

GITANJALI

Our Brand of **Leadership**

Gitanjali Gems Limited | Annual Report 2009-10

Nakshatra Tarika Sangini D'damas Gili Giantti Asmi
Collection G Chronotech Shuddhi Morellato Christy
Maya Diya Rivaaz Lucera Nizam Desire Vivaaha Iris
Glitterati Damas Solitaire D'damas Glitterati Menz
World of Solitaire Me Solitaire Trianna Mirage Revv
Parineeta Sagae Eternity Tarika Paheli Chronostar
Christy Revv Hoop Menz World of Pearls Iris Lamhe
Saumya Gitanjali Jewels Nakshatra Asmi Parineeta
Damas Solitaire Diya Gold Expressions Mirage Revv
Collection G Glitterati Chronotech Vivaaha Giantti
Morellato Nizam World of Solitaire Shuddhi Desire
Sangini Damas Solitaire D'damas Tarika Nakshatra
Chronostar Me Solitaire World of Pearls Christy Iris
Parineeta Trianna Asmi Shuddhi Morellato Rivaaz
Nizam Lucera Vivaaha Desire World of Solitaire Iris
Gold Expressions Glitterati Damas Solitaire Rivaaz
World of Solitaire Menz Tarika Eternity Hoop Paheli
Revv Christy World of Pearls Collection G Shuddhi
Gold Expressions Morellato Nakshatra Nizam Lamhe
World of Solitaire Christy Desire Chronostar Nizam
Damas Solitaire Gili Gold Expressions Mirage Revv

A consumer brand is not born in the market, as is commonly perceived.
It is born in the mind.

And an enterprise, which can develop and sustain multiple brands nationally and internationally, is first a mind leader and then a market leader.

Over the last four decades, Gitanjali has emerged as the proud owner of several jewellery brands, enjoying national and international visibility.

At Gitanjali, we have catalyzed retail expansion organically and inorganically and even through the partnership routes. Currently, we possess 1 million square feet of retail space in India, including 185 exclusive stores and 215 franchise stores. Besides, Gitanjali enjoys enduring relationships with 400-plus exclusive distributors and a portfolio of 126 stores in the US.

But this is just the beginning of the retail revolution that we are prepared to unleash in a constantly evolving jewellery market, nationally and internationally.

Contents

01 Corporate Information	20 Management Discussion and Analysis
02 Financial Highlights	30 Report on Corporate Governance
04 Chairman's Message	49 Standalone Financial Statements
06 Notice	85 Consolidated Financial Statements
12 Directors' Report	

Forward-looking statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind.

We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

Corporate Information

Board of Directors

Mr. Mehul Choksi, Chairman & Managing Director
Mr. Nehal Modi, Non -Executive Director
Mr. Dhanesh Sheth, Non -Executive Director
Mr. Nitin Potdar, Independent Director
Mr. Sujal Shah, Independent Director
Mr. S. Krishnan, Independent Director

Company Secretary & Compliance Officer

Ms. Pankhuri Warange

Audit Committee

Mr. Sujal Shah, Chairman
Mr. Nitin Potdar
Mr. S. Krishnan
Mr. Dhanesh Sheth

Shareholders/Investor's Grievance Committee

Mr. Dhanesh Sheth, Chairman
Mr. Mehul Choksi
Mr. Nitin Potdar

Remuneration Committee

Mr. Sujal Shah, Chairman
Mr. S. Krishnan

Allotment Committee

Mr. Mehul Choksi, Chairman
Mr. Dhanesh Sheth
Mr. Sunil Varma

Borrowing Committee

Mr. Mehul Choksi, Chairman
Mr. Dhanesh Sheth
Mr. Sunil Varma

Investment Committee

Mr. Mehul C. Choksi, Chairman
Mr. Dhanesh Sheth
Mr. Sunil Varma

Administrative Committee

Mr. Mehul Choksi, Chairman
Mr. Dhanesh Sheth
Mr. Sunil Varma

Executive Management Committee

Mr. Mehul Choksi, Chairman
Mr. Nehal Modi
Mr. Dhanesh Sheth
Mr. Nishit Mehta

Auditors

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

Bankers

Allahabad Bank	Karnataka Bank Limited
Andhra Bank	Punjab National Bank
Bank of Baroda	Punjab & Sind Bank
Canara Bank	State Bank of Bikaner & Jaipur
Central Bank of India	State Bank of India
Corporation Bank	State Bank of Indore
Dena Bank	State Bank of Hyderabad
Development Credit Bank Limited	Syndicate Bank
Export Import Bank of India	United Bank of India
ICICI Bank Limited	Yes Bank Limited
Indian Overseas Bank	
IndusInd Bank Limited	

Registered Office

801/802, Prasad Chambers, Opera House
Mumbai – 400004
Tel: +91-022-40362222
Fax: +91-022-23630363
E-mail: investors@gitanjaligroup.com

Corporate Office

B- 6, 1st Floor, Laxmi Tower, Bandra Kurla Complex, Bandra (E),
Mumbai- 400 051.
Tel: +91-022-40102000 / 01
Fax: +91-022-40102003
E-mail: investors@gitanjaligroup.com

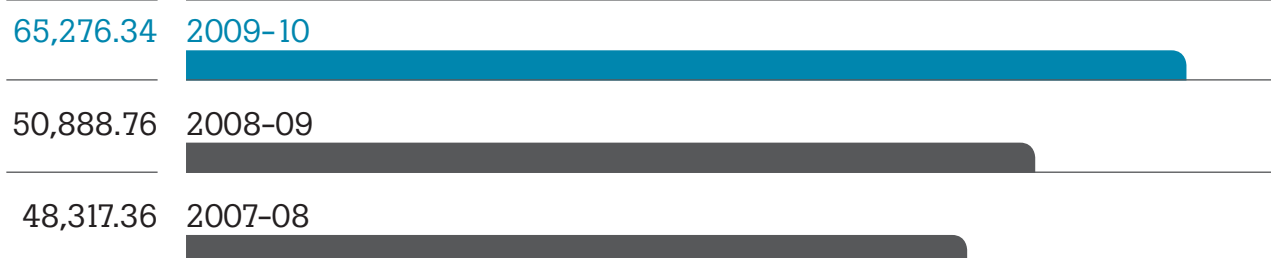
Registrar & Transfer Agent

Karvy Computershare Private Limited
Gitanjali Gems Limited Unit,
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500081.
Tel: +91-040-23420815 - 28
Fax: +91-040-23420814
E-mail: einward.ris@karvy.com
Website: www.karvy.com

Financial Highlights

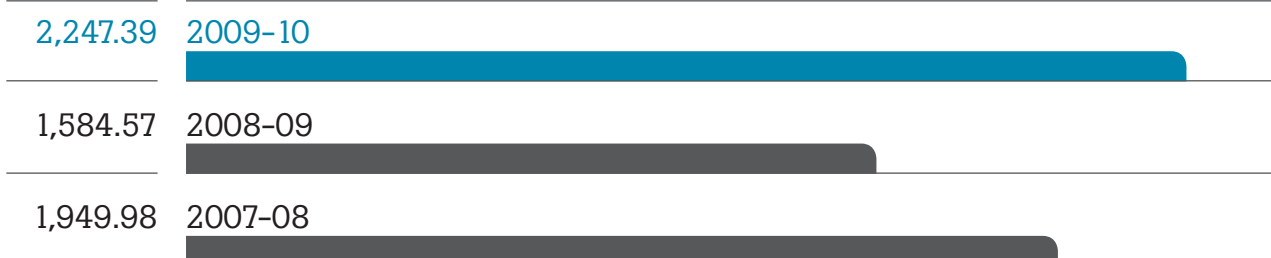
Net Sales

(Rs. in million)



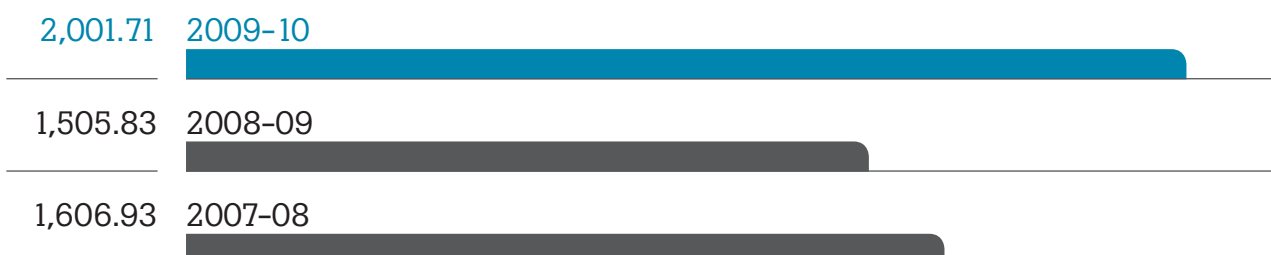
Profit Before Tax

(Rs. in million)



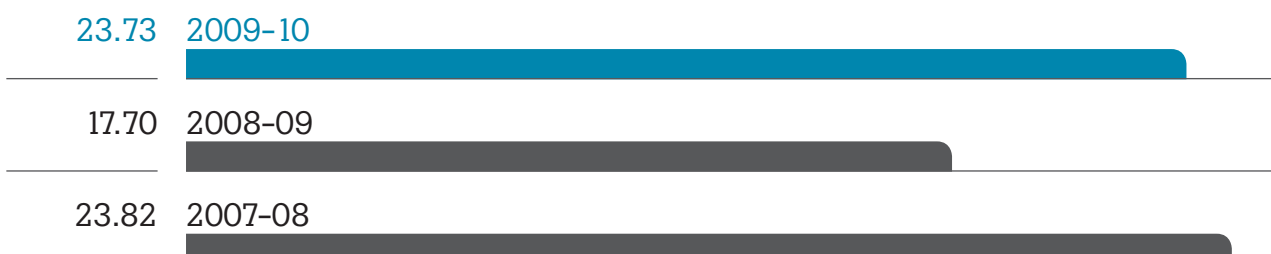
Profit After Tax

(Rs. in million)



EPS

(Rs.)



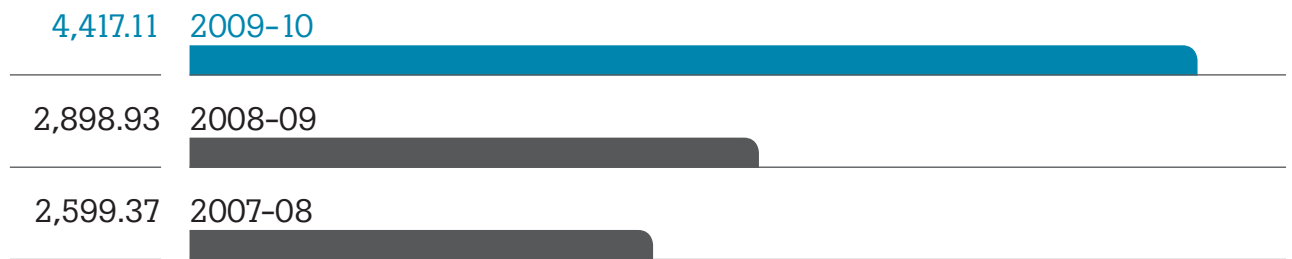
Gross Block

(Rs. in million)



EBITDA

(Rs. in million)



Sales - Diamonds

(Rs. in million)



Sales - Jewellery

(Rs. in million)



Sales - Others

(Rs. in million)



Chairman's Message



Mehul C Choksi, Chairman

Dear Shareholders,

I am often asked if it is wise to have so many brands under a single company, including some that compete with each other in the marketplace.

Those who ask the question do have a valid point. Conventionally, the world over, many companies have succeeded by literally putting all their strategies in one brand basket. In a business-to-consumer segment, a single brand is said to be conducive to concerted growth, focused marketing and undiluted consumer loyalty. It is easy to value the brand, measure market share, track growth and project future performance.

At Gitanjali, our approach is diametrically contrarian to this.

And we have our reasons. If one looks at consumer interfacing products like FMCG, one finds that global conglomerates are an agglomeration of various successful brands. Fast food and soft drink majors too have a vast repertoire of brands. In the luxury products segment too, one of the most coveted names in the industry enjoys a range of brands that includes champagne to handbags.

Thus, there is no conclusive proof in favour or against the multi-brand theory. For starters, having multiple brands is a fairly safe insurance against fickle consumer mindsets and the insatiable appetite for variety and diversity that is characteristic of the consuming population. The convergence of a multi-brand strategy, multi-geography footprint and a fairly well-knit distribution system ensures a significant market visibility, and an ability to hold on to the customer, when migrating from segment to segment. Having multiple brands enables the leveraging of cross-selling opportunities.

So what is Gitanjali? Are we a jewellery brand? Are we a diamonds processor? Are we a retail player? Are we a luxury products provider? Are we a contract manufacturer?

We are all this and more.

The Company has relationships with more than 400 exclusive distributors and a portfolio of 126 stores in the US. The Company has aggressive retail expansion plans of increasing its retail presence to 2 million square feet primarily in the domestic outlets in the next three years.

Today, Gitanjali Gems is a global player, having a presence across all aspects of the diamond and jewellery value chain, and a strong foothold in the lifestyle space. Thus, we straddle the entire gamut of products and services from the mine to the mind, not just in the core area of gems and jewellery, but also in allied segments, deepening our consumer interaction and engagement. 2009-10 was a year in which this aspect of our business matured even further. It was almost as if the internal and external factors converged seamlessly to enable us to report not just our best numbers ever, but a significant, exponential leap in our strategy.

Externally, the clouds of the slowdown cleared considerably in multiple geographies, leading to a stable environment in most markets, paving way for a growth revival. The result was that people's sentiments turned positive again, enhancing footfalls in shops after a gloomy 2008-09. This was evident in our encouraging numbers. Our total revenues for FY 2009-10 grew by 28% to Rs 6527 crores. This growth can be attributed to our branding initiatives, retail sales and India's growing retail significance.

Gitanjali has increasingly undertaken retail expansion through the organic, inorganic and partnership routes. The result is its current 1 million square feet of retail space in India, which includes 185 exclusive stores and 215 franchisee stores. Of India's entire organized mall space belonging to the jewellery category, Gitanjali occupies nearly 60%. The Company enjoys enduring relationships with over 400 exclusive distributors and a portfolio of 126 stores in the US. It has aggressive retail expansion plans. Gitanjali expects to increase its retail presence to 2 million square feet, primarily in the domestic outlets in the next three years. It wishes to capitalize upon the opportunities available in Tier 2 and Tier 3 cities, riding on the crest of India's organized retail expansion. It is expected to grow at 25-30% in the next five years.

India's jewellery market has considerably evolved. Once controlled by traditional family jewellers, launch of big brands - sold in retail stores across malls and shopping centres - are today grabbing eyeballs. India's retail industry is expected to grow at 10-12% to reach USD 416 billion by 2011-12; of which the organized retail market would account for USD 51 billion. Hence, there are considerable opportunities for Gitanjali to tap the retail jewellery market.

We have strengthened our production infrastructure as well. We today have three modern diamond processing and polishing facilities and six jewellery manufacturing facilities.

Gitanjali's foray into the lifestyle segment has enhanced revenue growth. We offer a range of innovative fashion jewellery, watches, silverware, perfumes, luxury artefacts, apparels, leather goods, writing instruments and fashion accessories. Our company has entered into diverse alliances with global players to bring unique and tailor-made designs to our lifestyle business in India. Our lifestyle business is synergic to the branded jewellery retail business, offering enhanced market visibility and wider options for consumers to choose from.

2009-10 was indeed a very satisfying year for us at Gitanjali. But we are not complacent. And we seek the whole-hearted support and encouragement of all our well wishers and stakeholders to catalyse our organisation to the next orbit of growth.

