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[www.asianstargroup.com](http://www.asianstargroup.com)



SUCCESS IS  
SIGNIFICANT WHEN  
EVERY FACET SHINES



ASIAN STAR COMPANY LIMITED  
18<sup>TH</sup> ANNUAL REPORT 2011-2012

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## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realised.

The company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

## SIGNIFICANCE OF SUCCESS

Success is a great motivator. In the world of business, it is a powerful driver of growth, of profit, of net worth and valuation. It dictates and dominates how time, efforts and resources are spent. Under pressure to deliver success, especially on a shallow financial plane, corporates are often forced to cross the fine line that demarcates the difference between the calculated and the reckless, between the profitable and the avaricious, between the ethical and the unfair.

Such financial success flows and ebbs with economy; when the economy takes a downturn, so does the net worth. Pursuit of such single-dimensional success leads to a profit-focused inward-vision and orientation in organisations.

At Asian Star Company Limited, we have never looked at success in isolation or vacuum. **Success has never meant looking narrowly inward at merely higher revenues and profits. At Asian Star, success has always meant looking outward, being significant.**

It is this subtle yet steadfast inclination to be both successful and be significant that makes us stand apart in the industry. We believe not just in success, but in the significance of success because:

- While success is about revenues, significance is about relevance (and relationships)
- While success focuses on profits, significance focuses on people
- While success relates to numbers, significance relates to values
- While success is temporary, significance is lasting and carries on

While many organisations chase short-term success, we at Asian Star aspire for a long-lasting legacy through the SIGNIFICANCE OF SUCCESS!



## SIGNIFICANCE OF SUCCESS TO THE DIAMOND INDUSTRY

Ever since our inception in 1971, we have strived not only to be successful but also to be significant to our industry. We have been at the fore-front of leading change in the industry by bringing in the best practices in cutting and polishing of diamonds and manufacturing of jewellery through latest machines, processes and technology, so that the Indian Gems & Jewellery Industry is always at par with those in other leading countries of the world.

Over the years, we have straddled the entire value-chain in the industry. Today, as one of the few organised and leading integrated player within the industry, we make a significant difference to the entire industry as we bring in benefits through economies of size, scale and scope. This grows the industry not only in terms of size, but also in terms of quality, delivery and competitiveness, resulting in a self-feeding virtuous cycle that eventually benefits everyone in the value chain. As everyone in the value-chain grows, so does the entire industry.

As our products reach more homes in new markets of the world, we bring smiles on faces of yet another set of new consumers. For us, **the significance of this success transcends way beyond our business and products – because it adds to the promotion of brand India.** As we delight more customers around the world, we also significantly polish the image of India and the Indian diamond industry in the world.

By successfully winning international awards for design and manufacturing expertise at global industry events like Solitaire Design Awards, Retail Jeweller India Awards, International South Sea Pearl Jewellery Design Competition, Tahitian Pearl Trophy on a regular basis, we are showcasing not only success of our company, but also, more significantly, the name of our country - India, on the world stage.



## SIGNIFICANCE OF SUCCESS TO THE PEOPLE

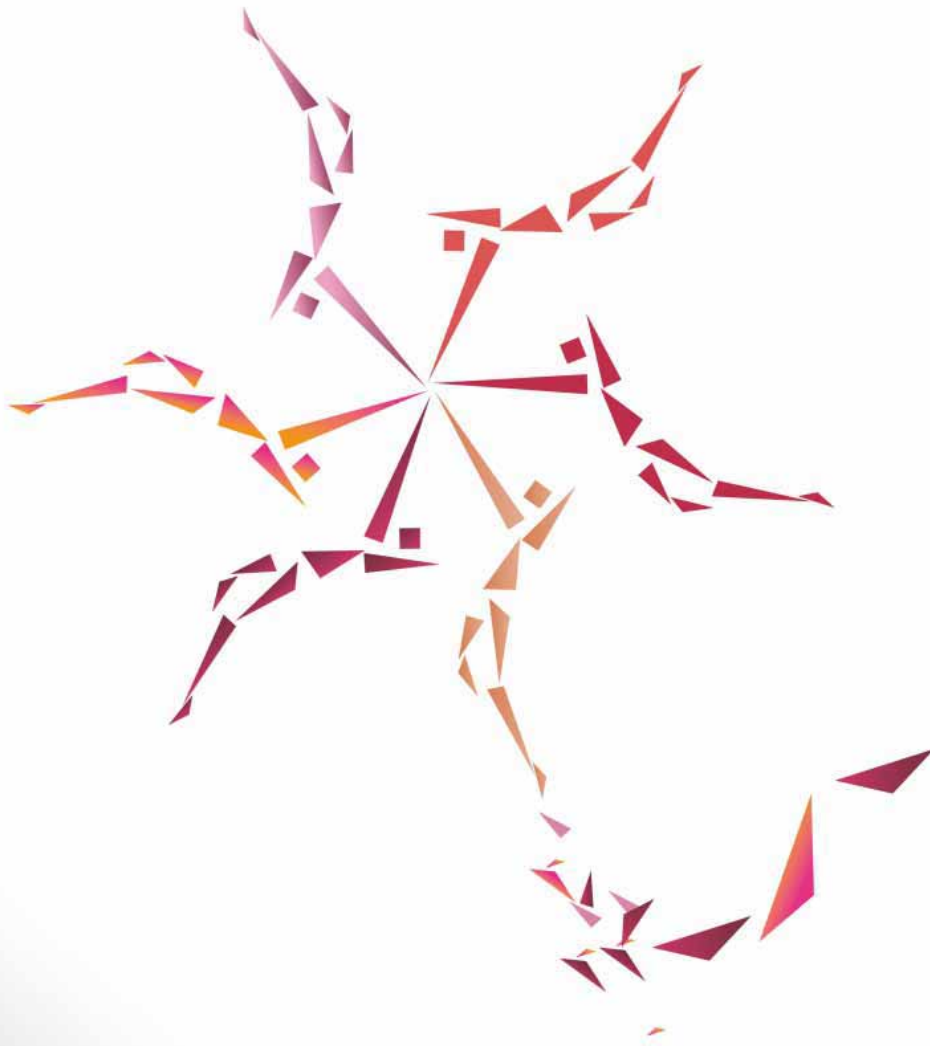
**At Asian Star, people always come first.** Be it our customers or suppliers, our employees or investors, we have always ensured that our success has a direct significance to each of them.

To our customers, we have focused on delivering something more significant than genuine products at a fair price – trust and relationship. Businesses are unpredictable; they go through ebbs and highs. Through these ups and downs of business cycles, we are always there for our customers. This builds a trust that transforms into a relationship based on a spirit of partnership with our customers.

At the heart of all organisations are its people, and we are no different. Where we are different is in being significant – by supporting them climb the ladder of life higher. Whether it is through our in-house training or skill-development programmes, through financial support for higher education abroad, or sending them overseas for professional development courses, we want our employees not only to prosper financially, but also move up the social and opportunity pyramid.

For our investors, we are building not only a company that is successfully manufacturing and marketing world - class products, but we are also creating a significant and lasting enterprise built on trust and stability, as genuine as our diamonds.





## SIGNIFICANCE OF SUCCESS TO SOCIETY AND COMMUNITY

**At Asian Star, we firmly believe that the true significance of success is in sharing it with the larger society and community of which we are an integral and responsible part.** Just as success cannot and should not be viewed in a vacuum or isolation, in the same way, success cannot be achieved or sustained in a vacuum or isolation.

Asian Star's success over the years has resulted in increase of employment opportunities. As we rode the success ladder, we also spread and shared this success by creating new jobs, particularly at the base of social pyramid of the society. We ensure that our success across the globe reaches to grass-root levels in India and makes a small but significant difference in elevating the quality of life.

At Asian Star, we believe that improving education and health-care will bring about a positive change and significantly uplift the quality of life. We work closely with the Ministry of Education in Gujarat to promote knowledge acumen amongst the tribal youth through a focus on their basic and higher education. Besides actively supporting on-going healthcare programs by non-profit institutions, we also provide direct aid to many individual patients of cancer, heart and kidney problems.





## SIGNIFICANCE OF SUCCESS TO VALUES

While pursuit of success entails organisations to take tough and sometimes questionable decisions, at Asian Star, the significance of our success lies in strict adherence to our value systems. There are ways to take short-cuts and attain short-term gains. Such gains can be tempting and lucrative for many, but at **Asian Star, 'how' is more important than 'how much'**.

The core values at Asian Star – Integrity, Partnership, Excellence, Responsibility and Unity are non-negotiable. Being ethical, transparent, trustworthy and discharging one's duties with integrity always take precedence before profits. While our business strategies and tactics are flexible and adaptable, our values aren't. As world's leading diamantaires, we know that the sparkle and dazzle of a diamond comes from its clarity and purity. We understand how purity is intrinsically linked to perfection. And at Asian Star, it is this significance to values that gives us **PERFECTION FROM WITHIN!**





## PEOPLE

**Total Count**  
1975 employees

**Polished Diamonds**  
1450 employees

**Jewellery**  
525 employees

## CORPORATE OBJECTIVES

### VISION

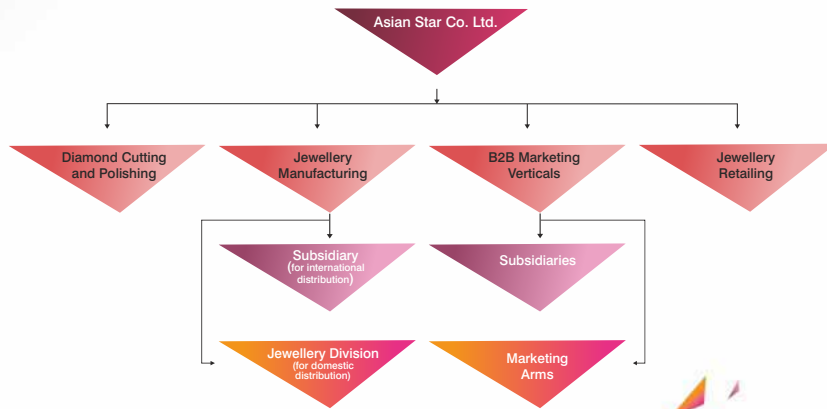
To be a world-class diamantaire enjoying sustainable growth; to maximise the potential of our core competencies and add long-term value to the diamond pipeline.

### MISSION

We will live each day our passion for innovation and excellence, to create highly desirable diamonds and experiences that surpass our customers' expectations.

### VALUES

Integrity, Partnership, Excellence, Responsibility, Unity



## BUSINESS PRESENCE

The Company is the preferred supply partner for diamonds and diamond jewellery for some of the leading retail brands and retail chains across the globe.

### Our business portfolio encompasses:

#### Polished Diamonds

All polished 2 carats and smaller in fine makes

#### Jewellery

Gold and platinum, diamond studded jewellery spanning all categories like Rings, Earrings, Pendants, Bracelets, Bangles, Necklaces, etc for the domestic and international market.

#### Jewellery Retailing

Couture diamond boutique, ex-factory Mumbai, to cater exclusively to HNI customers.

#### Power

Windmills in Maharashtra, Kerala and Tamilnadu.

## GEOGRAPHIC PRESENCE

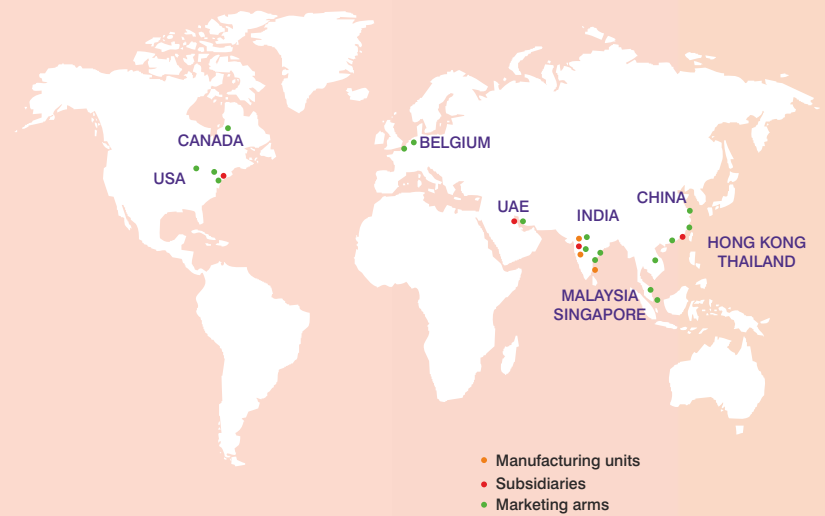
### Manufacturing Centres

World-class infrastructure at Surat, Mumbai and Hosur, in India for Diamond Processing and Jewellery Manufacturing. These technologically advanced manufacturing facilities offer the best-in-class infrastructure including Wide Area Network computerisation, 'Lean Manufacturing' processes and eco-friendly environment.

### Marketing Presence

**Subsidiaries** - Four wholly owned subsidiaries in New York (USA), Dubai (UAE), Hong Kong and Mumbai (India)

**Marketing Arms** - A strong global presence with 19 marketing arms spread across the continents of Asia, Europe and America.





## KEY STRENGTHS

### A vertically integrated business model that makes commercial proposition sound and synergistic.

We are now present across the entire value-chain; sourcing rough, cutting and polishing diamonds, setting them in jewellery and selling them to retailers and retail brands all over the world, and also through our own retail outlet at Mumbai, India.

### Strong marketing capabilities and well penetrated distribution network.

A strong global presence with 23 marketing arms, including 4 subsidiaries, spread across the continents of Asia, Europe and America.

### Strong equity for the 'Asian Star Make' and reputation as a one-stop-shop in the trading circles.

The cut, clarity and colour of our polished diamonds is so consistent and superior that our product is renowned as the 'Asian Star Make' within the trade community.

### A design team proficient in delivering innovations and country-specific jewellery designs.

We have 40 members in our design and product development team based in India, USA and Hong Kong whose exposure to global jewellery trends backed with the experience of working in cross-cultural markets always keeps us ahead of the race.

### Well-established manufacturing capabilities coupled with cutting-edge technology.

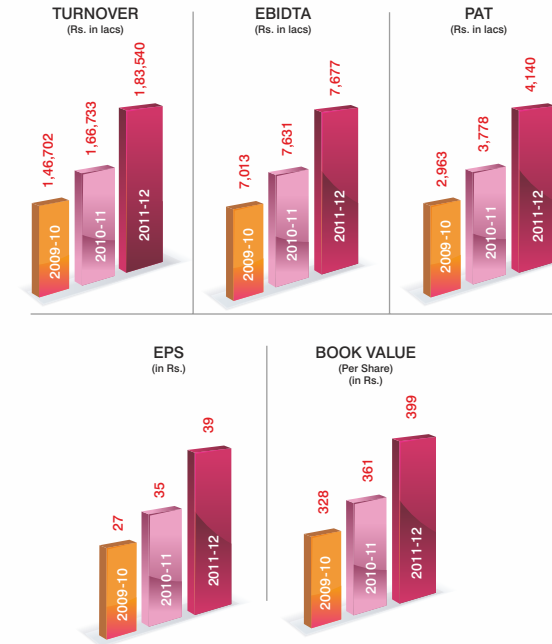
We have world-class infrastructure at Surat, Mumbai and Hosur, in India for diamond processing and jewellery manufacturing.

### Proven management expertise and a large pool of experienced and talented human resource.

We are a young organisation, with an average age of 35 years, ensuring the right blend of experience and enthusiasm.

### Strong financial base supporting future growth plans.

## CONSOLIDATED FINANCIAL PERFORMANCE



## LISTING

The Company's shares are listed on the Bombay Stock Exchange (script code - 531847) in India.

As on 31st March, 2012, Asian Star Co. Ltd. had a market capitalisation of Rs.1,086 crore.

## ACHIEVEMENTS

Ranked 344 among the corporates in Dun & Bradstreet's 2011 edition of "India's Top 500 Companies".

Actress Barbara Eve Harris sparkled as she walked the red carpet at this year's 84th Academy Awards, wearing our diamond earrings - "The World of Champagne".

Won awards at international jewellery design competitions, namely "The Solitaire Design Awards 2011" in the Formal Wear Category.

## CEO AND MD'S MESSAGE



VIPUL P. SHAH

“The key to realizing a dream is to focus not on success but significance and then, even the small steps and little victories along your path will take on greater meaning.”

- Oprah Winfrey

Dear Shareholders,

As we celebrated 40 sparkling years of our eventful journey last year, we were also aware of the challenging times lying ahead of us. Events like the Greek repayment crisis that almost led to the collapse of the Euro, the Japanese earthquake in March followed by a devastating tsunami, and S & P's downgrade of US debt outlook from stable to negative in April had a profound effect on the global economy.

We are interconnected and interdependent like never before. Today, there is no country or corporate that is insulated from the problems and fallouts of these global issues. And as we scan the horizon, we can still see some rough waters that need to be navigated and crossed before we emerge into calm seas.

Against this background, the diamond industry went through what can be termed as turbulent times. On the one hand there was a marked increase in global retail demand as compared to the previous year. On the other hand, the industry faced tremendous price volatility. Rough prices remained high for the first eight months of year, followed by an abrupt fall in the last four months. This affected prices of polished diamonds too, leading to a high degree of uncertainty in the market. Many manufacturers preferred to hold on to their stocks. This had a direct effect on sales and margins.

In line with the industry, the Company also had a mixed year. Under challenging circumstances, the Company was successful in increasing its total consolidated income by 9% from Rs. 1,667 crores in the previous year to Rs. 1,825 crores in the current year. In spite of increase in total income, margins continued to remain under pressure throughout the year, particularly due to increase in prices of rough diamonds. The PAT for this year marginally declined to 2.1% as compared to 2.3% in the previous year.

The big upside came from the jewellery manufacturing business of the Company, which grew by a staggering 57% over the previous year to Rs. 306 crores. This growth is clearly attributable to the Company's vision to expand its presence in the emerging high-growth Asian markets of India and China. The Company had foreseen this opportunity a few years ago, and had adequately prepared itself by expanding its production capacity and presence in these geographies. The Company is today well established in these markets, and is poised to reap the benefits as consumer demand in these countries keeps growing on the back of strong economic growth.

Looking forward, we continue to build our strengths at all points in the value-chain as we strive to work towards lasting significance. The Company is planning 50% capacity expansion of its cutting and polishing operation to enhance output. This will help the Company to gradually reduce the small portion of this activity that is currently being outsourced and thus maintain stricter control over output in terms of quality and yield. This enhancement will also prove significant in increasing its share in proprietary cuts and certified diamonds, a high-margin and growing portfolio for the Company.

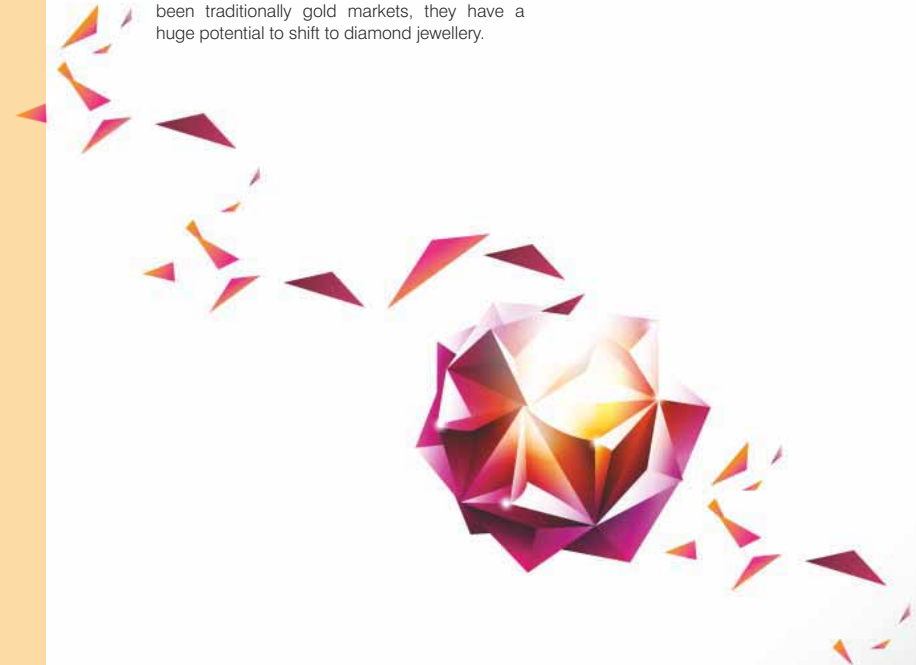
As far as our markets are concerned, despite current dip in its market-share, the US continues to remain the single largest diamond jewellery retail market in the world. The Company has been present in the US for many years and is today well established in this market. South-East Asia is fast emerging as the new growth region for the industry. Countries like China and India are witnessing high growth in demand on the back of surging economic growth and consumer spending. The Company is well placed in these key markets. To further expand its market base, the Company is keenly looking at emerging markets in countries like Russia, Turkey and South Africa. Although these have been traditionally gold markets, they have a huge potential to shift to diamond jewellery.

