. The financial statements of one of the Associates for the year ended March 31, 2005 and March 31, 2006, have been audited by other auditors whose reports have been furnished to us. The Company's share of net worth as on March 31, 2005 and March 31, 2006 is Rs.60.28 million, Rs.74.18 million and in net profit for the year then ended is Rs.16.18 million, Rs. 16.16 million respectively. We have placed reliance on the said reports for the purpose of our opinion on the consolidated financial statements.
4. We report that the consolidated financial statements have been prepared by the management of the Company in accordance with the requirements of accounting standards 21, 23 and 27 issued by the Institute of Chartered Accountants of India.
5. We have given our written consent for the inclusion of our report in the form and context in which it appears in this Offering Circular and such consent and report has not been withdrawn up to the time of delivery of the Offering Circular.
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements and also other financial informations of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the

attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet of the state of affairs of the Gitanjali Group as at March 31, 2005, March 31, 2006 and March 31, 2007 and
- b) in the case of the Consolidated Profit and Loss Account of the profit of the Gitanjali Group for the years March 31, 2005, 2006 and March 31, 2007.
- c) in the case of Consolidated Cash Flow Statement of the Gitanjali Group for the years March 31, 2005, 2006 and 2007

Yours faithfully,

For Ford, Rhodes, Parks & Co.
Chartered Accountants

A.D. Shenoy
Partner
Membership No: 11549

Place: Mumbai
Date: 28th September, 2007.

Gitanjali Gems Limited

Consolidated Balance Sheet as at March 31,

	Schedules	2007	2007	2006	2005
		USD in millions	Rupees in millions		
Sources of funds					
Shareholders' funds					
Share capital	1	14.84	589.98	589.98	300.10
Share suspense		11.34	450.67	–	–
Reserves & surplus	2	193.36	7,686.23	7,103.03	2,225.43
		219.54	8,726.88	7,693.01	2,525.53
Minority interest		23.68	941.33	619.83	–
Loan funds					
Secured loans	3	240.68	9,567.22	6,810.36	3,138.08
Unsecured loans	4	126.33	5,021.51	158.62	–
		367.01	14,588.73	6,968.98	3,138.08
Deferred tax liability		0.00	0.07	–	–
Total		610.23	24,257.01	15,281.82	5,663.61
Application of funds					
Fixed assets					
Gross block	5	29.24	1,162.30	354.83	142.82
Less: depreciation		5.83	231.76	131.30	47.04
Net block		23.41	930.54	223.53	95.78
Capital work-in-progress		6.92	275.06	5.19	0.95
		30.33	1,205.60	228.72	96.73
Advances on capital account	6	3.71	147.28	114.95	–
Expenditure during construction period, pending allocation		0.36	14.37	–	–
Goodwill		10.13	402.71	–	–
Investments					
In associates	7	5.76	229.13	101.19	58.77
Deferred tax asset		–	–	1.78	(0.51)
Current assets, loans and advances					
Inventories	8	196.16	7,797.18	2,629.17	923.06
Sundry debtors	9	382.01	15,184.95	12,372.00	6,170.17
Cash & bank balances	10	155.33	6,174.54	4,112.80	262.03
Loans & advances	11	67.60	2,687.41	1,298.65	339.51
		801.10	31,844.08	20,412.62	7,694.77
Less: current liabilities and provisions					
Current liabilities	12	234.28	9,312.75	5,220.60	2,088.65
Provisions	13	13.05	518.75	357.80	97.50
		247.33	9,831.50	5,578.40	2,186.15
Net current assets		553.77	22,012.58	14,834.22	5,508.62
Miscellaneous expenditure	14	6.17	245.34	0.96	–
(to the extent not written off or adjusted)					
TOTAL		610.23	24,257.01	15,281.82	5,663.61
Significant accounting policies & notes to accounts	19				

Schedules 1 to 19 annexed hereto form part of the Balance Sheet and Profit & Loss Account

Gitanjali Gems Limited
Consolidated Profit & Loss Account
for the year ended March 31,

	Schedules	2007	2007	2006	2005
		USD in millions	Rupees in millions		
Income					
Sales (net)	15	872.31	34,674.44	24,033.21	13,711.56
Other income	16	1.03	40.83	13.98	20.20
		873.34	34,715.27	24,047.19	13,731.76
Expenditure					
Cost of trading goods/material consumed ..	17	797.64	31,706.09	22,522.13	13,316.45
Operating expenses	18	32.45	1,289.82	457.44	139.48
Interest		12.49	496.41	409.37	130.73
Depreciation & amortization		1.77	70.37	26.92	4.30
		844.35	33,562.69	23,415.86	13,590.96
Profit before tax		28.99	1,152.58	631.33	140.80
Provision for current tax		3.42	135.87	94.06	53.76
Provision for fringe benefit tax		0.10	4.01	2.36	–
Provision for deferred tax		0.09	3.55	(4.58)	(0.57)
		3.61	143.43	91.84	53.19
Profit after tax (before adjustment for consolidation)		25.38	1,009.15	539.49	87.61
minority interest		(2.46)	(97.87)	(31.53)	–
share of profit from associate companies ...		0.16	6.23	6.48	13.92
Profit after tax (after adjustment for consolidation)		23.08	917.51	514.44	101.53
Add: balance brought forward from previous year					
(i) Gitanjali Gems Ltd.		74.18	2,948.79	2,166.46	
(ii) Gili India Ltd.—adjustment on account of acquisition		(0.41)	(16.16)	373.75	
(iii) Subsidiary companies as at 31-3-06		(0.00)	(0.03)	14.75	
(iv) Joint venture as at 31-3-06		(0.03)	(1.18)	(41.34)	
		73.74	2,931.42	2,513.62	–
Amount available for appropriations		96.82	3,848.93	3,028.06	101.53
Appropriations					
General reserve		2.26	90.00	12.00	–
Proposed dividend on equity shares		2.36	93.83	59.00	–
Tax on dividend		0.40	15.86	8.27	–
		5.02	199.69	79.27	–
Balance carried to balance sheet		91.80	3,649.24	2,948.79	101.53
Basic earnings per share of face value of Rs. 10 each (in dollar/rupees)		0.39	15.55	12.23	3.38
Diluted earnings per share of face value of Rs. 10 each (in dollar/rupees)		0.36	14.13	12.23	3.38

Schedules 1 to 19 annexed hereto form part of the Balance Sheet and Profit & Loss Account

Gitanjali Gems Limited
Schedules forming part of the Balance Sheet
as at 31st March,

	2007	2007	2006	2005
	USD in millions	Rupees in millions		
Schedule 1—share capital				
Authorised:				
(i) 120,000,000 Equity shares of Rs. 10/- each (previous year 70,000,000 equity shares of Rs. 10/- each)	30.19	1,200.00	700.00	500.00
(ii) Redeemable preference shares—current year—nil (previous year 500,000 redeemable preference shares of Rs. 100/- each)	–	–	50.00	250.00
	30.19	1,200.00	750.00	750.00
Issued, subscribed & paid up:				
58,998,495 (Previous year 58,998,495) equity shares of Rs. 10 each fully paid up	14.84	589.98	589.98	300.10
Total	14.84	589.98	589.98	300.10
Note: the above equity shares includes 29,250,000 shares allotted as fully paid paid by way of bonus shares by capitalisation of profits and general reserves				
Schedule 2—reserves & surplus				
Share premium account (after netting off issue expenses)	83.92	3,335.75	3,543.64	0.62
General reserve	2.57	102.00	12.00	–
Profit & loss account balance	91.80	3,649.24	2,948.79	2,224.81
Capital reserve on consolidation	15.06	598.69	598.60	–
Exchange fluctuation reserve A/c	0.01	0.55	–	–
Total	193.36	7,686.23	7,103.03	2,225.43
Schedule 3—secured loans				
Working capital loans from banks/financial institution	232.93	9,258.90	6,810.36	3,138.08
(Refer schedule 19, note II—10) vehicle loan	0.04	1.68	–	–
Term loan	7.71	306.64	–	–
Total	240.68	9,567.22	6,810.36	3,138.08
Schedule 4—unsecured loans				
From a director	4.49	178.09	61.78	–
From shareholders	0.20	8.03	8.11	–
From ex-partner of the erstwhile firm	0.89	35.28	35.28	–
From a company	0.00	0.11	0.10	–
From foreign currency convertible bonds	120.57	4,792.70	–	–
(Refer schedule 19, note II—3(b)) From others	0.18	7.30	53.35	–
Total	126.33	5,021.51	158.62	–