Warm Regards,

Mehul C Choksi, Chairman

Notice

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting (AGM) of Gitanjali Gems Limited will be held on Saturday, September 25, 2010 at 3.00 P.M. at M.C. Ghia Hall, 2nd Floor, Bhogilal Hargovindas Marg, 18/20, K. Dubhash Marg, Kala Ghoda, Mumbai - 400001 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit & Loss Account for the year ended on that date and the reports of Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. Sujal Shah, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Nehal Modi who was appointed as an additional director of the Company with effect from October 29, 2009 by the Board of Directors under section 260 of the Companies Act, 1956 and who holds office upto the date of this annual general meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mr. Nitin Potdar who was appointed as an additional director of the Company with effect from January 30, 2010 by the Board of Directors under section 260 of the Companies Act, 1956 and who holds office upto the date of this annual general meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and pursuant to the provisions of the Articles of Association of the Company, and in partial modification to the earlier resolution passed in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow in any manner from time to time any sum or sums of money at its discretion on such terms and conditions as the Board of Directors may deem fit, notwithstanding that the money to be borrowed by the Company together with the money already borrowed or to be borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), from the financial institutions, Company's bankers and/or from any person or persons, firms, bodies corporate whether by way of loans, advances, deposits, bill discounting, issue of debentures, bonds or any financial instruments or otherwise and whether secured or unsecured, will or may exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose, provided that the maximum amount of money so borrowed by the Board and outstanding at any one time shall not exceed the sum of Rs. 3500 Crores (Rupees three thousand five hundred crores only).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and also to delegate all or any of the above powers to the Borrowing Committee or such Committee of Directors or the Managing Director or the Director or the Principal Officer of the Company and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, and in partial modification to the earlier resolution passed in this regard,

consent of the Company be and is hereby accorded to the Board of Directors of the company to create mortgages / charges / hypothecation on all or any of the immovable and movable properties of the Company present and future, of the whole, or substantially the whole, of the undertaking of the Company, ranking pari-passu with or second or subservient or subordinate to the mortgages / charges / hypothecation already created or to be created in future by the company for securing any loans and/or advances and /or guarantees and/or any financial assistance obtained or may be obtained from financial institutions, banks or machinery suppliers and/or any other persons or institutions providing finance for purchase of assets / business of the Company or for working capital or for purchase of specific items of machinery and equipments under any deferred payment scheme or bills rediscounting scheme or in favour of trustees for Debenture holders / Bondholders / FCCBs holders that may be appointed hereafter, as security for the debentures / bonds / FCCBs that may be issued by the Company, on such terms and conditions and at such times and in such form and manner as the Board of Directors may deem fit, so that the total outstanding amount at any time so secured shall not exceed the aggregate of the amounts consented by the company by the Resolution passed at this meeting pursuant to Section 293(1)(d) of the Companies Act, 1956 together with interest thereon and further interest if any costs, charges, expenses, remuneration payable to the trustees and all other monies payable by the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to and cause to prepare, finalise, approve and execute on behalf of the Company with the lenders, banks, machinery suppliers, persons, institutions and trustees for the Debenture/Bond/FCCBs holders, the documents, deeds, agreements, declarations, undertakings and writings as may be necessary and expedient for giving effect to the foregoing resolution and also to delegate all or any of the above powers to the Borrowing Committee or such Committee of Directors or the Managing Director or the Director or the Principal Officer of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary and/or alter the terms and conditions of the security created / to be created as aforesaid in consultation with the Lenders, Trustees and other Mortgages as they may deem fit."

9. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of Resolution passed at the Annual General Meeting of the Company held on September 20, 2007, and pursuant to sub-section (1) of section 163 of the Companies Act, 1956 ('the Act') the Company hereby approves that the Registers and the Indexes of Members, Bond-holders and copies of all annual returns prepared under section 159 of the Act, together with the copies of certificates and documents required to be annexed thereto under section 161 of the Act or any one or more of them be kept at 2nd Floor, Khani Tower, Jogani Complex, Village Kolkalyan, Kalina, Santacruz (E), Mumbai - 400 038 and/or at the Central Share Department, M/s. Karvy Computershare Private Limited, Gitanjali Gems Limited Unit, Plot no. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

RESOLVED FURTHER THAT Mr. Mehul C. Choksi, Managing Director or Ms. Pankhuri Warange, Company Secretary, of the Company be and is hereby authorized to do all other necessary acts in this connection."

10. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, Article 186(c) and Article 186 (d) of the Articles of Association of the Company, be and is hereby substituted in its entirety with the following new Articles:

186 (c): The seal shall not be affixed to any instrument except in the presence of one Director or Authorised Signatory of the Company, who shall sign every instrument at which seal is affixed in token thereof, provided that the certificates of shares shall be sealed in the manner and in conformity with the provisions of the Companies (Issue of Share Certificates), rules, 1960 and their statutory modifications for the time being in force."

186 (d): Every deed or other instrument, to which the seal of the Company is required to be affixed, shall be signed by One Director or Authorised Signatory appointed by the Board."

By order of the Board of Directors

PANKHURI WARANGE

Company Secretary

Place : Mumbai

Date : August 7, 2010

Regd office: 801 / 802, Prasad Chambers, Opera House, Mumbai: 400 004

Notes:

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. INSTRUMENT OF PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

- a. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
- b. For convenience of the Members and for proper conduct of the meeting, members/ proxies are requested to bring copy of annual report along with the Attendance Slip duly filled in and signed for attending the AGM.
- c. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting, to facilitate identification of membership at the meeting.
- d. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- e. Members who would like to ask any questions on the accounts are requested to send their questions to the Company at an earlier date before the Annual General Meeting to enable the management to answer their queries at the meeting satisfactorily.
- f. The Register of Members and Share Transfer Books of the Company will remain closed from September 11, 2010 to September 25, 2010 (Both days inclusive).
- g. If dividend on equity shares as recommended by the Board of Directors is declared at the Annual General Meeting, payment of such dividend will be made to those members whose names appear on the Register of Members as on September 11, 2010. In respect of shares held in electronic form, dividend will be payable to the beneficial owners of shares as at the end of business hours on September 10, 2010 as per details furnished by the Depositories for this purpose.
- h. Non-resident Indian members are requested to inform the Registrar Karvy Computershare Private Limited immediately on:
 - (a) Change in the residential status on return to India for permanent settlement.
 - (b) The particulars of the bank account maintained in India with complete name, branch, and account type, account number and address of the bank, if not furnished earlier.
- i. Members, who wish to avail the ECS facility, may provide the Company with ECS mandate for crediting the future dividend payment directly to their respective bank account. The Company shall be able to coordinate with the bankers only on receipt of the necessary information. The main information required therein is the type of account, name of the bank and the account number. It should be signed by all the holders, as per the specimen signature recorded with the Company/ Depository Participant.
- j. Members who hold shares in physical form are requested to notify any change in their addresses to the Company's Registrar & Transfer Agents, M/s Karvy Computershare Private Limited, Gitanjali Gems Limited Unit, Plot No 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081 and to their respective depository participants, in case shares are held in electronic mode.
- k. Members who wish to obtain information on the Company or view the accounts for the financial year ended March 31, 2010, may visit the Company's corporate website www.gitanjaligroup.com.
- l. The Company has designated an exclusive email ID viz. investors@gitanjaligroup.com which would enable the investor to post their grievances and monitor its redressal. Any member having any grievance can post the same to the said email address for its quick redressal.
- m. In order to avoid fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate the Company's Registrar & Transfer agents, under the signature of the Sole/ First joint holder, the following information for enabling the corresponding particulars to be incorporated on dividend warrants, as and when issued:
 - (i) Name of the Sole/ First joint holder and the Folio Number
 - (ii) Particulars of Bank Account, viz.:

- (a) Name of Bank
 (b) Name of the Branch
 (c) Complete address of the Bank with Pin Code Number
 (d) Account type, whether Savings Account or Current Account
 (e) Bank Account Number
- n. Members who hold shares in dematerialized form may kindly note that their bank details, as furnished by their Depositories to the Company, will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.
- o. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the shareholders in respect of the shares held by them. The Nomination form 2B in duplicate prescribed by the Government can be obtained from the Company's Registrar & Transfer Agent, M/s Karvy Computershare Private Limited, Hyderabad.
- p. Please note that in terms of SEBI circular No. MRD/ DoP/ Cir -05/2009 dated May 20, 2009, it is mandatory for the transferee(s) to submit copies of their PAN card along with request for transfer of shares of listed Companies in physical form. Accordingly, all transferees are requested to submit self – attested copies of their PAN card along with their request for transfer of shares of the Company in physical form in compliance with the above circular, failing which their request for transfer of shares will be returned under objection.
- q. The details pertaining to Directors liable to retire by rotation as required to be provided pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges is as follows:

Name of the Director	Mr. Sujal Shah
Date of Birth	23.09.1968
Date of Appointment	25.10.2005
Expertise in specific function area	Mergers & Acquisitions, Restructuring of Companies, Valuation of Business/ Shares, Due Diligence Review, etc.
Qualification	Chartered Accountant
List of outside Directorships held as on March 31, 2010	<ol style="list-style-type: none"> 1. Reliance Asset Reconstruction Company Limited 2. i- Process Services (India) Private Limited 3. Reliance Media Works Limited 4. Keynote Corporate Services Limited 5. Pramerica Trustees Private Limited 6. The Hindustan Spinning & Weaving Mills Limited.
Chairman/Member of the Committee of the Board of Directors of the Company as on March 31, 2010	<ol style="list-style-type: none"> 1. Chairman of Audit Committee 2. Chairman of Remuneration Committee
Chairman/Member of the Committee of the Board of Directors of other Companies as on March 31, 2010	<ol style="list-style-type: none"> 1. Chairman of Audit Committee and Member of Remuneration Committee - Reliance Media Works Limited 2. Chairman of Audit Committee and Member of Remuneration Committee - Reliance Asset Reconstruction Company Limited
Number of shares held in the Company as on March 31, 2010	3,000

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr. Nehal Modi was appointed as an Additional Director of the Company on October 29, 2009. Pursuant to Section 260 of the Companies Act, 1956, he would hold office of Director up to the date of the ensuing Annual General Meeting. The Company has received a Notice in writing (together with a deposit of Rs. 500/-) from a member under the provisions of Section 257 of the Companies Act, 1956, proposing candidature of Mr. Nehal Modi for the office of a Director. It will be advantageous for the Company to continue to avail his services and take the benefit of his vast experience and expert knowledge.

Your Directors recommend the ordinary resolution for the approval of members.

Except Mr. Nehal Modi, no other director is interested or concerned in this resolution.

ITEM NO. 6

Mr. Nitin Potdar was appointed as an Additional Director of the Company on January 30, 2010. Pursuant to Section 260 of the Companies Act, 1956, he would hold office of Director up to the date of the ensuing Annual General Meeting. The Company has received a Notice in writing (together with a deposit of Rs. 500/-) from a member under the provisions of Section 257 of the Companies Act, 1956, proposing candidature of Mr. Nitin Potdar for the office of a Director. It will be advantageous for the Company to continue to avail his services and take the benefit of his vast experience and expert knowledge.

Your Directors recommend the ordinary resolution for the approval of members.

Except Mr. Nitin Potdar, no other director is interested or concerned in this resolution.

ITEM NO. 7 & 8

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the permission of the Shareholders in General Meeting, borrow monies in excess of the aggregate of the paid-up capital of the Company and its free reserves. As per the resolution passed by the shareholders of the Company by way of postal ballot on March 9, 2007 the Board of Directors were authorized to borrow money upto a limit not exceeding Rs. 2500 Crores. The increasing business operations and future growth plans of the Company would necessitate restructuring of the borrowing limits by authorizing the Board of Directors to borrow monies which may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves but not exceeding Rs. 3500 Crores.

The borrowings of the Company are, in general, required to be secured by suitable mortgage or charge on all or any of the movable and/or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company, from time to time, in consultation with the lender(s).

The mortgage and/or charge by the Company of its movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company in favour of the lenders/agent(s)/trustees, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956. Hence, it is necessary to obtain approval for the same from the Shareholders.

Your Directors recommend the resolutions for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

ITEM NO. 9

Under the provisions of the Companies Act, 1956, certain documents such as registers and indexes of members, registers and indexes of debenture-holders and bond-holders and annual returns have to be kept at the Registered Office of the Company. However, these documents can be kept at any other place within the city, town or village in which the Registered Office is situated, with the approval of the shareholders. At present the records pertaining to the shares and debentures of the Company are kept at the Office No.10, B Wing, Plot No. C/25, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

Approval of the members is hereby sought in terms of section 163 of the Companies Act, 1956 to shift its statutory registers & records from Office No.10, B Wing, Plot No. C/25, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051 to 2nd Floor, Kheni Tower, Jogani Complex, Village Kolkalyan, Kalina, Santacruz (E), Mumbai - 400 038.

The Directors of the Company are not concerned or interested in the special resolution.

The Board recommends the resolution set out in the accompanying notice for the approval of the members.

ITEM NO. 10

To facilitate the execution of documents that requires the affixation of the Common Seal of the Company, the existing Article 186(c) and 186(d) of the Articles of Association of the Company needs to be amended.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the members for the alteration of the Articles of Association of the Company.

Accordingly, it is proposed to amend the existing Article 186(c) and 186(d) of the Articles of Association of the Company, as set out in detail in the accompanying notice, by a special resolution.

The Directors of the Company are not concerned or interested in the special resolution.

The Board recommends the resolution set out in the accompanying notice for the approval of the members.

By order of the Board of Directors

PANKHURI WARANGE

Company Secretary

Place : Mumbai

Date : August 7, 2010

Regd office:

801 / 802, Prasad Chambers

Opera House, Mumbai: 400 004

Directors' Report



The net profit after tax stood at Rs. 1,420.92 million as against Rs. 1,267.69 million in the previous year.

To The Members,

Your Directors are pleased to present the 24th Annual Report on the business and operations of the Company for the year ended March 31, 2010.

(Rs. in Millions)

FINANCIAL RESULTS

	Standalone		Consolidated	
	2009-10	2008-09	2009-10	2008-09
Sales & Other Income	33,552.52	26,940.64	65,302.17	50,911.12
Expenditure	31,008.41	25,136.69	60,885.06	48,012.19
Interest	1,011.14	453.39	1,724.31	978.40
Depreciation	39.41	43.36	445.41	335.96
Profit before Taxes	1,493.56	1,307.20	2,247.39	1,584.57
Provision for Income Tax	69.50	35.00	244.20	129.61
Earlier Years (Excess)/ Short Provision	2.20	-	-	-
Provision for Deferred Tax	0.95	2.50	(12.30)	(108.77)
Provision for Fringe Benefit Tax	-	2.01	(0.00)	10.94
Net Profit for the Year	1,420.91	1,267.69	2,015.49	1,552.79
Profit brought forward from earlier Years	5,604.65	4,624.10	6,197.38	4,970.46
Amount available for Appropriation	7,025.56	5,891.79	8,176.71	6,484.51
Appropriations				
Proposed Dividend (including Dividend Tax)	197.18	179.14	197.18	179.14
Transfer to General Reserve	120.00	108.00	120.00	108.00
Capital Redemption Reserve	7.93	-	7.93	-
Debenture Redemption Reserve	250.00	-	250.00	-
Balance Carried to Balance Sheet	6,450.45	5,604.65	7,601.60	6,197.38

(1 Million=10 Lakhs)

Turnovers & Profits

The Directors wish to inform you that during the financial year ended March 31, 2010 the sales and other income increased from 26,940.64 Million to Rs. 33,552.52 Million. The net profit before tax stood at Rs. 1,493.56 million as against Rs. 1,307.20 million in the previous year. The net profit after tax stood at Rs. 1,420.91 million as against Rs. 1,267.69 million in the previous year.

Business Review

1. Diamond Segment

Gitanjali procures rough diamonds from various major reputed diamond suppliers across the globe. These rough diamonds are processed and polished in the modern diamond processing units located at Surat – Gujarat, Dhaisar – Mumbai and Rajiv Gems Park – Hyderabad. Gitanjali's diamond sales accounted for Rs. 20,972 million in 2009-10 recording a growth of

Rough diamonds are being processed and polished in the modern diamond processing units located at Surat – Gujarat, Dhaisar – Mumbai and Rajiv Gems Park – Hyderabad.

Directors' Report

29%. Gitanjali exports diamond jewellery as well. Diamond export countries include the U.S., Hong Kong, Japan, China, Middle East and Thailand.

Gitanjali's end-to-end diamond processing chain activities include Marking, Cleaving, Sawing, Cutting and finally polishing. The Company's quality sourcing facilities helps the company to establish competitive prices, and enjoy a consistent market demand.

2. Jewellery Segment

Gitanjali manufactures gold jewellery and diamond studded jewellery in its various state of the art facilities. The manufacturing activities are supported by a strong product development and design function. The manufacturing process includes designing, model and mould making, waxing and wax setting, casting, sprue binding, filling, polishing, metal setting and roodium polish. The Export processing unit is located at SEEPZ - Andheri, Mumbai with more than 500 workers. The other domestic manufacturing units are also located at Goregaon & Andheri - Mumbai, Surat - Gujarat, Rajiv Gems Park - Hyderabad and Manikanchan SEZ - Kolkata.

The revenue from the jewellery segment accounted for 38% of the total revenue in 2009-10. The jewellery segment grew by 18% in 2009-10 to Rs. 12,578 million. Gitanjali's growth can be attributed to branding, promotion, and expansion of its retail network.