The overall situation continues to remain challenging. As we continue to meet these challenges head-on by becoming more effective and efficient, we also realise that these are merely business cycles. And like in all business cycles, there are ups and downs, peaks and troughs. As we navigate rough waters and steer hard, what we continue to be and remain is significant. Be it our customers or our employees or community and society, at Asian Star, we have never allowed the flows and ebbs of success to affect our significance to them. Our values are as flawless as our diamonds; our trust is as lasting as our diamonds; and our resolve as resilient as our diamonds.

We are confident of tomorrow. And as we sail further to a prosperous and promising future, we assure you that we aspire not only for success, but for the significance of success!

Thank You.  
Best Regards,

**Vipul P. Shah**  
CEO & Managing Director



# BOARD OF DIRECTORS

## DINESH T. SHAH

CHAIRMAN

The Chairman of Asian Star Co. Ltd. started his career as a diamond manufacturer and then ventured into the diamond trade in 1971 as a partner in Asian Star Company. His broad strategic vision, business acumen and professional conduct have contributed significantly in the success story of the Company. Under his able guidance and leadership, the Company has attained the status of being one of India's leading exporters of cut and polished diamonds.



## VIPUL P. SHAH

CEO & MANAGING DIRECTOR

DIRECTOR

The CEO & Managing Director of Asian Star Co. Ltd. has created an empire to reckon with through sheer grit and visionary foresight. He has been instrumental in establishing the Company's global network, currently one of the best in the industry. He also initiated the extension and development of the jewellery business. He transformed a manufacturer Company to a value-added, vertically integrated supply partner. At present, he is focusing on the overseas business, including procurement of rough, and the financial aspects of the Company.



## BHUPENDRA K. SHROFF

DIRECTOR

Mr. Bhupendra K. Shroff is M.Com, LL.B, F.C.S and C.I.A from USA. He is also a practicing Company Secretary for more than 35 years. He has wide experience on matters relating to Company Affairs and has been associated with many top companies like Reliance Industries Ltd. etc. He is considered to be a highly respected professional in the field of Corporate Laws and other legal matters.



## K. MOHANRAM PAI

DIRECTOR

Mr. K. Mohanram Pai is B.A. and C.A.I.I.B. He possesses a rich and varied experience in the banking industry. He has held offices as Executive D.G.M. of Overseas Operations Dept. with Corporation Bank and as G.M. CVO with United Bank of India. He is a renowned expert in financial matters.



## DHARMESH D. SHAH

CFO & JT. MANAGING DIRECTOR

The CFO & Jt. Managing Director of Asian Star Co. Ltd. started his career in the diamond business from the bottom rung and has been trained in all aspects of the diamond industry in India and abroad. He is well-traveled and has thorough knowledge of current trends prevailing worldwide as well as deep insight of future needs of the diamond market. Presently, he oversees sales and marketing functions of the Company, and has been instrumental in building and nurturing strategic alliances with business partners.



## ARVIND T. SHAH

EXECUTIVE DIRECTOR

With enriched experience in diamond manufacturing, Mr. Arvind Shah – Executive Director of Asian Star Co. Ltd is responsible mainly for the diamond processing activities at all the facilities, management of contractors as well as overall administration. He is also one of the key persons responsible for rough procurement from overseas. He is well versed with all the requisite quality norms and systems related to diamond manufacturing.



## APURVA R. SHAH

DIRECTOR

Mr. Apurva R. Shah is F.C.A, C.W.A and a graduate from London School of Economics and Political Sciences. He has also pursued a course in International Accounting & Finance from UK. He was a rank holder in Chartered Accountancy Examination with an award for the highest distinction in Financial Accounting and Direct Tax Laws. He is a partner of Rajendra & Co., Chartered Accountants. He has expert knowledge in the areas of Direct Taxation, Foreign Exchange Management Law, Financial Management and Business Restructuring.



## HASMUKH B. GANDHI

DIRECTOR

Mr. Hasmukh B. Gandhi is B.A. (Hons) and L.L.B. He is an advocate in Mumbai High Court since 1955. He has expertise in drafting and vetting of agreements like Collaboration Agreements, Commercial Agreements, Shareholders Agreements, Joint Venture Agreements, Deed of Assignments etc.



## PRIYANSHU A. SHAH

EXECUTIVE DIRECTOR

The youngest Executive Director of Asian Star Co. Ltd., Mr. Priyanshu Shah, heads the thriving jewellery operations of the Company. He currently manages production and marketing functions for international as well as domestic jewellery operations. His vast knowledge of latest jewellery trends worldwide and his creative inputs have resulted in the launch of several successful collections and innovative designs.



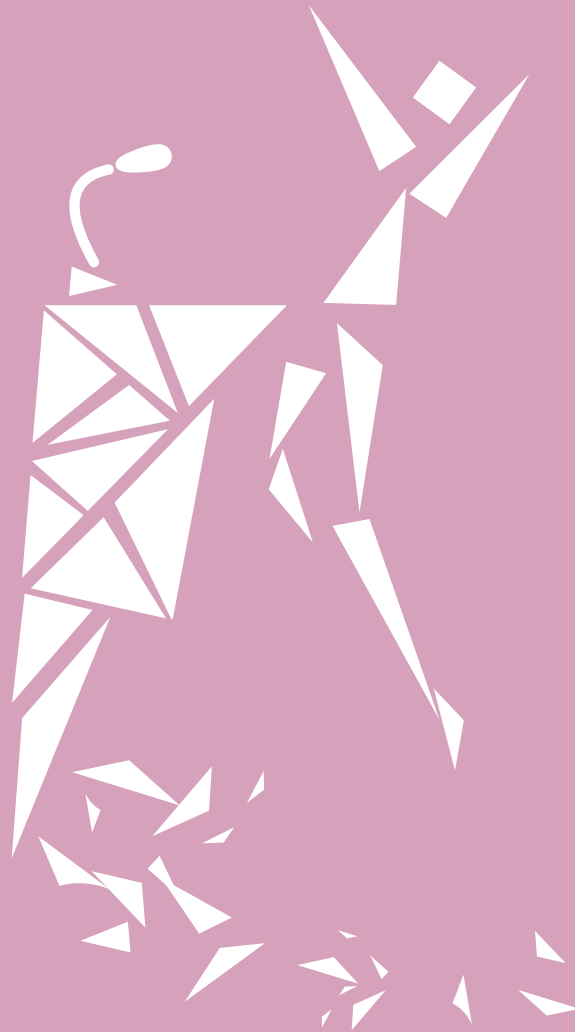
## MILIND H. GANDHI

DIRECTOR

Mr. Milind H. Gandhi is F.C.A. He was an all India rank holder in the Chartered Accountancy Examination. He is the founding partner of Gandhi & Associates. Mr. Gandhi has extensive knowledge of Taxation, Audits and Corporate Consultancy. He has specialised in advising and structuring of joint ventures and also inbound and outbound investments.



# MANAGEMENT DISCUSSION & ANALYSIS



## GLOBAL ECONOMIC OVERVIEW

The problems stalking the global economy are multiple and interconnected. The highlights of the year 2011 were the crisis in Eurozone, the Japanese Earthquake and Tsunami in March followed by Standard & Poor's downgrading of the US debt outlook from stable to negative in April for the first time since the Pearl Harbour attack in 1941.

Uncertainty in the Eurozone over the Greek debt-repayment crisis continues to affect the overall macro-economic situation in the west. The grim picture is compounded by fears looming large over the fate of debts of other European countries like Spain, Portugal, Italy and Ireland. Given the integrated global financial system, the global economic growth has slowed down and if the current situation in Europe is not resolved, it may lead the global economy into deeper crisis. The US continued to make slow and gradual progress on its path to recovery. However, high levels of public debt and unemployment continue to affect the overall recovery.

As in 2010, it was the developing countries and economies in transition that continued to drive the engine of growth even in 2011. Stronger economic and policy fundamentals backed by sustained consumer spending have helped buffer these economies against the global financial crisis, by limiting adverse financial market spill-overs. The momentum of growth has clearly shifted to the East and South Asian Countries. In February, China overtook Japan as the second-largest economy in the world, a position Japan had held for over forty years. Though the growth slowed down in China in 2011 to 9.2 per cent (2010 – 10.3 per cent), it is still remarkable, especially when viewed against global and regional growth.

India too faced yet another year of robust yet slowing growth. The Indian economy grew by 6.5 per cent in 2011-12 after having grown by more than 8 per cent in the previous two years, due to a combination of weak global macro economic factors as well as domestic issues like inflation, high interest rates and weakening of the rupee. However, the growth rate is still comparatively healthy, especially when compared to the growth in western developed economies.

## INDUSTRY OVERVIEW

### Global Gems and Jewellery Industry

2011 was a turbulent year for the diamond industry. Demand was severely affected with the slowdown in developed economies, particularly with the slow pace of recovery in the US, which continues to remain the largest diamond market in the world. The year also saw high fluctuation in the prices of rough diamonds affecting stability and sales.

Supply of rough diamonds continues to remain a constraint as no new mines are discovered, and existing mines get more extensively mined. In order to

maximise values, the traditional African countries are fast moving up the value chain by building capacity and capabilities in diamond processing and marketing.

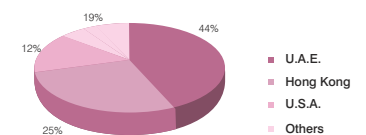
Worldwide diamond jewellery retail sales grew to US \$ 70.8 billion. India and China continue to emerge as new growth centres on the back of sustained rise in disposable incomes and growing consumption. India stood at second place with 12 per cent market share as a diamond-consuming nation followed by China with 11 per cent. Countries of South-East Asia are also fast emerging as new markets for diamond jewellery, as are markets like Russia and Turkey.

### Indian Gems and Jewellery Industry

The Gems and Jewellery Industry in India is one of the most significant in the Indian economy, accounting for 14 per cent of India's total merchandise exports in 2011-12. According to the Gem and Jewellery Export Promotion Council (GJEPC), the total Gems and Jewellery exports were recorded at US\$ 42.84 billion (Rs. 2,04,823 crores) in FY 2011-12 as compared to US\$ 43.00 billion (Rs. 1,95,735 crores) in FY 2010-2011. This was 0.36 per cent lower in absolute US dollar terms compared to the previous year. However, in terms of Indian rupees, this amounted to an increase of 4.6 per cent.

In terms of geographical markets, the UAE continues to be the largest exporting destination with 44 per cent of exports to the market, followed by Hong Kong with 25 per cent and the US with 12 per cent of exports.

India's Export Destinations in 2011



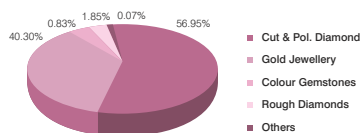
The size of the domestic jewellery business is estimated to be around Rs.1,50,000 crores (US\$ 30.5 billion). However, almost 80 per cent of the business comprises of gold jewellery and most of this is in the unorganised sector, with just about 5 per cent in the organised sector.

### Cut and Polished Diamonds

The Indian diamond industry is the world's largest cutting and polishing centre in the world. Today it is known for its proficiency in not only processing the best generic makes but also specialised and proprietary cuts.

Cut and Polished diamonds continued to be the biggest segment of the overall Gems and Jewellery export basket followed by gold jewellery. However, the share of cut and polished diamonds came down to around 57 per cent in 2011 compared to over 65 percent in the previous year. Exports of cut and polished diamonds decreased from US \$ 28.21 billion in 2010-2011 to US \$ 23.33 billion in 2011-2012.

% share in Export Basket



#### Diamond Jewellery

India is one of the fastest growing diamond jewellery markets in the world. The segment has seen a tremendous surge in the last few years with growth rates in the range of 20 – 30 per cent. This growth has been driven by a combination of factors such as rise in disposable incomes, alignment with global fashion and jewellery trends, especially amongst the youth segment, and aggressive marketing and branding initiatives. As gold prices touched record high during the year, diamonds and diamond-studded jewellery also emerged as alternate investment options.

Branding is another trend that is shaping the Indian jewellery market. According to CARE Research India's organised jewellery retail trade is expected to account for 10 per cent of the country's total jewellery retail market by 2016, up from the current 4 per cent.

India continues to gain prominence with worldwide retail chains and majors as a sourcing destination for high quality, design intensive diamond jewellery at relatively competitive price.

#### BUSINESS OVERVIEW

Asian Star Company Limited is one of the few organised and integrated diamantaire in the world with a presence across the entire value-chain; from diamond cutting and polishing, jewellery manufacturing and distribution to jewellery retailing.

#### Manufacturing Facility for Polished Diamonds

The Company has been a pioneer in cutting and polishing of diamonds for more than four decades. It has a state of the art manufacturing set-up in Surat – the world's largest centre for diamond polishing. This

facility is spread across 65,000 sq. ft. with over 1000 skilled and experienced workers delivering diamond cuts to exacting international standards in terms of cost efficiency, quality and lead-time that is comparable to the best in the industry.

The production team has unique experience and expertise accumulated over four decades, and is capable and competent to handle the complexity of diamond cutting to deliver an array of sizes, colours, cuts and purity, including specialised cuts in the smallest possible sizes.

#### Manufacturing Facility for Jewellery

Jewellery manufacturing has become the focus area for the Company. The Company has two jewellery manufacturing units catering to domestic market and one unit dedicated for international market. These units, located in Mumbai and Hosur, are spread over 50,000 sq. ft., and employ over 500 highly skilled employees.

These units are equipped with latest machines and employ advanced technologies such as CAD/CAM software, rapid prototyping technology and 'Lean Manufacturing' processes. These units are capable of achieving maximum flexibility and minimum production cycle times, thus maximising client value. Mass produced or customised, hand-made or machine-made, the highly skilled craftsmen deliver a trademark precision to detail in every jewellery piece.

#### Distribution

The Company has steadily built a strong distribution network spread across the globe, comprising of 19 marketing arms and 4 subsidiaries. This enables the Company to cater to discerning needs of some of the leading global brands, retail chains and independent retailers. The Company has succeeded in making inroads into the fastest growing markets - China and India, and is now poised to enter emerging markets like Russia and Turkey.

#### Retail

The Company has a couture boutique, ex-factory Mumbai, to cater exclusively to HNI customers. From simply elegant to stunning 'Signature Pieces', the collections portray an exquisite blend of the modern and classic. Besides offering a wide range of prêt diamond jewellery, the Company also undertakes customised orders with jewellery design consultations for special occasions.

#### FINANCIAL OVERVIEW

FY 2011-12 was a challenging year with abrupt fluctuations in price of rough diamonds, weak global macro-economic conditions, and slowdown of growth in the Indian market. However, in spite of these difficult circumstances, the Company has been successful in maintaining its growth momentum. The Company's turnover grew by 5% to Rs.1,529.08 crores from

Rs.1,455.91 crores in the previous year. The profit after tax of the Company increased to Rs. 26.63 crores from Rs. 25.36 crores in the previous year.

Consolidated turnover increased to Rs. 1,835.40 crores registering a growth of 10% over the previous year. Consolidated profit after tax was at Rs.41.40 crores, up from Rs.37.78 crores in the previous year.

The Directors have recommended dividend of Rs.1.50 per share (15 per cent) for the year and also a bonus of 1:2 (one share for every two shares held in the Company) subject to shareholders approval.

#### OPPORTUNITIES

##### Proprietary Cut Diamonds

The demand for high-end and premium diamonds is on the increase in the niche segment. Aspiration and desire to possess something different is driving the demand for proprietary cut diamonds. Consumers are willing to pay premium for these diamonds. Though the total share of these cuts is estimated as very small, it has a huge potential. While this does require higher level of processing expertise, it is also a high value and high margin segment. There are not many diamond processing companies in the world who have capabilities to process such specialised cuts. Asian Star has developed such proprietary cuts and is well poised to benefit from this segment with high growth potential.

##### The Untapped Indian Market

The domestic market has been growing steadily over the last few years. Though the global economic uncertainty has resulted into slowing down of growth momentum, it continues to be a huge potential market.

Rural India has emerged as a very promising market. As Tier I and Tier II towns get more urbanized, and as the demographic shift continues, rural India is opening up like never before. Normal monsoons over the last few years and rise in support prices of agricultural products have led to rise in income levels. With rapid electrification, spread of television and internet, the villages are fast catching up with the cities and towns. There is a shift in the trend from gold jewellery to diamond jewellery. This clearly indicates a huge untapped market.

Urban Indian consumers are increasingly exposed to international lifestyles, preferences and trends. This has led to increase in demand for designs and products that are popular abroad leading to more demand for branded jewellery. This augurs well for the growth of the industry in the coming years.

##### Growing Market in China

China, with its fast paced growth is witnessing a consumer boom. The luxury goods segment is

particularly expanding with all major international products and brands now easily available in China. Both gold and diamond studded jewellery are witnessing unprecedented growth in demand in China, and it is estimated that China might soon overtake India as the second leading diamond consumption market in the world.

##### Recovery in the US Market

Later half of the current fiscal has witnessed a recovery in the US, which is the leading market for diamond consumption with a 38 per cent market share. The US economy is expected to grow at 2.3 per cent in 2012 which is higher than 2011. After 4 years of saving to restore the wealth lost in 2008 crisis, finally consumers are opening their wallets and this is shown with positive consumer confidence figures. All these positive signs in the US economy are expected to result in higher demand for jewellery and diamonds, resulting in a better demand for the Indian diamond industry, which is one of the leading suppliers to the US market.

##### Emerging Markets

The South-East Asian countries like Vietnam, Thailand, Singapore and Malaysia are fast emerging as new diamond jewellery consumption centres in the world. Backed with sustained growth in economy leading to higher consumer spending and brand awareness, the youth in these countries are indulging in luxury and fashion spending like never before. India's close proximity to this region and the diamond industry's initiatives in marketing and innovative designs will help the industry to tap these markets.

Countries like Russia and Turkey are also shaping up well as potential markets for diamond jewellery as these countries have put their turbulent past behind and are now witnessing a phase of stability and growth. This is leading to renewed confidence, especially in the aspirational youth of these countries who now have both the means and access to global brands and products.

#### THREATS

##### Shortage of Skilled Workers

The Industry has been witnessing a shortage of skilled workforce. The skill is natural and it is passed on from one generation to another. With an increase in the literacy rate and rapid urbanisation, more and more career opportunities are opened up for the youth making it difficult to attract new talent to this industry. Non-availability of the skilled workers could hamper the growth of the industry.

##### Threat of China

China is the second-largest diamond processing centre after India. It is fast catching up with India and is posing a serious threat for the Indian diamond cutting and polishing industry. Many diamond companies in Israel



and Belgium are setting up their factories in China as labour cost is less as compared to India and the local government is more supportive. Also, due to its speedy technology adoption, China can process diamonds at very competitive price.