Gitanjali Gems Limited
Schedules forming part of the Balance Sheet as at 31st March,

Schedule—5 Fixed assets as on 31st March, 2007

Description of assets	Gross block (at cost)						Depreciation			Net block			
	As at 31st March, 2006		Additions on account of acquisition		Deductions/ transfers		As at 31st March, 2007		As at 31st March, 2007		USD		
	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2007	As at 31st March, 2007	USD	USD	
Freehold land	66.61	53.56	81.83	—	202.00	5.08	0.04	0.25	—	1.03	0.03	200.97	5.05
Factory building	97.94	45.73	15.67	—	159.34	4.01	30.08	10.77	—	49.14	1.24	110.20	2.77
Office premises	2.58	—	—	—	2.58	0.07	0.65	0.10	—	0.75	0.02	1.83	0.05
Plant & machinery	111.52	20.11	36.86	2.62	165.87	4.17	58.32	10.70	—	75.12	1.89	90.75	2.28
Furniture & fixture	47.95	43.34	12.56	6.12	97.73	2.46	23.84	9.40	3.22	36.32	0.91	61.41	1.55
Office equipments	13.64	7.40	3.19	0.02	24.21	0.61	6.45	2.17	0.01	11.06	0.28	13.15	0.33
Computers	12.20	35.36	7.92	0.14	55.34	1.39	7.69	7.49	0.09	19.69	0.49	35.65	0.90
Vehicles	7.10	7.90	4.14	1.51	17.63	0.44	4.16	1.94	1.06	8.62	0.22	9.01	0.22
Electrical fittings	0.30	1.39	—	—	1.69	0.04	0.07	0.18	—	0.55	0.01	1.14	0.03
Trademark	—	—	3.64	—	3.64	0.09	—	0.37	—	0.37	0.01	3.27	0.08
Leasehold improvements	0.18	432.39	2.35	2.65	432.27	10.88	—	25.00	2.63	29.11	0.73	403.16	10.15
Sub-total	360.02	647.18	168.16	13.06	1,162.30	29.24	131.30	68.37	7.01	231.76	5.83	930.54	23.41
Capital work-in-progress	—	1.01	274.05	—	275.06	6.92	—	—	—	—	—	275.06	6.92
TOTAL	360.02	648.19	442.21	13.06	1,437.36	36.16	131.30	68.37	7.01	231.76	5.83	1,205.60	30.33

Fixed assets as on 31st March, 2006

Description of assets	Gross block (at cost)						Depreciation			Net block	
	As at 31st March, 2005	On account of amalgamation	Additions	Deductions/ transfers	As at 31st March, 2006	As at 31st March, 2005	On account of amalgamation	Additions	Deductions/ transfers	As at 31st March, 2006	As at 31st March, 2006
Freehold land	66.61	-	-	-	66.61	0.03	-	0.01	-	0.04	66.57
Factory building	16.24	81.70	-	-	97.94	9.64	12.90	7.54	-	30.08	67.86
Office premises	10.00	-	-	7.42	2.58	2.26	-	0.10	1.71	0.65	1.93
Plant & machinery	27.29	69.46	11.35	1.80	106.30	16.89	34.88	6.79	0.24	58.32	47.98
Furniture & fixture	32.73	9.86	5.57	0.21	47.95	16.24	3.00	4.65	0.05	23.84	24.11
Office equipments	4.70	7.63	1.34	0.03	13.64	2.32	3.05	1.08	0.00	6.45	7.19
Computers	5.70	2.90	3.64	0.04	12.20	4.44	1.82	1.43	0.00	7.69	4.51
Vehicles	3.66	0.46	2.99	0.01	7.10	2.85	0.44	0.87	-	4.16	2.94
Civil works	-	-	0.18	-	0.18	-	-	-	-	-	0.18
Electrical equipment	-	-	0.03	-	0.03	-	-	-	-	-	0.03
Electrical fittings	0.29	-	0.01	-	0.30	0.03	-	0.04	-	0.07	0.23
Sub-total	167.22	172.01	25.11	9.51	354.83	54.70	56.09	22.51	2.00	131.30	223.53
Capital work-in-progress	0.96	1.31	2.92	-	5.19	-	-	-	-	-	5.19
TOTAL	168.18	173.32	28.03	9.51	360.02	54.70	56.09	22.51	2.00	131.30	228.72

Fixed assets as on 31st March, 2005

Description of assets	Gross block (at cost)						Depreciation		Net block
	As at 31st March, 2004		As at 31st March, 2005		As at 31st March, 2004		As at 31st March, 2005		As at 31st March, 2005
	Additions	Deductions/ transfers	Additions	Deductions/ transfers	Additions	Deductions/ transfers	Additions	Deductions/ transfers	
Freehold land	66.09	-	66.09	-	-	-	-	-	66.09
Factory building	15.24	-	15.24	-	8.59	0.67	9.26	-	5.98
Office premises	9.83	-	9.83	-	1.82	0.40	2.22	-	7.61
Plant & machinery	22.10	0.97	23.07	-	14.30	1.18	15.48	-	7.59
Furniture & fixture	18.32	0.08	18.40	-	10.89	1.35	12.24	-	6.16
Office equipments	2.61	0.01	2.62	-	1.43	0.17	1.60	-	1.02
Computers	3.73	0.10	3.83	-	3.08	0.25	3.33	-	0.50
Vehicles	3.59	0.03	3.62	-	2.53	0.29	2.82	-	0.80
Electrical equipment	0.12	-	0.12	-	0.10	0.00	0.10	-	0.02
Electrical fittings	-	-	-	-	-	-	-	-	-
Sub-total	141.63	1.19	142.82	-	42.74	4.31	47.05	-	95.77
Capital work-in-progress	-	0.95	0.95	-	-	-	-	-	0.95
TOTAL	141.63	2.14	143.77	-	42.74	4.31	47.05	-	96.72

	2007	2007	2006	2005
	USD in millions	Rupees in millions		
Schedule 6—advances on W-I-P (incl. capital advances)				
Andhra Pradesh Ind. Infrastructure Corporation Ltd.	2.52	100.00	37.50	—
Advance for land	0.23	9.12	—	—
Carlton Properties Pvt. Ltd.	0.10	4.00	4.00	—
Bharat Diamond Bourse	0.85	33.66	72.95	—
Gujrat Hira Bourse	0.01	0.50	0.50	—
Total	3.71	147.28	114.95	—
Schedule 7—investments				
Long term investment (unquoted at cost)				
In affiliates				
5,000 equity shares of Rs. 10/- each of Gitanjali Exports Corporation Limited (previous year 5,000 equity shares of Rs. 10 each)	—	—	—	0.40
20,00,000 equity shares of Rs.10/- each fully paid up of Gili India Ltd. (formerly known as Gitanjali Jewels Limited)	—	—	74.18	58.02
11,905 equity shares of Rs.10/- each of Gemplus Jewellery India Ltd. (previous year 1000 of Rs.100 each) received 1,905 bonus shares of Rs.10/- each during the year	—	—	—	0.35
166,668 equity shares of Rs. 10/- each of Brightest Circle Jewellery Pvt. Ltd (previous year:166,668 equity shares)	0.41	16.57	10.34	—
166,666 4% non-cumulative redeemable preference shares of Rs. 10/- each of Brightest Circle Jewellery Pvt. Ltd at a premium of Rs. 90/- each (previous year: 166,666 preference shares)	0.42	16.67	16.67	—
200 Shares of AED 1,000/- each of Gitanjali Venture DMCC—Dubai (previous year—nil) ...	0.06	2.42	—	—
100 shares of Gitanjali USA Inc. (previous year—nil)	4.36	173.18	—	—
25,000 equity shares of Rs. 10/- each of Diadem Ranka Desire Lifestyle Pvt. Ltd. (previous year—nil)	0.01	0.25	—	—
In others				
51 shares of Citizen Co-op Bank of Rs. 10/- each fully paid (previous year—51 equity shares) ...	0.00	0.00	—	—
1,000,000 equity shares of Re.1/- each at a premium of Rs. 9/- each of Diamond India Ltd. (previous year nil)	0.50	20.00	—	—
In equity shares (non-traded)				
125 equity shares of Shoppers' Stop of Rs. 10/- each fully paid (previous year 125 equity shares)	0.00	0.03	—	—