3. Branding and Retail Expansion

Gitanjali has several jewellery brands under its umbrella which offer designs for all ages, all occasions, and all customer segments. Gitanjali's brand portfolio includes Gili, Nakshatra, Asmi, Sangini, D'damas etc. The other important brands under various sections including jewellery, fashion accessories, watches and silverware are Vivaaha, Glitterati, Maya Gold, Diya, Stefen Hafner, Lucera, Hoop, Bella, Revv, Rivaaz, Giantti, World of Solitaire, Me Solitaire, World of Silver, Bezel, Morellato etc.

Gitanjali forayed into the US market by acquiring Samuels and Rogers, USA. Gitanjali now has 126 stores in USA. In India, Gitanjali has a 60% share in the branded jewellery segment of the total mall space. During FY 2009-10, Gitanjali's retail space in India increased by 33% to around 1,000,000 sq. ft. The number of company operated stores increased to 185 in 2009-10; and the number of franchisee stores increased to 215 in 2009-10.

Gitanjali has an aggressive domestic retail expansion plan for the several brands it owns through multiple channels in place. Gitanjali's products are sold in super stores and department stores, reputed jewellery retailers, owned retail stores which are managed by group, franchised stores, dedicated jewellery marts

and chain stores supported by international certifications of scientifically tested purity and authenticity. Gitanjali placed its jewellery brands in retail stores at the time when the overall shopping environment went in for a change, with global brands entering India. Gitanjali has offered high visibility to all its brands through promotions which roped in well known personalities. With these multi - tiered mobilization of formats, Gitanjali is well placed to realize its vision of global leadership.

4. Lifestyle

Gitanjali's foray into the lifestyle segment was as a result of rising disposable incomes and per capita consumptions. There has been continuous change in the trends and in the mindsets of people. People have become ready for innovative jewellery, watches and other accessories. Gitanjali, as part of its lifestyle business provides luxury products like watches, silverware, perfumes, luxury artefacts, apparels, leather goods, writing instruments, silver and other fashion jewellery and accessories. Gitanjali has embarked upon diverse alliances with global players to bring unique and tailor made designs on to the domestic market.

The lifestyle wing ventured in to the area of media and entertainment and has taken up production, marketing and advertisements of films, television serials, software and other entertainment related programs via media like T.V., Radio, Newspaper, Outdoor Hoardings and other available advertising media. It has also taken up promotional activities via Music Launch, press conference, City Visits of Artists, Mass scale events etc.

5. Special Economic Zone at Hyderabad

Gitanjali's Rajiv Gems Park at Hyderabad SEZ, has developed five modern state of art manufacturing facilities for commercial production and a training center. The said facilities are up and running and are employing nearly 1500 workers. The unit provides extensive tax benefits and holidays including the 10 year income tax holiday and 5 year income tax breaks for all firms within the SEZ. World

During the year company bought back and extinguished 7,92,883 equity shares and subsequently the outstanding equity share capital of the Company was reduced to Rs. 84,27,00,000 comprising of 8,42,70,000 equity shares of Rs. 10 each.

class in house facilities are being provided for all leading diamond/Jewellery manufacturers.

Dividend

Your Directors recommended a dividend of Rs 2.00 per equity share for the year ended March 31, 2010. The payment of dividend is subject to the approval of shareholders at the ensuing Annual General Meeting.

Transfer to Reserves

The Company proposes to transfer Rs. 120 million to the general reserve out of the total amount of Rs. 7,025.56 million available for appropriations as on March 31, 2010.

Buy-Back of Equity Shares

Subsequent to the approval of the board in their meeting held on December 19, 2008 and after necessary approvals from Securities and Exchange Board of India (SEBI), the Company commenced buyback of its equity shares from the open market through stock exchange mechanism on August 19, 2009. The buyback of equity shares of the Company was closed on December 18, 2009 and till that date Company bought back and extinguished 7,92,883 equity shares of Rs.10/- each at an average rate of Rs. 115.95 /- per equity share through Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). Subsequent to extinguishment, outstanding equity share capital of the Company is Rs. 84,27,00,000 comprising of 8,42,70,000 equity shares of Rs. 10 each.

Share Capital

At present, the Company has only one class of share i.e. equity share of the face value of Rs. 10/- each. During the year company bought back and extinguished 7,92,883 equity shares and subsequently the outstanding equity share capital of the Company was reduced from Rs. 85,06,28,830 comprising of 8,50,62,883 equity shares of Rs. 10 each to Rs. 84,27,00,000 comprising of 8,42,70,000 equity shares of Rs. 10 each.

Debentures

On 22nd June, 2009 the company issued 1,250, 12% secured redeemable Non-Convertible Debentures

(NCDs) of Rs. 10,00,000/- each at par on private placement basis to Life Insurance Corporation of India. The said NCDs are listed on the debt segment of Bombay Stock Exchange Limited.

Fund Utilisation

1. Foreign Currency Convertible Bonds (FCCB)

As on 31st March, 2009 the company had a balance of USD 2 million from the net proceeds of FCCBs in deposits pending utilisation. During the year, the Company has not utilized FCCB proceeds and as on March 31, 2010 the entire USD 2 million were kept in deposits pending utilisation.

2. Global Depository Receipts (GDRs)

The Company had a balance of USD 21.335 million from its GDR Proceeds as on 1st April, 2009. During the year ended March 31, 2010 the Company utilized USD 19.12 million towards investment in subsidiaries, general corporate purposes and working capital requirement. As on March 31, 2010 the balance net proceeds of GDR of USD 2.215 million was kept as deposits with overseas banks pending utilization.

Subsidiaries

The Company had the following Thirty Six (36) Subsidiaries/ Step down Subsidiaries at the beginning of the year.

1. Mehul Impex Limited
2. Gitanjali Exports Corporation Limited
3. Shubalavnya Jewel Crafts Private Limited
4. Gili India Limited
5. Fantasy Jewellery Private Limited (formerly known as Fantasy Diamond Cuts Pvt. Ltd)
6. Brightest Circle Jewellery Private Limited
7. D'Damas Jewellery (India) Private Limited
8. Asmi Jewellery India Private Limited (formerly known as Desire Lifestyle Private Limited)
9. Gitanjali Lifestyle Limited
10. CRIA Jewellery Private Limited
11. Gitanjali Infratech Limited
12. Hyderabad Gems SEZ Limited
13. Raigad Gems SEZ Limited
14. Aurangabad SEZ Limited
15. Nanded SEZ Limited
16. Nagpur Multi-Product SEZ Limited
17. Nashik Multi Services SEZ Limited
18. Gitanjali Jewellery Retail Private Limited (formerly known as Modali Jewels Private Limited)
19. Mohar Jewels Limited

Directors' Report

20. * Ivida Technologies Private Limited
21. Samuels Jewelers Inc.
22. Gitanjali USA, Inc.
23. Rogers Ltd., Inc.
24. Gitanjali Ventures DMCC
25. Gitanjali Retail Ventures Limited
26. Modali Gems Private Limited
27. Decent Securities & Finance Private Limited
28. Eureka Finstocks Private Limited
29. West Bengal SEZ Limited
30. Gitanjali Holdings Limited
31. MMTG Gitanjali Private Limited

Step Down Subsidiaries

1. Tri-Star Worldwide LLC (Subsidiary of Gitanjali USA, Inc.)
2. Lucera Retail Venture Private Limited (Subsidiary of Gitanjali Lifestyle Limited)
3. Trinity Expositions Private Limited (formerly known as Trinity Watch Company Private Limited - Subsidiary of Gitanjali Lifestyle Limited)
4. Hoop Retail Ventures Private Limited (Subsidiary of Gitanjali Lifestyle Limited)
5. Kolkata Axis Mall Limited (Subsidiary of Gitanjali Infratech Limited)

The following Nine subsidiaries/step-down subsidiaries were acquired wholly / partly during the year:

1. Spectrum Jewellery Pvt. Ltd
2. Bezel India Pvt. Ltd (Formerly known as Morellato India Private Limited)
3. Salasar Retail Limited (subsidiary of Gitanjali Lifestyle Limited)
4. MobileNxt Teleservices Pvt. Ltd. (subsidiary of Gitanjali Lifestyle Limited)
5. Alliance Jewellery Pvt. Ltd (Subsidiary of Brightest Circle Jewellery Pvt. Ltd)
6. Diamlink Inc. USA (Subsidiary of Gitanjali USA, Inc)
7. Diamlink Jewellery Inc. (Subsidiary of Diamlink Inc. USA)
8. Jewelry Marketing Comp, LLC (Subsidiary of Diamlink Jewellery Inc)
9. LJOW Holdings, LLC (Subsidiary of Diamlink Jewellery Inc)

* During the year, with an intention to focus over core area of business, the Company sold its entire stake in Ivida Technologies Private Limited

There has been no material change in the nature of business of subsidiaries. A statement containing brief financial details of subsidiaries is included in the annual report.

As required under listing Agreements with the Stock Exchanges, a consolidated financial statement of the company and all its subsidiaries is attached. The consolidated financial statement has been prepared in accordance with accounting standard 21, 23 and 27 issued by Institute of Chartered Accountants of India and show the financial resources, assets, liabilities, income, profits and other details of the Company, its subsidiaries and Joint ventures.

Particulars Under Section 212 of the Companies Act

Ministry of Corporate Affairs, Government of India has granted approval that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the Company. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said approval, is disclosed in the Annual Report. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. We believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition and are accepted globally.

Further, as required, the brief financial data of the subsidiaries has been furnished under the head "Statement pursuant to section 212(8) of the Companies Act, 1956, related to Subsidiary Companies" forming part of the Annual Report.

Related Party Transactions

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

Fixed Deposits

During the year under review, your Company has neither invited nor accepted any fixed deposits from the public within the meaning of Section 58A

On the basis of export performance, the Company has been recognised as a 'Star Trading House' and further designated as 'Nominated Agency' for the purpose of direct import of gold, silver and other precious metals.

of the Companies Act, 1956.

Directors

In accordance with section 260 of the Companies Act, 1956 Mr. Nehal Modi and Mr. Nitin Potdar were appointed as Additional Directors of the Company on October 29, 2009 and January 30, 2010 respectively who hold office upto the date of ensuing Annual General Meeting.

Mr. G.K. Nair, Executive Director has tendered his resignation from the board as a Director with effect from November 13, 2009 while Mr. Suresh Chukkapalli and Mr. Prakash Shah, Independent Directors tendered their resignation with effect from October 29, 2009 and January 25, 2010 respectively. The Board recorded its appreciation for the valuable services rendered by them during their tenure.

In accordance with the Articles of Association, Mr. Sujal Shah, Director retires by rotation and being eligible, offers himself for re-appointment. Your Directors recommend his re-appointment for your approval.

Brief resume of all the Directors on the Board has been given in the Annual Report in "Corporate Governance Report" section.

Auditors & Auditors Report

M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, the present Statutory Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment u/s 224 (1B) of the Companies Act, 1956. The company proposes to re-appoint M/s. Ford, Rhodes, Parks & Co., Chartered Accountants as Statutory Auditors of the company from the conclusion of the ensuing Annual General Meeting up to the conclusion of the next Annual General Meeting of the company.

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

In respect of the observations made by Auditors in their report, your Directors wish to state that the

respective notes to the Accounts are self explanatory and therefore do not call for any further comments.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, for the financial year ended March 31, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and of the profit of the Company for the said period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the Directors have prepared the accounts for the financial year ended March 31, 2010 on a 'going concern' basis.

The above statements have been reviewed by the Audit Committee at its meeting held on May 29, 2010.

Significant Developments during the Year

- (a) The Company's wholly owned subsidiary, Gitanjali Lifestyle Limited entered into Joint Venture Agreement with Damas LLC on August 14, 2009 to form a joint venture Company with the primary objective of carrying on the business of single brand retail trading of all kinds jewellery and accessories. To pursue the objectives of MOU, Damas Gems - N - Jewels (I) Private Limited was incorporated on September 7, 2009.
- (b) On the basis of export performance, the Company has been recognised as a 'Star Trading House' by Ministry of Commerce and Industry (said ministry), Government of India. Further Company has been designated as 'Nominated Agency' by the said ministry for the purpose of direct import of gold, silver and other precious metals vide its certificate dated October 1, 2009.
- (c) During the year, the Company acquired "Alliance Jewelleries Pvt. Ltd" ("Alliance") through its wholly owned subsidiary Brightest Circle Jewellery Pvt. Ltd. Alliance is engaged in the business of manufacturing of gold and diamond studded jewellery etc.

Directors' Report

- (d) During the year the Company undertook a major brand valuation exercise for its four prominent jewellery brands viz. Gili, Nakshatra, D'damas and Asmi. Brand Finance, renowned UK based firm in marketing and brand valuation was commissioned to evaluate these brands. The total worth of these four brands were valued to be Rs. 1500 crores.
- (e) The Company has acquired additional Shares of 'Spectrum Jewellery Private Limited' (Spectrum), earlier a Joint Venture Company. By way of this acquisition, the Company has become majority stake owner in Spectrum, which is owner of brand 'Sangini'.
- (f) The Company's wholly owned subsidiary, Gitanjali Lifestyle Limited has acquired 76% stake in Salasar Retail Limited, a company engaged in the business of retailing, selling, trading and distributing all kinds of cloth, cotton, synthetics, silk yard, readymade garments etc.
- (g) During the year, the Company has acquired 100% Shares of Bezel India Private Limited (Bezel), (formerly known as Morellato India Pvt. Ltd), earlier a Joint Venture Company. By way of this acquisition, Bezel has become a wholly owned subsidiary of the Company.

Disclosure Pursuant to Clause 5A of Listing Agreement

Pursuant to insertion of clause 5A in listing Agreement as per SEBI notification no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009 the details in respect of the shares lying in the Gitanjali Gems Limited – Unclaimed Shares Demat Suspense Account till March 31, 2010 is as under.

Description	No. of Cases	No. of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on April 1, 2009	33	1317
Number of shareholders who approached the Company for transfer of shares from suspense account during the year 2009-2010	6	239
Number of shareholders to whom shares were transferred from suspense account during the year 2009 – 2010	6	239
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on March 31, 2010	27	1078

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

Management Discussion and Analysis Report

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

Corporate Governance

A Report on Corporate Governance for the financial year 2009-10 along with the Auditor's Certificate on its compliance is provided in the corporate governance report section of this Annual Report.

Industrial Relations

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

Particulars of Employees

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

The Company became majority stake owner in Spectrum Jewellery Pvt. Ltd., the owner of brand 'Sangini'.