#### Threat of Cheaper Substitutes

Over the years, the market for artificial diamonds has been increasing. With the advent of technology, it is difficult to differentiate between natural and synthetic diamonds. Affordability and illusionary looks make artificial diamonds a preferred alternative, particularly to the young segment as it fits perfectly with their fashion demand and budget.

#### Supply Constraints

The industry is heavily dependent on existing mines. There have been no major discoveries and existing mines are under pressure with increase in demand. With the local beneficiation programme in the mining African countries, an increasing portion of the rough supply is retained for domestic cutting and polishing industry reducing the availability for Indian industry.

#### FUTURE OUTLOOK

The outlook for the year 2012-13 for the Indian Gems and Jewellery Industry is expected to be positive with an all round growth envisaged in all segments of the industry. Demand from the traditionally strong market of US is expected to pick up on the back of gradual recovery in the economy. However, the main thrust of growth is expected from emerging Asian giants – India and China, who with 12% and 11% share respectively, are evolving as major diamond consuming nations. Both these economies are experiencing amongst the highest rates of growth globally. A consumption boom is currently on with the aspirational class aiming to spend their way into a better lifestyle. India's growing importance in the global jewellery market is also expected to increase in the future. Emerging markets like Russia and Turkey are also expected to continue with their growth momentum.

Within the country, the diamond jewellery segment looks very promising and is expected to touch US\$ 6.41 billion in 2012. Branded jewellery is another segment that is emerging as the fastest-growing segment in domestic sales and is expected to touch US\$ 2.2 billion by 2012. Over the past few years, many corporate houses have entered the space of jewellery retailing and leading manufacturers have launched their own branded jewellery. With growing organised retail backed with concerted marketing campaigns, the future of the domestic jewellery industry shows enormous potential.

Looking at a holistic picture, the outlook for forthcoming year is positive and optimistic. India will continue to play its traditionally dominating role in the diamond

cutting and polishing space. As prices of rough diamonds stabilise, the year is expected to present less volatility for the manufacturers and result in a more stable trading environment.

#### RISK MANAGEMENT

Risk can be defined as the expression of uncertainties and possible outcome that could have material impact on a Company's performance and prospects. The Company has comprehensive risk management system where the senior management team sets the overall tone and risk culture of the organisation through defined and communicated corporate values and a risk management model which promotes out-of-the-box thinking for converting potential risk to potential business opportunities.

The Company regularly scans the macro economy and industry for risks which it believes would affect its performance and prospects. The Company ensures that all such foreseeable risks are analysed in detail and appropriate measures are taken to mitigate these, or limit their effect to minimal. Some of the foreseeable risks and their management as envisaged by the Company are:

##### Continued Uncertainty in Established Markets

The global economy continues to struggle to come to terms with sovereign-debt crisis in Eurozone leading to dwindling rates in employment and growth. Developed economies are hard hit by the crisis, having detrimental effect on the overall demand for diamonds and jewellery.

The momentum of growth has shifted to emerging economies, particularly east and south Asia where India and China continue to lead. These geographies have been growing steadily over the past few years, and have emerged as new consumption centres. The Company is firmly established in these markets, and is poised to take advantage of sustained consumption and spending. The Company has also expanded its reach in the new markets like Russia, Turkey, and South Africa which have huge potential for diamond jewellery.

##### Increasing Costs

Rising inflation has been a major cause of concern for the Indian economy. The government has hiked interest rates several times and tightened the monetary policies to control the inflation. This has resulted in increasing the cost of finance and overall cost of operation. This, coupled with increasing cost of rough diamonds, has led to thinning of margins, already under pressure due to difficult market conditions.

The Company has its own manufacturing facilities that work on a 'Lean Manufacturing Process', with high yields and amongst the lowest wastages in the industry. Being vertically integrated also means that the

Company can offer lowest-cost solution to its customers. The Company is constantly upgrading its plant and processes and emphasising on product innovations, thereby becoming more efficient not only in terms of quality and processing times, but also in terms of product pricing.

##### Exchange Rate Risk

The Gems and Jewellery Industry has been exposed to risk of exchange rate fluctuations. The exchange rate has been very volatile in the second half of the current fiscal and since past few months Indian Rupee has been touching new lows. The Indian Rupee is under tremendous pressure due to growing fiscal deficit and rising oil and commodity prices the world over.

The import centric nature of the trade acts as a natural hedge for the Company. The Company has a sound foreign exchange policy with an experienced team of experts constantly monitoring the foreign exchange markets and keeping its foreign exchange exposures fully hedged. This ensures that foreign exchange fluctuations have minimal impact on the pricing and margins of the Company.

#### INTERNAL CONTROLS AND SYSTEMS

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by internal as well as statutory auditors and covers all the offices, manufacturing units and key areas of business. The Company has a well-defined system of management reporting and periodic review of businesses to ensure timely decision-making. These internal control procedures ensure the following:

- Efficient use and protection of resources
- Compliance with policies, procedures and statutes
- Accuracy and promptness of financial reports

The Company has an internal audit team that routinely audits all processes and functions from manufacturing to accounting, and any discrepancy is immediately flagged off for corrective measures to the senior management. Internal audit reports are reviewed by the Audit Committee and corrective measures are carried out towards further improvement in systems and procedures and compliance with Internal Control System.

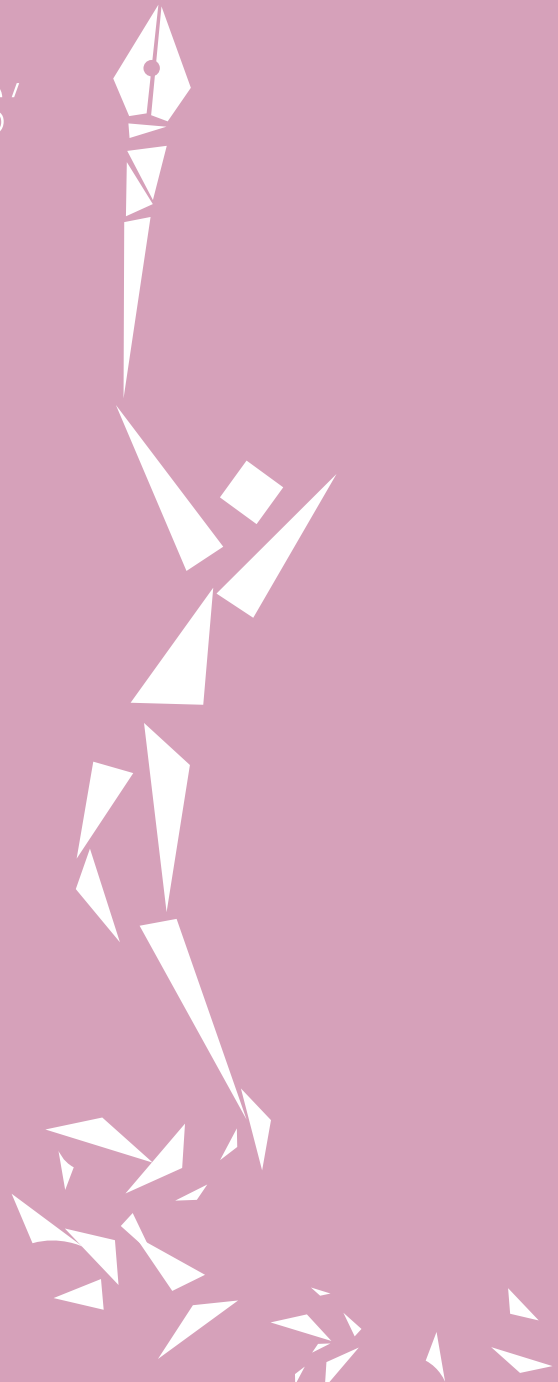
#### HUMAN RESOURCES

The Company considers its people and its human resource to be its most important resource and asset. The Company ensures that safe working conditions are provided both in the manufacturing plants as well as offices of the Company. The Company regularly updates their skills with training and development programs, which take place at all levels.

The Company wants to make a significant difference to the lives of its employees, and ensure that they can climb up both the social as well as professional ladder while they are working for the Company. The Company motivates them to achieve their professional as well as personal targets, and encourages them to contribute to their societies and communities, thereby becoming more significant as well as successful.



# DIRECTORS' REPORT



## DIRECTORS' REPORT

To the Members,  
**Asian Star Company Limited**  
Mumbai

Your Directors take pleasure in presenting the Eighteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2012.

### Financial Performance

The performance of the Company for the financial year ended March 31, 2012 is summarized below:

(Rs. in Crores)

Particulars	2011-2012	2010-2011
Total Sales	1529.09	1455.92
Add : Other Income	(0.02)	(0.90)
Total Income	1529.07	1455.02
Less : Total Expenditure	1468.90	1392.81
Operating Profit (PBDIT)	60.17	62.21
Less : Interest and Depreciation	21.74	24.53
Profit before Tax	38.43	37.68
Provision for Tax	12.27	11.79
Provision for Deferred Tax	(0.48)	0.53
Profit after Tax	26.64	25.36
Add : Balance in Profit and Loss Account Brought forward	177.43	156.55
Profit available for appropriation	<b>204.07</b>	<b>181.91</b>
<b>Appropriation</b>		
Proposed Dividend on Equity Shares	1.60	2.13
Tax on Dividend	0.26	0.35
Transferred to General Reserve	2.00	2.00
Balance Carried forward to Balance Sheet	200.21	177.43
	<b>204.07</b>	<b>181.91</b>

The Company continued its momentum of growth and delivered consistent results during the year. The Company has generated sales of Rs.1529.09 Crores registering a growth of 5% during the year as against that of Rs.1455.92 Crores in the previous year. The profit after tax excluding other income has increased by 5% from Rs.26.64 Crores to Rs.25.36 Crores.

### Dividend

The Board of Directors have recommended a dividend of Rs.1.50 per Equity Share of Rs.10/- each for the financial year ended March 31, 2012. Equity Dividend if approved, at the Annual General Meeting will be paid to those members whose name appear on the Register of Members as at the end of business hours on August 29, 2012.

### Bonus

The Board of Directors of the Company ("the Board") at its meeting held on 28<sup>th</sup> May, 2012 has recommended issue of bonus shares in the ratio of 1:2 i.e. One new fully paid up equity share of Rs.10/- each for every Two fully paid up equity shares of Rs.10/- each to the eligible members of the Company as on record date to be fixed by the Board later on.

### Subsidiary Companies

The Ministry of Corporate Affairs (MCA) by Circular No. 51/12/2007-CL-III dated 8<sup>th</sup> February, 2011, issued a direction under section 212(8) of the Companies Act, 1956 that the provisions of the Section 212 shall not apply to companies in relation to their subsidiaries subject to fulfilling certain conditions mentioned in the said circular with immediate effect. In pursuance of this circular the Company has decided to avail the exemption from presenting the financial statements of the subsidiary companies. However, the financial statements of the Company and its subsidiaries shall be made available for inspection to the members and / or will be allowed to take a copy of the same on demand being made by them.

### Wind Energy

As a part of its social commitments and endeavor to carry out operations in a more sustainable manner, the Company has always been inclined to promote a cleaner and greener environment. The Company has been pursuing generation of energy from wind power through establishment of Wind Turbine Generators (WTGs) since 2006. The Company's windmills are located in the state of Maharashtra, Tamil Nadu & Kerala. During the year 2011-12, the Company has generated 217.26 lacs Kwh. resulting in the sales of Rs.698.32 lacs.

**Directors**

K. Mohanram Pai, Apurva R. Shah and Hasmukh B. Gandhi retire by rotation and being eligible, offer themselves for reappointment.

Attention of the members is invited to the relevant items in Notice of Annual General Meeting.

**Finance**

The Company is availing working capital requirements from consortium of bankers.

**Deposit**

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975. There are no deposits which are outstanding and/or which is claimed and not paid or unclaimed for which information is required to be given in the report.

**Insurance**

The properties and assets of the Company are adequately insured.

**Consolidated Financial Statements**

In accordance with the Accounting Standard 21, issued by The Institute of Chartered Accountants of India, the Directors have attached the Audited Consolidated Financial Statements for the year ended March 31, 2012.

**Corporate Governance**

Pursuant to Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited, a report on Corporate Governance, along with the Auditors' certificate regarding compliance of conditions of Corporate Governance and Management Discussion and Analysis is separately given in this Report.

**Cash Flow**

In conformity with the provision of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended March 31, 2012 is annexed hereto.

**Notes on Accounts**

Notes forming part of Accounts are self-explanatory.

**Listing Arrangements**

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited. The Company has paid listing fees for the year 2012-13.

**Dematerialization of Shares**

In terms of the Listing Agreement the Company has tripartite agreements with the Registrar and Share Transfer Agent i.e. Bigshare Services Private Limited, National Securities Depository Limited and Central Depository Services (India) Limited respectively.

**Auditors**

V. A. Parikh & Associates, Chartered Accountants, the retiring Auditors of the Company, hold office up to the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from the said firm to the effect that their appointment if made at Annual General Meeting would be within the limits mentioned under Section 224 (1-B) of the Companies Act, 1956. The Directors recommend the re-appointment of V. A. Parikh & Associates as auditors for the financial year 2012-2013.

**Directors' Responsibility Statement**

On the basis of compliance certificates received from the executives of the Company, subject to disclosures in Annual Accounts, and also on the basis of discussion with the Statutory Auditors of the Company from time to time, we state as under:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the Profit and Loss Account of the Company for the year ended on that date;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the annual accounts of the Company on a going concern basis..
- The Company has received certificate under section 274(1) (g) of the Companies Act, 1956 and none of the Directors are disqualified to act as Director.

**Particulars of Employees**

In terms of provision of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended, the name and other particulars of the employees are required to be set out in Annexure to the Directors' Report. However, as per the provision of Section 219(1) (b) (iv) of the Companies Act, 1956 the Annual Report and Annual Accounts of the Company sent to the shareholders do not contain the said annexure. Any shareholder desirous of obtaining a copy of the said annexure may write to the Company Secretary at the registered address of the Company.

**Particulars under Companies (Disclosure of particulars to the report of Board of Directors) Rules, 1988:-****Conservation of Energy**

The activity of the Company does not require large-scale consumption of energy and the Company is not covered in the list of industries required to furnish information in Form - A relating to conservation of energy.

**Technology Absorption**

The Directors are in constant touch with ongoing research in the world to upgrade and absorb improved technology for better line of products and to yield better quality, cost reduction and worldwide acceptability of its range of products.

**Foreign Exchange Earnings and Outgo**

The Company has earned Rs. 1,18,284.69 lacs in foreign exchange by way of exports and has spent Rs.88,073.77 lacs in foreign exchange, for the imports of materials & consumables, foreign travel, diamond grading charges and repairs and maintenance. The Directors are making their best endeavors to earn foreign exchange.

**Appreciation**

The Directors thank the Company's Customers, Contractors, Shareholders, Bankers, Financial Institutions and Central & State Governments for their consistent support to the Company. The Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

Place : Mumbai  
Dated : May 28, 2012

For and on behalf of the Board

Registered Office:  
114-C, Mittal Court,  
Nariman Point, Mumbai - 400 021.

Dinesh T. Shah  
Chairman

Vipul P. Shah  
CEO & Managing Director

# REPORT ON CORPORATE GOVERNANCE

## REPORT ON CORPORATE GOVERNANCE

### I Company's Philosophy

The Company believes that good corporate governance practices should be enshrined in all activities of the Company. This would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximizing value for all its shareholders.

The Company has complied with the requirements of the revised guidelines on corporate governance stipulated under clause 49 of the Listing Agreement with the BSE. With the adoption of a Code of Conduct for Board of Directors and Senior Management Personnel and the implementation of a Whistle Blower Policy, the Company has moved further in its pursuit of excellence in corporate governance.

### II Board of Directors

(a) The Company has 10 directors on the Board. The Company has a Promoter Non-Executive Chairman and 5 Independent Directors i.e. half of the total number of Directors on its Board. Composition of the Board of Directors includes 4 Executive Directors and 6 Non-Executive Directors.

Board has also formed the committees as mentioned herein below in terms of Clause 49 of the Listing Agreement. None of the Directors is a member on the Board Committees of more than ten companies or acting as Chairman of more than five companies in which he is a Director.

During the year 2011-12, the Board of Directors met 4 times (30.05.2011, 09.08.2011, 11.11.2011 and 13.02.2012) with clearly defined agenda of the meetings sent in advance with suitable notes to the Directors.

The Board has agreed that Executive Directors of the Company are responsible for the day to day affairs of the Company. The details of the Directors on the Board of your Company for the year 2011-12 are given below:

Name	Category	Board Meetings attended	Last AGM attendance	No. of outside	No. of Board	No. of Board
				directorship held in public companies	Committee# of which he is a member	Committee# of which he is a Chairman
Other than Asian Star Company Limited						
Dinesh T. Shah	Promoter Non Executive Chairman	5	No	-	-	-
Arvind T. Shah	Promoter Executive Director	5	Yes	-	-	-
Dharmesh D. Shah	Promoter Executive Director	5	No	-	-	-
Vipul P. Shah	Promoter Executive Director	5	Yes	-	-	-
Priyanshu A. Shah	Promoter Executive Director	5	No	-	-	-
K. Mohanram Pai	Independent Non Executive Director	4	No	1	-	-
Bhupendra K. Shroff	Independent Non Executive Director	4	Yes	2	1	2
Apurva R. Shah	Independent Non Executive Director	5	Yes	5	3	2*
Hasmukh B. Gandhi	Independent Non Executive Director	4	Yes	3	-	-
Milind H. Gandhi	Independent Non Executive Director	4	Yes	-	-	-

# Committee includes position of membership/chairmanship in Audit Committee, Remuneration Committee & Shareholders Committee of Companies other than Asian Star Company Limited.

\* Apurva R. Shah is Alternative Chairman of Audit Committee of Steel Cast Limited.

(b) Non-Executive Directors are paid sitting fees for attending the Board Meeting or Committee Meetings. Non-Executive Directors are not paid any commission. None of Non-Executive Directors has any material financial interest in the Company.

(c) Code of Conduct: The Company has framed a Code of Conduct for the members and Senior Management Personnel. The same is compiled with.

### III Audit Committee

The Board of your Company has constituted a very qualified Audit Committee which promotes relationship of accountability between the Board, Management and Statutory Auditors. The composition of the committee and the attendance of each member of the committee are given below:

Name	Designation	Category	Committee Meetings Attendance
Bhupendra K. Shroff	Chairman	Non-Executive Independent Director	4
Apurva R. Shah	Member	Non-Executive Independent Director	3
K. Mohanram Pai	Member	Non-Executive Independent Director	4

During the year 2011-12, the Audit Committee met 4 times (30.05.2011, 09.08.2011, 11.11.2011 and 13.02.2012) with clearly defined agenda of the meetings.

The role and terms of reference of the Audit Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement with the BSE read with Section 292A of the Companies Act, 1956.

The previous Annual General Meeting of the Company was held on September 29, 2011 and Bhupendra K. Shroff, the Chairman of the Audit Committee, attended the said meeting.

### IV Remuneration Committee (non-mandatory)

The following are the committee members:

- 1) Hasmukh B. Gandhi (Chairman)
- 2) Bhupendra K. Shroff
- 3) Apurva R. Shah

Payment of remuneration to all the Executive Directors is recommended by the Remuneration Committee reviewing the abilities and contribution of the individual Directors. The remuneration was revised with the approval of the shareholders in the last Annual General Meeting held on September 29, 2011. Non-Executive Directors were paid sitting fees within the limits prescribed under the Act. The details of actual payments made during the financial year 2011-12 to the Executive Directors of the Company are given below:

(Rs. In lacs)

Name	Designation	Gross Salary
Vipul P. Shah	CEO & Managing Director	37.50
Dharmesh D. Shah	CFO & Jt. Managing Director	37.50
Arvind T. Shah	Executive Director	37.50
Priyanshu A. Shah	Executive Director	24.00

### V Shareholders Committee

The following are the committee members:

- 1) Bhupendra K. Shroff (Chairman)
- 2) Apurva R. Shah
- 3) K. Mohanram Pai
- 4) Arvind T. Shah

The committee reviews redressing of shareholders complaints like non-receipt of Balance Sheet, non-receipt of declared dividend, etc. The committee also reviews the functioning & activities of Registrar & Transfer Agent & related investor grievances. The Company obtained and filed with BSE, Reconciliation of Share Capital Audit Report from a Practicing Company Secretary as mandated by SEBI for each quarter as to reconciliation of total shares held in depository and physical form.