	2007	2007	2006	2005
	USD in millions	Rupees in millions		
In government securities				
National saving certificates of face value Rs. 5,000 (pledge with sales tax department)	0.00	0.01	–	–
Total	5.76	229.13	101.19	58.77
Schedule 8—inventories				
a. Raw materials	98.30	3,907.41	1,464.15	225.87
b. Work In process	4.24	168.68	94.35	–
c. Manufactured goods	93.40	3,712.53	499.68	93.94
d. Trading goods	–	–	563.17	600.86
e. Consumables, stores & tools	0.15	6.06	6.34	2.39
f. Props, display material and boxes	0.06	2.20	1.48	–
g. Others	0.01	0.30	–	–
Total	196.16	7,797.18	2,629.17	923.06
Schedule 9—sundry debtors				
Unsecured, considered good unless and otherwise stated				
Outstanding for more than six months	44.77	1,779.60	2,677.46	1,442.75
Outstanding for more than six months considered doubtful	0.36	14.37	7.69	–
Add: exports receivables translation control A/C	(0.69)	(27.43)	(3.99)	(38.94)
	44.44	1,766.54	2,681.16	1,403.81
Others	339.10	13,479.17	9,679.75	4,834.28
Add: exports receivables translation control A/C	(1.17)	(46.38)	18.78	(67.92)
	337.93	13,432.79	9,698.53	4,766.36
Less: Provision for doubtful debts	0.36	14.38	7.69	–
Total	382.01	15,184.95	12,372.00	6,170.17
Schedule 10—cash & bank balances				
Cash in hand	0.71	28.29	1.38	0.22
Cheque on hand	–	–	–	4.80
Balance with scheduled banks:				
In current accounts	12.32	489.67	409.96	28.89
In fixed deposits	142.30	5,656.35	3,701.23	228.12
In EEFC account	0.00	0.23	0.23	–
Total	155.33	6,174.54	4,112.80	262.03

	2007	2007	2006	2005
	USD in millions	Rupees in millions		
Schedule 11—loans & advances				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	44.91	1,785.31	865.35	31.17
Deposits	0.90	35.79	19.73	1.68
Service tax receivable	0.08	3.19	–	–
Sales tax refund receivable	0.11	4.23	0.22	0.03
Income tax—tax deducted at source	9.92	394.33	261.90	77.93
Staff advances	0.17	6.80	7.10	6.15
Advance fringe benefit tax	0.00	0.17	–	–
Prepaid expenses	3.31	131.63	60.57	25.32
Other receivables	0.45	17.78	26.21	0.84
Advances to suppliers/labourer	6.65	264.22	55.57	176.38
Share application money	1.10	43.96	2.00	20.01
Total	67.60	2,687.41	1,298.65	339.51
Schedule 12—current liabilities				
Sundry creditors*				
For accrued wages & salaries	–	–	2.52	–
For goods/labour	217.10	8,629.78	4,748.37	134.32
For expenses	4.12	163.84	97.33	1.87
For others	–	–	0.02	1,911.32
For statutory liabilities	0.26	10.20	8.93	0.28
For other liabilities	8.99	357.37	183.20	36.00
Advance received from customers	4.14	164.38	171.83	0.15
Share application money received	0.25	10.09	–	–
Franchisee deposits	–	–	1.29	–
Interest accrued but not due on bank loans	1.12	44.58	11.82	4.71
Less: import payable translation control account	1.70	67.49	4.71	–
Total	234.28	9,312.75	5,220.60	2,088.65
*Note: There is no amount due and outstanding to Investor Education and Protection Fund and Small Scale Industrial Undertakings.				
Schedule 13—provisions				
Provision for taxation	9.90	393.65	280.50	95.62
Provision for fringe benefit tax	0.08	3.12	1.97	–
Provision for gratuity/leave encashment	0.25	10.01	8.06	1.88
Proposed dividend	2.36	93.83	59.00	–
Provision for dividend tax	0.40	15.86	8.27	–
Other provisions	0.06	2.28	–	–
Total	13.05	518.75	357.80	97.50
Schedule 14—misc. expenditure				
(to the extent not written of or adjusted)				
Preliminary expenses	0.09	3.78	0.10	–
Deferred revenue expenditure	6.08	241.56	0.86	–
Total	6.17	245.34	0.96	–

	2007	2007	2006	2005
	USD in millions	Rupees in millions		
Schedule 15—sales (net)				
Exports (including deemed exports)				
Diamonds.....	388.76	15,453.47	15,252.52	9,517.39
Jewellery	123.25	4,899.13	2,136.42	0.02
	512.01	20,352.60	17,388.94	9,517.41
Local				
Diamonds.....	203.75	8,098.87	5,083.76	3,683.02
Bullion and jewellery	156.44	6,218.66	1,560.49	511.13
Others.....	0.11	4.31	0.02	–
	360.30	14,321.84	6,644.27	4,194.15
Total.....	872.31	34,674.44	24,033.21	13,711.56
Schedule 16—other income				
Commission received	0.01	0.44	0.52	17.45
Labour & job work received.....	0.39	15.37	–	–
Dividend received	0.05	2.00	2.00	–
Rent received	0.00	0.12	0.12	0.35
Professional charges received	0.26	10.30	4.00	–
Interest on income tax refund.....	0.00	0.01	–	–
Insurance claim	–	–	0.65	2.37
Interest recd. from BSES	–	–	–	0.02
Provision for doubtful debts w/back	0.02	0.75	–	–
Discount received	0.04	1.52	0.55	0.01
Sales tax refund.....	0.01	0.39	–	–
Sundry balance written back (net).....	0.08	2.91	1.06	–
Profit on sale of fixed assets	–	–	3.64	–
EEFC/cont/cryt/bank facility exchange difference	0.00	0.15	–	–
Other income	0.17	6.87	1.44	–
Total.....	1.03	40.83	13.98	20.20
Schedule 17—cost of trading goods/material consumed				
Opening stock				
Diamonds.....	49.10	1,951.84	1,634.45	1,056.42
Bullion/jewellery	59.20	2,353.52	429.13	13.13
Others.....	0.01	0.25	0.13	–
	108.31	4,305.61	2,063.71	1,069.55
Add: purchases				
Diamonds.....	623.99	24,803.29	19,226.98	12,066.86
Bullion/jewellery/stones and gold	230.97	9,180.93	2,810.28	521.12
Others.....	0.01	0.20	0.01	–
	854.97	33,984.42	22,037.27	12,587.98
Add: labour charges.....	30.68	1,219.63	1,042.50	581.98
	885.65	35,204.05	23,079.77	13,169.96

	2007	2007	2006	2005
	USD in millions	Rupees in millions		
Less: closing stock				
Diamonds.....	115.82	4,603.78	1,951.84	910.90
Bullion/jewellery	80.48	3,199.14	653.89	12.16
Others.....	0.02	0.65	15.62	–
	196.32	7,803.57	2,621.35	923.06
Total.....	797.64	31,706.09	22,522.13	13,316.45
Schedule 18—operating expenses				
Payment to and provision for employees				
Salary, bonus & allowances	8.83	351.06	70.22	15.26
Contribution to P.F.& other funds	0.24	9.70	4.84	0.85
Staff welfare	0.18	7.24	6.15	0.78
Staff recruitment expenses	0.00	0.11	0.10	0.03
Leave encashment	0.01	0.24	0.03	–
Gratuity	0.05	1.87	7.61	–
Sub-total(A).....	9.31	370.22	88.95	16.92
Other operating expenses				
Stores consumed	0.21	8.46	0.17	0.09
Packing materials consumed	0.05	1.94	–	0.02
Rent, rates & taxes	1.04	41.22	18.29	2.66
Postage, telegram & telephones.....	0.71	28.29	6.56	1.07
Bank charges	3.43	136.46	119.76	57.66
E.C.G.C. premium.....	–	–	–	9.02
Insurance	0.18	7.28	2.19	1.63
Printing & stationery	0.24	9.44	3.37	0.62
Travelling & conveyance	1.06	42.15	12.61	7.16
Advertisement/business promotion expenses	4.56	181.16	48.43	0.22
Sales commission	2.80	111.15	–	–
Donation	0.09	3.59	2.64	1.03
Repairs & maintenance—building	0.02	0.72	1.51	0.13
Repairs & maintenance—others	0.50	19.96	4.67	0.62
Repairs & maintenance—plant & machinery	0.02	0.65	0.56	0.50
Legal, professional and service charges	4.53	180.26	23.02	3.54
Export sales expenses.....	0.19	7.39	6.13	1.64
License fees	0.01	0.47	–	–
Octroi charges	0.19	7.41	–	–
Import expenses.....	0.07	2.64	2.38	1.88
Freight & forwarding (export).....	0.09	3.68	–	–
Directors' remuneration	0.13	5.08	–	–
Auditor's remuneration	0.08	3.37	1.58	0.44
Bad Debts written off	0.07	2.91	–	–
Provision for doubtful debts	1.38	54.86	–	–
Deffered & preliminary expenses w/off	0.02	0.93	0.28	–
Block policy premium.....	0.01	0.74	0.73	0.17
Boiling & processing charges	–	–	7.08	–
Books & periodicals	0.01	0.40	0.01	–
Construction expenses	–	–	14.02	–
EEFC/cont/cryt/bank facility exchange difference	(1.81)	(72.10)	10.93	(1.40)