Information Under Section 217(1)(e) Of Companies Act, 1956 Read With Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988:

A. Conservation of Energy

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

B. Technology Absorption, Adaptations & Innovation

The Company has not carried out any specific research and development activities. The Company uses indigenous technology for its operations. Accordingly, the information related to technology absorption, adaptation and innovation is reported to be NIL.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year	Previous Year
A. Foreign Exchange Earnings:	(Rs. in Millions)	(Rs. in Millions)
FOB Value	19,449.31	14,170.31
B. Foreign Exchange Outgo:		
Value of Imports on CIF basis	14,854.93	11,156.88
Expenditure in Foreign Exchange	31.72	18.72

Acknowledgement

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

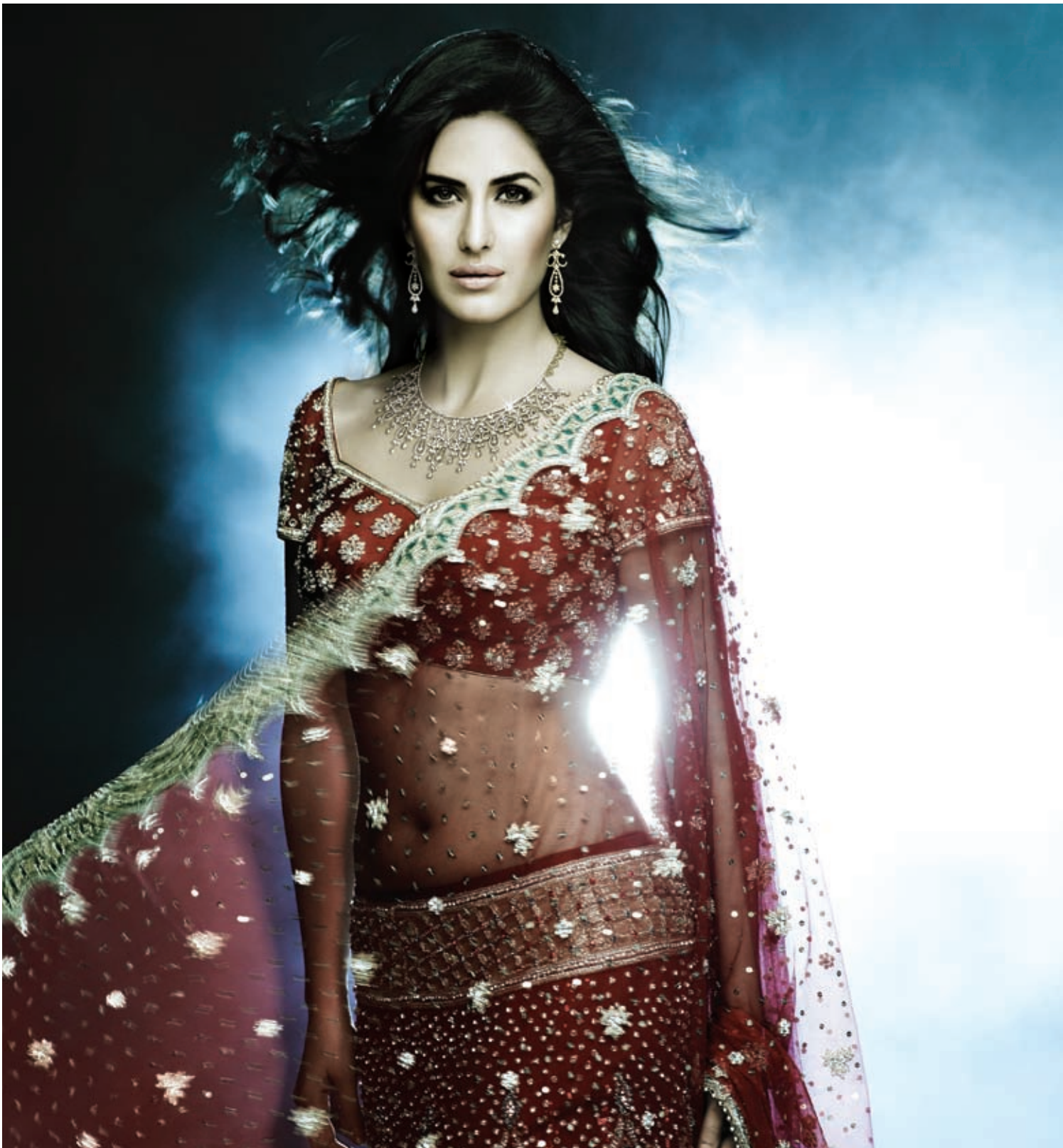
We thank the Governments of various countries where we have operations. We also thank the Government of India, Ministry of Commerce & Industry, Ministry of Corporate Affairs, Ministry of Finance, Department of Economic affairs, Customs & Excise Departments, Income Tax Department, Reserve Bank of India,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

On behalf of the Board of Directors

Place : Mumbai
Date : August 7, 2010

Mehul C. Choksi
Chairman & Managing Director

Management Discussion and Analysis



The country's biggest gold and jewellery export destination is the UAE (32%) followed by Hong Kong (25%) and the US (20%)

Industry overview

When an economy prospers, so does its people. They start spending more on consumer durables, automobiles, luxury goods and gems and jewellery. Of all these products, gems and jewellery provides people with a sense of financial security, as precious metals have the ability to store value. Precious metals provide a comprehensive hedge against exchange rate fluctuations of multiple currencies. Large scale purchasing for investment purpose is carried out by the Central Bank, commercial banks, institutional investors and Exchange Traded Funds (ETFs).

India owns a special position in the global gems and jewellery market, and is one of the largest bullion markets in the world, with US being the global leader. India is widely known as the land of gold and diamond jewellery, and is globally famous for its precious metals and gemstones. Diamonds were introduced to the world by India and it was the first country in the world to mine, cut and polish diamonds and trade in diamonds. It is also the world's largest gold and silver consumer. While India plays a dominant role in gems and jewellery processing and consumption, it is one of the least ranked in terms of gold and diamond mining.

A preferred global destination for its low production cost and abundance of skilled labour, India was one of the first countries to start making fine jewellery from minerals and metals. And even today, most of the jewellery made in India is handmade. The gems and jewellery industry is a leading foreign exchange earner for the country and also plays a key role in the economy. Besides, it is considered as an important savings and investment vehicle.

The value of the gems and jewellery industry is estimated to be around US\$ 28 billion (Source www.gjpec.org), while according to World Gold Council, the industry stood at Rs.760 billion or US\$ 16.7 billion; of which the urban jewellery market is valued at Rs.310 billion (US\$ 6.8 billion) and the rural and semi-rural market at Rs.450 billion (US\$ 9.9 billion). Of this, gold accounts for nearly 80% share, while the rest comprise diamonds and other jewellery (Source: Care Research).

The gems and jewellery industry was severely affected by the global crisis. Consumer spending on luxury items all over the world, especially developed nations was subdued. Despite the crisis, India still remained the biggest diamond processing centre and the world's largest gold consuming nation. Exports managed to show robust growth during the year. During the year 2009-10, India's exports stood at Rs 1,344.06 billion, registering a 20.42% growth (in rupee terms) as compared to the previous year. In dollar terms, India's exports grew by 16%. The country's biggest gold and jewellery export destination is the UAE (32%) followed by Hong Kong (25%) and the US (20%).

The recent trends in the global gems and jewellery industry include: fragmentation of rough diamond supply; emergence of new mining areas; beneficiation movement in mining countries; increasing raw material prices and enhanced raw material price volatility.

The value of the gems and jewellery industry is estimated to be around US\$ 28 billion (Source www.gjpec.org), while according to World Gold Council, the industry stood at Rs.760 billion or US\$ 16.7 billion; of which the urban jewellery market is valued at Rs.310 billion (US\$ 6.8 billion)

Management Discussion and Analysis

Industry structure

India's gem and jewellery industry comprises diamonds, coloured stones, gold, silver and pearls; of which the main products in terms of value and aesthetic appeal are gold and diamonds.

The gem and jewellery industry is largely unorganized, labour intensive and export oriented. It is characterized by large requirements for working capital and raw materials. The industry is also characterized by gold price volatility. The unorganized sector mainly comprises family jewellers, which is nearly 96% of the market. The balance 4% market share belongs to the organized sector comprising multiple brands.

There are over 100,000 jewellery manufacturing units throughout India and about 6,000 players in the domestic diamond processing industry. Besides, around 450,000 goldsmiths reside in India. The industry employs 1.5 million people directly and indirectly.

Evolving trends

The demand for gold and jewellery in India is perennial, which further increases during religious festivals and weddings. This reflects that people, especially the middle class, are increasingly spending on luxury items.

Always an attractive investment avenue, Indians have remained bullish on gold, and have increasingly invested in gold. Traditionally, the upper classes preferred heavy gold ornaments and invested significantly in gold. This trend is changing fast. Traditional ethnic designs have given way to modern, innovative, fashionable, and lightweight jewellery. White metal and platinum have become the new trends. Over the years, consumer buying preferences have changed drastically. In diamonds, consumers now demand studded jewellery and solitaires. In India 22-karat gold jewellery is preferred over and above the 23-karat and 18-karat gold jewellery.

Retail sector

The economic growth is catalysing a retail revolution in India. Higher disposable incomes and demand for value added products fuelled growth in the retail of fashion, electronics, home products and fast moving consumer goods (FMCGs). The need to enter the fast growing retail sector was also felt by the jewellery sector as moving up the value chain would help capture higher margins.

Traditionally, gems and jewellery were sold by family jewellers. Gems and jewellery retailing is undergoing a transformation from family jeweller's shops to retail formats such as boutiques, supermarkets and gold souks. The launch of several brands has driven the launch of retail stores.

Branded jewellery is a recent popular phenomenon in India, as most of the jewellery can be worn everyday as a fashion accessory. Branded jewellery is lightweight and reflects one's lifestyle and personality, which has appealed to the growing Indian population. Branded jewellery has introduced value added services such as the certification of gold and diamonds, lifetime return and buy-back schemes. Another factor which accelerated the growth of branded jewellery in India is that branded jewellery has been promoted by high-profile reputed companies, who guarantee the purity of gold through hallmarks and certifications. Earlier purchasers of jewellery would have to rely on the purity of gold by virtue of relationship with the jeweller.

India's retail industry is expected to grow at 10-12% to reach USD 416 billion by 2011-12; of which the organised retail market would be around USD 51 billion.

Currently, there are three retail formats for jewellery in India:

- Exclusive outlets at malls and shopping centres
- Kiosks/displays in departmental outlets and malls
- Display of branded jewellery in shops of local jewellers

Great expectations

- According to the Gem & Jewellery Export Promotion Council and KPMG, the global jewellery industry is expected to be cumulatively worth US\$280 billion worth by 2015 (Source - www.gjpec.org).
- India and China together will emerge as a market equivalent to U.S. market by 2015. China is expected to have a share of 21.3 % in the diamond-processing segment (Source - www.gjpec.org).
- It is expected that the current gem and jewellery export levels of US\$ 28 billion will increase to US\$ 50 billion in another five years, with growth increasing from 12% to 15% (Source - www.gjpec.org).

By 2015, around 9% of the world's diamonds, in volume terms, will be processed locally by mining countries, with Angola, Namibia and Botswana emerging as profitable centres of cut and polished diamonds in Africa

- It is expected that India's share in the diamond processing segment will drop from the current levels of 57% to 49% by 2015 (Source -www.gjpec.org).
- By 2015, around 9% of the world's diamonds, in volume terms, will be processed locally by mining countries, with Angola, Namibia and Botswana emerging as profitable centres of cut and polished diamonds in Africa (Source -www.gjpec.org).

It is expected that increasing prosperity would help demand for jewellery to grow by 8.3% to 8.5% per annum. (Source -www.gjpec.org)

The economic growth is catalysing a retail revolution in India. Higher disposable incomes and demand for value added products fuelled growth in the retail of fashion, electronics, home products and fast moving consumer goods (FMCGs). The need to enter the fast growing retail sector was also felt by the jewellery sector as moving up the value chain would help capture higher margins

GEMS AND JEWELLERY EXPORTS FOR FY 2009-10

Items	Exports		Growth/Decline over Previous Year	
	Rs. in crores	US \$ in million	Rs.	US \$
Cut & Polished Diamonds (Quantity - 582.78 lakh carats)	82932.17	17542.29	25.23 %	20.11 %
Gold Jewellery	44634.49	9424.33	12.71 %	9.38 %
Coloured Gemstones	1357.35	286.65	14.69 %	10.55 %
Others	1965.92	418.94	81.10 %	75.84 %
Rough Diamonds (Quantity - 244.78 lakh carats)	3516.29	742.43	-0.04 %	-4.37 %
Total	134406.22	28414.64	20.42 %	16 %

GEMS AND JEWELLERY IMPORTS FOR FY 2009-10

Items	Imports		Growth/Decline over Previous Year	
	Rs. in crores	US \$ in million	Rs.	US \$
Cut and polished diamonds	51376.10	10869.03	26.42 %	22.36 %
Gold bar	32764.16	6906.79	55.45 %	49.62 %
Others	3231.17	682.62	50.95 %	54.56 %
Rough diamonds (Quantity - 1497.86 lakh carats)	42661.26	9029.99	21.75 %	14.13 %
Total	130032.69	27488.43	25.82 %	19.97 %

THE EXPORT OF GEMS AND JEWELLERY HAS BEEN GROWING AT A CAGR OF AROUND 11.26% OVER THE LAST FIVE YEARS.

Items	Amount
	in US \$billion
2009-10	28.42
2008-09	21.23
2007-08	20.92
2006-07	17.08
2005-06	16.67

Management Discussion and Analysis

THE SEGMENTS OF GEMS AND JEWELLERY EXPORTS FOR FY 2009-10

Segment	%
Cut and polished diamonds	61.70
Gold jewellery	33.20
Coloured gemstones	1
Others	1.5
Rough diamonds	2.6

Gold

The major portion of gold jewellery manufactured in India is used for domestic consumption. India consumes approximately 800 tonnes of gold annually. During 2009-10, India produced 3 tonnes of gold, which is negligible when compared to the world's production of 2450 tonnes. The country's average annual imports are 600 tonnes and exports stand at 60 tonnes. Around 250 tonnes of gold is recycled annually and India is the largest gold importer (Source: www.mcxindia.com).

During the first quarter of 2010, around 748 tonnes of gold were consumed. India, China, USA, Turkey, Saudi Arabia and UAE account for above 60% of the global gold demand. It is imported from countries like Switzerland, South Africa, Australia and UAE.

Gold's tonnage sales declined by 15% and gold imports rose by 49.62% to US \$ 6906.79 million in FY 2009-10. The export of gold jewellery increased by 9.38% to touch US \$ 9424.33 million in 2009-10.

EXPORTS OF GOLD JEWELLERY HAS BEEN GROWING AT A CAGR OF AROUND 12.26% OVER LAST FIVE YEARS

Year	Amount
	in US \$billion
2009-10	6.90
2008-09	6.87
2007-08	5.56
2006-07	5.21
2005-06	3.87

Diamonds

India is the world's largest diamond cutting and polishing centre and is the third largest consumer of polished diamonds after USA and Japan. Of every 12 diamonds processed in the world, 11 are processed in India, and the country accounts for 60% by value, 82% by carats and 95% by volume of diamonds. Surat, India's

diamond processing hub, contributes over 80% of the country's diamond processing industry, with US\$13.03 billion revenue annually.

Major portions of rough, uncut diamonds are further processed in India, and are then exported in the form of polished diamonds or finished diamond jewellery to USA, Hong Kong, Belgium and UAE. Other countries involved in diamond cutting and polishing are China, Israel and Belgium.

Australia, Botswana, Russia and South Africa are the major suppliers of rough diamonds and constitute most of the diamond mining markets. India imports rough diamonds from Belgium, UK, Israel and UAE.

During the year, the diamond jewellery market grew around 20% and India's value addition in diamond processing segment remains the world's highest at US\$8.42 bn in FY'10.

EXPORTS OF CUT AND POLISHED DIAMONDS GREW AT A CAGR OF AROUND 16.36 % OVER THE LAST FIVE YEARS

Year	%
2009-10	25.23
2008-09	13.05
2007-08	14.20
2006-07	10.91
2005-06	11.83

During the first quarter of 2010, around 748 tonnes of gold were consumed. India, China, USA, Turkey, Saudi Arabia and UAE account for above 60% of the global gold demand

Gitanjali was the first to produce the world's smallest heart shaped diamond (0.03 carat). It uses the latest technology (CAD and CAM) for creating designs. Till date, it has received more than 50 awards from the Ministry of Commerce for its export performance.

Government initiatives

1. The Indian government has provided an impetus to the booming gems and jewellery industry with favourable foreign trade policies.
2. 100% foreign direct investment (FDI) in gems and jewellery through the automatic route is allowed.
3. The government has lowered import duty on platinum and has exempted rough coloured precious gem stones from customs duty.
4. Rough, semi-precious stones are also exempt from import duty.
5. Duty-free import of consumables for metals other than gold and platinum up to 2% of freight on board (f.o.b) value of exports.
6. Duty-free import entitlement for rejected jewellery up to 2% of f.o.b value of exports.
7. Import of gold of 18 carat and above under the replenishment scheme.
8. Setting up of SEZs and gems and jewellery parks to promote investment in the sector.
9. The government abolished import duty on polished diamonds.
10. The government has raised the limit value of jewellery parcels for export through foreign post office (including via speed post) from US\$ 50,000 to US\$ 75,000 and the time period for re-import of branded jewellery remaining unsold has been extended from 180 days to 365 days.
11. The export of coloured gemstones on a consignment basis has been allowed.

The government has announced a series of measures to help the gems and jewellery exports in the Foreign Trade Policy, 2009-14.

1. It has been decided to neutralize duty incidence on gold jewellery exports, to allow duty drawback on such exports.

2. In an endeavour to make India an international diamond trading hub, it has been planned to establish "Diamond Bourses".
3. A new facility to allow the import of cut and polished diamonds on a consignment basis for the purpose of grading/certification purposes has been introduced.
4. To promote the export of gems and jewellery products, the value limits of personal carriage have been increased from US\$2 million to US\$5 million in case of participation in overseas exhibitions. The limit in case of personal carriage, as samples, for export promotion tours, has been increased from US\$ 0.1 million to US\$ 1 million.

Company overview

Gitanjali Gems Limited (GGL), a part of the Gitanjali Group of Companies, was established in 1986 as a diamond and jewellery manufacturer and retailer. Gitanjali, one of the pioneers of the jewellery branding and retailing revolution in India, is currently one of the largest and fastest growing jewellery businesses in the world. The products, on offer, are diamonds, gold and silver jewellery, watches, luxury artefacts and accessories. Gitanjali has several brands under its umbrella: Gili, Asmi, D'Damas and Nakshatra, the combined value of which stands is around Rs 1,500 crores.