No. of Queries / Complaints	Received	Redressed	Unresolved
Letters from shareholders	1	1	Nil

### Company Secretary and Address for Correspondence

Name and Designation	Telephone No.	Email ID	Fax No.
Sangeetha Sheshadri, Company Secretary	+ 9122 2282 1886	secretarial@asianstargroup.com	+ 9122 2204 3747

### VI Corporate Governance Committee

The following are the committee members:

- 1) Bhupendra K. Shroff (Chairman)
- 2) Hasmukh B. Gandhi
- 3) K. Mohanram Pai
- 4) Arvind T. Shah

The Committee looks after the due compliance with the Corporate Governance norms. All Board members and the members of Senior Management Personnel have complied with the Code of Conduct for Board of Directors and Prevention of Insider Trading Code.

The Company has obtained a certificate from the Auditors of the Company regarding compliance of conditions of corporate governance as stipulated in clause 49 of the Listing Agreement of the BSE and the same has been annexed to Directors' Report.

### VII Finance Committee

The members of Finance Committee met 6 times (01.06.2011, 10.08.2011, 28.09.2011, 16.01.2012, 13.02.2012 and 26.03.2012). This committee meets regularly to decide on matters pertaining to banking, finance and working capital requirements. The following are the committee members:

- 1) Dinesh T. Shah (Chairman)
- 2) Arvind T. Shah
- 3) Vipul P. Shah
- 4) Dharmesh D. Shah
- 5) Priyanshu A. Shah

### VIII General Body Meetings

- 1) Annual General Meeting to be held on

Date: September 05, 2012

Time: 4.00 p.m.

Venue: Sangam Hall, Agarwal Bhavan, 100-C Marine Drive, Next to Indian Oil Petrol Pump, Mumbai - 400 002

Book Closure Date: August 30, 2012 to September 05, 2012 (Both the days inclusive)

Dividend Date: If approved at Annual General Meeting will be paid on or after September 05, 2012

- 2) Details on Annual General Meetings (AGM) : Location and time, where last three AGMs were held-

Year	Venue	Date	Time
2008-09	Sangam Hall, Mumbai	September 29, 2009	4.00 pm
2009-10	Sangam Hall, Mumbai	September 21, 2010	4.00 pm
2010-11	Sangam Hall, Mumbai	September 29, 2011	4.00 pm

- 3) Whether any special resolutions passed in the previous 3 AGMs? Yes
- 4) Whether special resolutions were put through postal ballot last year? No

### IX Disclosures

- 1) All materially significant related party transactions are detailed out in note no.31 attached to the Balance Sheet.
- 2) Details of non-compliance by the Company, penalties, and strictures imposed on the Company by the Bombay Stock Exchange Limited or SEBI or any statutory authority, on any matter related to capital markets, during the last three years - None.
- 3) The Company has formulated a mechanism for employees to report about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The Company Secretary and Audit Committee acts upon any reporting under Whistle Blower Policy.

### X Means of Communication

Quarterly results are taken on record by the Board of Directors and submitted to the Bombay Stock Exchange Limited in terms of the requirements of Clause 41 of the Listing Agreement. Quarterly results are published in The Financial Express and Dainik Mumbai Lakshadep. The results of the Company are also posted on the Company's website at [www.asianstargroup.com](http://www.asianstargroup.com) and SEBI website.

### XI Green Initiative in Corporate Governance

Ministry of Corporate Affairs has undertaken a Green Initiative in Corporate Governance whereby the shareholders desirous of receiving notice, documents and other communications from the Company through electronic mode, can register their e-mail addresses with the Company.

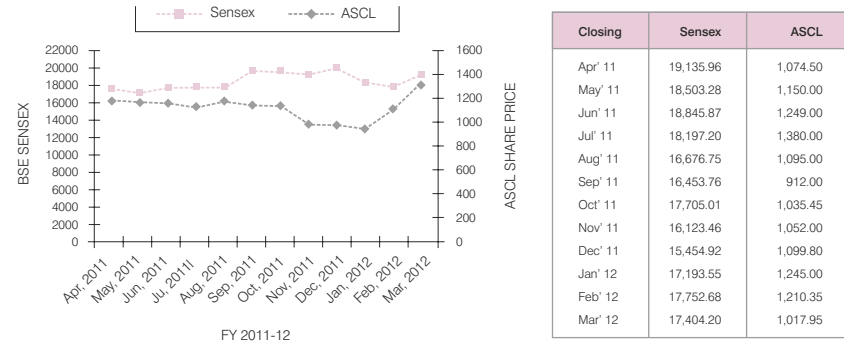
The Company encourages its shareholders to join the green initiative and register their e-mail address with the Company or its Registrar and Transfer agents by sending a letter signed by them and intimate changes in the e-mail ids from time to time.

### XII General Shareholder Information

Sr. No.	Information	
1.	Annual General Meeting - Date and Time: - Venue:	September 05, 2012 at 4.00 p.m. Sangam Hall, Agarwal Bhavan, 100-C Marine Drive, Next to Indian Oil Petrol Pump, Mumbai - 400 002.
2.	Financial Calendar - First quarter - Second quarter/Half year - Third quarter - Audited Annual Results	(Tentative Schedule) Second week of July, 2012 Second week of October, 2012 Second week of January, 2013 Second week of May, 2013
3.	Book Closure Date (Both days inclusive)	August 30, 2012 to September 05, 2012 (Both days inclusive)
4.	Dividend Payment Date	Dividend as recommended by the Board of Directors, if declared at the meeting, will be paid within prescribed time, subject to deduction of tax, if any.
5.	Listing on Stock Exchange at :	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023
6.	Stock Code	ASAN.BO/531847 Bombay Stock Exchange Limited

### 7. Month wise Stock Market Data relating to equity shares of the Company

Performance of Equity Shares of the Company on BSE in comparison to BSE SENSEX



Month-wise data for Equity Shares of the Company at BSE:

Month	Price during each month		Month	Price during each month	
	High	Low		High	Low
April' 11	1579.00	1046.70	Oct' 11	1199.00	910.00
May' 11	1250.00	951.00	Nov' 11	1087.00	951.00
June' 11	1275.00	1150.00	Dec' 11	1121.00	1022.00
July' 11	1414.00	1237.00	Jan' 12	1245.00	1045.05
Aug' 11	1407.90	1093.00	Feb' 12	1290.00	1124.05
Sep' 11	1205.00	912.00	Mar' 12	1161.00	1015.60

### 8. Registrar & Share Transfer Agents:

Bigshare Services Pvt. Ltd.  
E-2/3 Ansa Indl. Estate, Saki Vihar Road,  
Saki Naka, Andheri (East), Mumbai 400 072. Tel : +91 22 4043 0200 Fax : +91 22 2847 5207  
E-mail: [info@bigshareonline.com](mailto:info@bigshareonline.com)

### 9. Share Transfer System:

For transfer of shares in physical form, the transfer documents can be lodged with Registrars & Share Transfer Agents of the Company, Bigshare Services Pvt. Ltd. at the address mentioned above. Transfer of shares in physical form is normally processed within 15 days from the date of receipt, if the documents are complete in all respect.

## 10. Distribution of Equity Shareholding as on March 31, 2012:

No. of Shares		No. of Share Holders	% of Total Share Holders	No. of Shares	% of Total Shares
1	500	434	95.38	14,453	0.14
501	1,000	5	1.10	3,761	0.04
1,001	2,000	-	-	-	-
2,001	3,000	-	-	-	-
3,001	4,000	-	-	-	-
4,001	5,000	1	0.22	4,623	0.04
5,001	10,000	-	-	-	-
10,001	10,001 & above	15	3.30	10,648,363	99.78
<b>Total</b>		<b>455</b>	<b>100.00</b>	<b>10,671,200</b>	<b>100.00</b>

## 11. Categories of Equity Shareholding as on March 31, 2012:

Category	No. of Folios	No. of Shares Held	% of Total Shares Held
Indian promoters	8	8,000,000	74.97
Body Corporate	37	1,735,976	16.26
Indian Public	401	21,459	0.20
NRI & OCB's	6	437,003	4.10
FII's	-	-	-
Clearing Member	2	6	-
Insurance Companies	1	476,756	4.47
<b>Total</b>	<b>455</b>	<b>10,671,200</b>	<b>100.00</b>

12. Dematerialisation of Shares and Liquidity: 10,668,198 equity shares i.e. 99.97 % of equity shares have been dematerialized upto March 31, 2012.

## 13. Manufacturing Facilities :

**Cut & Polished Diamonds**

F.No. 138/151, Plot no.1  
Near Sandesh Paper Press,  
Purushottam Ginning Mill Compound,  
A K Road, Surat, Gujarat -395 008.

**Diamond Studded Jewellery**

Plot No.5, F-11/12,  
WICEL, Opp. SEEPZ,  
MIDC (Marol)  
Central Road  
Andheri (East)  
Mumbai 400 093.

**Wind Energy**

Plot No. 21  
Sangli, Maharashtra,  
New SIDCO  
Dindugul and  
Industrial Estate  
Coimbatore, Tamil Nadu  
Srinagar  
Pallakad, Kerala  
Hosur  
Tamil Nadu 635 109

## 14. Members can contact us at our registered office:

Asian Star Company Limited  
114-C, Mittal Court,  
Nariman Point, Mumbai 400 021.  
Email: secretarial@asianstargroup.com  
Tel.: +91 22 - 2282 1886  
Fax: +91 22 - 2204 3747

Some of the points referred in non-mandatory requirements under Annexure ID of Clause 49 of the Listing Agreement are being pursued by the Company.

**DECLARATION REGARDING COMPLIANCE BY THE BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

In accordance with Clause 49 sub clause (D) of the Listing Agreement with the Bombay Stock Exchange Limited, I confirm that, all the Directors and the Senior Management Personnel of the Company have affirmed compliance to the Company's Code of Conduct, as applicable to them for the Financial Year ended March 31, 2012

For Asian Star Company Limited

Place : Mumbai  
Date : May 28, 2012

Vipul P. Shah  
CEO & Managing Director

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members  
Asian Star Company Limited

We have examined the compliance of conditions of Corporate Governance by Asian Star Company Limited, for the year ended on 31<sup>st</sup> March, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Ltd.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to explanations given to us, and based on the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

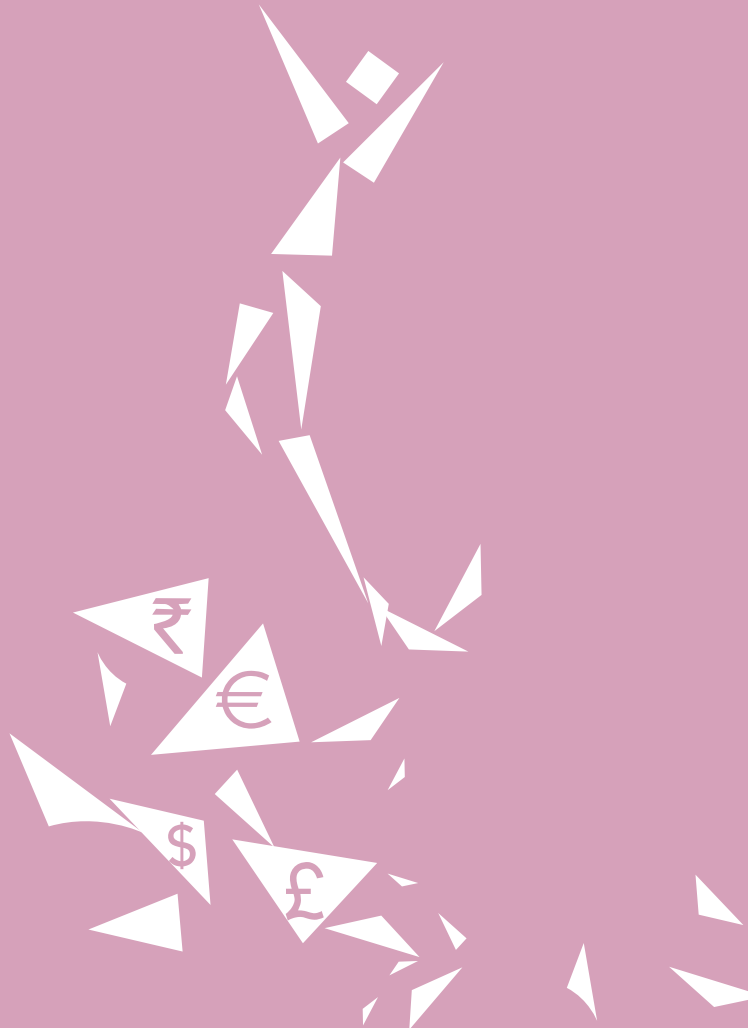
For V. A. Parikh & Associates  
Chartered Accountants

Place : Mumbai  
Date : May 28, 2012

Jinesh J. Shah  
Partner  
Membership No. 111155



# FINANCIAL SECTION



## AUDITORS' REPORT

To,

**The Members of Asian Star Company Limited**

1. We have audited the attached Balance Sheet of ASIAN STAR COMPANY LIMITED as at 31<sup>st</sup> March, 2012, Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements 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. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of Account.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in the sub-section (3C) of Section 211 of the Companies Act, 1956
  - e) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March 2012 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31<sup>st</sup> March, 2012 from being appointed as a Director in terms of clause (g) of subsection (1) of section 274 of Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31<sup>st</sup> March, 2012 ;
    - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date ; and
    - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

Place : Mumbai  
Date : May 28, 2012

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**ANNEXURE TO AUDITORS' REPORT****Re: Asian Star Company Limited**

Referred to in paragraph 3 of our report of even date:

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, all the assets have been physically verified by the Management at the end of the accounting year and no material discrepancies were noticed on physical verification as compared to the book records.
- c) The assets disposed off during the year are not significant and therefore do not affect the going concern assumption.
2. a) The stocks of finished goods and raw materials have been physically verified by the management at the end of the accounting year.
- b) In our opinion, and according to the information and explanations given to us, the procedures of physical verifications of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) In our opinion the Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification as compared to the book records.
3. a) The Company has granted loans to one company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.381.41 Lacs and the year end balance was Rs.381.41 Lacs.
- b) These loans are unsecured, interest free and unconditional.
- c) The principal amounts are repayable on demand and there is no repayment schedule.
- d) There is no overdue amount. In view of this sub clause (d) of this clause is not applicable.
- e) The Company has not taken any loan (secured or unsecured) from companies, firms or other parties covered in the register maintained under Section 301 of the Act excepting unsecured loan from five of its Directors. The maximum amount involved during the year was Rs.5,764 Lacs and the year end balance of loans taken was Rs.5,317 Lacs.
- f) These loans are unsecured, interest free and unconditional.
- g) The principal amounts are repayable on demand and there is no repayment schedule.
4. In our opinion and according to the information and explanations given to us, the company has an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and also for sale of goods and services. During the course of our audit, no major weaknesses were noticed in the internal control system.
5. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into the register maintained under Section 301 have been properly entered in the said register.
- b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and as per the Company's business need and exigencies.
6. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
7. In our opinion the Company has internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
9. a) According to the records of the Company and as per information and explanation given to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it and there were no undisputed dues outstanding as on 31<sup>st</sup> March, 2012 for a period of more than six months from the date they become payable.
- b) In our opinion and according to the information and explanation given to us, there are no dues in respect of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess that have not been deposited on account of any dispute.
10. The Company neither has any accumulated losses at the end of the financial year nor it has incurred any cash loss during the financial year or immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us the Company has not defaulted in repayment of dues to any Financial Institution or Bank.
12. In our opinion and according to the information and explanations given to us the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities
13. The Company is not a chit/nidhi/mutual benefit fund/society and hence clause (xiii) of the Order is not applicable.
14. In our opinion, the Company has maintained proper records of transactions and contracts in respect of dealing or trading in shares, securities and other investments and timely entries have been made therein. All shares and other investments have been held by the Company in its own name except for shares held in accordance with exemption provided under section 49 (3) of the Companies Act, 1956.
15. In our opinion and according to the information and explanations given to us, the guarantee given by the Company in respect of loans taken by others from bank, the terms and conditions thereof is not prejudicial to the interest of the Company.
16. According to the information and explanations given to us, the term loan has been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us the short term funds raised by the Company have not been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The Company has not issued any debentures during the financial year.
20. The Company has not raised any money by public issue during the year.
21. In our opinion and according to the information and explanations given to us no fraud on or by the Company has been reported during the year.