	2007	2007	2006	2005
	USD in millions	Rupees in millions		
Electricity	0.19	7.69	3.51	1.13
Entertainment expenses	0.01	0.33	0.19	–
Membership & subscription	0.00	0.11	1.45	0.01
Bad debts/advances/sundry balances written off	0.05	1.84	27.76	–
Miscellaneous expenses	2.63	104.26	48.51	30.82
Brokerage	0.03	1.23	–	–
Interest on contracts	0.05	1.97	–	–
Sales tax asst. dues	–	–	–	0.95
Security service charges	0.21	8.16	–	0.01
Computer and related expenses	0.01	0.28	–	–
Prior period expenses.....	0.08	3.22	0.15	0.94
Sub-total(B)	23.14	919.60	368.49	122.56
Total (A+B)	32.45	1,289.82	457.44	139.48

Gitanjali Gems Limited

Consolidated Cashflow Statement for the year ended March 31,

For the year ended March 31,	2007	2007	2006	2005
	USD in millions	Rupees in millions		
Cash flows from operating activities:				
Net income before tax.....	28.99	1,152.58	631.33	140.80
Adjustments for:				
Interest (net).....	12.49	496.41	409.37	130.73
Depreciation and amortization.....	1.77	70.37	26.66	4.30
Effects of foreign exchange rates on cash.....	0.01	0.54	-	-
Other adjustments.....	-	-	24.19	-
Changes in assets & liabilities				
(Increase)/decrease in trade and other receivables	(111.85)	(4,446.00)	(2,860.42)	(990.85)
(Increase)/decrease in inventories.....	(130.01)	(5,168.01)	(558.83)	146.49
Increase/(decrease) in trade and other payables ..	166.34	6,611.84	1,363.54	410.20
Less: taxes paid.....	3.61	143.43	-	-
Total adjustments.....	(64.86)	(2,578.28)	(1,595.49)	(299.13)
(A) Net cash generated/(used) by operating activities.....	(35.87)	(1,425.70)	(964.16)	(158.33)
Cash flows from investing activities:				
(Increase)/decrease in capital work in progress & expenditure.....	(7.96)	(316.57)	(3.11)	(2.14)
Purchase of fixed assets (net).....	(19.56)	(777.38)	(15.74)	-
Acquisition of subsidiaries.....	(10.57)	(420.08)	-	-
Purchase of investments.....	(3.22)	(127.94)	(134.70)	-
Share of minority interest.....	8.09	321.50	-	-
(B) Net cash provided by/(used for) investing activities.....	(33.22)	(1,320.47)	(153.55)	(2.14)
Cash flows from financing activities:				
Increase (decrease) in secured loans.....	7.76	308.32	1,386.48	138.03
Proceeds from unsecured loans.....	122.33	4,862.89	(19.12)	-
Share issue pending allotment including premium	6.11	242.80	3,733.02	-
Dividends payments including distribution tax ...	(2.76)	(109.69)	-	-
Interest paid (net).....	(12.49)	(496.41)	(409.37)	(130.73)
(C) Net cash provided by/(used for) financing activities.....	120.95	4,807.91	4,691.01	7.30
Net increase/(decrease) in cash (A+B+C).....	51.86	2,061.74	3,573.30	(153.17)
Cash and equivalents at beginning of the year.....	103.47	4,112.80	539.50	415.20
Cash and cash equivalents at end of year.....	155.33	6,174.54	4,112.80	262.03

Note: The Consolidated Cash Flow Statement for the year ended March 31, 2007 includes the gross effect (based on total consideration of cash and shares) of the business acquisitions made during the year to give meaningful information. Based on the net effect (excluding consideration paid in shares), the cash flow used in operating activities would be lower by Rs. 600.94 million, cash used in investing activities would be lower by Rs. 172.87 million and cash from financing activities would be lower by Rs. 773.81 million, with no impact on net increase in cash and cash equivalents during the year.

Schedule-19:

Consolidated Significant Accounting Policies & Notes to Accounts

I. Significant accounting policies

1. Basis of preparation of financial statements:

The accompanying Consolidated Financial Statements have been prepared in accordance with Accounting Standard (AS) 21 for Consolidated Financial Statements, Accounting Standard (AS) 23 for Accounting of Investments and Accounting Standard (AS) 27 for reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India. The financial statements of a foreign Subsidiary used in the consolidation are drawn upto the same reporting date as that of the parent company. The Consolidated Financial Statements have been prepared substantially in the same format as adopted by the parent company to the extent possible.

2. Principles of consolidation

- a) The consolidated financial statements include the financial statements of Gitanjali Gems Ltd. (the Company) and all of its subsidiaries, which are more than 50% owned and controlled. Investments in associates are accounted for as per the equity method and its share of interest in joint venture on the basis of line-by-line consolidation. All material inter company accounts and transactions are eliminated on consolidation.
- b) The difference between the cost of investment in the subsidiaries and net assets at the time of acquisition of shares in subsidiaries is recognized in the financial statements as Goodwill and grouped with Fixed Assets or Capital Reserve and grouped with Reserves, as the case may be. In case where loss is in excess of the minority interest in the equity of the subsidiary, it is adjusted against the majority interest.
- c) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.
- d) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the company's shareholders.

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.

3. Accounting concepts

- a) 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 and comply with Generally Accepted Accounting Principles in India including the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.
- b) Use of Estimates: The preparation of Consolidated Financial Statements, in conformity with the Generally Accepted Accounting Principles, requires estimates and assumptions to be made that impact the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognized in the period in which the results are known/materialised.

4. Fixed assets and intangibles

- a) 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. Capital work-in-progress includes capital advances.
- b) The costs of improvements to leased properties are capitalized and disclosed appropriately.
- c) 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 currency 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 arise on repayment of foreign currency credits during the year.
- d) Leases: Assets taken on lease on or after April 1, 2001 are accounted for as Fixed Assets in accordance with Accounting Standard (AS) 19 on "Leases", as issued by the ICAI.
 - i. *Finance lease:* Assets taken on finance lease are accounted for as fixed assets at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.
 - ii. *Operating lease:* Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are either recognized as expenses in the profit and loss account or recorded on accrual basis in accordance with the respective lease agreements.

5. Impairment of fixed assets

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

6. Depreciation and amortization of fixed assets

Depreciation is charged on the fixed assets under the written down value method in accordance with the provisions of Schedule XIV to the Companies Act, 1956. The expenditure incurred on improvement of assets acquired on lease is written off evenly over the balance period of the lease. However, in respect of Fixed Assets of a Foreign Subsidiary, the depreciation method and rates followed by the subsidiary are different from those followed by the parent company.

Leasehold Land is amortised over the period of lease.

Goodwill

Goodwill arises out of Consolidation of subsidiaries and Joint Ventures with Group Companies, being the excess of value of Investments over proportionate stake in net assets of Subsidiaries/ Joint Venture entities in terms of book value which are indicated in the Consolidated Balance Sheet. In the case of a Foreign Subsidiary, goodwill and other intangible Assets are originally recorded at their fair values at the date of acquisition. Goodwill is not amortised but subjected to periodic impairment testing where applicable. Goodwill of business combinations working out to negative is deducted proportionately from the fixed assets of the acquired entity.