Gitanjali is a DTC (Diamond and Trading Company) Sight holder through the promoter group company. During the year, Gitanjali received the "Star Trading House" status from the Government of India for its export performance. It has also been designated as 'Nominated Agency' for the purpose of direct import of gold, silver and other precious metals.

Gitanjali was the first to produce the world's smallest heart shaped diamond (0.03 carat). It has developed around 25 patented facet patterns. Gitanjali uses the latest technology (CAD and CAM) for creating designs. Till date, Gitanjali received more than 50 awards from the Ministry of Commerce for its export performance.

Gitanjali's value chain

Gitanjali has its presence over the entire value chain: right from sourcing, processing and manufacturing, to branding and retailing. Gitanjali's integrated business model provides a competitive advantage, as it manufactures and retails the jewellery under several brands in India, as well as in global markets. Gitanjali has nearly 3000 Points of Sale (PoS) in India. It has added 25% more retail space to its existing retail space during 2009-10. Gitanjali has various modern state-of-art diamond processing and polishing and jewellery manufacturing facilities across the country.

Management Discussion and Analysis

Gitanjali's expansion plans

Gitanjali believes in undertaking retail expansion through the organic, inorganic and partnership routes. Currently, Gitanjali occupies around 1 million square feet of retail space in India. Around 60% of the organized mall space in India within jewellery category belongs to the Gitanjali Group.

Gitanjali has more than 400 exclusive distributors, with distribution in more than 2000 retail outlets. The Company has PAN India presence through its over 185 exclusive stores and has more than 215 franchisee stores. At present, Gitanjali has 126 stores in the US. Gitanjali has plans to aggressively expand its domestic outlets.

In the coming years, Gitanjali has planned for increasing contribution from jewellery segment to 65-70% of total sales by consolidating acquisitions and enhancing rural penetration.

Gitanjali has planned for aggressive retail expansion and is aiming at increasing its retail presence to 2 million square feet in the next three years. It wishes to capitalize upon the opportunities available in Tier 2 and Tier 3 cities, as organized retail as a whole, is expected to grow at 25-30% in the next five years.

Gitanjali is constructing the first privately owned and managed jewellery SEZ in India, the Rajiv Gems Park at Hyderabad, Andhra Pradesh, which is intended to become one of the largest gems and jewellery SEZs in India. A jewellery manufacturing facility, spread over 2 lakh sq. ft, is being developed, out of which 1 lakh sq. ft have already been developed. Gitanjali is all set to develop few more SEZs in the country in next seven to eight years.

Joint ventures and collaborations

1. Gitanjali Lifestyle Limited, the Company's wholly owned subsidiary, and Damas LLC, Dubai, have entered into a joint venture in India for jewellery retail.
2. The Company has during the year 2009-10, strategically acquired the remaining 50% stake in the Indian joint venture company "Bezel India Private Limited (formerly known as 'Morellato India Private Limited').
3. Gitanjali continues to hold on exclusive basis, the rights of marketing, promotion, sale and distribution of products of its erstwhile JV partner under the following brands: Morellato, Sector (non-Swiss made collection), Roberto Cavalli, Just Cavalli and Miss Sixty.
4. The Company has acquired 76% stake in Salasar Retail Limited through Gitanjali Lifestyle Limited.

5. The Company acquired an additional stake in Spectrum Jewellery Private Limited, owner of Sangini brand, from Sanghavi Exports, and has now become a majority stakeholder from the 50:50 joint venture.
6. The Company through its wholly owned subsidiary Brightest Circle Jewellery Private Limited acquired 100% stake in Alliance Jewellery Private Limited.
7. The Company's wholly-owned subsidiary, Gitanjali USA Inc, has acquired 51% stake in Diamlink Inc, a New York based corporation.
8. The Company acquired 70% stake in MobileNXT Teleservices Pvt. Ltd., a mobile retail chain operator, through Gitanjali Lifestyle Limited.
9. During the year, the Company sold off its entire stake in Ivida Technologies Private Limited.

Human resources

Gitanjali believes in creating an employee-friendly environment, which encourages the pursuit of professional and personal goals.

Gitanjali strives to employ and train people in the Special Economic Zones (SEZs) which are being developed by the Company. It has already set up a training centre in Hyderabad SEZ to train 1,500 workers.

Potential risks

1. Decrease in diamonds availability or increase in diamond prices
2. Gold price fluctuations
3. Risks relating to retail expansion
4. Timely execution and completion of SEZs
5. Foreign currency fluctuations
6. Lifestyle changes

India contributed Rs. 18,567.47 million to jewellery revenue in FY 2009-10, compared to Rs. 11,550.73 million in FY 2008-09, recording a 61% growth

Company performance during 2009-10

Revenues

During the financial year 2009-10, demand resurgence in the Indian jewellery market and moderate stabilisation of key international markets helped propel a 28% growth in total revenues on a consolidated basis. It increased from Rs. 50,888.76 million in 2008-09 to Rs. 65,276.34 million in 2009-10. The cost optimisation measures, undertaken as a response to the economic recession, especially in the international business, improved earnings before interest and taxes (EBIT) to 6.1% of sales from 5% in the previous year. The profit after tax for the year grew by 33% to Rs. 2,001.71 million from Rs. 1,505.83 million in the previous year.

The Company's continuous efforts at brand creation and promotion and expansion of its retail network in India have been successful in propelling the jewellery business to very high growth rates. Consolidated revenue from the jewellery segment accounted for 56% of the total revenue, growing by 35% to Rs. 36,284.42 million in FY 2009-10 from Rs. 26,927.64 million in FY 2008-09.

Diamond business

The global demand for diamonds, which had suffered a slowdown in the wake of the economic recession during 2008 and early 2009, improved with economic stabilization during FY2009-10. The Company's diamond segment revenue grew by 21% to Rs. 28,912.97 million in FY2009-10 from Rs. 23,949.79 million earlier. This growth was primarily due to the international sales of diamonds growing by 29% from Rs. 16,679.11 million to Rs. 21,509.22 million. In the domestic market, the Company has chosen to divert an increasing quantity of diamonds to the fast-growing jewellery business, thereby restricting the growth rate in domestic sales of diamonds to a marginal 2% over FY2008-09 sales of Rs. 7,270.68 million to Rs. 7,403.75 million in FY2009-10.

Jewellery business

The Company's continuous efforts at brand creation and promotion and expansion of its retail network in India have been successful in propelling the jewellery business to very high growth rates. Consolidated revenue from the jewellery segment accounted for 56% of the total revenue, growing by 35% to Rs. 36,284.42 million in FY 2009-10 from Rs. 26,927.64 million in FY 2008-09.

India contributed Rs. 18,567.47 million to jewellery revenue in FY 2009-10, compared to Rs. 11,550.73 million in FY 2008-09, recording a 61% growth. During FY 2009-10, the retail space occupied by the Company's products in India increased by 25% from around 750,000 sq. ft to around 1,000,000 sq. ft. This growth came about through an aggressive expansion program, entailing the addition of Company operated stores (124 in FY 2008-09 to 185 in FY 2009-10) and franchisee stores (141 in FY 2008-09 to 225 in FY 2009-10).

International jewellery revenue grew by 15% to Rs. 17,716.95 million in FY 2009-10 from Rs. 15,376.91 million in FY 2008-09, with stabilisation in the US market and improving market penetration in the UAE and the Far East.

Gitanjali currently operates 126 stores in the US under its brand Samuels & Rogers, which were acquired as a going concern in the year 2006-07. During FY 2009-10, the Company had rationalised operations by closing some stores on the basis of their performance to curtail costs in response to the financial slowdown in the US.

Expenditure

The Company has recorded a total expenditure (excluding depreciation / amortisation and interest) of Rs. 60,885.06 million (previous year Rs. 48,012.69 for the year ended March 31, 2010).

Major expenditure can further be subdivided into:

- Cost of goods sold of Rs. 55,252.84 million (previous year Rs.

Management Discussion and Analysis

42,382.69 million). This increase is on account of increase in business volume.

- Due to increased no. of employees on account of expansion of existing business, further acquisition and consolidation, the Company recorded staff costs of Rs. 2,091.02 (previous year 2,165.79 million), primarily comprising of salary, bonus and allowances paid to employees as well as costs incurred in connection with staff welfare. The overall employee cost was lower during the year due to exchange rate fluctuations.
- The Company also recorded other expenditure of Rs. 3,541.20 million (previous year 3,463.71 million). This increase is on account of increase in administrative expenses and selling and distribution expenses.

Depreciation and Amortisation

For the year ended March 31, 2010 the Company has incurred depreciation charges of Rs. 445.41 million (previous year 335.96 million) primarily due to expansion of business as well as consolidation of the existing business.

Interest

For the year ended March 31, 2010, the Company has incurred interest costs of Rs. 1,724.31 million (previous year 978.40 million) paid to banks and financial institutions towards working capital facilities that consist primarily of packing credit and post shipment credit. This increase was mainly due to higher borrowing and increased cost of funding.

Net Profit before Taxes

Due to reasons discussed above, the Company has recorded a net profit before taxes and extra ordinary items of Rs. 2,247.39 million (previous year Rs. 1,584.57 million) for the year ended March 31, 2010.

Taxes

Provisions for taxes include current tax liabilities, fringe benefit tax liabilities and deferred tax liabilities. For the year ended March 31, 2010, the Company had current tax liabilities of Rs. 244.20 million (previous year Rs. 129.61 million) and deferred tax asset of Rs. 12.30 Million (Previous Year Rs. 108.77 million).

Net Profit

Due to the reasons discussed above and on account of adjustments in respect of minority interest and share of profits from associates of Rs. 13.78 million (previous year 46.96 million) and Nil respectively, the Company recorded a net profit for the year ended March 31, 2010

of Rs. 2,001.71 million (previous year Rs. 1,505.83 million). Of the recorded net profit as above, the Company has transferred Rs. 120.00 million (previous year Rs. 108.00 million) to general reserve.

Share Capital

At present, the Company has only one class of share i.e. equity share of the face value of Rs. 10/- each. During the year company bought back and extinguished 7,92,883 equity shares of Rs.10/- each at an average rate of Rs. 115.95 /- per equity share through Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). Subsequent to extinguishment, outstanding equity share capital of the Company was reduced from Rs. 85,06,28,830 comprising of 8,50,62,883 equity shares of Rs. 10 each to Rs. 84,27,00,000 comprising of 8,42,70,000 equity shares of Rs. 10 each.

For the year ended March 31, 2010, the Company has incurred interest costs of Rs. 1,724.31 million (previous year 978.40 million) paid to banks and financial institutions towards working capital facilities that consist primarily of packing credit and post shipment credit. This increase was mainly due to higher borrowing and increased cost of funding

The Company has focused its efforts on faster collections from longer term receivables. A partial conversion of warehouse stock earmarked for wholesale to retail stock was also undertaken to improve the cash-to-cash cycle

Working capital management

The Company's inventory requirements comprises of rough and polished diamonds, precious metals such as gold and silver, precious stones, and articles of jewellery held as work in progress, held as warehouse stock of finished goods. The Company also holds inventory of finished articles at various stores and shop-in-shop outlets it operates in India and overseas with a low turnover ratio. A certain amount of inventory per retail outlet is necessary to be carried at all times, with seasonal stock up required to address peak periods of demand, such as festive periods and wedding seasons.

On the other hand, in certain categories of business, such as diamond trading and jewellery wholesale, the respective sectors have a tradition of long recovery periods from receivables, with the Company extending commensurate credit to customers.

An increasing retail footprint, therefore, dictates a proportionate increase in investment in working capital. Considering the high growth rate that the Company targets to achieve in the jewellery segment, it has initiated various programs of working capital optimizations to control the amount of investment required.

These programs (conducted in India) comprise franchising of outlets, expanding the company-operated store network at key locations to deal directly with end customers for immediate collections, and optimisation of raw material sourcing. These programmes help the Company to reduce in-store inventory.

Internationally, the steps initiated included closing down of underperforming stores and redistribution of inventory, as well as improvements in product lifecycle management to phase out underperforming designs quickly. Further, the Company has focused its efforts on faster collections from longer term receivables. A partial conversion of warehouse stock earmarked for wholesale to retail stock was also undertaken to improve the cash-to-cash cycle.

As a result, the Company has been able to cut its inventory holding period from 170 days (46.6%) of Cost of Goods Sold (COGS) in FY 2008-09 to 137 days (37.6%) of COGS in FY 2009-10. Total inventory position increased marginally from Rs. 19,758.17 million as on 31st March 2009 to Rs. 20,793.87 million as at 31st March 2010.

Similarly, a change in business mix among different distribution channels improved Company's collection period. Receivable days reduced from 198 days (54.2%) of sales in FY 2008-09 to 181 days (49.5%) of sales in FY 2009-10. The Company's receivables as at 31st March 2010 were at Rs. 32,309.31 million, compared to Rs. 27,596.29 million as at 31st March 2009.

The resultant cash flow enabled the Company to repay its trade creditors quickly despite the slowdown witnessed in the preceding year. Current liabilities reduced to Rs. 14,656.50 million or 97 days of COGS as at 31st March 2010 as compared to Rs. 16,718.96 million or 144 days of COGS as at 31st March 2009.

The resultant cash flow enabled the Company to repay its trade creditors quickly despite the slowdown witnessed in the preceding year. Current liabilities reduced to Rs. 14,656.50 million or 97 days of COGS as at 31st March 2010 as compared to Rs. 16,718.96 million or 144 days of COGS as at 31st March 2009

Report on Corporate Governance

Company's Philosophy on Corporate Governance

Corporate Governance envisages commitment of the company towards the attainment of high levels of transparency, accountability, and business propriety with the ultimate objective of increasing long term shareholders value, keeping in view the needs and interests of all other stakeholders.

The Company believes that adopting the best corporate governance practices is not only non-negotiable, it is the foundation to good business. The Company is committed to conducting its business affairs in a transparent, fair and ethical manner, which is to the benefit of all its stakeholders.

The Company has complied in all material respects with the requirements of Corporate Governance in terms of clause 49 of the Listing Agreement executed with the Stock Exchanges. The details of compliance are as follows:

Board of Directors

Composition of the Board

As of March 31, 2010 the Company's Board comprises Six Directors, including three independent Directors. The composition of Board is in conformity with clause 49 of the Listing Agreement which stipulates that 50 percent of the Board should comprise of non-executive directors and where the Chairman of the Board is Executive Director, at least half of the Board should comprise of Independent Directors.

The composition of and the category of Directors on the Board of the Company were as under:

Category	Name	Designation
Promoter Director	Mr. Mehul C. Choksi	Chairman & Managing Director
Non – Executive Non-Independent Director	Mr. Dhanesh V. Sheth	Director
	Mr. Nehal Modi*	Director
Independent Director	Mr. Sujal A. Shah	Director
	Mr. S. Krishnan	Director
	Mr. Nitin Potdar**	Director

* Appointed as Additional Director on October 29, 2009

** Appointed as Additional Director on January 30, 2010

The Independent Directors are eminent professionals with wide range of knowledge and experience in various spheres of trade, industry, finance and law. A brief profile of all the Board members are as under:-

MEHUL C. CHOKSI (51)

A commerce graduate has been associated with the gems and jewellery industry for over three decades. He has wide experience in the diamond and jewellery industry having an exposure to the entire range of activities, from buying roughs to jewellery sales. He has been instrumental in jewellery branding and aggressive retail expansion policy of the Company and has launched several successful brands like GILL, D' Damas, Nakshatra, Asmi and Giantti. Mr. Choksi has also been a pioneer in corporatising the jewellery industry in India. He steers the group vision and strategy with his deep knowledge and foresight.

DHANESH V. SHETH (53)

A commerce graduate has been associated with Gitanjali for more than two decades and has been on the board for almost 20 years. He advises the company on its marketing operations, buying and selling of rough diamonds and other aspects of Business Development.

NEHAL MODI (31)

A graduate in finance and marketing from Boston University and is having experience of 9 years at top management position. He has been instrumental in Company's growth in United States from 2001 to 2009.

SUJAL A. SHAH (42)

A qualified Chartered Accountant has a post qualification experience of 19 years. He has his own practicing firm SSPA & Co., Chartered Accountants. His main areas of practice are mergers & acquisitions, restructuring of companies, valuation of business / shares, due diligence review, etc.

S. KRISHNAN (64)

A Masters Degree holder in commerce besides being a D.M.M., M.F.M., he is a leading professional in the financial services industry and has vast experience in banking, fund management and capital market operations. He has held top management positions in TAIB Bank E.C., TAIB Securities, Everest Fund, Aldercrest Trading Limited and First Bank with Professional experience in USA, Europe, Middle East, Africa and India.