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

**JINESH J. SHAH**  
Partner  
Membership No. 111155

Place : Mumbai  
Date : May 28, 2012

## ASIAN STAR COMPANY LIMITED

## BALANCE SHEET AS AT MARCH 31, 2012

(Rs. in Lacs)

PARTICULARS	NOTE	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
<b>EQUITY AND LIABILITIES</b>					
Shareholders Funds					
Share Capital	1	1,067.12		1,067.12	
Reserves and Surplus	2	38,202.28		35,724.75	
			39,269.40		36,791.87
Non-Current Liabilities					
Long-Term Borrowings	3	5,317.00		6,896.57	
Deferred Tax Liabilities (Net)	4	2,502.81		2,550.92	
Long-Term Provisions	5	3,522.82		2,285.11	
			11,342.63		11,732.60
Current Liabilities					
Short-Term Borrowings	6	56,835.40		56,374.62	
Trade Payables	7	15,124.56		3,930.91	
Other Current Liabilities	8	440.12		888.56	
Short-Term Provisions	9	1,469.07		1,471.38	
			73,869.15		62,665.47
<b>Total</b>			<b>1,24,481.18</b>		<b>1,11,189.94</b>
<b>ASSETS</b>					
Non-Current Assets					
Fixed Assets					
Tangible Assets	10	14,834.15		14,982.86	
Capital Work-In-Progress		230.86		60.05	
		15,065.01		15,042.91	
Non-Current Investments	11	348.16		290.76	
Long-Term Loans and Advances	12	981.90		1,157.08	
Other Non-Current Assets	13	3,440.78		2,269.20	
			19,835.85		18,759.95
Current Assets					
Current Investments	14	89.11		95.94	
Inventories	15	41,536.89		32,574.48	
Trade Receivables	16	46,603.15		44,264.76	
Cash and Cash Equivalents	17	8,907.98		9,141.77	
Short-Term Loans and Advances	18	6,302.69		5,389.19	
Other Current Assets	19	1,205.51		963.85	
			1,04,645.33		92,429.99
<b>Total</b>			<b>1,24,481.18</b>		<b>1,11,189.94</b>
Significant Accounting Policies Notes on Financial Statements	1 to 42				

As per our report of even date

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

For and on behalf of the Board

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**SANGEETHA SHESHADRI**  
Company Secretary

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

## PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rs. in Lacs)

PARTICULARS	NOTE	2011-2012		2010-2011	
Revenue From Operations	20	1,52,908.85		1,45,591.83	
Other Income	21	(2.31)		(90.38)	
<b>Total Revenue</b>			<b>1,52,906.54</b>		<b>1,45,501.45</b>
<b>EXPENSES</b>					
Cost of Materials Consumed	22	1,36,104.93		1,25,187.17	
Purchases of Stock-In-Trade		3,083.86		2,988.50	
Changes in Inventories of Finished Goods, Work-In-Progress & Stock-In-Trade	23	(5,247.04)		(582.38)	
Employee Benefits Expense	24	2,119.44		1,738.66	
Finance Costs	25	1,372.71		1,716.19	
Depreciation and Amortization Expense		801.43		737.12	
Other Expenses	26	10,828.65		9,948.44	
<b>Total Expenses</b>			<b>1,49,063.98</b>		<b>1,41,733.70</b>
<b>Profit Before Tax</b>			<b>3,842.56</b>		<b>3,767.75</b>
Tax Expense					
Current Tax			1,227.10		1,179.34
Deferred Tax			(48.11)		52.46
<b>Profit After Tax</b>			<b>2,663.57</b>		<b>2,535.95</b>
Earnings Per Equity Share: Basic and Diluted (in Rs.)			24.96		23.76
Significant Accounting Policies Notes on Financial Statements	1 to 42				

As per our report of even date

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

For and on behalf of the Board

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**SANGEETHA SHESHADRI**  
Company Secretary

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax & Extraordinary Items	3,842.56	3,767.93
Adjustment for		
Depreciation	801.43	737.12
Finance Costs	1,372.71	1,716.19
Unrealised Foreign Exchange (Gain) / Loss	822.20	(303.22)
Dividend Received	(3.00)	(3.12)
(Profit) / Loss on Sale of Fixed Assets	1.83	1.22
(Profit) / Loss on Sale of Investment	18.79	89.42
Diminution in Value of Investment Written off / (Written back)	(11.96)	4.74
Provision for Doubtful Debts	-	18.81
Bad Debts	-	209.98
Provision for Doubtful Debts Written back	(18.81)	(196.84)
Wealth Tax	1.40	1.35
Operating Profit before Working Capital changes	6,827.15	6,043.58
Adjustment for		
Receivables	(1,982.69)	(3,850.43)
Inventories	(8,962.40)	(1,612.78)
Loans & Advances (including Non Current)	(740.13)	2,545.18
Current and Non Current Liabilities	10,739.57	(6,428.18)
Cash Generated from / (used in) Operations	5,881.50	(3,302.63)
Taxation	(1,412.84)	(810.20)
Prior year Adjustments	-	(0.18)
Cash Flow before Extraordinary Items	4,468.66	(4,113.01)
Net cash from / (used in) Operating Activities	4,468.66	(4,113.01)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Includes Capital Work in Progress)	(826.25)	(1,284.58)
Sale of Fixed Assets	0.89	10.44
Purchase / Increase of Investments	(63.60)	(97.96)
Dividend Received	3.00	3.12
Sale / Decrease of Investments	6.20	12.44
Net Cash from / (used in) Investing Activities	(879.76)	(1,356.54)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Borrowings	(1,579.57)	55.29
Short Term Borrowings	(622.37)	8,181.88
Finance Costs	(1,372.71)	(1,716.19)
Dividend Paid	(213.42)	(213.42)
Tax on Dividend	(34.62)	(35.45)
Net Cash From / (used in) Financing Activities	(3,822.69)	6,272.11
Net increase / (decrease) in Cash & Cash Equivalents	(233.79)	802.56
Cash & Cash Equivalents as at 1st April (Opening)	9,141.77	8,339.21
Cash & Cash Equivalents as at 31st March (Closing)	8,907.98	9,141.77

As per our report of even date

FOR V. A. PARIKH &amp; ASSOCIATES

Chartered Accountants

FRNo : 112787W

For and on behalf of the Board

JINESH J. SHAH

Partner

Membership No. 111155

SANGEETHA SHESHADRI

Company Secretary

DINESH T. SHAH

Chairman

VIPUL P. SHAH

CEO &amp; Managing Director

Place : Mumbai

Dated : May 28, 2012

Place : Mumbai

Dated : May 28, 2012

Place : Mumbai

Dated : May 28, 2012

## SIGNIFICANT ACCOUNTING POLICIES

## A. Basis for Preparation of Financial Statements

The financial statements have been prepared using mercantile system of accounting under the historical cost convention. It recognizes significant items of income and expenditure on accrual basis. The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the provisions of the Companies Act, 1956.

## B. Sales

Income from the sale of diamonds / jewellery is recognized when the sale has been completed with the passing of the title. Income from sale of wind energy is recognized on its transmission and delivery.

## C. Other Income

## Interest

Interest income is recognized on accrual basis.

## Income from investments

Income from investment is accounted in the year in which the unconditional right to receive such income is established.

## D. Depreciation

Depreciation on fixed assets has been provided at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956 on straight line basis.

## E. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An Impairment loss is charged to the profit and loss account in the year in which the asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

## F. Foreign Currency Transactions

F.1 Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

F.2 Monetary items denominated in foreign currencies at the year-end are translated at year-end exchange rate.

F.3 The company enters into forward / option contracts for hedging purpose. In case of forward contracts, the difference between the year end rate and rate on the date of contract is recognized as exchange difference. The proportionate difference between the forward rate and the exchange rate on the date of transaction is recognized over the life of the contract. In case of option contracts, the premium paid and gain / loss are recognized as exchange difference on the date of settlement of the contract. Mark to market loss, if any, is recognized as exchange difference at the year end.

F.4 Non monetary foreign currency items are carried at cost.

F.5 Any income or expense on account of exchange difference either on settlement or on translation is adjusted to the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

## G. Fixed Assets

Cost of Fixed Assets comprises of purchase price, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use. Fixed Assets are stated at cost less accumulated depreciation.

## H. Capital Work in Progress

Capital work in progress comprises of cost of acquisition of assets, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use. Expenditure incurred on project under implementation is treated as incidental expenditure incurred during construction and is pending allocation to the assets which will be allocated/apportioned on completion of the project.

## I. Borrowing Costs

All borrowing costs, which are of revenue nature, are charged to profit and loss Account.

**J. Investment**

- J1. Long term investments are valued at cost. Provision for diminution in value is made only if such diminution is otherwise than temporary in the opinion of the management.
- J2. Current Investments - Quoted are valued at cost or market value, whichever is lower.

**K. Inventories**

- K1. Stock of raw materials is stated at weighted average cost or net realizable value whichever is lower. Stock of polished diamonds (for jewellery operations) is valued at technically evaluated cost or net realizable value whichever is lower. Specific items of cost are allocated and assigned to inventory wherever practicable.
- K2. Work in Progress is valued at technically evaluated cost. Finished goods are valued at technically evaluated cost or estimated net realizable value, whichever is lower. Cost includes cost of material and related conversion cost. In view of the nature of variation in the values of individual diamonds and the differential in their processing costs, it is not practicable to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the numerous grades, it is not practicable to use specific costs. The method of valuation is therefore in compliance with "AS2" issued by the Institute of Chartered Accountants of India to the extent practicable.
- K.3 Consumables are valued at average cost.

**L. Employee Benefits****L1. Short Term Employee Benefit**

Short term employee benefits are recognized in the period during which the service has been rendered.

**L2. Long Term Employee Benefit**

a) Provident Fund Act, Family Pension Fund & Employees State Insurance Scheme.

As per Provident Fund Act, 1952 all employees of the Company are entitled to receive benefits under the provident fund & family pension fund which is a defined contribution plan. These contributions are made to the fund administered and managed by the Government of India. In addition some employees of the Company are covered under Employees State Insurance Scheme Act, 1948, which are also defined contribution schemes recognized and administered by Government of India.

The Company's contributions to these schemes are recognized as expense in profit and loss account during the period in which the employee renders the related services. The Company has no further obligation under these plans beyond its monthly contributions.

b) The Company provides for gratuity obligation through a Defined Benefit Retirement Plan ('The Gratuity Plan') covering its employees. The present value of the obligation under such Defined plan is determined based on actuarial valuation. Actuarial gains and losses are recognized in profit and loss Account as and when determined. The Company makes annual contribution to LIC for the Gratuity Plan in respect of employees.

**M. Taxation**

Current Tax is determined as the amount of tax payable in respect of taxable income for the year after considering various relief's admissible under provisions of the Income Tax Act, 1961. The deferred tax for timing difference between the book and tax profit for the year is accounted for using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax asset arising from timing difference are recognized to the extent that there is virtual certainty that sufficient future taxable income will be available.

**N. Provisions, Contingent Liabilities and Contingent Assets**

The company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012****1. SHARE CAPITAL**

(Rs. in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Authorised</b>		
1,50,00,000 ( 1,50,00,000 ) Equity Shares of Rs.10 each	1,500.00	1,500.00
5,00,00,000 (5,00,00,000) Redeemable Cumulative Preference Shares of Rs.10 each	5,000.00	5,000.00
	<b>6,500.00</b>	<b>6,500.00</b>
<b>Issued, Subscribed and Paid-up</b>		
1,06,71,200 ( 1,06,71,200 ) Equity Shares of Rs. 10 each	1,067.12	1,067.12
<b>Total</b>	<b>1,067.12</b>	<b>1,067.12</b>

**1.1 THE DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% OF THE AGGREGATE SHARES IN THE COMPANY**

NAME OF THE SHAREHOLDER	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
	NO. OF SHARES HELD	% OF HOLDING	NO. OF SHARES HELD	% OF HOLDING
Vipul Prabodh Shah	26,66,700	24.99	26,66,700	24.99
Nirmala Dinesh Shah	12,00,000	11.25	12,00,000	11.25
Arvind Tarachand Shah	10,56,300	9.90	10,56,300	9.90
Priyanshu Arvind Shah	8,10,300	7.59	8,10,300	7.59
Rasila Arvind Shah	8,00,000	7.50	8,00,000	7.50
Dharmesh Dinesh Shah	8,00,000	7.50	8,00,000	7.50
Dinesh Tarachand Shah	6,67,700	6.25	6,67,700	6.25
<b>Total</b>	<b>80,00,000</b>	<b>74.97</b>	<b>80,00,000</b>	<b>74.97</b>

**2. RESERVES & SURPLUS**

(Rs. in Lacs)

PARTICULARS	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
<b>Capital Reserves</b>				
As per Last Balance Sheet		298.16		298.16
<b>Capital Redemption Reserve</b>				
As per Last Balance Sheet		2,520.00		2,520.00
<b>General Reserves</b>				
As per Last Balance Sheet	15,163.68		14,963.68	
Add: Transferred from Profit and Loss Account	200.00		200.00	
		15,363.68		15,163.68
<b>Profit and Loss Account</b>				
As per last Balance Sheet	17,742.91		15,655.00	
Add: Profit for the Year	2,663.57		2,535.95	
	20,406.48		18,190.95	
Less: Appropriations				
Transferred to General Reserve	200.00		200.00	
Proposed Dividend on Equity Shares (Dividend per Share Rs.1.50/-)	160.07		213.42	
Previous Year Dividend per Share Rs.2/-)				
Tax on Dividend	25.97		34.62	
	386.04		448.04	
		20,020.44		17,742.91
<b>Total</b>		<b>38,202.28</b>		<b>35,724.75</b>

**3. LONG TERM BORROWINGS**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Secured Loans</b>		
Term Loan from Banks	-	2,372.57
Secured by		
a. Fixed Deposits		
b. First charge on windmill, all related equipments, systems & accessories at Kerala & Tamilnadu		
c. Equitable mortgage of the land covered under the windmill project at Kerala & Tamilnadu		
<b>Unsecured Loans</b>		
Loan from Related Party - Directors	5,317.00	4,524.00
<b>Total</b>	<b>5,317.00</b>	<b>6,896.57</b>

**4. DEFERRED TAX LIABILITY**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Deferred Tax Liability on account of:</b>		
Depreciation	2,582.89	2,615.94
<b>Deferred Tax Asset on account of:</b>		
Provision for Diminution in Market Value of Current Investments	18.69	22.57
Provision for Doubtful Debts	7.77	7.77
Gratuity Liability	53.62	34.68
	80.08	65.02
<b>Deferred Tax Liability - Net</b>	<b>2,502.81</b>	<b>2,550.92</b>

**5. LONG TERM PROVISIONS**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Provision for Employee Benefits</b>		
Provision for Gratuity	161.63	103.26
<b>Others</b>		
Taxation	3,361.19	2,181.85
<b>Total</b>	<b>3,522.82</b>	<b>2,285.11</b>

**6. SHORT TERM BORROWINGS**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Secured Loans</b>		
Working Capital Loan from Banks	56,835.40	56,374.62
Secured by		
a. Fixed Deposit		
b. Hypothecation of Stock in Trade and Book Debts		
c. Hypothecation of Premises at Mumbai and Surat		
d. Guaranteed by some of the Directors in their Personal Capacity		
<b>Total</b>	<b>56,835.40</b>	<b>56,374.62</b>



**7. TRADE PAYABLES**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Creditors for Goods	14,082.23	2,824.75
Creditors for Processing	1,042.33	1,106.16
<b>Total</b>	<b>15,124.56</b>	<b>3,930.91</b>

**8. OTHER CURRENT LIABILITIES**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Current Maturities of Long-Term Debt	-	581.71
Interest Accrued and Due on Borrowings	2.05	31.72
Other Payables*	437.82	274.95
Unclaimed Dividend	0.25	0.18
<b>Total</b>	<b>440.12</b>	<b>888.56</b>

\* Includes statutory dues and payable for expenses /services.

**9. SHORT TERM PROVISIONS**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Leave Encashment (unfunded)	55.93	44.00
Proposed Dividend	160.07	213.42
Tax On Dividend	25.97	34.62
Provision for Taxation	1,227.10	1,179.34
<b>Total</b>	<b>1,469.07</b>	<b>1,471.38</b>

**10. FIXED ASSETS**

(Rs. in lacs)

Description Of Assets	GROSS BLOCK (AT COST)			DEPRECIATION / IMPAIRMENT			NET BLOCK			
	As At April 1, 2011	Additions	Deductions	As At March 31, 2012	As At April 1, 2011	For The Year	Deductions	As At March 31, 2012	As At March 31, 2012	As At March 31, 2011
<b>Tangible Assets</b>										
Land	774.81	-	-	774.81	-	-	-	-	774.81	774.81
Office Premises	2,800.09	211.65	-	3,011.74	251.86	45.86	-	297.72	2,714.02	2,548.23
Factory Premises	1,452.52	11.85	-	1,464.37	153.51	41.76	-	195.27	1,269.10	1,299.01
Plant & Machinery	10,314.51	291.50	-	10,606.01	1,866.94	530.39	-	2,397.33	8,208.68	8,447.57
Vehicles	338.02	26.38	4.20	360.20	125.98	33.32	1.48	157.82	202.38	212.04
Furniture & Fixtures	792.44	25.99	-	818.43	209.76	49.56	-	259.32	559.11	582.68
Office Equipments	1,339.56	16.23	-	1,355.79	286.93	66.08	-	353.01	1,002.78	1,052.63
Computer	310.79	71.84	-	382.63	244.90	34.46	-	279.36	103.27	65.89
<b>CURRENT YEAR</b>	<b>18,122.74</b>	<b>655.44</b>	<b>4.20</b>	<b>18,773.98</b>	<b>3,139.88</b>	<b>801.43</b>	<b>1.48</b>	<b>3,939.83</b>	<b>14,834.15</b>	<b>14,982.86</b>
<b>PREVIOUS YEAR</b>	<b>16,597.66</b>	<b>1,538.70</b>	<b>13.60</b>	<b>18,122.74</b>	<b>2,404.72</b>	<b>737.12</b>	<b>1.96</b>	<b>3,139.88</b>	<b>14,982.86</b>	<b>14,192.94</b>

**11. NON-CURRENT INVESTMENTS**

(Rs. in lacs)

PARTICULARS	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
<b>A. Trade Investments</b>	-	-
<b>B. Other Investments - Long Term</b>		
Unquoted, fully paid up In Equity Shares of Subsidiary Companies		
Wholly owned subsidiary- Asian Star Co.Ltd., USA 5 (5) Shares of US\$ 100000 each.	178.75	178.75
Wholly owned subsidiary - Inter Gems DMCC 200 (200) Shares of AED 1,000 each.	12.01	12.01
Wholly owned subsidiary - Asian Star Jewels Pvt. Ltd. 10,00,000 (10,00,000) Shares of Rs.10 each	100.00	100.00
Wholly owned subsidiary- Asian Star Trading ( Hongkong) Ltd 10,000 (Nil) Shares of HK\$ 100 each.	57.40	-
<b>Total</b>	<b>348.16</b>	<b>290.76</b>

**12. LONG TERM LOANS AND ADVANCES (UNSECURED , CONSIDERED GOOD)**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Capital Advances	379.91	415.16
Security Deposits	220.58	220.51
Loans and advances to related parties (Loan to Subsidiary Company)	381.41	521.41
<b>Total</b>	<b>981.90</b>	<b>1,157.08</b>

**13. OTHER NON CURRENT ASSETS**

(Rs. in lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Advance Tax	3,399.66	2,229.89
Deposits With Others	41.12	39.31
<b>Total</b>	<b>3,440.78</b>	<b>2,269.20</b>

**14. CURRENT INVESTMENTS**

(Rs.in Lacs)

PARTICULARS	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
<b>Investments in Equity</b>				
Quoted, fully paid up				
Classic Diamond (India) Ltd. 5,000 (5,000) Shares of Rs.2 each	4.69		4.69	
Flawless Diamond (India) Ltd. 100 (100) Shares of Rs.10 each	0.01		0.01	
Gitanjali Gems Ltd. 1,000 (1,000) Shares of Rs.10 each	2.20		2.20	
Golddium International Ltd. 1,000 (1,000) Shares of Rs.10 each	0.97		0.97	
Golkunda Diamonds & Jewellery Ltd. 10 (10) Shares of Rs.10 each	0.01		0.01	
Parekh Platinum Ltd. 10 (10) Shares of Rs.10 each	0.01		0.01	
Rajesh Exports Ltd. 600 (600) Shares of Rs.1 each	0.52		0.52	
S.B. & T International Ltd. 10 (10) Shares of Rs.10 each	0.01		0.01	
Shantivijay Jewels Ltd. 10 (10) Shares of Rs.10 each	0.01		0.01	
Shrenuj & Co Ltd. 1,000 (1,000) Shares of Rs.2 each	0.45		0.45	
Su-Raj Diamonds & Jewellery Ltd. 1,000 (1,000) Shares of Rs.10 each	0.56		0.56	
Vaibhav Gems Ltd. 10 (10) Shares of Rs.10 each	0.03		0.03	
Zodia JRD MKJ Ltd. 10 (10) Shares of Rs.10 each	0.01		0.01	
Va-Tech Wabag Ltd. 226 (226) Shares of Rs.5 each	2.95		2.95	
A		12.43		12.43
<b>Investments in Mutual Fund</b>				
Quoted, fully paid up				
JM Agri & Infra Fund Nil (2,50,000) units of Rs.10 each	-		25.00	
JM Basic Fund - Dividend 84,555 (84,555) units of Rs.10 each	25.00		25.00	
JM Basic Fund - Growth 44,992 (Nil) units of Rs.10 each	6.20		-	
JP Morgan India Equity Fund 1,76,267 (1,76,267) units of Rs.10 each	25.00		25.00	
Reliance Diversified Power Sector Fund 47,975 (47,975) units of Rs.10 each	25.00		25.00	
Reliance Media & Entertainment Fund 63,081 (63,081) units of Rs.10 each	25.00		25.00	
Reliance Vision Fund 39,708 (39,708) units of Rs.10 each	25.00		25.00	
B		131.20		150.00
A+B		143.63		162.43
Less:- Adjustment to carrying amount of Investments		(54.52)		(66.49)
<b>Total</b>		<b>89.11</b>		<b>95.94</b>
Aggregate amount of quoted investments		143.63		162.43
Market Value of quoted investments		89.11		95.94
Basis of Valuation - at cost or market value whichever is lower				

**15. INVENTORIES**

(Rs. in lacs)

PARTICULARS	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
Raw Materials	23,444.53	19,732.69
Work In Progress	1,633.18	2,184.94
Finished Goods & Stock-In-Trade	16,444.95	10,646.15
Consumables	14.23	10.70
(As verified, valued and certified by a Director)		
<b>Total</b>	<b>41,536.89</b>	<b>32,574.48</b>

**16. TRADE RECEIVABLES**

(Rs. in Lacs)

PARTICULARS	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
<b>Unsecured</b>				
<b>Over six months from due date</b>				
Considered Good	326.56		289.13	
Considered Doubtful	-		18.81	
	326.56		307.94	
Less: Provision for Doubtful Debts	-		18.81	
		326.56		289.13
<b>Others</b>				
Considered Good		46,276.59		43,975.63
<b>Total</b>		<b>46,603.15</b>		<b>44,264.76</b>

**17. CASH AND CASH EQUIVALENTS**

(Rs. in lacs)

PARTICULARS	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
Balances with Banks In Current Accounts	1,414.67	1,864.36
Fixed Deposits with Banks	7,475.48	7,226.62
Cash on hand	17.83	50.79
<b>Total</b>	<b>8,907.98</b>	<b>9,141.77</b>

Balance with banks include unclaimed Dividend of Rs.0.25 lacs ( Previous Year Rs.0.18 lacs).