In the case of intangibles viz, trade names and customer relationship, the same have been amortised by the subsidiary as per its accounting policy.

Deferred revenue expenditure

Expenditure incurred on advertisement and brand promotion up to March 31, 2004 has been amortised over a period of 3 years.

7. Investments

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

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

8. Borrowing costs

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

9. Foreign currency transactions

- a) Transactions in foreign currency are recorded at the rate prevailing on the date of transactions. Foreign currency assets except investments and liabilities other than for financing fixed assets are stated at the rate of exchange 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/prevaling rate of exchange at the date of balance sheet and the resultant gains/losses are adjusted to respective cost of assets.
- b) Transactions and accounting of Financial statements of Foreign Subsidiaries: The financial statements are translated to Indian Rupees in accordance with the guidance issued by the ICAI in the background material to AS 21. Briefly stated:
- All income and expenses are translated at the average rate of exchange prevailing during the year.
 - Assets and liabilities are translated at the closing rate at the date of Balance Sheet.
 - Share capital is translated at historical rate.
 - The resulting exchange differences are accumulated in currency translation reserve.

10. Inventories

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

Raw material	Lower of cost and net realisable value
Rough diamond rejections	At net realisable value
Trading goods	Lower of cost and net realisable value
Finished goods—polished diamonds	Lower of cost and net realisable value
Work in progress—jewellery	Lower of market value and material cost plus proportionate labour and overheads.
Finished goods—jewellery	Lower of market value and material cost/estimated cost plus labour and overheads.
Finished goods—gold	Lower of cost and market value
Consumable stores & tools	At cost

11. 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.

12. Retirement benefits

Regular contributions are made to provident fund authorities. Provision for liability in respect of gratuity to employees (wherever applicable) is made on actuarial basis assessed by an independent actuary and provided for as at the date of Balance Sheet. Leave salary provided as per the policy of the company.

13. Provisions and contingent liabilities and contingent assets

Provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Contingent liabilities are not provided for and are disclosed by way of notes. Contingent assets are neither recognized nor disclosed in the financial statements.

II. Notes to accounts

1. Scheme of amalgamation:-

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)

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 has been effective from 1st April 2005 and the same has been accounted for under the "Pooling of Interest" method as prescribed by the Institute of Chartered Accountants of India. Accordingly the assets, liabilities and reserves of the transferor companies as at 1st April 2005 have been taken over at their book values.

2. Share capital

As per the scheme of Amalgamation approved by the Honorable High Court Mumbai 9,988,495 equity shares of Rs.10/- each have been issued to the share holders of three companies amalgamated under the scheme.

Pursuant to an agreement dated 22nd September 2005, the Company has issued 2,000,000 equity shares of Rs.10/- each at a premium of Rs.290 per share in exchange of fully convertible debenture placed with a company during the year.

The company has also made initial public issue of 17,000,000 equity shares of Rs.10/- each at an issue price of Rs.195/- per share. These shares have been allotted to public on 6th March, 2006. The company's shares got listed on Bombay Stock Exchange Ltd. and National Stock Exchange Ltd. in March 2006 soon after the initial public offering.

After giving effect to the scheme of amalgamation and the fresh issue of Equity Shares during the year the share capital account at the close of the year i.e. 31st March 2006 stood at 58,998,495 equity shares of Rs.10/- each fully paid up.

3. Statement of actual utilization of issue proceeds:-

(a) The Company has received net proceeds of Rs.3,114.70 million through a public issue of shares during the year, the proceeds of which have been utilized as follows.

Amount	2006-07	2006-07	2005-06
	USD in millions	Rs in millions	
Particulars			
Investment in subsidiaries, joint ventures & associates	21.52	855.40	244.40
General corporate purpose (including working capital)	21.62	859.30	120.30
Unutilized money temporarily invested in bank fixed deposits . .	35.22	1,400.00	2,750.00
TOTAL	78.36	3,114.70	3,114.70

(b) *Issue of Foreign Currency Convertible Bonds (FCCB)*

The Company raised USD 110.00 million by issuing (1% Coupon rate) FCCB due 2011, on 24th November, 2006 in international market. The net proceeds of USD 105.60 million after adjusting issue related expenses were utilized towards foreign acquisition, infrastructure projects including development of special economic zone as per the objects for which it was raised. The balance issue proceeds as of 31st March, 2007 amounting to USD 40.38 million is temporarily lying in fixed deposits with overseas banks. These bonds are listed with Singapore Stock Exchange.

Broadly, the terms and conditions of the said bonds, includes the following:

- Unless previously redeemed, purchase or cancelled, the bonds are convertible at any time on or after 24th December, 2006 upto 25th November, 2011 into fully paid equity shares at par value of Rs.10 each with an initial conversion price of Rs.275 per share.
- These bonds may be redeemed any time on or after 25th November, 2009 and prior to 25th November, 2011.

So far, none of the bonds are due for conversion in to equity shares.

4. The subsidiary companies considered in the consolidated financial statements are:

Name of the subsidiary companies	Country of incorporation	Percentage of ownership interest as at 31-03-2007	Percentage of ownership interest as at 31-03-2006	Percentage of ownership interest as at 31-03-2005
Mehul Impex Ltd.	India	100.00%	100.00%	100.00%
CRIA Jewellery Pvt. Ltd.	India	99.80%	99.80%	*
Gitanjali Exports Corporation Ltd.	India	51.00%	51.00%	*
Hyderabad Gems SEZ Ltd.	India	100.00%	100.00%	*
Fantasy Diamond Cuts Pvt. Ltd.	India	99.80%	99.04%	*
Desire Lifestyle Pvt. Ltd.	India	100.00%	*	*
Gili India Ltd. (formerly known as Gitanjali Jewels Ltd.)	India	60.00%	*	*
Shubalavanyaa Jewel Crafts Pvt. Ltd. ...	India	51.00%	*	*
Samuels Jewelers Inc.	USA	84.00%	*	*
Gitanjali Infratech Ltd.	India	100.00%	*	*

Note:

* The Financial Statements of these companies are not taken into account for consolidation for the above mentioned period as the same became Subsidiary Company during the relevant financial year as mentioned in the table.

5. The associate companies considered in the consolidated financial statements are:

Name of the associate company	Country of incorporation	Percentage of investment as at 31-03-2007	Percentage of investment as at 31-03-2006	Percentage of investment as at 31-03-2005
Brightest Circle Jewellery (Private) Limited.....	India	33.34%	33.34%	33.34%
Gili India Ltd. (formerly known as Gitanjali Jewels Ltd.)	India	*	40.00%	40.00%

Note:

* The Financial Statements of these companies are not taken into account for consolidation for the above mentioned period as the same was not Associate Company during the relevant financial year.

6. The joint venture company considered in the consolidated financial statements is:

Name of the joint venture companies	Country of incorporation	Percentage of investment as at 31-03-2007	Percentage of investment as at 31-03-2006	Percentage of investment as at 31-03-2005
D'Damas Jewellery (India) Private Limited	India	50.00%	50.00%	*
Modali Jewels Private Ltd.	India	50.00%	*	*
Modali Distributors Private Ltd.	India	50.00%	*	*
Spectrum Jewellery Private Ltd.	India	50.00%	*	*

Note:

* The Financial Statements of these companies are not taken into account for consolidation for the above mentioned period as the same became Joint Venture Company during the relevant financial year as mentioned in the table.