NITIN POTDAR (47)

A law graduate and a Solicitor, Bombay Incorporated Law Society has a post qualification experience of more than 20 years. He is currently a partner of J. Sagar Associates, a law firm and specializes in public and private mergers and acquisitions, including de-mergers, restructuring of business, asset & share purchase deals, joint ventures and strategic alliances, domestic and international capital markets, private equity and general corporate advisory.

Conduct of Board Proceedings

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

Board Agenda

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

Availability of information to Board members

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

Report on Corporate Governance

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

ATTENDANCE OF THE DIRECTORS AT BOARD MEETINGS AND AT PREVIOUS AGM

Name of the Director	Status	No. of Board meetings held during year 2009-10	No of Board Meetings attended	Attendance at last AGM
Mr. Mehul C. Choksi	C.M.D.	6	6	Yes
Mr. G. K. Nair ¹	E.D.	6	4	Yes
Mr. Dhanesh V. Sheth	N.E.D.	6	6	Yes
Mr. Nehal Modi ²	N.E.D.	6	1	No
Mr. Prakash D. Shah ³	I. N.E.D.	6	5	Yes
Mr. Sujal A. Shah	I. N.E.D.	6	6	Yes
Mr. S. Krishnan	I. N.E.D.	6	6	Yes
Mr. Suresh Chukkapalli ⁴	I. N.E.D.	6	0	No
Mr. Nitin Potdar ⁵	I. N.E.D.	6	1	No

C.M.D. Chairman & Managing Director

E.D. Executive Director

N.E.D. Non Executive Director

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

Notes

1. Mr. G.K. Nair resigned from the board w.e.f November 13, 2009.
2. Mr. Nehal Modi appointed as Additional Director on October 29, 2009.
3. Mr. Prakash Shah resigned from the board w.e.f January 25, 2010.
4. Mr. Suresh Chukkapalli resigned from the board w.e.f October 29, 2009.
5. Mr. Nitin Potdar appointed as Additional Director on January 30, 2010.

Board Meetings held during the year 2009 - 2010

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

Date	Board Strength	No. of Directors present
May 30, 2009	7	6
June 29, 2009	7	6
July 28, 2009	7	6
October 29, 2009	7	5
November 13, 2009	7	7
January 30, 2010	6	5

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

Other Directorships and Committee Membership

None of the Directors holds Directorships in more than fifteen Public Limited Companies nor is any Director, Chairman of more than 5 Committees. The details of Directorship and Committee Membership & Chairmanship held by the Directors as on March 31, 2010 are as follows:

Name of the Director	No. of other Directorships (Including GGL)	Committee (Including GGL)	
		Member	Chairman
Mr. Mehul C. Choksi	15	2	2
Mr. Dhanesh V. Sheth	11	1	1
Mr. Nehal Modi	1	0	0
Mr. Sujal A. Shah	5	0	3
Mr. S. Krishnan	4	1	3
Mr. Nitin Potdar	4	5	0

Notes

1. The Directorships held by Directors as mentioned above, do not include Alternate Directorships, Directorships of Foreign Companies, Section 25 Companies and Private Limited companies.
2. In accordance with Clause 49 of the Listing Agreement, Membership/ Chairmanship of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public Limited Companies have been considered.

Report on Corporate Governance

Audit committee

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

The terms of reference of the Committee are as per the guidelines set out in Clause 49 of the listing agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956 and it inter alia includes the following:

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

Composition

The Audit Committee comprises of Mr. Sujal A. Shah, Mr. S. Krishnan, Mr. Nitin Potdar, all Independent Directors and Mr. Dhanesh Sheth, Non Executive Director.

Mr. Sujal A. Shah is the Chairman of the Committee. Ms. Pankhuri Warange, Company Secretary is Secretary of the Committee. The Composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges. All the members of the Audit Committee are financially literate.

Meetings and Attendance

During the financial year ended March 31, 2010, four meetings of the committee were held. The attendance of committee members at the meetings was as follows:

Name of Member	Status	No. of Meetings Held during the year 2009-10	No. of Meetings Attended
Mr. Sujal A. Shah	Chairman	4	4
Mr. G.K. Nair*	Member	4	2
Mr. Prakash D. Shah**	Member	4	3
Mr. S. Krishnan	Member	4	4
Mr. Nitin Potdar	Member	4	0***
Mr. Dhanesh Sheth	Member	4	0***

* Resigned w.e.f. November 13, 2009

** Resigned w.e.f. January 25, 2010

*** No Audit Committee meeting held in financial year 2009 -10 after the appointment of Mr. Nitin Potdar and Mr. Dhanesh Sheth on January 30, 2010.

Shareholders' / Investors' Grievance Committee

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

Composition

The Shareholders'/ Investors' Grievance Committee comprises of Mr. Dhanesh V. Sheth, Non-Executive Director, Mr. Nitin Potdar, Independent Director and Mr. Mehul C. Choksi, Managing Director of the Company.

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

Meetings and Attendance

During the financial year ended March 31, 2010, thirteen meetings of the committee were held. The attendance of Committee members at the meetings was as follows:-

Name of Member	No. of Meetings Held during the year 2009-10	No. of Meetings Attended
Mr. Prakash D. Shah*	13	10
Mr. G.K. Nair**	13	9
Mr. Dhanesh V. Sheth	13	13
Mr. Mehul C. Choksi***	13	3
Mr. Nitin Potdar***	13	0

* Mr. Prakash Shah resigned w.e.f. January 25, 2010

** Mr. G.K. Nair resigned w.e.f. November 13, 2009

*** Mr. Mehul C. Choksi and Mr. Nitin Potdar appointed as member of committee on January 30, 2010

Status of Shareholders'/Investors' Complaints

Particulars	No. of Complaints
Complaints pending as on April 1, 2009	NIL
Complaints received during the period April 1, 2009 to March 31, 2010	76
Complaints disposed off during the period April 1, 2009 to March 31, 2010	76
Complaints outstanding as on March 31, 2010	NIL

Remuneration committee

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

Report on Corporate Governance

Composition

The Remuneration Committee comprises of Mr. Sujal A. Shah and Mr. S. Krishnan, both Independent Directors. Mr. Sujal A. Shah is Chairman of the Committee. Ms. Pankhuri Warange, Company Secretary is Secretary of the Committee.

Remuneration of Non-Executive Directors and their shareholding

Name of Directors	Sitting Fees Paid (Rs.)		No. of Shares held as on March 31, 2010
	Board Meeting	Audit Committee	
Mr. Dhanesh V. Sheth	Nil	Nil	4876
Mr. Nehal Modi	Nil	Nil	Nil
Mr. Suresh Chukkapalli*	Nil	Nil	Nil
Mr. Prakash D. Shah**	50,000	30,000	Nil
Mr. Sujal A. Shah	60,000	40,000	3000
Mr. S. Krishnan	60,000	40,000	Nil
Mr. Nitin Potdar***	10,000	Nil	3000

* Resigned w.e.f. October 29, 2009

** Resigned w.e.f. January 25, 2010

*** Appointed on January 30, 2010

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

Remuneration of Executive Directors and their shareholding

Name of the Directors	Remuneration paid during the year 2009-10	Number of shares held as on March 31, 2010
Mr. Mehul C. Choksi	Rs. 40,80,000	3,63,26,500
Mr. G. K. Nair*	Rs. 15,06,452	Nil

* Resigned w.e.f. November 13, 2009

- All decisions relating to the remuneration of Directors are taken by the Remuneration Committee in accordance, with the approval received from Board as well as the members of the Company.
- The Directors' remuneration as mentioned above consists of fixed salary component payable to them. There is no performance linked incentives payable to directors for achievement of targets.
- During 2009-10, the Company did not issue any stock options neither did it advance any loans to any of its Directors.

Name, designation, address of the compliance officer

Name: Ms. Pankhuri Warange

Designation: General Manager - Legal & Secretarial and Company Secretary

Address: B-6, 1st Floor, Laxmi Towers, Bandra Kurla Complex, Bandra (East), Mumbai- 400051.

Tel.: +91 22 40102000/01 **Fax:** +91 22 40102042 **Email:** investors@gitanjaligroup.com

General Body Meetings

a) Annual General Meetings:

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

Financial Year	Day & Date	Time	Venue	Special Resolutions passed
2006-07	September 20, 2007	3.00 p.m.	M.C.Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Kala Ghoda, Mumbai-400001	<ol style="list-style-type: none"> Authority under section 163 of the Companies Act, 1956 for keeping the Statutory Registers at the Corporate Office of the company. Re-appointment of Mr. Mehul C. Choksi as the Managing Director for a fresh period of 5 Years
2007-08	September 18, 2008	3.00 p.m.	M.C.Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Kala Ghoda, Mumbai-400001	NIL
2008-09	September 19, 2009	3.00 p.m.	M.C.Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Kala Ghoda, Mumbai-400001	NIL

b) Extra Ordinary General Meetings

No Extraordinary General Meeting was held during the financial year 2009 -10.

c) Special Resolution passed through Postal Ballot:

No postal ballot was conducted during the financial year 2009-10.

Disclosures

A) Related Party Transactions

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

Report on Corporate Governance

Means of communication

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

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

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

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

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

The Company has designated an e-mail id for registering investor complaints in the name of 'investors@gitanjaligroup.com'.

A) Compliance with other mandatory requirements

a) Management Discussion and Analysis

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

b) Subsidiaries

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

c) Secretarial Audit for reconciliation of capital

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

d) Code for prevention of Insider Trading

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

e) CEO/CFO Certification

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

f) Risk Management

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

g) Code of Conduct

As provided under Clause 49 of the Listing Agreement and in line with the Company's objective of following the best Corporate Governance Standards the Board of Directors has laid down a Code of Conduct for all Board Members and senior management of the Company. The code has been circulated to all the members of the Board and senior management and the same had been put on the Company's website www.gitanjalgroupp.com. The Board Members and the senior management personnel have affirmed their compliance with the Code of Conduct for the year ended March 31, 2010.

B) Compliance with non- mandatory requirements**a) Board**

The Board has an executive Chairman. There is no fixed tenure for the independent directors on the Board. The Independent directors on the Board hold requisite qualifications and experience which enables them to make effective contribution to the Company in their capacity as an Independent director, which is very useful to the Company.

b) Remuneration Committee

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

c) Shareholder's Right

A half yearly declaration of financial performance including summary of the significant events is presently not being sent to each household of shareholders.

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

d) Audit Qualification

During the year under review, there is no audit qualification in Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

e) Whistle Blower Policy

The Company has not adopted any Whistle Blower Policy. However the Company promotes ethical behaviour in its activities and employees of the Company are free to report existing/probable violations of laws, rules or un-ethical conduct to the management. The management of the Company is obligated to maintain confidentiality of such reporting and ensure that nobody is subjected to any discriminatory practice.

Report on Corporate Governance

General shareholders information

a) Annual General Meeting

Date & Time : September 25, 2010 at 3.00 P.M.

Venue : M.C. Ghia Hall, 2nd Floor,
Bhogilal Hargovindas Marg, 18/20,
K. Dubhash Marg, Kala Ghoda
Mumbai - 400001

b) Financial Year

The financial year of the Company is from April 1 to March 31.

c) Dates of Book Closure

Our register of members and share transfer books will remain closed from September 11, 2010 to September 25, 2010 (both days inclusive) to determine the entitlement of shareholders to receive the final dividend as may be declared at the ensuing Annual General Meeting.

d) Dividend Payment Date

The proposed Dividend, if approved by shareholders at the ensuing Annual General Meeting will be made payable on or after September 30, 2010.

e) Listing on Stock Exchanges

i) Equity Shares

Bombay Stock Exchange Ltd., Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

ii) Foreign Currency Convertible Bonds

Singapore Exchange Securities Trading Limited, 2, Shenton Way, #19-00 SGX Centre Singapore 068804.

iii) Global Depository Receipts

London Stock Exchange, 10, Paternoster Square, London EC4M, 7LS

iv) Non Convertible Debentures

Bombay Stock Exchange Ltd., Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

f) Listing Fees

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

g) STOCK CODE

Name of the Stock Exchange	Stock Code/ Symbol	ISIN
The Bombay Stock Exchange Limited		
i) Equity Shares	532715	INE346H01014
ii) Non Convertible Debentures	946260	INE346H07011
The National Stock Exchange of India Limited	GITANJALI	INE346H01014
Singapore Exchange Securities Trading Limited (FCCBs)	-	XS0275853454
London Stock Exchange - UK Listing Authority - (GDRs)	GITG	US3763642044

h) Market Price Data

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

Stock Exchange	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High Rs.	Low Rs.	High Rs.	Low Rs.
Month				
April-09	101.00	45.00	100.40	45.50
May-09	128.00	67.50	128.00	66.10
June-09	148.90	102.00	148.90	101.70
July-09	115.90	86.55	115.40	82.40
August-09	130.75	100.55	130.75	97.25
September-09	125.90	110.00	126.00	110.75
October-09	138.00	109.20	138.50	107.10
November-09	122.60	108.50	122.40	108.50
December-09	127.15	115.00	129.85	115.10
January-10	135.00	111.10	134.85	111.00
February-10	124.60	108.55	125.00	108.50
March-10	124.90	112.20	124.85	110.15

* Source - Respective websites of BSE & NSE.

i) Registrars & Share Transfer Agents

Karvy Computershare Private Limited
Gitanjali Gems Limited Unit,
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500081

Tel: +91-040-23420815 - 28
Fax: +91-040-23420814
e-mail: einward.ris@karvy.com
Website: www.karvy.com

Report on Corporate Governance

k) Share Transfer System

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

l) Distribution of Share Holding as on March 31, 2010

No. of Shares	Shareholders		Shares held	
	Nos.	%	Nos.	%
001 to 5000	54717	94.93	4613644	5.48
5001 to 10000	1570	2.73	1274713	1.51
10001 to 20000	653	1.13	1006853	1.19
20001 to 30000	231	0.40	593811	0.70
30001 to 40000	105	0.18	378828	0.45
40001 to 50000	76	0.13	360174	0.43
50001 to 100000	133	0.23	995795	1.18
100001 and above	157	0.27	75046182	89.06
TOTAL	57642	100	84270000	100

m) Dematerialization of equity shares

As on March 31, 2010, 2440457 Equity shares of the Company constituting 2.90 per cent of the share capital were held in physical form and the balance 81829543 equity shares constituting 97.10 per cent of the share capital were held in dematerialized form.

n) Liquidity

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

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

i) GDRs

Out of the total 18,614,271 GDRs issued, 4502900 GDRs were outstanding as on March 31, 2010. Each GDR represents one equity share of Rs. 10/- each.

ii) FCCBs

Out of the total FCCBs of USD 110 millions issued by the Company, FCCBs of US\$ 73.86 million were outstanding as on March 31, 2010.

p) Corporate Identification Number (CIN)

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

q) Plant Locations

LOCATION	ADDRESS
Mumbai	1. Gala No. 3, Ground Floor, Hi – tech embroidery, Vardhaman Industrial Estate, Near Petrol pump, S.V. Road, Dahisar (East), Mumbai – 400 068. 2. Plot No.61, SEEPZ, Andheri (E), Mumbai 3. Plot No.16 (Part), 17,28,29(Part),SEEPZ, Andheri (E), Mumbai
Surat	Surat Special Economic Zone, Unit No. 378, Plot No.24, Surat, Gujarat
Hyderabad	Survey NO.1/1, Raviryala Village Road, Maheshwaram Mandal, R.R. District, Hyderabad – 501510.
Kolkata	Mould No. – 4NE, 4th floor, SF Building, Manikanchan SEZ, Salt lake City, Kolkata – 700 091

r) Shareholding Pattern as on March 31, 2010

Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	Percentage of Shareholding
A	Shareholding of Promoter and Promoter Group			
	1) Indian			
	a) Individuals/ Hindu Undivided Family	3	36817128	43.69
	b) Central Government/ State Government(s)	0	0	0.00
	c) Bodies Corporate	4	6550488	7.77
	d) Financial Institutions/ Banks	0	0	0.00
	e) Any Other (specify)	0	0	0.00
	Sub-Total (A)(1)	7	43367616	51.46
	2) Foreign			
	a) Individuals (Non- Resident Individuals/ Foreign Individuals)	0	0	0.00
	b) Bodies Corporate	1	10000	0.01
	c) Institutions	0	0	0.00
	d) Any Other (specify)	0	0	0.00
	Sub-Total (A)(2)	1	10000	0.01
	Total Shareholding of Promoter and Promoter Group A)= (A)(1)+(A)(2)	8	43377616	51.47

Contd.