Fixed Deposits with banks include deposits of Rs.1,057.78 lacs (Previous Year Rs.438.47 lacs) with maturity of more than 12 months.

Fixed Deposits with banks includes deposits of Rs.450.00 lacs (Previous Year Rs.450.00 lacs) kept under lien with the bank as security for Bank Facilities obtained by a subsidiary Company.

**18. SHORT-TERM LOANS AND ADVANCES**

(Rs. in lacs)

PARTICULARS	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
<b>Loans and Advances</b>		
Unsecured, Considered Good	6,302.69	5,389.19
<b>Total</b>	<b>6,302.69</b>	<b>5,389.19</b>

**19. OTHER CURRENT ASSETS**

(Rs. in lacs)

PARTICULARS	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
Advance Tax	1,205.51	963.85
<b>Total</b>	<b>1,205.51</b>	<b>963.85</b>

**20. REVENUE FROM OPERATIONS**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Sale of Products	1,52,858.29	1,45,431.64
Sale of Services	50.56	160.19
<b>Total</b>	<b>1,52,908.85</b>	<b>1,45,591.83</b>

**20.1 PARTICULARS OF SALE OF PRODUCTS**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Diamond	1,27,287.64	1,28,644.17
Jewellery	24,872.33	16,093.58
Power - Windmill	698.32	693.89
<b>Total</b>	<b>1,52,858.29</b>	<b>1,45,431.64</b>

**21. OTHER INCOME**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Dividend Income	3.00	3.12
Net gain/(loss) on Sale of Investments	(18.79)	(89.42)
Provision for Diminution in Value of Investments Written Back	11.96	(4.74)
Miscellaneous Receipts	1.52	0.66
<b>Total</b>	<b>(2.31)</b>	<b>(90.38)</b>

**22. COST OF MATERIALS CONSUMED**

(Rs. in Lacs)

PARTICULARS	2011-2012		2010-2011	
Stock at the Commencement	19,732.69		18,708.06	
Purchases during the year	1,39,816.77		1,26,211.80	
	1,59,549.46		1,44,919.86	
Less : Stock at the Close	23,444.53		19,732.69	
<b>Total</b>		<b>1,36,104.93</b>		<b>1,25,187.17</b>

**22.1 PARTICULARS OF MATERIALS CONSUMED**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Rough Diamonds	1,26,389.39	1,18,386.85
Others	9,715.54	6,800.32
<b>Total</b>	<b>1,36,104.93</b>	<b>1,25,187.17</b>

**23. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS & STOCK-IN-TRADE**

(Rs. in Lacs)

PARTICULARS	2011-2012	2010-2011
Variation in Stock of Work In Progress		
Stock at the Commencement	2,184.94	2,020.26
Less: Stock at the Close	1,633.18	2,184.94
<b>A</b>	<b>551.76</b>	<b>(164.68)</b>
Variation in Stock of Finished Goods		
Stock at the Commencement	10,603.33	9,995.51
Less: Stock at the Close	16,320.45	10,603.33
<b>B</b>	<b>(5,717.12)</b>	<b>(607.82)</b>
Variation in Stock-In-Trade		
Stock at the Commencement	42.82	232.94
Less: Stock at the Close	124.50	42.82
<b>C</b>	<b>(81.68)</b>	<b>190.12</b>
<b>Total</b>	<b>(5,247.04)</b>	<b>(582.38)</b>

**24. EMPLOYEE BENEFITS EXPENSE**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Salary & Bonus	1,323.30	1,157.63
Director's Remuneration	136.50	87.00
Wages	299.55	194.73
Gratuity	89.79	77.01
Ex Gratia & Leave Encashment	99.66	78.44
Labour Welfare Fund Expenses	0.52	0.52
Contribution to Provident Fund	79.56	72.68
Group Insurance	53.97	36.78
Contribution to E.S.I.C.	29.37	25.21
Staff Welfare Expenses	7.22	8.66
<b>Total</b>	<b>2,119.44</b>	<b>1,738.66</b>

**25. FINANCE COSTS**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Interest Expense	1,040.49	1,402.98
Other Borrowing Costs	332.22	313.21
<b>Total</b>	<b>1,372.71</b>	<b>1,176.19</b>

**26. OTHER EXPENSES**

(Rs.in Lacs)

PARTICULARS	2011-2012	2010-2011
<b>Manufacturing Expenses</b>		
Processing Expenses	7,846.72	7,302.80
Electricity, Power & Fuel	288.50	249.64
Consumables	206.70	209.60
Factory Expenses	33.30	48.23
	<b>8,375.22</b>	<b>7,810.27</b>
<b>Administrative Expenses</b>		
Bank Comission & Charges	165.41	108.23
Electrical Charges	90.43	107.58
Telephone, Internet and Fax Charges	61.41	56.93
Local Traveling and Conveyance	42.85	51.96
Legal & Professional Fees	82.62	75.11
Audit Fees	5.04	4.96
Printing & Stationery	33.26	27.92
Repairs & Maintenance (Other)	78.50	88.84
Repairs & Maintenance (Building)	4.24	4.72
Repairs & Maintenance (Plant & Machinery)	66.09	71.16
Repairs & Maintenance (Windmill)	159.21	151.50
Postage and Courier	33.33	26.66
Bad Debts	-	209.98
Provision for Doubtful Debt	-	18.81
Provision for Doubtful Debt Written back	(18.81)	(196.84)
Motor Car Expenses	35.90	28.66
Insurance Premium	144.82	132.79
Rent & Compensation	118.60	117.18
Donation	105.41	91.13
Office Canteen Expenses	83.00	89.54
Office Expenses	19.13	14.11
Director's Sitting Fees	1.12	1.36
Sundry Expenses	42.57	60.43
Security Charges	47.69	37.00
Loss on Sale of Assets	1.83	1.22
Registration & Filing Charges	0.73	1.28
Wealth Tax	1.40	1.35
Membership and Subscription	88.95	1.68
Prior Year Expense	-	0.18
	<b>1,494.73</b>	<b>1,385.43</b>

PARTICULARS	2011-2012		2010-2011	
<b>Selling &amp; Distribution Expenses</b>				
Advertisement	67.11		41.65	
Sales Expenses	63.31		62.42	
Entertainment Expenses	20.65		15.88	
Foreign Travelling	101.26		93.42	
Commission on Sales	202.48		145.67	
Re-Assortment Charges	49.41		15.03	
Freight & Clearing Charges	120.06		102.03	
Agency Charges	12.19		9.44	
E.C.G.C. Premium	81.33		63.03	
Diamond Grading Charges	219.91		192.13	
Packing Expenses	20.99		12.04	
		958.70		752.74
<b>Total</b>		<b>10,828.65</b>		<b>9,948.44</b>

27. Surplus / (Deficit) on account of exchange difference on outstanding forward exchange contracts to be recognized in profit and loss account of subsequent accounting period aggregate to Rs.774.12 lacs (For F.Y. 2010-11 it was Rs.798.96 lacs).

#### 28. Derivative Instruments:

- a) Derivative contracts entered into by the Company and outstanding as on 31<sup>st</sup> March, 2012.
- i) For hedging currency related risk:  
Forward / option contracts (net) for sales entered into by the Company and outstanding as on 31<sup>st</sup> March, 2012 amount to Rs.2,32,173.78 Lacs (for F.Y.2010-11 forward / option contracts (net) for Sales was Rs.54,544.44 Lacs)
- ii) For hedging commodity related risk:  
Forward contracts for Gold entered into by the Company and outstanding as on 31<sup>st</sup> March, 2012 covers 82 Kgs. (For F.Y.2010-11 it was 124 Kgs.).
- b) Foreign currency exposure that is not hedged by the derivative instruments as on 31<sup>st</sup> March, 2012, amount to Rs. Nil. (For F.Y.2010-11 it was Rs. Nil).

29. The details of amounts outstanding to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the information available with the Company are as under:

SR. NO.	PARTICULARS	AS AT	
		31ST MARCH, 2012	31ST MARCH, 2011
1	Principal amount due and remaining unpaid	-	-
2	Interest due on (1) above and the unpaid interest	-	-
3	Interest paid on all delayed payments under the MSMED Act.	-	-
4	Payment made beyond the appointed day during the year	-	-
5	Interest due and payable for the period of delay other than (3) above	-	-
6	Interest accrued and remaining unpaid	-	-
7	Amount of further interest remaining due and payable in succeeding years	-	-

30. The Company has given guarantee of Rs. 13,231.30 lacs (Previous year Rs 6,348.75 lacs) to banks for facilities availed by its subsidiary companies.

#### 31. Related Party Disclosure for the year ended 31<sup>st</sup> March, 2012

(Rs. in lacs)

(A) Particulars of Enterprises controlled by the Company	Relationship
<b>Name of Related Party</b> Asian Star Co. Ltd. (U.S.A.) Inter Gems DMCC. Asian Star Jewels Pvt. Ltd. Asian Star Trading (Hong kong) Ltd	Subsidiary Subsidiary Subsidiary Subsidiary
<b>(B) Particulars of Key Management Personnel</b>	<b>Relationship</b>
<b>Name of Related Party</b> Dinesh T. Shah Vipul P. Shah Dharmesh D. Shah Arvind T. Shah Priyanshu A. Shah	Chairman CEO & Managing Director CFO & Jt. Managing Director Executive Director Executive Director
<b>(C) Particulars of Enterprises Under Common control of the Key Management Personnel</b>	
Jewel Art Asian Star Diamonds International Pvt. Ltd. Shah Manufacturers Rahil Agencies A*Star Exports Shah Enterprises	
<b>(D) Particulars of Transactions with Parties Referred to in (A) above</b>	
Sale of Polished Diamonds	9,235.81
Purchase of Diamonds	201.95
Amount Outstanding Shown under Sundry Debtors	3,639.87
Investment in Subsidiary during the year	57.40
Investment in Subsidiary	348.16
Loan given to Subsidiary (Net)	140.00
Amount of loan outstanding from subsidiary	381.41
Sale of Rubber Mould	3.50
Sale of Colour Stone, Diamond	108.01
Sale of Raw Gold	108.92
Jewellery Making charges	2.69
Sale of Platinum	6.30
<b>(E) Particulars of Transactions with Parties Referred to in (B) above</b>	
Directors' Remuneration	136.50
Rent Paid	3.60
Amount Outstanding shown under Deposits for Office Premises	110.00
Unsecured Loan Taken –(net)	793.00
Amount Outstanding shown under Unsecured loans from Directors	5,317.00
Sale of Jewellery	107.66
<b>(F) Particulars of Transactions with Parties Referred to in (C) above</b>	
Rent Payment	3.60
Lease Deposit Outstanding shown under Deposits	10.00
Contract for Processing of Diamonds	4,457.72
Amount Outstanding shown under Creditors for Processing	326.26
Sale of Polished Diamonds	48.08
Amount Outstanding Shown under Sundry Debtors	48.08
Purchase of Fixed Assets	205.56
Sale of Diamonds / Jewellery	0.35

**32. During the year, Company has recognized the following amounts in the financial statements:****a) Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under:

PARTICULARS	(RS.IN LACS)
Employers Contribution to Provident Fund & Family Pension Fund	79.57
Employers Contribution to Employees State Insurance Scheme	29.37
Employers Contribution to Labour Welfare Fund	0.53

**b) Defined Benefit Plan:**Defined benefits plan as per actuarial valuation as on 31<sup>st</sup> March, 2012 and recognized in the financial statement in respect of Employee Benefits Scheme:

(Rs. in Lacs)

Disclosure under AS 15 (Revised) Employee Benefits	Gratuity (Funded)
<b>I) Change in defined benefits obligation as at 31st March, 2012</b>	
a) Present value of the obligation as at the beginning of the year	301.73
b) Current Service Cost	36.07
c) Interest Cost	24.89
d) Benefit Paid	(23.73)
e) Actuarial (gain)/Loss on obligation	47.69
f) Present value of obligation as at the end of the year	386.65
<b>II) Change in fair value of plan assets</b>	
a) Present value of the plan assets at the beginning of the year	198.47
b) Expected return on plan Assets	15.88
c) Contribution	31.42
d) Benefit Paid	(23.73)
e) Actuarial gain/(loss) on plan assets	2.98
f) Present value of plan asset at the end of the year	225.02
g) Actual return on plan assets	18.86
<b>III) Component of Employee Cost recognized in Profit &amp; Loss Account</b>	
a) Interest Cost	24.89
b) Current Service Cost	36.07
c) Expected return on plan Assets	(15.88)
d) Actuarial (gain)/loss	44.70
e) Expenses recognized in Profit and Loss A/c	89.78
<b>IV) Reconciliation of Present value of obligation and fair value of Plan Assets</b>	
a) Present value of obligation at the end of the year	386.65
b) Fair Value of Plan Assets at the end of the year	225.02
c) Difference	(161.63)
d) Amount recognized in the Balance Sheet	(161.63)
<b>V) Actuarial Assumptions</b>	(%)
a) Discount Rate	8.50%
b) Expected rate of return on assets	8.60%
c) Future salary escalation	5.00%
d) Attrition rate	2.00%

**33. Segment wise reporting Revenue, Result and Capital Employed**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
<b>1. Segment – Revenue</b>		
Diamond	1,38,061.98	1,36,972.42
Jewellery	24,922.89	16,259.50
Others	714.80	603.52
Total	1,63,699.67	1,53,835.44
Less: Inter Segment Revenue / Transfer	10,793.13	8,333.98
<b>Net Sales / Revenue</b>	<b>1,52,906.54</b>	<b>1,45,501.46</b>
<b>2. Segment Results</b>		
Profit/(Loss) before Tax and Interest from each segment		
Diamond	4,166.39	4,295.47
Jewellery	884.63	1,112.49
Others	164.25	75.98
Total	5,215.27	5,483.94
Less:		
I) Interest	1,372.71	1,716.19
II) Other un – allocable expenses	-	-
<b>Total Profit Before Tax</b>	<b>3,842.56</b>	<b>3,767.75</b>
<b>3. Capital Employed</b>		
Diamond	29,753.60	30,695.16
Jewellery	3,309.86	2,655.09
Others	6,205.95	3,441.62
<b>Total Capital Employed</b>	<b>39,269.41</b>	<b>36,791.87</b>

The Company now recognizes two reportable business segments viz. cut and polished diamonds and jewellery. The business which is not reportable during the year, has been grouped under 'Others' Segment, this comprises wind energy generation.

**Secondary Segment**

Details as per Geographic Region

(Rs. in lacs)

Region	Region wise Sales & Services	Direct Segment Assets (Debtors)
1. Exports		
Asia	63,534.19	24,434.03
USA	15,148.19	5,791.26
Europe	32,773.51	3,627.20
Others	2,500.52	59.20
2. Local	38,952.45	12,691.46
<b>Total</b>	<b>1,52,908.86</b>	<b>46,603.15</b>

Segment Reporting and Related Information requires that an enterprise report a measure of total assets for each reportable segment. The fixed assets and inventories used in the Company's business are not identifiable to any particular reportable segment and can be used interchangeably among geographical segments. Consequently, management believes that it is not practical to provide segment disclosures relating to total assets since a realistic analysis among the various geographic segments is not possible. Therefore, information has been restricted to direct debtors of each geographical segment.

**34. Earning Per Share:**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Profit After Tax	2,663.57	2,535.95
Number Of Equity Shares	10,671,200	10,671,200
Nominal Value Per Equity Share (Rs.)	10	10
Earning Per Share (Basic) (Rs.)	24.96	23.76

(Rs. in lacs)

SR. NO.	PARTICULARS	2011-2012	2010-2011
35	Value of imported and indigenous consumption - Raw Material		
	• Imported Raw material	80,488.77	67,843.47
		59.14%	54.19%
	• Indigenous Raw material	55,616.16	57,343.70
		40.86%	45.81%
	<b>Total</b>	<b>1,36,104.93</b>	<b>1,25,187.17</b>
36	Interest Charged to Profit & Loss account is net of Interest received	680.32	470.80
37	Value of Import on CIF Basis - Raw Materials	87,984.38	59,710.33
38	Expenditure in Foreign Currency		
	Foreign Traveling	16.22	26.25
	Consumables	60.85	92.00
	Donation	12.32	-
39	Earning in Foreign exchanges FOB value of Exports	1,18,284.69	1,06,601.23
40	Breakup of remuneration paid to Managing/ Wholtime Directors		
	a. Salary	136.50	87.00
	b. Contribution to Provident & other Fund	0.19	0.19
	The Company has been advised that the computation of net profit pursuant to section 349 of the Companies Act, 1956 need not be enumerated since no commission has been paid to directors.		
41	Auditors Remuneration		
	Statutory Audit	5.04	4.96
	Certification Fees	1.11	0.55
	<b>Total</b>	<b>6.15</b>	<b>5.51</b>

42. The figures of previous year have been regrouped / reclassified wherever necessary and possible so as to confirm with the figures of the current year.

As per our report of even date

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

**For and on behalf of the Board**

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**SANGEETHA SHESHADRI**  
Company Secretary

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

#### STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY

A.	Name of the Subsidiary Company	Asian Star Company Limited (New York)	Inter Gems DMCC. (Dubai)	Asian Star Jewels Private Limited	Asian Star Trading (Hong Kong) Limited
B.	Date from which it became subsidiary	September 27, 1996	February 20, 2008	December 16, 2008	May 02, 2011
C.	Number of Shares held by Asian Star Company Limited with its nominee in the subsidiary as at 31/3/2012	5 Equity Shares of US \$100,000 each fully paid	200 Equity Shares of AED 1,000 each fully paid	10,00,000 Equity Shares of Rs.10 each fully paid	10,000 Equity Shares of HK \$100 each fully paid
D.	Extent of interest of Holding Company in the subsidiary as at 31/03/2012	100%	100%	100%	100%
E.	Net aggregate amount of profits/ (losses) of the Subsidiary Company as far as it concerns the members of the Company				
a.	Dealt with in the Company's account				
	I. for the financial year of the subsidiary	Nil	Nil	Nil	Nil
	II. for the previous year of the subsidiary since it become the subsidiary of the Company	US \$ 100,000 (Rs. 51.16 lacs)	Nil	Nil	Nil
b.	Not dealt with in the Company's account				
	I. for the financial year of the subsidiary	US \$ 85,591 (Rs. 43.79 lacs)	US \$ 24,40,525 (Rs. 1,248.49 lacs)	Rs. 111.28 lacs	US \$ 25,960 (Rs. 13.28 lacs)
	II. for the previous years of the subsidiary since it became the subsidiary of the Company	US \$ 30,430 (Rs. 15.57 lacs)	US \$ 33,59,099 (Rs. 1,718.40 lacs)	Rs. 205.22 lacs	Nil

Note: Converted at the rate of exchange US\$ 1 = Rs. 51.1565 prevailing on 31/03/2012.