7. Investments

For the financial year ended March 31, 2007

- *Fantasy Diamond Cuts Private Limited (FDCPL)*: The Company as on 31st March, 2007 holds 4,990,000 equity shares in its subsidiary (FDCPL) having a face value of Rs.10/- each. During the year, the Company purchased additional 3,950,000 equity shares having a face value of Rs.10/- each. Thus, there is an increase in the stake from 99.04% to 99.80%.
- *Desire Lifestyle Private Limited (DLPL)*: During the year, the Company purchased 10,000 equity shares having face value of Rs.10/-each. Thus, DLPL became 100% subsidiary of the Company.
- *GILI India Ltd. (GILI)*: The Company as on 31st March, 2007 holds 3,000,000 equity shares having a face value of Rs.10/- each. During the year, the Company purchased additional 1,000,000 equity shares having a face value of Rs.10/- each. Thus, GILI became 60% subsidiary of the Company.
- *Shubalavanyaa Jewel Crafts Pvt. Ltd. (SLJCPL)*: During the year, the Company purchased 2,550 equity shares having a face value of Rs.10/- each. Thus, SLJCPL became 51% subsidiary of the Company.
- *Gitanjali Infratech Ltd. (GIL)*: During the year, the Company formed a wholly owned subsidiary in India as GIL. The Company currently holds 50,000 equity shares (entire issued and paid up share capital) having a face value of Rs.10/- each.
- *Samuels Jewelers Inc. (SJI)*: During the year, the Company purchased 1,645.36 common stock of USD 0.01 each of SJI. Thus, SJI became 84% subsidiary of the Company.
- *Gitanjali Venture DMCC (GVD)*: During the year, the Company formed a wholly owned subsidiary in Dubai, UAE as GVD. The Company currently holds 200 shares (entire issued and paid up share capital) of AED 1,000/- each.
- *Gitanjali USA Inc (GUI)*: During the year, the Company purchased 100 common shares of GUI and thus it became 100% subsidiary of the Company.
- *Modali Jewels Pvt. Ltd.(MJPL)*: During the year, the Company purchased 325,000 equity shares having a face value of Rs.10/- each. Thus, MJPL became joint venture of the Company by holding 50% stake.
- *Modali Distributors Pvt. Ltd. (MDPL)*: During the year, the Company purchased 325,000 equity shares having a face value of Rs.10/- each. Thus, MDPL became joint venture of the Company by holding 50% stake.
- *Spectrum Jewellery Pvt. Ltd. (SJPL)*: During the year, the Company purchased 10,000 equity shares having a face value of Rs.10/- each of SJPL. Thus, SJPL became joint venture of the Company by holding 50% stake.
- *Diadem Ranka Desire Lifestyle Pvt. Ltd. (DRDLPL)*: During the year, one of the subsidiaries (FDCPL) of the Company purchased 25,000 equity shares of Rs.10/- each. Thus, DRDLPL became a joint venture of the FDCPL by holding 50% stake.
- *Other Investments*:
 - During the year, the Company purchased 1,000,000 equity shares of Rs.1/- each of Diamond India Ltd (DIL). DIL cannot be classified as either subsidiary or joint venture or associate company and hence the same is not considered for consolidation purpose.
 - The company holds following investments through one of its subsidiaries GILI:
 - a) 125 equity shares of Shoppers Stop Limited having a face value of Rs.10/-each at a total cost of Rs.29,750/-

- b) 51 equity shares of Citizen Co-operative Bank having a face value of Rs.10/-each at a total cost of Rs.510/-
- c) National Savings Certificate of Rs.5,000/- (Pledged with the sales tax department).

For the financial year ended March 31, 2006

- Gemplus Jewellery India Limited (GJIL): During the year pursuant to the scheme of amalgamation 11,905 Equity shares held by the company, having a face value of Rs.10/- each, were cancelled as GJIL was amalgamated with Gitanjali Gems Limited (GGL)
- Gitanjali Exports Corporation Limited (GECL): During the year, the company purchased 5,095,000 equity shares having a face value of Rs.10/- each for a total consideration of Rs.66.05 million. Thus, GECL became 51% subsidiary of the company.
- CRIA Jewellery Private Limited (CJPL): On account of amalgamation CJPL became 99.80% subsidiary of the company by holding 9,980 equity shares having a face value of Rs.10/- each.
- Hyderabad Gems SEZ Limited (HGSL): During the year, the company subscribed for 50,000 equity shares having a face value of Rs.10/-each. Thus, HGSL became 100% subsidiary of the company.
- Fantasy Diamond Cuts Private Limited (FDCPL): During the year, the company purchased 1,040,000 equity shares having a face value of Rs.10/- each. Thus, FDCPL became 99.04% subsidiary of the company.
- Brightest Circle Jewellery Private Limited (BCJPL): During the year, the company purchased 166,668 equity shares having face value of Rs.10/- each. Further, the company also subscribed for 4% Non-Cumulative Redeemable Preference Shares having a face value of Rs.10/- each at a premium of Rs 90/- each. Thus, BCJPL became an associate company of GGL by holding 33.34% stake.
- D'Damas Jewellery (India) Private Limited (DJIPL): On account of amalgamation, DJIPL became a Joint Venture company with Gitanjali Gems Limited. The company holds 2,500,000 equity shares having a face value of Rs.10/- each along with 250,000 4% Non-Cumulative Redeemable Preference Shares having a face value of Rs.100/- each. During the year, the company further subscribed 560,000 4% Non-Cumulative Redeemable Preference Shares having a face value of Rs.100/- each.

8. Foreign acquisitions

The Company acquired majority stake in Samuel Jewelers Inc, USA, a major jewellery chain from B III Capital Partners, L.P., USA and B III-A Capital Partners, L.P., USA. The Company obtained necessary approvals from Foreign Investment Promotion Board on 28th March, 2007 and its shareholders' approval through postal ballot on 9th March, 2007 for issuing on preferential basis 1,554,050 equity shares of Rs.10 each at an issue price of Rs.290 per share to aforesaid B III Capital Partners, L.P., USA and B III-A Capital Partners, L.P., USA as part consideration for the said acquisition. After having obtained necessary in principle approvals from the stock exchanges, the Company made allotment of 1,554,050 equity shares on 29th May, 2007. Pending allotment as on 31st March, 2007, these shares have been shown under Share Capital Suspense Account including premium (under shareholders' fund) and corresponding amount shown under Investment Schedule as Investment.

9. Sundry debtors

- a. The Sundry debtors as at 1st April, 2005 included dues of Rs.211.83 million outstanding since 2001, where the company had filed suits for recovery in the Honorable City Civil Court at Ahmedabad. The Company vide deeds of assignment dated 10th March 2006 has transferred and assigned to a Company absolutely the above dues (suits are pending in the City Civil

Court at Ahmedabad) for a total consideration of Rs.185.35 million which was received during the year. The resultant loss of Rs.26.48 million has been charged to the Profit and Loss Account under the head Debts written off.

- b. The Sundry debtors of subsidiary companies include dues of Rs.68.60 million outstanding since 2001, where one of the subsidiary has filed suit for recovery in the Honorable City Civil Court at Ahmedabad. It has obtained a legal opinion confirming that it has a reasonably good chance to succeed at the hearing of the above suit and to get decree against the defendant. It is also observed that the defendant is in the bullion business at Ahmedabad and upon the decree being passed against them in the above suit the said 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.

10. Secured loans

Upon the Scheme of Amalgamation coming into effect all the secured loans from Banks and Financial Institution granted to the transferor companies and remaining outstanding as on 1st April 2005 stand vested in the Company. The necessary documentation for creation of fresh charges in favour of the banks and financial institution are in the process of being done.

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 premises and Residential Premises and Personal Guarantee of the Managing Director.

11. Contingent liabilities not provided in respect of:

Nature of contingent liability	2006-07	2006-07	2005-06	2004-05
	USD in million	(Rs. in millions)		
Guarantees given for working capital facilities availed by subsidiary companies & associate company	9.06	360.00	220.00	80.00
Outstanding letter of credit	16.13	641.21	59.23	34.14
Disputed income tax	0.16	6.39	54.55	–
Bank guarantee given by subsidiary companies	0.09	3.47	–	–
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances given)	0.00	0.17	–	–

12. Earning per share (after tax provision)

For the year ended March 31, 2005		2004-05
Particulars		
(Rs. in million except per share data)		
Net profit for the period attributable to equity shareholders		101.53
No. of equity shares as at 31.03.2005		30,010,000
Basic & diluted earnings per share (face value of Rs.10 each) (Rs)		3.38

For the year ended March 31, 2006	
Particulars	2005-06
(Rs. in million except per share data)	
Net profit for the period attributable to equity shareholders	514.44
No. of equity shares as at 31.03.2006 comprising of	58,998,495
1) 1.4.2005, No. of equity shares	30,010,000
2) 1.4.2005, issue as a result of scheme of amalgamation	9,988,495
3) 25.10.2005, issue as a result of conversion of debenture into equity shares pursuant to an agreement with the company	2,000,000
4) 6.3.2006, issue as a result of public issue	17,000,000
Weighted average number of equity shares outstanding (Nos.)	42,075,207
Basic & diluted earnings per share (face value of Rs.10 each) (Rs)	12.23