Report on Corporate Governance

Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	Percentage of Shareholding
B	Public Shareholding			
	1) Institutions			
	a) Mutual Funds/ UTI	0	0	0.00
	b) Financial Institutions/ Banks	5	384800	0.46
	c) Central Government/ State Government(s)	0	0	0.00
	d) Venture Capital Funds	0	0	0.00
	e) Insurance Companies	0	0	0.00
	f) Foreign Institutional Investors	39	14465896	17.17
	g) Foreign Venture Capital Investors	0	0	0.00
	h) Any Other	0	0	0.00
	Sub-Total (B)(1)	44	14850696	17.62
	2) Non-Institutions			
	a) Bodies Corporate	1002	8014608	9.51
	b) Individuals			
	i) Individual shareholders holding nominal Share capital up to Rs.1 lakh.	54250	7325279	8.69
	ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	46	2935814	3.48
	c) Any Other(specify)			
	NRI	574	282167	0.33
	Clearing Member	172	234890	0.28
	Foreign Companies	3	2420717	2.87
	Trust	1	54	0.00
	HUF	1541	325259	0.39
	Sub-Total (B)(2)	57589	21538788	25.56
	Total Public Shareholding (B)= (B)(1)+(B)(2)	57633	36389484	43.18
	Total (A)+(B)	57641	79767100	94.66
C	Shares held by Custodians and against which	1	4502900	5.34
	Depository Receipts have been issued			
	Grand Total (A)+(B)+(C)	57642	84270000	100.00

p) Address for Correspondence

Shareholding related queries

Karvy Computershare Private Limited
Gitanjali Gems Limited Unit,
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500081

Tel: +91-040-23420815 - 28

Fax: +91-040-23420814

e-mail: einward.ris@karvy.com

Website: www.karvy.com

General correspondence:

Gitanjali Gems Limited
B-6, 1st Floor , Laxmi Towers,
Bandra Kurla Complex
Bandra (East), Mumbai- 400051

Tel: +91-022-40102000/01

Fax: +91-022-40102003/42

Email : investors@gitanjaligroup.com

Depository

National Securities Depository Limited,
Trade World, A Wing, 4th and 5th Floor Kamala
Mills Compound,
Senapati Bapat Marg,
Lower Parel,
Mumbai - 400013

Tel - 022-24994200

Fax - 022-24976351

e-mail - info@nsdl.co.in

website - www.nsdl.co.in

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers,
16th Floor,
Dalal Street, Fort
Mumbai - 400001

Tel - 022-22723333

Fax - 022-22723199

e-mail - investors@cdslindia.com

website - www.cdslindia.com

Report on Corporate Governance

Certificate under clause 49(V) of listing agreement

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

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

For Gitanjali Gems Limited

Mehul C. Choksi
Chairman & Managing Director

Place : Mumbai
Date : May 29, 2010

For Gitanjali Gems Limited

Sunil Varma
Chief Financial Officer

Certificate of Compliance with the code of conduct

I, Mehul C. Choksi, Chairman and Managing Director of the Company, hereby declare that the Company has adopted a Code of Conduct for its Board Members and Senior Management as provided under Clause 49 of the Listing Agreement with the Stock exchanges. The Board Members and Senior Management have confirmed compliance with the Code of Conduct for the year ended March 31, 2010.

Place : Mumbai
Date : August 7, 2010

For Gitanjali Gems Limited

Mehul C. Choksi
Chairman and Managing Director

Auditor's Certificate on Corporate Governance

1. We have examined the compliance of conditions of Corporate Governance by Gitanjali Gems Limited for the year ended on March 31, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.
2. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanation given to us and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Ford, Rhodes, Parks & Co.

Chartered Accountants

Place : Mumbai
Date : August 7, 2010

A.D.SHENOY

Partner

Membership No.: 11549

Financial Statements

Standalone Financial Statements

49 Auditors' Report

50 Annexure to Auditors' Report

52 Balance Sheet

53 Profit and Loss Account

54 Cash Flow Statement

55 Schedules

82 Balance Sheet Abstract

83 Statement Pursuant to Section 212(8) of the Companies Act, 1956

Consolidated Financial Statements

85 Auditors' Report

86 Balance Sheet

87 Profit and Loss Account

88 Cash Flow Statement

89 Schedules

Auditors' Report

To

The Members Of Gitanjali Gems Limited

We have audited the attached Balance Sheet of Gitanjali Gems Limited having their registered office at 801/802, Prasad Chambers, Opera House, Mumbai – 400 004 as at March 31, 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 (the Act), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order:
- II. 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 purpose of our audit.
 - b) In our opinion, proper books of accounts as required by Law have been kept by the Company so far as appears from our examination of those books of the Company.
 - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the directors of the Company as on March 31, 2010, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with notes thereon appearing in schedule 17 give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2010.
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date, and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

Chartered Accountants

Firm Reg. No.: 102860W

A.D.Shenoy

Partner

Membership No. 11549

Place : Mumbai

Date : 29th May, 2010

Annexure to the Auditors' Report

(Referred to in paragraph I of our report of even date)

- 1
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets and no material discrepancies were noticed on such verification.
 - c) During the year, the Company has not disposed off any substantial part of fixed assets.
- 2
 - a) The inventory has been physically verified by the management during the year and also at the year end.
 - b) The procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
- 3
 - a) The Company has granted unsecured loans / advances to its companies, firms or other parties covered in the register maintained under section 301 of the Act. The number of parties are Twenty Six and amount outstanding as at March 31, 2010 is Rs. 4,112.64 Millions (Previous year Rs. 3,220.11 Millions and Number of Parties : Sixteen)
 - b) The Company has taken unsecured loans from Companies, firms and other parties covered under section 301 of the Act. The number of parties are two and the amounts outstanding as at March 31, 2010 is Rs. 0.62 Millions (Previous Year Rs. 10.07 Millions and Numbers of parties : Two).
 - c) The above loan is interest free except in respect of one of the wholly owned subsidiary companies and no conditions as to repayment of principal amount have been stipulated.
 - d) In respect of the said wholly owned subsidiary company, the loan amount carries interest and the repayment is regular.
 - e) In respect of other companies, as no installments of repayment of principal amounts have been stipulated, the question of repayment being regular does not arise.
- 4
 - a) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services.
 - b) During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- 5

According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.

In our opinion and according to the information and explanations given to us, all the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five Lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market price at the relevant time, except that in respect of purchases and sales of some of the products, no comparison of prices could be made because of unique and specialised nature of items involved and absence of any comparable prices. We are unable to comment whether these transactions were made at prevailing market prices at the relevant time.
- 6

The Company has not accepted any deposits from the public.
- 7

The Company has engaged an independent internal auditor to carry out the internal audit of the company. In our opinion, the internal audit system is commensurate with its size and nature of its business.
- 8

The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
- 9
 - a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, service tax, custom duty, cess and other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, service tax, custom duty, cess and other statutory dues were outstanding at the year end for a period of more than six months from the date they became payable.
 - b) According to the information and explanations given to us by the Management and as per records of the Company examined by us there were no disputed dues in respect of Custom Duty, Wealth-tax, Excise Duty and Cess not deposited as at March 31, 2010 except in respect of income tax and service tax dues as under :
 - i) Disputed Income tax dues of Rs. 47.44 Millions for A.Y. 2006-2007 Appeal filed with CIT(A).

Annexure to the Auditors' Report

(Referred to in paragraph I of our report of even date) (Contd.)

- ii) Disputed Service tax dues of Rs. 436.32 Millions for period 2005 to 2008. Showcause cum Demand notice reply filed with Service Tax Authorities.
- 10 The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- 11 Based on our audit procedures and as per the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of its dues to any financial institution or bank during the year.
- 12 The Company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities.
- 13 The provisions of Clause 4 (xiii) of the Order (as amended) are not applicable as the Company is not a chit fund company or nidhi/ mutual benefit fund/society.
- 14 The Company has not dealt or traded in shares, securities, debentures or other investments during the year. Hence provisions of Clause 4 (xiv) of the Order (as amended) are not applicable.
- 15 According to the information given to us and managements' representation, the Company has given guarantees of Rs. 13,744.60 Millions for the loans taken by its wholly owned subsidiary companies from banks/ financial institutions.
- 16 The Company did not avail any term loans during the year.
- 17 According to the information and explanations given to us and overall examination of the Balance Sheet and Cash Flow Statement of the Company we report that no funds raised on short term basis have been used for long term investments.
- 18 During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- 19 According to the information and explanations given to us during the year covered by our audit report, the company has created security or charge in respect of debentures issued.
- 20 The Company has not raised any money by public issues during the year.
- 21 Based upon the audit procedure performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Chartered Accountants

Firm Reg. No.: 102860W

A.D.Shenoy

Partner

Membership No. 11549

Place : Mumbai

Date : 29th May, 2010

Balance Sheet

as at 31st March,

	Schedule	2010		2009
(Rs. in Millions)				
I. SOURCES OF FUNDS :				
SHAREHOLDERS' FUNDS				
a. Share Capital	1	842.70		850.63
b. Reserves and Surplus	2	19,640.11		18,065.56
c. Share Warrants		-		312.00
			20,482.81	19,228.19
LOAN FUNDS				
a. Secured Loans	3	12,697.40		9,001.10
b. Unsecured Loans	4	3,316.93		3,757.00
			16,014.33	12,758.10
Deferred Tax Liability (Net)			9.21	8.26
TOTAL			36,506.35	31,994.55
II. APPLICATION OF FUNDS :				
FIXED ASSETS	5			
a. Gross Block		841.58		709.93
b. Less : Depreciation		242.74		210.90
c. Net Block			598.84	499.03
INVESTMENTS	6		8,985.24	8,385.18
CURRENT ASSETS, LOANS & ADVANCES				
a. Inventories	7	7,892.36		7,581.13
b. Sundry debtors	8	18,200.17		15,899.66
c. Cash and bank balances	9	1,346.20		2,386.28
d. Loans and advances	10	6,213.36		5,559.67
		33,652.09		31,426.74
LESS : CURRENT LIABILITIES AND PROVISIONS				
a. Current liabilities	11	6,044.14		7,719.97
b. Provisions	12	685.68		596.43
		6,729.82		8,316.40
NET CURRENT ASSETS			26,922.27	23,110.34
TOTAL			36,506.35	31,994.55
Significant Accounting Policies and Notes To Accounts	17			
Schedules 1 To 17 annexed hereto form part of the Balance Sheet and Profit & Loss Account				

As per our report of even date.

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

Chartered Accountants

Firm Reg. No. : 102860W

A. D. SHENOY

Partner

M. No. 11549

Place : Mumbai

Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI

Managing Director

DHANESH SHETH

Director

PANKHURI WARANGE

Company Secretary

Profit & Loss Account

for the year ended 31st March,

	Schedule	(Rs. in Millions)	
		2010	2009
INCOME :			
Sales	13	33,549.70	26,938.47
Other Income	14	2.82	2.17
			26,940.64
EXPENDITURE :			
Cost of Trading Goods/Materials Consumed	15	30,641.89	24,300.05
Operating Expenses	16	366.52	836.64
Interest (net)		1,011.14	453.39
Depreciation		39.41	43.36
			25,633.44
PROFIT BEFORE TAXATION			1,307.20
Provision For Taxation			
- Current Tax			35.00
- Fringe Benefit Tax			2.01
- Earlier Years (Excess)/ Short Provision			-
- Deferred Tax			2.50
PROFIT AFTER TAXATION			1,267.69
BALANCE BROUGHT FORWARD FROM LAST YEAR			4,624.10
AMOUNT AVAILABLE FOR APPROPRIATION			5,891.79
APPROPRIATIONS			
General Reserve		120.00	108.00
Capital Redemption Reserve		7.93	-
Debenture Redemption Reserve		250.00	-
Proposed Dividend		168.54	153.11
Tax on Dividend		28.64	26.03
			287.14
BALANCE CARRIED TO BALANCE SHEET			5,604.65
BASIC EARNINGS PER SHARE OF RS 10 EACH			14.90
DILUTED EARNINGS PER SHARE OF RS 10 EACH			12.91
Significant Accounting Policies and Notes To Accounts	17		
Schedules 1 To 17 annexed hereto			
form part of the Balance Sheet and			
Profit & Loss Account			

As per our report of even date.
 For **FORD, RHODES, PARKS & CO.**
 Chartered Accountants
 Firm Reg. No. : 102860W
A. D. SHENOY
 Partner
 M. No. 11549
 Place : Mumbai
 Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI
 Managing Director

DHANESH SHETH
 Director

PANKHURI WARANGE
 Company Secretary

Cash Flow Statement

as at 31st March,

	(Rs. in Millions)	
	2010	2009
CASHFLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	1,493.56	1,307.20
Adjustment for :		
Depreciation	39.41	43.36
Interest (net)	1,011.14	453.39
Exchange (Gain)/Loss	(404.58)	(321.83)
Dividend Received	(0.21)	(0.33)
Profit on sale of Fixed Assets	(1.38)	-
	644.38	174.59
Changes in Working Capital :		
(Increase)/Decrease in Inventories	(311.24)	(2,475.18)
(Increase)/Decrease in Sundry Debtors	(2,744.90)	(2,087.36)
(Increase)/Decrease in Loans & Advances	(634.78)	(998.41)
Increase/(Decrease) in Current Liabilities	2,449.33	334.40
Increase/(Decrease) in Provisions	(0.76)	1.37
	(1,242.35)	(5,225.18)
Income Tax Paid	(54.53)	(97.43)
	(652.50)	(5,148.02)
CASHFLOW FROM INVESTING ACTIVITIES :		
Purchase of Investments (Net)	(600.06)	(2,428.06)
Receipt of Dividend	0.21	0.33
Purchase of Fixed Assets	(44.40)	(77.86)
Sale of Fixed Assets	29.39	-
	(614.86)	(2,505.59)
CASHFLOW FROM FINANCING ACTIVITIES :		
Buyback of Shares	(7.93)	-
Increase / (Decrease) in Share Premium	(84.01)	-
Changes in Unsecured Loans	(9.45)	(0.82)
Dividend and Dividend Tax Paid	(178.88)	(179.13)
Interest paid (net)	(970.97)	(449.99)
Effect of exchange difference on translation of foreign currency cash and cash equivalents	(15.04)	267.49
Net increase/(decrease) in cash and cash equivalents	(1,040.08)	(6,708.86)
Cash and cash equivalents at the beginning of the year	2,386.28	9,095.14
Cash and cash equivalents at the end of the year	1,346.20	2,386.28
Components of Cash and Cash equivalents at the year end		
Balance with Banks		
In Currents Account	176.36	348.32
In Fixed Deposit Accounts	1,169.00	2,034.56
In EEFC Account	0.15	0.16
	1,345.51	2,383.04
Cash on Hand	0.69	3.24
	1,346.20	2,386.28

As per our report of even date.