**For and on behalf of the Board**

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012



**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To  
The Board of Directors  
Asian Star Company Limited

We have examined the attached Consolidated Balance Sheet of ASIAN STAR COMPANY LIMITED, ("The Company") and its subsidiaries as at March 31, 2012, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements 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 management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the Financial Statements of certain subsidiaries whose Financial Statements reflect total assets (net) of Rs.19,568.86 lacs as at March 31, 2012 and total revenues of Rs.34,470.14 lacs for the year ended on that date. These Financial Statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

Based on our audit as aforesaid and on the consideration of the separate audit reports on individual audited Financial Statements of the Company and its subsidiaries and to the best of our information and according to the explanations given to us, we are of the opinion that the said consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India,

- i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at March 31, 2012,
- ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date, and
- iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo: 112787W

Place : Mumbai  
Date : May 28, 2012

**JINESH J. SHAH**  
Partner  
Membership No: 111155

**ASIAN STAR COMPANY LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2012**

(Rs. in Lacs)

PARTICULARS	NOTE	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
<b>EQUITY AND LIABILITIES</b>					
Shareholders' Funds					
Share Capital	1	1,067.12		1,067.12	
Reserves and Surplus	2	41,519.29		37,416.09	
			42,586.41		38,483.21
Non-Current Liabilities					
Long-Term Borrowings	3	5,484.53		7,007.87	
Deferred Tax Liabilities (Net)	4	2,502.80		2,550.92	
Long-Term Provisions	5	3,522.82		2,285.11	
			11,510.15		11,843.90
Current Liabilities					
Short-Term Borrowings	6	60,196.72		58,665.80	
Trade Payables	7	27,173.73		10,340.55	
Other Current Liabilities	8	594.41		980.10	
Short-Term Provisions	9	1,478.03		1,476.14	
			89,442.89		71,462.59
<b>Total</b>			<b>1,43,539.45</b>		<b>1,21,789.70</b>
<b>ASSETS</b>					
Non-Current Assets					
Fixed Assets					
Tangible Assets	10	15,426.64		15,618.14	
Capital Work-In-Progress		230.84		60.04	
		15,657.48		15,678.18	
Long-Term Loans and Advances	11	613.45		647.93	
Other Non-Current Assets	12	3,464.23		2,270.67	
			19,735.16		18,596.78
Current Assets					
Current Investments	13	89.11		95.94	
Inventories	14	45,264.00		34,677.19	
Trade Receivables	15	59,814.82		51,544.62	
Cash and Cash Equivalents	16	10,412.84		9,796.67	
Short-Term Loans and Advances	17	6,893.11		6,047.78	
Other Current Assets	18	1,330.41		1,030.72	
			1,23,804.29		1,03,192.92
<b>Total</b>			<b>1,43,539.45</b>		<b>1,21,789.70</b>
Significant Accounting Policies					
Notes on Financial Statements	1 to 32				

As per our report of even date

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

For and on behalf of the Board

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**SANGEETHA SHESHADRI**  
Company Secretary

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

## PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rs.in Lacs)

PARTICULARS	NOTE	2011-2012		2010-2011	
Revenue From Operations	19	1,83,540.12		1,66,732.64	
Other Income	20	(1.18)		(87.21)	
<b>Total Revenue</b>		<b>1,83,538.94</b>		<b>1,66,645.43</b>	
<b>EXPENSES</b>					
Cost of Materials Consumed	21	1,38,786.95		1,27,058.97	
Purchases of Stock-In-Trade		29,621.27		21,354.97	
Changes in Inventories of Finished Goods, Work-In-Progress & Stock-In-Trade	22	(6,661.58)		(1,633.30)	
Employee Benefits Expense	23	2,572.15		2,061.29	
Finance Costs	24	1,501.06		1,732.66	
Depreciation and Amortization Expense		849.57		779.94	
Other Expenses	25	11,544.55		10,274.48	
<b>Total Expenses</b>		<b>1,78,213.97</b>		<b>1,61,629.01</b>	
<b>Profit Before Tax</b>		<b>5,324.97</b>		<b>5,016.42</b>	
Tax Expense					
Current Tax			1,233.58		1,186.33
Deferred Tax			(48.11)		52.46
<b>Profit After Tax</b>		<b>4,139.50</b>		<b>3,777.63</b>	
Earnings Per Equity Share:					
Basic and Diluted (In Rs.)			38.79		35.40
Significant Accounting Policies					
Notes on Financial Statements	1 to 32				

As per our report of even date

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

For and on behalf of the Board

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**SANGEETHA SHESHADRI**  
Company Secretary

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Tax &amp; Extraordinary Items</b>	<b>5,324.97</b>	<b>5,016.61</b>
<b>Adjustment for</b>		
Depreciation	849.57	779.93
Preliminary Expenses	0.29	0.37
Finance Costs	1,501.06	1,732.65
Unrealised Foreign Exchange (Gain) / Loss	793.80	(303.22)
Dividend Received	(3.00)	(3.12)
(Profit) / Loss on Sale of Fixed Assets	1.83	1.22
(Profit) / Loss on Sale of Investments	18.80	89.42
Diminution in Value of Investment Written off / (Written back)	(11.96)	4.74
Provision for Doubtful Debts	-	18.81
Bad Debts	-	209.98
Provision for Doubtful Debts Written back	(18.81)	(196.84)
Wealth Tax	1.39	1.35
<b>Operating Profit before Working Capital changes</b>	<b>8,457.94</b>	<b>7,351.90</b>
<b>Adjustment for</b>		
Receivables	(7,857.65)	(9,394.06)
Inventories	(10,586.81)	(3,005.31)
Loans & Advances ( including Non Current )	(892.96)	3,033.36
Current and Non Current Liabilities	16,424.29	(2,249.95)
<b>Cash Generated from / (used in) Operations</b>	<b>5,544.81</b>	<b>(4,264.06)</b>
Taxation	(1,419.31)	(810.20)
Prior year Adjustments	-	(0.18)
<b>Cash Flow before Extraordinary Items</b>	<b>4,125.50</b>	<b>(5,074.44)</b>
<b>Net Cash from / (used in) Operating Activities</b>	<b>4,125.50</b>	<b>(5,074.44)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Includes Capital Work in Progress)	(831.59)	(1,432.33)
Sale of Fixed Assets	0.88	10.43
Purchase / Increase of Investments	(6.20)	(2.96)
Dividend Received	3.00	3.12
Sale / Decrease of Investments	6.20	12.44
<b>Net Cash from / (used in) investing activities</b>	<b>(827.71)</b>	<b>(1,409.30)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Borrowings	(1,523.34)	(53.70)
Short Term Borrowings	441.09	9,891.11
Finance Costs	(1,501.06)	(1,732.65)
Dividend Paid	(213.42)	(213.42)
Tax on Dividend	(34.62)	(35.45)
<b>Net Cash from / (used in) Financing Activities</b>	<b>(2,831.35)</b>	<b>7,855.89</b>
Increase / (decrease) in Translation Reserve on Consolidation	149.74	(27.08)
<b>Net increase / (decrease) in Cash &amp; Cash Equivalents</b>	<b>616.18</b>	<b>1,345.07</b>
<b>Cash &amp; Cash Equivalents as at 1st April (Opening)</b>	<b>9,796.67</b>	<b>8,451.60</b>
<b>Cash &amp; Cash Equivalents as at 31st March (Closing)</b>	<b>10,412.85</b>	<b>9,796.67</b>

As per our report of even date

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

For and on behalf of the Board

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**SANGEETHA SHESHADRI**  
Company Secretary

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

## SIGNIFICANT ACCOUNTING POLICIES

### A. Basis for Preparation of Financial Statements

The financial statements have been prepared using mercantile system of accounting under the historical cost convention. It recognises significant items of income and expenditure on accrual basis. The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the provisions of the Companies Act, 1956.

### B. Sales

Income from the sale of diamond / jewellery is recognized when the sale has been completed with the passing of the title. Income from sale of wind energy is recognized on its transmission and delivery.

### C. Other Income

#### Interest

Interest income is recognised on accrual basis.

#### Income from Investments

Income from investment is accounted in the year in which the unconditional right to receive such income is established.

### D. Depreciation

Depreciation on fixed assets has been provided at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956 on straight line basis. Depreciation of Asian Star Co. Ltd., New York and Inter Gems DMCC, Dubai has been provided on Straight Line Basis.

### E. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An Impairment loss is charged to the profit and loss account in the year in which the asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

### F. Foreign Currency Transactions

F.1 Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

F.2 Monetary items denominated in foreign currencies at the year-end are translated at year-end exchange rate.

F.3 The Company enters into forward / option contracts for hedging purpose. In case of forward contracts, the difference between the year end rate and rate on the date of contract is recognized as exchange difference. The proportionate difference between the forward rate and the exchange rate on the date of transaction is recognized over the life of the contract. In case of option contracts, the premium paid and gain / loss are recognized as exchange difference on the date of settlement of the contract. Mark to market loss, if any, is recognized as exchange difference at the year end.

F.4 Non monetary foreign currency items are carried at cost.

F.5 Any income or expense on account of exchange difference either on settlement or on translation is adjusted to the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

### G. Fixed Assets

Cost of Fixed Assets comprises of purchase price, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use. Fixed Assets are stated at cost less accumulated depreciation.

### H. Capital Work in Progress

Capital work in progress comprises of cost of acquisition of assets, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use. Expenditure incurred on project under implementation is treated as incidental expenditure incurred during construction period and is pending allocation to the assets which will be allocated / apportioned on completion of the project.

### I. Borrowing Costs

All borrowing costs, which are of revenue nature, are charged to profit and loss account.

### J. Investment

J.1 Long term investments are valued at cost. Provision for diminution in value is made only if such diminution is otherwise than temporary in the opinion of the management.

J.2 Current Investments -Quoted are valued at cost or market value, whichever is lower.

### K. Inventories

K.1 Stock of raw materials is stated at weighted average cost or net realizable value whichever is lower except for Stock of platinum, colour stones and gold mounting at Asian Star Jewels Pvt. Ltd is valued at average cost. Stock of polished diamonds (for jewellery operations) is valued at technically evaluated cost or net realizable value whichever is lower. Specific items of cost are allocated and assigned to inventory wherever practicable.

K.2 Work in Progress and Finished goods are valued at technically evaluated cost or estimated net realizable value, whichever is lower. Cost includes cost of material and related conversion cost. In view of the nature of variation in the values of individual diamonds and the differential in their processing costs, it is not practicable to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the numerous grades, it is not practicable to use specific costs. The method of valuation is therefore in compliance with "AS2" issued by the Institute of Chartered Accountants of India to the extent practicable.

K.3 Consumables are valued at average cost.

### L. Employee Benefits

#### L1. Short Term Employee Benefit

Short term employee benefits are recognized in the period during which the service has been rendered.

#### L2. Long Term Employee Benefit

a) Provident Fund Act, Family Pension Fund & Employees State Insurance Scheme.

As per Provident Fund Act, 1952 all employees of the company are entitled to receive benefits under the provident fund & family pension fund which is a defined contribution plan. These contributions are made to the fund administered and managed by the Government of India. In addition some employees of the company are covered under Employees State Insurance Scheme Act, 1948, which are also defined contribution Schemes recognized and administered by Government of India.

The company's contributions to these schemes are recognized as expense in profit and loss account during the period in which the employee renders the related services. The company has no further obligation under these plan beyond its monthly contributions.

b) The company provides for gratuity obligation through a Defined Benefit Retirement Plan ('The Gratuity Plan') covering it's employees. The present value of the obligation under such Defined plan is determined based on actuarial valuation. Actuarial gains and losses are recognized in profit and loss Account as and when determined. The company makes annual contribution to LIC for the Gratuity plan in respect of employees.

### M. Taxation

Current Tax is determined as the amount of tax payable in respect of taxable income for the year after considering various reliefs admissible under provisions of the Income Tax Act, 1961. The deferred tax for timing difference between the book and tax profit for the year is accounted for using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax asset arising from timing difference are recognized to the extent that there is virtual certainty that sufficient future taxable income will be available.

### N. Preliminary Expenses

Preliminary expenses and expenses incurred on the issue of shares are amortized over a period of five years from the year in which the Company starts its operations.

### O. Provisions, Contingent Liabilities and Contingent Assets

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

- P. (i) In order to comply with Accounting Standard 21 issued by Institute of Chartered Accountants of India, the Company has prepared the accompanying consolidated financial statements, which include the financial statements of the Company along with its subsidiaries. Details of subsidiaries are as under:

Name of Subsidiary	Country of Incorporation	Percentage of ownership (Previous Year)
1) AsianStarCo. Ltd.	USA	100 (100)
2) InterGems DMCC	UAE	100 (100)
3) AsianStar Jewels Pvt. Ltd.	India	100 (100)
4) AsianStar Trading (Hongkong) Ltd.	Hongkong	100 (Nil)

- (ii) The consolidated financial statements of the group have been based on a line by line consolidation of Profit and Loss Account and Balance Sheet of the Company and its subsidiaries.

- (iii) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statement as goodwill or capital reserve as the case may be.

- (iv) The effects of inter-company transactions between consolidated companies are eliminated in consolidation.

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 1. SHARE CAPITAL

(Rs. in Lacs)

PARTICULARS	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
<b>Authorised</b>		
1,50,00,000 (1,50,00,000) Equity Shares of Rs.10 each	1,500.00	1,500.00
5,00,00,000 (5,00,00,000) Redeemable Cumulative Preference Shares of Rs.10 each	5,000.00	5,000.00
	<b>6,500.00</b>	<b>6,500.00</b>
<b>Issued, Subscribed and Paid-up</b>		
1,06,71,200 ( 1,06,71,200 ) Equity Shares of Rs. 10 each	1,067.12	1,067.12
<b>Total</b>	<b>1,067.12</b>	<b>1,067.12</b>

### 2. RESERVES AND SURPLUS

(Rs. in Lacs)

PARTICULARS	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
<b>Capital Reserves</b>				
As per Last Balance Sheet		294.50		294.50
<b>Capital Redemption Reserve</b>				
As per Last Balance Sheet		2,520.00		2,520.00
<b>General Reserves</b>				
As per Last Balance Sheet	12,613.37		12,413.37	
Add : Transferred from Profit and Loss Account	200.00		200.00	
		12,813.37		12,613.37
<b>Profit and Loss Account</b>				
As per last Balance Sheet	22,074.82		18,745.23	
Add: Profit for the Year	4,139.50		3,777.63	
	26,214.32		22,522.86	
Less: Appropriations				
Transferred to General Reserve	200.00		200.00	
Proposed Dividend on Equity Shares (Dividend per Share Rs.1.50/-) (Previous Year Dividend per Share Rs.2/-)	160.07		213.42	
Tax on Dividend	25.97		34.62	
	386.04		448.04	
		25,828.28		22,074.82
Translation Reserve		63.14		(86.60)
<b>Total</b>		<b>41,519.29</b>		<b>37,416.09</b>

**3. LONG TERM BORROWINGS**

(Rs. in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Secured Loans</b>		
Term Loan from Banks	-	2,372.57
Secured by		
a. Fixed Deposits		
b. First charge on windmill, all related equipments, systems & accessories at Kerala & Tamilnadu		
c. Equitable mortgage of the land covered under the windmill project at Kerala & Tamilnadu		
<b>Unsecured Loans</b>		
Loans from Related Party - Directors	5,484.53	4,635.30
<b>Total</b>	<b>5,484.53</b>	<b>7,007.87</b>

**4. DEFERRED TAX LIABILITY**

(Rs. in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Deferred tax Liability on account of</b>		
Depreciation	2,582.88	2,615.94
<b>Deferred tax Asset on account of</b>		
Provision for Diminution in Market Value of Current Investments	18.69	22.57
Provision for Doubtful Debts	7.77	7.77
Gratuity Liability	53.62	34.68
	80.08	65.02
<b>Deferred tax Liability - Net</b>	<b>2,502.80</b>	<b>2,550.92</b>

**5. LONG TERM PROVISIONS**

(Rs. in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Provision for Employee Benefits</b>		
Provision for Gratuity	161.63	103.27
<b>Others</b>		
Taxation	3,361.19	2,181.84
<b>Total</b>	<b>3,522.82</b>	<b>2,285.11</b>

**6. SHORT TERM BORROWINGS**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Secured Loans</b>		
Working Capital Loan from Banks	58,478.31	58,043.18
Secured by		
a. Fixed Deposit		
b. Hypothecation of Stock in Trade and Book Debts		
c. Hypothecation of Premises at Mumbai and Surat		
d. Guaranteed by some of the Directors in their Personal Capacity		
<b>Unsecured Loans</b>		
Loan from Others	1,718.41	622.62
<b>Total</b>	<b>60,196.72</b>	<b>58,665.80</b>

**7. TRADE PAYABLES**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Creditors for Goods	26,131.40	9,234.92
Creditors for Processing	1,042.33	1,105.63
<b>Total</b>	<b>27,173.73</b>	<b>10,340.55</b>

**8. OTHER CURRENT LIABILITIES**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Current maturities of long-term debt	-	581.71
Interest accrued and due on borrowings	2.05	31.72
Other Payables *	592.11	366.49
Unclaimed Dividend	0.25	0.18
<b>Total</b>	<b>594.41</b>	<b>980.10</b>

\* Includes statutory dues and payable for expenses / services

**9. SHORT TERM PROVISIONS**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Leave Encashment	64.89	48.76
Proposed Dividend	160.07	213.42
Tax On Dividend	25.97	34.62
Provision for Taxation	1,227.10	1,179.34
<b>Total</b>	<b>1,478.03</b>	<b>1,476.14</b>

## 10. FIXED ASSETS

(Rs. in lacs)

Description of Assets	GROSS BLOCK (AT COST)			DEPRECIATION				NET BLOCK		
	As at April 1, 2011	Additions	Deductions	As at March 31, 2012	As at April 1, 2011	For the year	Deductions	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets</b>										
Land	774.81	-	-	774.81	-	-	-	-	774.81	774.81
Office Premises	3,290.88	211.65	-	3,502.53	338.42	75.40	-	413.82	3,088.71	2,952.46
Factory Premises	1,479.97	11.85	-	1,491.82	154.12	42.66	-	196.78	1,295.04	1,325.85
Plant & Machinery	10,394.45	293.03	-	10,687.48	1,869.40	534.08	-	2,403.48	8,284.00	8,525.05
Vehicles	338.02	26.38	4.20	360.20	125.98	33.32	1.48	157.82	202.38	212.03
Furniture & Fixtures	903.74	27.16	-	930.90	252.20	57.23	-	309.43	621.47	651.53
Office Equipments	1,369.33	17.45	-	1,386.78	287.90	67.50	-	355.40	1,031.38	1,081.44
Computer	343.50	73.26	-	416.76	248.53	39.38	-	287.91	128.85	94.97
<b>CURRENT YEAR</b>	<b>18,894.70</b>	<b>660.78</b>	<b>4.20</b>	<b>19,551.28</b>	<b>3,276.55</b>	<b>849.57</b>	<b>1.48</b>	<b>4,124.64</b>	<b>15,426.64</b>	<b>15,618.14</b>
<b>PREVIOUS YEAR</b>	<b>17,124.51</b>	<b>1,783.79</b>	<b>13.60</b>	<b>18,894.70</b>	<b>2,499.13</b>	<b>779.38</b>	<b>1.96</b>	<b>3,276.55</b>	<b>15,618.14</b>	<b>14,825.38</b>

## 11. LONG TERM LOANS AND ADVANCES (UNSECURED , CONSIDERED GOOD)

(Rs. in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Capital Advances	379.91	415.16
Security Deposits	233.54	232.77
<b>Total</b>	<b>613.45</b>	<b>647.93</b>