For the year ended March 31, 2007	
Particulars	2006-07
(Rs. in million except per share data)	
Basic earning per share (after tax provision)	
Net profit for the period attributable to equity shareholders	915.97
Weighted average number of equity shares outstanding as at 31st March (Nos.) ..	58,998,495
Basic earnings per share (face value of Rs. 10 each) (Rs)	15.55
Diluted earning per share (after tax provision)	
Net profit for the period attributable to equity shareholders	927.27
Weighted average number of equity shares outstanding as at 31st March (Nos.) ..	65,730,426
Diluted earnings per share (face value of Rs.10 each)	14.13

14. Deferred tax assets and liabilities are as under:

Particulars	2006-07	2006-07	2005-06	2004-05
	USD in millions	Rs. in millions		
Deferred tax liability				
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	0.00	0.14	4.99	0.55
Gross deferred tax liability	0.00	0.14	4.99	0.55
Deferred tax asset				
Provision for retirement benefits/doubtful debts	0.08	3.41	1.86	0.04
Disallowance under section 43B of I.T.Act	0.01	0.38	–	–
Provision for brought forward business loss	–	–	4.87	–
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(0.09)	(3.72)	0.04	–
Gross deferred tax asset	0.00	0.07	6.77	0.04
Net deferred tax asset/(liability)	0.00	(0.07)	1.78	(0.51)

15. Impairment of assets

As required by Accounting Standard (AS-28)—“Impairment of Assets” issued by the Institute of Chartered Accountants of India, the company has carried out the assessment of impairment of assets. There has been no impairment of assets reported during the year.

16. Segment reporting

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

During the period 2004-05 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 year ended March 31, 2006 as well as March 31, 2007. (Refer to Annexure I)

17. Related party transactions:

Refer to Annexure II

As per our report of even date

For Ford, Rhodes, Parks & Co.

Chartered Accountants

For and on behalf of
the Board

A.D.SHENOY

Partner

Membership No. 11549

Mr. Mehul C. Choksi
Managing Director

Mr. G.K. Nair
Director

Place: Mumbai

Dated: 28 September, 2007

Annexure-I

Consolidated Segment Wise Reporting Revenue, Results and Capital Employed for the year ended

A) Primary segment (by business segment)

	2007	2007	2006
	USD in millions	Rupees in millions	
Particulars			
1. Segment revenue			
a. Segment—diamond	599.57	23,832.97	20,672.79
b. Segment—jewellery	280.66	11,156.16	3,699.99
Total	880.23	34,989.13	24,372.78
Less: inter segment sales	7.92	314.69	339.57
Net sales	872.31	34,674.44	24,033.21
2. Segment results profit/(loss) before tax and interest from each segment			
a. Segment—diamond	17.82	708.40	626.70
b. Segment—jewellery	21.25	844.49	388.95
c. Segment—others	0.11	4.46	—
Total	39.18	1,557.35	1,015.65
Less: interest	12.49	496.41	409.37
Total profit before tax	26.69	1,060.94	606.28
3. Capital employed			
a. Segment—diamond	118.25	4,700.37	3,775.26
b. Segment—jewellery	59.20	2,353.13	1,735.42
c. Unallocated net assets	35.92	1,428.04	2,801.20
Total capital employed	213.37	8,481.54	8,311.88

B) Secondary segment (by geographical segment)

	2007	2007	2006
	USD in millions	Rupees in millions	
Particulars			
Segment revenue			
Geographical location			
India	360.30	14,321.84	6,631.33
Rest of the world	512.01	20,352.60	17,401.88
TOTAL REVENUE	872.31	34,674.44	24,033.21

Annexure II—Related Party Transactions

Sr. No	Relationship with the company	Related party name
1	Subsidiary companies	Cria Jewellery Private Ltd. Desire Lifestyle Fantasy Diamond Cuts Private Ltd. Gili India Ltd. Gitanjali Exports Corporation Ltd. Gitanjali Infratech Ltd. Gitanjali Ventures DMCC Hyderabad Gems SEZ Ltd. Mehul Impex Ltd. Samuels Jewellers Inc. ShubaLavanyaa Jewel Crafts Pvt. Ltd.
2	Joint venture company	D'Damas Jewellery (India) Private Ltd. Modali Distributors Pvt. Ltd. Modali Jewels Pvt. Ltd. Spectrum Jewellery Pvt. Ltd.
3	Key management personnel	Mr. Adrianus Voorn Mr. G.K.Nair Mr. Mehul C. Choksi
4	Enterprises under common control of key management personnel	A.P.Gems & Jewellery Park Pvt. Ltd. Amber Exports Pvt. Ltd. Audarya Investments Pvt. Ltd. Brightest Circle Jewellery Pvt. Ltd. Decent Securities & Finance Pvt. Ltd. Diamdem Ranka Desire Lifestyle Pvt. Ltd. Diamond Creations Digico Holdings Ltd. Eureka Finstock Pvt. Ltd. Excel Laser Technology Pvt. Ltd. Facet Shop Pvt. Ltd. Galentic Pharma Pvt. Ltd. Gitanjali Gold & Precious Ltd. Gitanjali Impex Pvt. Ltd. Gitanjali Laser House Pvt. Ltd. Gitanjali Reality Pvt. Ltd. Indian Institute of Jewellery Ltd. Just Lifestyles Pvt. Ltd. Lustre Manufacturers Pvt. Ltd. M Square Silver Pvt. Ltd. Maitreyi Impex Pvt. Ltd. Mannat Jewellers Manufacturing Pvt. Ltd. Mast Jewellery Distribution Pvt. Ltd. Mozart Investment Pvt. Ltd. N & J Finstock Pvt. Ltd. Naviraj Estates Pvt. Ltd. Partha Gems Pvt. Ltd.

Sr. No	Relationship with the company	Related party name
		Priority Marketing Pvt. Ltd. Priority One Marketing Pvt. Ltd. Prism Bullion Pvt. Ltd. Priyanka Gems Pvt. Ltd. Rohan Diamonds Pvt. Ltd. Rohan Mercantile Pvt. Ltd. Sneaking Mercantile Pvt. Ltd. The Next Diamond Company Touchstone Trans-Expo Trade Pvt. Ltd. X Calibur Laser Systems Pvt. Ltd.
5	Relative of key management personnel	Mrs. Amita Bhansali Mrs. Guniyal C. Choksi Mrs. Madhumati Chukapalli Mrs. Neena Sheth Mrs. Priti M. Choksi
6	Enterprises controlled by relatives of key management personnel	Diminco N.V.
7	Enterprises controlled by the investing venturer of the joint venture company	Damas LLC Modern India Ltd.

Relationship with the company	Transaction with the company	2006-07 (USD in millions)	2006-07 (Rs. in million)	2005-06	2004-05
Enterprise controlled by the investing venturer of a joint venture company	Advance given	0.05	1.80	–	–
	Amount outstanding shown under sundry debtors	0.61	24.14	–	–
	Share application money received	0.04	1.65	–	–
	Expenses incurred	0.03	1.06	2.01	–
	Equity shares issued	0.08	3.20	–	–
	Purchase of fixed asset	0.01	0.51	–	–
	Sales	0.39	15.66	6.47	–

Relationship with the company	Transaction with the company	2006-07 (USD in millions)	2006-07	2005-06	2004-05
			(Rs. in million)		
Enterprises controlled by relatives of key management personnel					
	Amount outstanding shown under sundry creditors	9.75	387.41	196.50	8.14
	Amount outstanding shown under sundry debtors	8.59	341.49	358.03	155.17
	Purchases	14.60	580.21	317.21	95.87
	Sales	16.58	659.24	598.22	376.14
	Guarantee given for working capital borrowings to the banks/financial institution		To the extent of borrowing	–	–
Enterprises under common control of key management personnel					
	Advance given	8.73	347.04	93.56	1,421.73
	Advance given received back	3.63	144.38	50.76	1,237.76
	Advances/balances written back	0.01	0.21	–	–
	Advances received	5.56	221.18	614.35	854.16
	Advances received given back	5.19	206.34	552.46	724.75
	Amount outstanding shown under advances from customer	1.57	62.53	113.86	–
	Amount outstanding shown under advances to suppliers	5.21	207.08	39.51	43.89
	Amount outstanding shown under loans & advances	0.07	2.96	1.11	–
	Amount outstanding shown under sundry creditors	13.90	552.68	118.71	61.70
	Amount outstanding shown under sundry debtors	9.85	391.45	198.63	352.22