## 12. OTHER NON CURRENT ASSETS

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Advance Tax	3,399.66	2,229.89
Deposits With Others	41.12	39.31
MAT Credit Entitlement	22.27	-
Preliminary Expenditure	1.18	1.47
<b>Total</b>	<b>3,464.23</b>	<b>2,270.67</b>

## 13. CURRENT INVESTMENTS

(Rs.in Lacs)

PARTICULARS	AS AT MARCH 31, 2012	AS AT MARCH 31, 2011
<b>Investments in Equity</b>		
Quoted, fully paid up		
Classic Diamond (India) Ltd. 5,000 (5,000) Shares of Rs. 2 each	4.69	4.69
Flawless Diamond (India) Ltd. 100 (100) Shares of Rs. 10 each	0.01	0.01
Gitanjali Gems Ltd. 1,000 (1,000) Shares of Rs. 10 each	2.20	2.20
Golddiam International Ltd. 1,000 (1,000) Shares of Rs. 10 each	0.97	0.97
Golkunda Diamonds & Jewellery Ltd. 10 (10) Shares of Rs. 10 each	0.01	0.01
Parekh Platinum Ltd. 10 (10) Shares of Rs. 10 each	0.01	0.01
Rajesh Exports Ltd. 600 (600) Shares of Re. 1 each	0.52	0.52
S.B. & T International Ltd. 10 (10) Shares of Rs. 10 each	0.01	0.01
Shantivijay Jewels Ltd. 10 (10) Shares of Rs. 10 each	0.01	0.01
Shrenuj & Co Ltd. 1,000 (1,000) Shares of Rs. 2 each	0.45	0.45
Su-Raj Diamonds & Jewellery Ltd. 1,000 (1,000) Shares of Rs. 10 each	0.56	0.56
Vaibhav Gems Ltd. 10 (10) Shares of Rs. 10 each	0.03	0.03
Zodia JRD MKJ Ltd. 10 (10) Shares of Rs. 10 each	0.01	0.01
Va-Tech Wabag Ltd 226 (226) Shares of Rs. 5 each	2.95	2.95
<b>A</b>	<b>12.43</b>	<b>12.43</b>
<b>Investments in Mutual Fund</b>		
Quoted, fully paid up		
JM Agri & Infra Fund Nil (2,50,000) units of Rs.10 each	-	25.00
JM Basic Fund-Dividend 84,555 (84,555) units of Rs.10 each	25.00	25.00
JM Basic Fund -Growth 44,992 (Nil) units of Rs.10 each	6.20	-
JP Morgan India Equity Fund 1,76,267 (1,76,267) units of Rs.10 each	25.00	25.00
Reliance Diversified Power Sector Fund 47,975 (47,975) units of Rs.10 each	25.00	25.00
Reliance Media & Entertainment Fund 63,081 (63,081) units of Rs.10 each	25.00	25.00
Reliance Vision Fund 39,708 (39,708) units of Rs.10 each	25.00	25.00
<b>B</b>	<b>131.20</b>	<b>150.00</b>
<b>A + B</b>	<b>143.63</b>	<b>162.43</b>
Less:- Adjustment to carrying amount of Investments	(54.52)	(66.49)
<b>Total</b>	<b>89.11</b>	<b>95.94</b>
Aggregate amount of quoted investments	143.63	162.43
Market Value of quoted investments	89.11	95.94
Basis of Valuation - at cost or market value whichever is lower		

**14. INVENTORIES**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Raw Materials	23,988.14	20,067.99
Work In Progress	2,258.48	2,569.77
Finished Goods & Stock-In-Trade	18,995.30	12,022.41
Consumables	22.08	17.02
(As verified, valued and certified by a Director)		
<b>Total</b>	<b>45,264.00</b>	<b>34,677.19</b>

**15. TRADE RECEIVABLES**

(Rs.in Lacs)

PARTICULARS	AS AT MARCH 31, 2012		AS AT MARCH 31, 2011	
	<b>Unsecured</b>			
<b>Over six months from due date</b>				
Considered Good	427.34		289.14	
Considered Doubtful	-		18.81	
	427.34		307.95	
Less: Provision for Doubtful Debts	-		(18.81)	
		427.34		289.14
<b>Others</b>				
Considered Good		59,387.48		51,255.48
<b>Total</b>		<b>59,814.82</b>		<b>51,544.62</b>

**16. CASH AND CASH EQUIVALENTS**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Balances with Banks In Current Accounts	2,917.29	2,506.83
Fixed Deposits with Banks	7,475.48	7,226.61
Cash on Hand	20.07	63.23
<b>Total</b>	<b>10,412.84</b>	<b>9,796.67</b>

Balance with banks include unclaimed dividend of Rs.0.25 lacs ( Previous Year Rs.0.18 lacs).

Fixed Deposits with banks include deposits of Rs.1,057.78 lacs (Previous Year Rs.438.47 lacs) with maturity of more than 12 months.

Fixed Deposits with banks includes deposits of Rs.450.00 lacs (Previous Year Rs.450.00 lacs) kept under lien with the bank as security for Bank Facilities obtained by a subsidiary company.

**17. SHORT-TERM LOANS AND ADVANCES**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
<b>Loans and Advances</b>		
Unsecured, Considered Good	6,893.11	6,047.78
<b>Total</b>	<b>6,893.11</b>	<b>6,047.78</b>

**18. OTHER CURRENT ASSETS**

(Rs.in Lacs)

PARTICULARS	AS AT	AS AT
	MARCH 31, 2012	MARCH 31, 2011
Advance Tax	1,330.41	1,030.72
<b>Total</b>	<b>1,330.41</b>	<b>1,030.72</b>

**19. REVENUE FROM OPERATIONS**

(Rs.in Lacs)

PARTICULARS	2011-2012	2010-2011
	Sale of Products	1,83,469.34
Sale of Services	50.57	160.19
Other Operating Revenues	20.21	-
<b>Total</b>	<b>1,83,540.12</b>	<b>1,66,732.64</b>

**20. OTHER INCOME**

(Rs.in Lacs)

PARTICULARS	2011-2012	2010-2011
	Interest Income	0.75
Dividend Income	3.00	3.12
Net gain/(loss) on Sale of Investments	(18.79)	(89.42)
Provision for Diminution in Value of Investments Written Back	11.96	(4.74)
Miscellaneous Receipts	1.90	3.64
<b>Total</b>	<b>(1.18)</b>	<b>(87.21)</b>

**21. COST OF MATERIALS CONSUMED**

(Rs.in Lacs)

PARTICULARS	2011-2012	2010-2011
	Stock at the Commencement	20,067.99
Purchases during the year	1,42,707.10	1,28,418.90
	1,62,775.09	1,47,126.96
Less : Stock at the Close	23,988.14	20,067.99
<b>Total</b>	<b>1,38,786.95</b>	<b>1,27,058.97</b>



**22. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS & STOCK-IN-TRADE**

(Rs.in Lacs)

PARTICULARS	2011-2012	2010-2011
Variation in Stock of Work In Progress		
Stock at the Commencement	2,569.77	2,020.26
Less: Stock at the Close	2,258.46	2,569.77
<b>A</b>	<b>311.31</b>	<b>(549.51)</b>
Variation in Stock of Finished Goods		
Stock at the Commencement	10,919.56	9,995.52
Less: Stock at the Close	(16,472.41)	(10,599.38)
<b>B</b>	<b>(5,552.85)</b>	<b>(603.86)</b>
Variation in Stock-In-Trade		
Stock at the Commencement	1,102.85	943.10
Less: Stock at the Close	2,522.89	1,423.03
<b>C</b>	<b>(1,420.04)</b>	<b>(479.93)</b>
<b>Total</b>	<b>(6,661.58)</b>	<b>(1,633.30)</b>

**23. EMPLOYEE BENEFITS EXPENSE**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Salary & Bonus	1,744.17	1,461.44
Director's Remuneration	136.50	87.00
Wages	299.55	194.73
Gratuity	89.79	77.01
Ex Gratia & Leave Encashment	99.66	78.44
Labour Welfare Fund Expenses	2.09	1.57
Contribution to Provident Fund	90.51	79.91
Group Insurance	50.47	39.06
Contribution to E.S.I.C.	33.83	27.97
Staff Welfare Expenses	25.58	14.16
<b>Total</b>	<b>2,572.15</b>	<b>2,061.29</b>

**24. FINANCE COSTS**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
Interest Expense	1,168.85	1,419.45
Other Borrowing Costs	332.21	313.21
<b>Total</b>	<b>1,501.06</b>	<b>1,732.66</b>

**25. OTHER EXPENSES**

(Rs. in lacs)

PARTICULARS	2011-2012	2010-2011
<b>Manufacturing Expenses</b>		
Processing Expenses	7,853.08	7,305.01
Electricity, Power & Fuel	184.90	270.20
Consumables	251.21	235.50
Factory Expenses	185.28	55.99
<b>8,474.47</b>	<b>8,474.47</b>	<b>7,866.70</b>
<b>Administrative Expenses</b>		
Bank Comission & Charges	208.11	147.45
Electrical Charges	90.58	107.72
Telephone, Internet and Fax Charges	71.87	67.47
Local Travelling and Conveyance	54.35	64.36
Legal & Professional fees	118.24	88.06
Audit Fees	7.77	6.13
Printing & Stationery	45.07	36.62
Repairs & Maintenance (Other)	80.70	89.24
Repairs & Maintenance (Building)	4.24	4.72
Repairs & Maintenance (Plant & Machinery)	61.61	72.13
Repairs & Maintenance (Windmill)	159.21	151.50
Postage and Courier	33.78	26.78
Bad Debts	-	209.98
Provision for Doubtful Debt	-	18.81
Provision for Doubtful Debt Written back	(18.81)	(196.84)
Motor Car Expenses	35.90	28.66
Insurance Premium	185.47	168.33
Rent & Compensation	195.23	181.32
Donation	105.41	98.35
Office Canteen Expenses	83.00	89.54
Office Expenses	26.44	23.70
Director's Sitting Fees	1.12	1.36
Sundry Expenses	49.73	81.22
Security Charges	53.04	40.95
Loss on Sale of Assets	1.83	1.22
Registration & Filing Charges	2.97	3.56
Wealth Tax	1.40	1.35
Membership and Subscription	90.28	2.47
Preliminary Expenses Written Off	0.29	0.37
Prior Year Expenses	-	0.18
Pre Operative Expenses	-	13.83
Exchange (Gain)/Loss on Translation	225.02	(15.24)
<b>1,973.85</b>	<b>1,973.85</b>	<b>1,615.30</b>
<b>Selling &amp; Distribution Expenses</b>		
Advertisement	70.51	43.64
Sales Expenses	132.88	79.22
Entertainment Expenses	22.66	15.88
Foreign Travelling	122.11	98.35
Commission on Sales	204.93	145.93
Re-Assortment Charges	49.41	15.03
Freight & Clearing Charges	144.65	114.39
Agency Charges	13.70	10.12
E.C.G.C. Premium	90.16	63.54
Diamond Grading Charges	219.91	192.13
Packing Expenses	25.31	14.25
<b>1,096.23</b>	<b>1,096.23</b>	<b>792.48</b>
<b>Total</b>	<b>11,544.55</b>	<b>10,274.48</b>

26. Surplus / (Deficit) on account of exchange difference on outstanding forward exchange contracts to be recognized in profit and loss account of subsequent accounting period aggregate to Rs.780.49 lacs. (For F.Y. 2010-11 it was Rs.798.96 lacs).

#### 27. Derivatives Instrument:

- a) Derivative contracts entered into and outstanding as on 31st March, 2012.
- i) For hedging currency related risk:  
Forward / Option contracts (net) for sales entered into and outstanding as on 31st March, 2012 amount to Rs.2,343.16 crores (for F.Y.2010-11 forward / option contracts (net) for sales was Rs. 545.44 crores)
- ii) For Hedging commodity related risk:  
Forward contracts for Gold entered into by the company and outstanding as on 31st March, 2012 covers 82 Kgs. (For F.Y.2010-11 it was 124 Kgs.).
- b) Foreign currency exposure (net) for purchases that are not hedged by the derivative instruments as on 31st March, 2012, amount to Rs.1.39 crores (for F.Y.2010-11 it was Rs. NIL).

28. The details of amounts outstanding to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the information available with the Company are as under:

(Rs. in Lacs)

SR. NO.	PARTICULARS	AS AT	AS AT
		MARCH 31, 2012	MARCH 31, 2011
1	Principal amount due and remaining unpaid	-	-
2	Interest due on (1) above and the unpaid interest	-	-
3	Interest paid on all delayed payments under the MSMED Act.	-	-
4	Payment made beyond the appointed day during the year	-	-
5	Interest due and payable for the period of delay other than (3) above	-	-
6	Interest accrued and remaining unpaid	-	-
7	Amount of further interest remaining due and payable in succeeding years	-	-

29. During the year, Company has recognized the following amounts in the financial statements.

#### a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under:

PARTICULARS	(Rs. in Lacs)
Employers Contribution to Provident Fund & Family Pension Fund	90.51
Employers Contribution to Employees State Insurance Scheme	33.83
Employers Contribution to Labour Welfare Fund	2.09

#### b) Defined Benefit Plan:

Defined benefits plan as per actuarial valuation as on 31st March, 2012 and recognized in the financial statement in respect of Employee Benefits Scheme (excluding Asian Star Jewels Private Limited):

(Rs. in Lacs)

DISCLOSURE UNDER AS 15 (REVISED) EMPLOYEE BENEFITS:	GRATUITY (FUNDED)
<b>I) Change in defined benefits obligation as at 31st March, 2012</b>	
a) Present value of the obligation as at the beginning of the year	301.73
b) Current Service Cost	36.07
c) Interest Cost	24.89
d) Benefit Paid	(23.73)
e) Actuarial Loss on obligation	47.69
f) Present value of obligation as at end of the year	386.65
<b>II) Change in fair value of plan assets</b>	
a) Present value of the plan assets as at the beginning of the year	198.47
b) Expected return on plan assets	15.88
c) Contribution	31.42
d) Benefit Paid	(23.73)
e) Actuarial gain / (loss) on plan assets	2.98
f) Present value of plan asset at the end of the year	225.02
g) Actual return on plan assets	18.86
<b>III) Component of Employee Cost recognized in Profit &amp; Loss A/c</b>	
a) Interest Cost	24.89
b) Current Service Cost	36.07
c) Expected return on plan assets	(15.88)
d) Actuarial (gain) / loss	44.70
e) Expenses recognized in Profit & Loss A/c	89.78
<b>IV) Reconciliation of Present value of obligation and fair value of Plan assets</b>	
a) Present value of obligation at the end of the year	386.65
b) Fair Value of Plan Assets at the end of the year	225.02
c) Difference	(161.63)
d) Amount Recognized in the Balance Sheet	(161.63)
<b>V) Actuarial Assumptions</b>	(%)
a) Discount Rate	8.50
b) Expected rate of return on assets	8.60
c) Future salary escalation	5.00
d) Attrition rate	2.00

## 30. SEGMENT REPORTING

(Rs. in Lacs)

PARTICULARS	2011-2012	2010-2011
<b>1. Segment - Revenue</b>		
Diamond	1,63,159.41	1,54,939.58
Jewellery	30,455.31	19,433.15
Others	717.35	606.68
<b>Total</b>	<b>1,94,332.07</b>	<b>1,74,979.41</b>
Less: Inter Segment Revenue/ Transfer	10,793.13	8,333.97
<b>Net Sales / Revenue</b>	<b>1,83,538.94</b>	<b>1,66,645.44</b>
<b>2. Segment Results</b>		
Profit / (Loss) before Tax and Interest from each segment		
Diamond	5,550.09	5,353.92
Jewellery	1,117.39	1,316.69
Others	158.56	78.48
<b>Total</b>	<b>6,826.03</b>	<b>6,749.09</b>
Less:		
I) Interest	1,501.06	1,732.67
II) Other un - allocable expenses	-	-
<b>Total Profit Before Tax</b>	<b>5,324.97</b>	<b>5,016.42</b>
<b>3. Capital Employed</b>		
Diamond	33,002.26	32,372.04
Jewellery	3,726.36	2,960.31
Others	5,857.79	3,150.86
<b>Total Capital Employed</b>	<b>42,586.41</b>	<b>38,483.21</b>

- (a) As per Accounting Standard on Segment Reporting (AS-17), issued by the Institute of Chartered Accountant of India, the company has reported segments information on consolidated basis including business conducted by its subsidiaries.
- (b) The Company now recognizes two reportable business segments viz. cut and polished diamonds and Jewellery. The business which is not reportable during the year, has been grouped under 'Others' Segment, this comprises wind energy generation.

## 31. FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES:

	Asian Star Co. Ltd. N.Y.		Inter Gems DMCC		Asian Star Trading (Hongkong) Ltd.		Asian Star Jewels Pvt. Ltd.
Reporting Currency	USD		USD		USD		Rs.
	(USD in Lacs)	(Rs. in Lacs)	(USD in Lacs)	(Rs. in Lacs)	(USD in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)
Capital	5.00	255.78	0.54	27.88	1.28	65.59	100.00
Reserves	1.16	59.06	57.76	2,827.07	0.26	13.28	316.50
Total Assets	106.41	5,443.47	249.69	12,645.80	28.92	1,479.59	3,858.85
Total Liabilities	106.41	5,443.47	249.69	12,645.80	28.92	1,479.59	3,858.85
Investments	-	-	-	-	-	-	-
Turnover/Total Income	282.80	13,605.16	422.74	20,337.57	10.96	527.41	5,598.61
Profit Before Taxation	0.93	44.81	24.41	1,174.12	0.32	15.33	111.28
Provision for Taxation	0.07	3.63	-	-	0.06	2.84	-
Profit After Taxation	0.86	41.18	24.41	1,174.12	0.26	12.49	111.28
Proposed Dividend	-	-	-	-	-	-	-
Country	U.S.A		U.A.E		Hongkong		India

32. The figures of previous year have been regrouped / reclassified wherever necessary and possible so as to confirm with the figures of the current year.

As per our report of even date

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants  
FRNo : 112787W

For and on behalf of the Board

**JINESH J. SHAH**  
Partner  
Membership No. 111155

**SANGEETHA SHESHADRI**  
Company Secretary

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

Place : Mumbai  
Dated : May 28, 2012

## CORPORATE INFORMATION

### Board of Directors

Dinesh T. Shah  
Chairman

Vipul P. Shah  
CEO & Managing Director

Dharmesh D. Shah  
CFO & Jt. Managing Director

Arvind T. Shah  
Executive Director

Priyanshu A. Shah  
Executive Director

Bhupendra K. Shroff  
Director

K. Mohanram Pai  
Director

Apurva R. Shah  
Director

Hasmukh B. Gandhi  
Director

Milind H. Gandhi  
Director

### Company Secretary

Sangeetha Sheshadri

### Auditors

V.A. Parikh & Associates  
Chartered Accountants

### Registered Office

114-C, Mittal Court,  
Nariman Point,  
Mumbai 400 021

### Subsidiary Companies

Asian Star Company Limited  
New York, U.S.A.

Inter Gems DMCC  
Dubai, U.A.E.

Asian Star Jewels Private Limited  
Mumbai, India.

Asian Star Trading (Hong Kong) Limited  
Hong Kong

### Bankers

Allahabad Bank

Axis Bank

Andhra Bank

Bank of India

Bank of Baroda

Bank of Maharashtra

Canara Bank

Central Bank of India

Corporation Bank

HDFC Bank

ING Vysya Bank Ltd.

Syndicate Bank

State Bank of Patiala

Standard Chartered Bank

State Bank of Travancore

State Bank of Hyderabad

### Registrar & Transfer Agents

Bigshare Services Pvt. Ltd.  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Sakinaka,  
Andheri (E), Mumbai - 400 072.  
Tel: 4043 0200 Fax: 2847 5207.  
Email: info@bigshareonline.com