Relationship with the company	Transaction with the company	2006-07	2006-07	2005-06	2004-05
		(USD in millions)	(Rs. in million)		
	Amount outstanding shown under unsecured loan	0.30	11.87	3.96	–
	Assortment charges		–	5.72	–
	Expenses incurred	0.79	31.43	0.04	–
	Investments	0.05	2.15	18.30	–
	Labour charges paid		–	11.42	7.68
	Loan returned		–	13.53	–
	Loan taken		–	95.44	–
	Professional fees received		–	4.00	–
	Purchase of equity shares		–	3.50	–
	Rent received		–	–	0.23
	Other income received	0.00	0.07	–	–
	Purchases	12.50	496.84	115.36	611.58
	Reimbursement of expenses	0.07	2.75	–	–
	Sales	15.59	619.62	234.54	510.37
	Services received	0.38	15.16	–	–
	Amount outstanding shown under advance for labour		–	2.64	1.42
	Labour charges received		–	0.15	59.28
	Share application money paid	0.31	12.30	–	–
	Guarantee given for working capital borrowings to the banks/financial institution			To the extent of borrowing	To the extent of borrowing
Key management personnel	Advance given	1.07	42.34	–	–
	Advance given received back	1.07	42.34	–	1.24
	Advances received	1.58	62.92	–	–
	Advances received given back	0.29	11.55	–	–
	Amount outstanding shown under sundry creditors	0.56	22.30	15.94	–
	Amount outstanding shown under unsecured loan	2.47	98.28	46.68	–
	Loan returned		–	224.81	8.45
	Loan taken		–	101.83	8.45

Relationship with the company	Transaction with the company	2006-07 (USD in millions)	2006-07 (Rs. in million)	2005-06	2004-05
Relative of key management personnel	Dividend paid	0.04	1.50	–	–
	Purchase of equity shares	2.14	85.00	30.25	–
	Reimbursement of expenses	0.01	0.24	–	–
	Salary & other payments	0.28	11.23	4.93	3.26
	Sales	0.03	1.09	0.07	–
	Loan given	–	–	–	–
	Guarantee given for working capital borrowings to the banks/financial institution	–	–	To the extent of borrowing	To the extent of borrowing
	Advance given	–	–	0.21	1.24
	Amount outstanding shown under other creditors	0.22	8.90	–	–
	Amount outstanding shown under sundry creditors	1.59	63.23	29.63	–
Subsidiary company	Amount outstanding shown under sundry debtors	0.00	0.06	–	–
	Amount outstanding shown under unsecured loan	–	–	11.13	–
	Loan returned	–	–	0.41	–
	Dividend paid	0.03	1.25	–	–
	Purchase of equity shares	1.07	42.50	20.95	–
	Sales	0.02	0.67	0.01	–
	Guarantees given to bankers for letter of credit facility	9.06	360.00	–	–

Review Report on the Unaudited Consolidated Financial Statements for the six months period ended 30th September 2007 and 30th September 2006

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

1. We have reviewed the accompanying Consolidated Balance Sheet of Gitanjali Gems Limited ("the Company") as at 30th September, 2007 (except the financial results of Gili India Limited, a subsidiary of the Company, which have not been reviewed) and also as at 30th September, 2006, and the related statement of Consolidated Profit and Loss for the six month periods from 1st April, 2007 to 30th September, 2007 and for the six month period 1st April, 2006 to 30th September, 2006 (collectively referred to as "Consolidated Financial Statements") as set out in the accompanying Offering Circular. These Consolidated Financial Statements are the responsibility of the Company's management and have been prepared on the basis of the unaudited results of the Company which were duly approved by the Board of Directors on 29th October, 2007 and 31st October, 2006, respectively and filed as required under Clause 41 of the Listing Agreements with the Indian Stock Exchanges, and are in accordance with Indian Generally Accepted Accounting Practices as applicable at that time.
2. A review of interim financial information consists principally of applying analytical procedures for financial data and making inquiries of persons responsible for financial and accounting matters as per the "Guidance Note On Engagement to Review Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI). It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
3. Based on our review as aforesaid, nothing has come to our notice that causes us to believe that the accompanying Consolidated Financial Statements referred to in paragraph 1 do not give a true and fair view in accordance with the accounting standards, other recognized accounting policies and practices and relevant statutory requirements.

Yours faithfully,

For Ford, Rhodes, Parks & Co.
Chartered Accountants

A.D. Shenoy
Partner
Membership No: 11549
Place: Mumbai
Date: 31st October, 2007.

Gitanjali Gems Limited

Consolidated Balance Sheet as at September 30,

As at September 30,	2007	2007	2006
	USD in millions	Rupees in millions	
Sources of funds			
Shareholders' funds			
Share capital	15.23	605.53	589.98
Reserves & surplus	221.04	8,786.20	7,556.07
	236.27	9,391.73	8,146.05
Minority interest	27.73	1,102.33	714.77
Loan funds			
Secured loans	233.20	9,269.82	7,744.46
Unsecured loans	124.87	4,963.69	263.87
	358.07	14,233.51	8,008.33
Total	622.07	24,727.57	16,869.15
Application of funds			
Fixed assets			
Gross block	34.71	1,379.91	489.40
Less: depreciation	7.71	306.43	185.40
Net block	27.00	1,073.48	304.00
Capital work-in-progress	4.53	179.95	15.60
	31.53	1,253.44	319.60
Advances on capital account	5.46	217.12	77.45
Expenditure during construction period, pending allocation	0.72	28.46	-
Goodwill	10.13	402.71	166.14
Investments			
In associates	3.90	155.07	19.11
Deferred tax asset	0.00	0.13	4.47
Current assets, loans and advances			
Inventories	200.08	7,953.06	5,532.90
Sundry debtors	488.63	19,423.17	13,863.52
Cash & bank balances	167.73	6,667.10	2,726.83
Loans & advances	97.22	3,864.50	1,512.53
	953.66	37,907.83	23,635.78
Less: current liabilities and provisions			
Current liabilities	375.76	14,936.29	6,900.11
Provisions	12.97	515.53	453.88
	388.73	15,451.82	7,353.99
Net current assets	564.93	22,456.01	16,281.79
Miscellaneous expenditure	5.40	214.63	0.59
(to the extent not written off or adjusted)			
TOTAL	622.07	24,727.57	16,869.15

Gitanjali Gems Limited
Consolidated Profit & Loss Account
for the six months ended September 30,

	2007	2007	2006
	USD in millions	Rupees in millions	
Income			
Sales (net)	526.30	20,920.52	14,111.88
Other income	1.64	65.15	5.74
	527.94	20,985.67	14,117.62
Expenditure			
Cost of trading goods/material consumed	465.54	18,505.35	12,985.10
Operating expenses	31.06	1,234.55	357.40
Interest	6.67	265.02	182.53
Depreciation & amortization	1.88	74.67	16.93
	505.15	20,079.59	13,541.96
Profit before tax	22.79	906.08	575.66
Provision for current tax	2.68	106.53	76.41
Provision for fringe benefit tax	0.07	2.92	1.83
Provision for deferred tax	0.00	0.05	(1.00)
	2.75	109.50	77.24
Profit after tax (before adjustment for consolidation)	20.04	796.58	498.42
minority interest	(0.96)	(38.11)	(29.68)
share of profit from associate companies	0.26	10.20	1.87
	19.34	768.67	470.61
Profit after tax (after adjustment for consolidation)			
Add: balance brought forward from previous year	91.80	3,649.24	2,948.79
Balance carried to balance sheet	111.14	4,417.91	3,419.40
Basic earnings per share of face value of Rs. 10 each (in dollar/rupees)	0.32	12.69	7.98
Diluted earnings per share of face value of Rs. 10 each (in dollar/rupees)	0.25	9.79	7.98

REGISTERED OFFICE OF GITANJALI GEMS LIMITED

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Mumbai 400004
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Chartered Accountants
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