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

Chartered Accountants

Firm Reg. No. : 102860W

A. D. SHENOY

Partner

M. No. 11549

Place : Mumbai

Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI

Managing Director

DHANESH SHETH

Director

PANKHURI WARANGE

Company Secretary

Schedules

forming part of the balance sheet as at 31st March,

			(Rs. in Millions)	
	2010		2009	
SCHEDULE 1 - SHARE CAPITAL				
AUTHORISED :				
120,000,000 Equity Shares of Rs. 10/- each		1,200.00		1,200.00
(Previous year 120,000,000 Equity shares of Rs. 10/-each)				
		1,200.00		1,200.00
ISSUED, SUBSCRIBED & PAID UP :				
84,270,000 (Previous Year 85,062,883) Equity Shares of Rs. 10/- each fully paid up				
Opening Balance	850.63			
Less : Buyback of Shares	7.93	842.70		850.63
TOTAL		842.70		850.63
SCHEDULE 2 - RESERVES & SURPLUS				
a) Share Premium Account				
Opening Balance	12,110.91		12,110.91	
Less : Buyback of shares	84.01	12,026.90	-	12,110.91
b) General Reserve				
Opening Balance	350.00		242.00	
Add : Transferred from Profit & Loss Account during the year	120.00	470.00	108.00	350.00
c) Revaluation Reserve				
Opening Balance	-			
Add : During the year	122.83	122.83		-
d) Capital Reserve				
Opening Balance	-			
Add : During the year	312.00	312.00		-
e) Debenture Redemption Reserve				
Opening Balance	-			
Add : During the year	250.00	250.00		-
f) Capital Redemption Reserve				
Opening Balance	-			
Add : During the year	7.93	7.93		-
g) Profit & Loss Account		6,450.45		5,604.65
TOTAL		19,640.11		18,065.56
SCHEDULE 3 - SECURED LOANS				
Working Capital Loans From Banks / Financial Institutions		11,447.40		9,001.10
Non Convertible Debentures		1,250.00		-
TOTAL		12,697.40		9,001.10
SCHEDULE 4 - UNSECURED LOANS				
From a Director		0.40		7.85
From a Shareholder		0.22		2.23
Foreign Currency Convertible Bonds		3,316.31		3,746.92
TOTAL		3,316.93		3,757.00

Schedules

Forming part of the balance sheet as at 31st March,

DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK		
	As at April 1, 2009	Additions	Deductions/Transfer	As at March 31, 2010	As on April 1, 2009	Provided for the year	Deductions/Transfer	As at March 31, 2010	As at March 31, 2009
Freehold land *	147.60	123.90	-	271.50	-	-	-	271.50	147.60
Factory Building	97.34	-	-	97.34	47.28	4.77	-	45.29	50.06
Office Premises	62.76	12.38	-	75.14	4.89	3.38	-	66.87	57.87
Plant & Machinery	123.69	5.66	30.98	98.37	63.94	8.79	7.57	33.21	59.75
Furniture & Fixture	88.70	0.09	-	88.79	42.34	8.17	-	38.28	46.36
Office Equipments	15.83	0.23	-	16.06	8.09	1.16	-	6.81	7.74
Computers	35.28	12.83	-	48.11	21.04	8.05	-	19.02	14.24
Vehicles	25.23	3.42	-	28.65	10.86	4.10	-	13.69	14.37
Moulds & Dies	18.15	-	-	18.15	12.46	0.99	-	4.70	5.69
SUB TOTAL	614.58	158.51	30.98	742.11	210.90	39.41	7.57	499.37	403.68
Capital Work-in-Progress	87.82	8.72	4.60	91.94	-	-	-	91.94	87.82
Advances on Capital Account **	7.53	-	-	7.53	-	-	-	7.53	7.53
TOTAL	709.93	167.23	35.58	841.58	210.90	39.41	7.57	598.84	499.03
Previous Year Figures	637.32	121.72	49.11	709.93	172.78	43.36	5.24	499.03	

* Includes cost of land pending registration in the name of the company Rs. 64.16 Millions and advance given for purchase of land - Rs. 3.34 Millions

** Represents advances given for office premises at Bharat Diamond Bourse where possession is pending

Schedules

Forming part of the balance sheet as at 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 6 - INVESTMENTS		
LONG TERM UNQUOTED (AT COST)		
1) Subsidiary Companies		
99,000 Equity Shares of Rs. 100/- Each fully paid up of Mehul Impex Limited (Previous Year : 99,000 Equity Shares)	9.90	9.90
50,000 Equity Shares of Rs. 10/- Each fully paid up of CRIA Jewellery Private Limited. (Previous Year : 50,000 Equity Shares)	0.50	0.50
12,800,000 Equity Shares of Rs. 10/- Each fully paid up of Gitanjali Exports Corporation Limited (Previous Year 12,800,000 Equity Shares)	1,698.15	1,698.15
8,350,000 Equity Shares of Rs. 10/- Each of Fantasy Jewellery Pvt Ltd (Formerly Known as Fantasy Diamond Cuts Private Limited) (Previous Year : 8,350,000 Equity Shares)	301.25	301.25
50,000 Equity Shares of Rs. 10/- Each of Hyderabad Gems SEZ Ltd. (Previous Year : 50,000 Equity Shares)	0.50	0.50
450,000 Equity Shares of Rs. 10/- Each of Asmi Jewellery India Pvt Ltd. (Formerly Known as Desire Lifestyle Pvt Ltd) (Previous Year : 450,000 Shares)	154.50	154.50
Add : Advance towards Share Capital	180.00	-
6,600,000 Equity Shares of Rs. 10/- Each fully paid up of GILI India Ltd (Formerly Known as Gitanjali Jewels Limited) (Previous Year : 6,600,000 Equity Shares)	880.00	880.00
2,550 Equity Shares of Rs. 100/- Each of Shubalavanyaa Jewel Crafts Private Limited. (Previous Year : 2,550 Equity Shares)	0.27	0.27
50,000,000 Equity Shares of Rs. 10/- Each of Gitanjali Infratech Ltd (Previous Year : 50,000,000 Equity Shares)	500.00	500.00
2,050,000 Equity Shares of Rs. 10/- Each of Gitanjali Lifestyle Ltd (Previous Year : 2,050,000 Equity Shares)	100.50	100.50
NIL Equity Shares of Rs. 10/- Each of Ivida Technologies Pvt Ltd (Previous Year : 50,000 Equity Shares)	-	0.50
2,602,050 Equity Shares of Rs. 10/- Each fully paid up of D'Damas Jewellery (India) Pvt Ltd. (Previous Year : 2,602,050 Equity Shares)	26.02	26.02
Add : Advance towards Share Capital	180.00	180.00
1,018,795 - 4% Non - Cumulative Redeemable Preference Shares of Rs. 100/- Each of D'damas Jewellery (India) Pvt. Ltd (Previous Year : 1,018,795 Preference Shares)	101.88	101.88
2,750,000 Equity Shares of Rs.10/- Each of Brightest Circle Jewellery Pvt Ltd (Previous Year : 2,750,000 Equity Shares)	523.48	523.48
166,666 - 4% Non - Cumulative Redeemable Preference Shares of Rs. 10/- Each of Brightest Circle Jewellery Pvt. Ltd (Previous Year : 166,666 Preference Shares)	16.67	16.67
50,000 Equity Shares of Rs. 10/- Each of Raigad Gems SEZ Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
50,000 Equity Shares of Rs. 10/- Each of Aurangabad SEZ Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
50,000 Equity Shares of Rs. 10/- Each of Nanded SEZ Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
50,000 Equity Shares of Rs. 10/- Each of Nashik Multi Services SEZ Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
50,000 Equity Shares of Rs. 10/- Each of Nagpur Multi-Product SEZ Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50

Schedules

forming part of the balance sheet as at 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 6 - INVESTMENTS (CONTD.)		
50,000 Equity Shares of Rs. 10/- Each of West Bengal SEZ Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
50,000 Equity Shares of Rs. 10/- Each of Mohar Jewels Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
50,000 Equity Shares of Rs. 10/- Each of Eureka Finstock Pvt. Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
50,000 Equity Shares of Rs. 10/- Each of Decent Securities & Finance Pvt. Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
1,000,000 Equity Shares of Rs. 10/- Each of Gitanjali Jewellery Retail Pvt Ltd (Previous Year : 650,000 Equity Shares) (Formerly known as Modali Jewels Pvt Ltd)	8.00	4.50
2,833,000 Equity Shares of Rs. 10/- Each of Modali Gems Pvt Ltd (Previous Year : 2,833,000 Equity Shares) (Formerly known as Modali Distributors Pvt Ltd)	14.18	14.18
1,887,000 Equity Shares of Rs. 10/- Each of MMTC Gitanjali Pvt Ltd (Previous Year : 50,000 Equity Shares)	18.87	0.50
50,000 Equity Shares of Rs. 10/- Each of Gitanjali Retail Ventures Ltd (Previous Year : 50,000 Equity Shares)	0.50	0.50
* 2,000,000 Equity Shares of Rs. 10/- Each of Bezel India Pvt Ltd (Previous Year : 1,000,000 Equity Shares) (Formerly known as Morellato India P Ltd)	43.74	22.90
* 19,800 Equity Shares of Rs. 10/- Each of Spectrum Jewellery Private Limited. (Previous Year : 10,000 Shares)	0.12	0.10
2) Overseas Subsidiaries		
1,772.68 Common Stock of USD 0.01 Each of Samuels Jewelers Inc.USA (Previous Year : 1,772.68 Common Stock)	2,383.39	2,010.56
200 Shares of AED 1,000 Each of Gitanjali Ventures DMCC (Previous Year : 200 Shares)	383.97	383.97
8,336.10 shares of Rogers Ltd Inc USA (Previous Year : 8,336.10 Shares)	780.42	780.42
100 Common Shares of Gitanjali USA Inc. (Previous Year : 100 Common Shares)	638.93	638.93
3) Others		
1,000,000 Equity Shares of Diamond India Limited (Previous Year : 1,000,000 Shares)	30.00	30.00
QUOTED INVESTMENT		
PNB - Principal Mutual Fund - MIP Plus (214,463.413 Units and NAV as on MARCH 31, 2010 : Rs. 2,443,146/-)	2.50	
PNB - Principal Mutual Fund - Balance Fund (84,317.032 units and NAV as on MARCH 31, 2010 : RS. 2,519,393/-)	2.50	5.00
TOTAL	8,985.24	8,385.18

* Previous year classified under Joint Venture

Schedules

Forming part of the balance sheet as at 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 7 - INVENTORIES		
(AS CERTIFIED BY THE MANAGEMENT)		
a. Raw Materials	5,173.35	4,890.90
b. Work In Process	67.92	143.63
c. Manufactured Goods	183.52	108.83
d. Trading Goods	2,463.46	2,432.47
e. Consumables, Stores & Tools	4.11	5.30
TOTAL	7,892.36	7,581.13
SCHEDULE 8 - SUNDRY DEBTORS		
(UNSECURED, CONSIDERED GOOD UNLESS AND OTHER WISE STATED)		
Outstanding for more than six months	7,002.89	4,630.71
Outstanding for more than six months considered doubtful	7.69	7.69
	7,010.58	4,638.40
Others	11,635.87	9,988.65
Exports Receivables Translation Control Account	(438.59)	1,280.30
Less: Provision for doubtful debts	7.69	7.69
TOTAL	18,200.17	15,899.66
SCHEDULE 9 - CASH AND BANK BALANCES		
Cash on Hand	0.69	3.24
Balance with Scheduled Banks :		
in Current Accounts	176.36	348.32
in Fixed Deposits	1,169.00	2,034.56
in EEFC Account	0.15	0.16
TOTAL	1,346.20	2,386.28
SCHEDULE 10 - LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	791.69	939.16
Advances to Subsidiary Companies	4,329.87	3,437.45
Deposits	22.90	223.60
Service Tax Receivable	3.49	3.39
Sales Tax Refund Receivable	16.31	12.35
Income Tax	553.39	498.86
Staff Advances	9.13	7.43
Prepaid Expenses	134.82	72.12
Advances to Suppliers / Labourer	350.51	360.56
Share Application Money	1.25	4.75
TOTAL	6,213.36	5,559.67

Schedules

forming part of the balance sheet as at 31st March,

	2010	2009
(Rs. in Millions)		
SCHEDULE 11 - CURRENT LIABILITIES		
Sundry Creditors*		
– For Goods/Labour	5,164.06	7,030.79
– For Others/Expenses	527.14	372.81
– For Other liabilities	22.61	22.91
Advance received from customers	277.81	249.91
Interest accrued but not due on bank loans	39.85	35.29
Statutory Liabilities	12.67	8.26
*(There is no amount due and outstanding to Investor Education and Protection Fund and Small Scale Industrial Undertakings)		
TOTAL	6,044.14	7,719.97
SCHEDULE 12 - PROVISIONS		
PROVISION FOR -		
Taxation	474.95	405.45
Fringe Benefit Tax	3.99	3.99
Proposed Dividend	168.81	153.11
Dividend Tax	28.64	26.03
Gratuity	9.29	7.85
TOTAL	685.68	596.43

Schedules

forming part of the Profit & Loss Account for the year ended 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 13 - SALES		
EXPORTS (INCLUDING DEEMED EXPORTS)		
Diamonds	14,321.01	10,478.30
Jewellery	3,611.57	3,710.99
	17,932.58	14,189.29
LOCAL		
Diamonds	6,650.86	5,786.43
Bullion and Jewellery	8,966.26	6,962.75
	15,617.12	12,749.18
TOTAL	33,549.70	26,938.47
SCHEDULE 14 - OTHER INCOME		
Commission Received	-	1.11
Dividend Received	0.21	0.32
Job Work	1.11	0.66
Discount Received	-	0.07
Miscellaneous Receipts	0.12	0.01
Profit on Sale of Fixed Assets	1.38	-
TOTAL	2.82	2.17
SCHEDULE 15 - COST OF TRADING GOODS/MATERIAL CONSUMED		
OPENING STOCK		
Diamonds	6,619.80	3,382.60
Bullion/Jewellery	956.03	1,717.55
	7,575.83	5,100.15
ADD: PURCHASES		
Diamonds	20,384.08	19,383.09
Bullion/Jewellery	9,882.05	6,859.58
	30,266.13	26,242.67
ADD: LABOUR CHARGES/MFG. EXPENSES	688.19	533.06
	30,954.32	26,775.73
LESS: CLOSING STOCK		
Diamonds	7,101.02	6,619.80
Bullion/Jewellery	787.24	956.03
	7,888.26	7,575.83
TOTAL	30,641.89	24,300.05

Schedules

forming part of the Profit & Loss Account for the year ended 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 16 - OPERATING EXPENSES		
EMPLOYEE COST		
Salary, Bonus & Allowances	138.35	142.78
Contribution To P.F.& Other Funds	5.15	6.02
Staff Welfare	5.01	6.16
Staff Recruitment expenses	-	0.46
Gratuity	1.99	3.04
Sub-Total	150.50	158.46
OTHER OPERATING EXPENSES		
Packing Materials Consumed	0.02	0.74
Rent, Rates & Taxes	37.87	28.62
Commission & Assortment Charges	8.53	14.90
Foreign Travelling Expenses	23.53	12.08
Computer Expenses	3.64	1.74
Electricity	7.06	6.33
Advertisement / Selling & Distribution Expenses	120.55	126.83
Travelling & Conveyance	14.57	20.49
Membership/Subscription	2.10	3.94
Telephone Expenses	4.17	5.37
Postage & Courier Expenses	1.59	2.41
Legal, Professional And Service Charges	76.73	74.90
Printing & Stationery	5.28	5.84
Export Sales Expenses	6.79	4.76
Auditors' Remuneration	2.21	2.04
Event Expenses	12.07	23.52
Bank Commission	130.60	106.45
Consumables	2.68	2.18
Insurance	2.37	3.30
Donation	13.36	8.51
Import Expenses	2.95	5.07
E.C.G.C. Premium	20.43	9.86
Freight & Forwarding (Export)	2.62	2.14
Security Service Charges	3.07	2.49
Sales Tax Asst. Dues	-	0.57
Bad Debts W/off	26.75	2.70
Service Tax	1.60	0.69
Repairs & Maintenance - Building	-	0.49
Repairs & Maintenance - Plant & Machinery	0.87	1.52
Repairs & Maintenance - Others	4.00	3.03
EEFC/Cont/Cryt/Bank Facility Exchange Difference	(372.14)	165.53
Miscellaneous Expenses	50.15	27.62
Entertainment Expenses	-	0.02
Loss on sale of assets	-	1.50
Sub-Total	216.02	678.18
Grand Total	366.52	836.64

Schedules

forming part of the accounts for the year ended March 31, 2010

SCHEDULE – 17

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1. Significant Accounting Policies:

1.1 Accounting Concepts

The accounts have been prepared on accrual basis, in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, which have been prescribed by the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act 1956, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard or a more appropriate presentation of the financial statements requires a change in the accounting policy hitherto in use.

1.2 Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenue and expenses during the reporting periods. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

1.3 Revenue Recognition

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

1.4 Fixed Assets

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

1.5 Leased Assets

- a) Assets taken on finance lease, including taken on hire purchase arrangements, wherein the Company has an option to acquire the asset, are accounted for as fixed assets in accordance with the Accounting Standard 19 on "Leases", (AS 19) issued by the Institute of Chartered Accountants of India.
- b) Assets taken on lease under which the lessor effectively retains all the risk and rewards of ownership are classified as operating lease. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreement.
- c) The cost of improvements to lease properties are capitalised and disclosed appropriately.

1.6 Impairment of Fixed 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 an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount

1.7 Depreciation

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

1.8 Investment

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

1.9 Borrowing Costs

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

Schedules

forming part of the accounts for the year ended March 31, 2010

1.10 Foreign Currency Transactions

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

Foreign currency assets, except investments and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the date of balance sheet and resultant gains/losses are charged to the profit and loss account.

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

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

1.11 Inventories

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

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

1.12 Taxation

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

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

1.13 Employee Benefits

a) Leave Salary is paid to all employees as per the policy of Company every year.

b) Defined Contribution Plans :

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

c) Defined Benefit Plan :

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

1.14 Earning Per Share

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

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

1.15 Provisions for Contingent Liabilities and Contingent Assets

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

Schedules

forming part of the accounts for the year ended March 31, 2010

2. Notes to Accounts

2.1.1 Contingent Liabilities not provided in respect of

- a) Corporate Guarantees given by the Company to the extent of Rs. 13,744.60 Millions (Previous year : Rs. 2,828.70 Millions) for Working capital facilities availed by its wholly owned subsidiaries.
- b) Outstanding Letter of Credit : Rs. 426.31 Millions (Previous year : Rs. 125.14 Millions)

2.1.2 Claims against the company not acknowledged as debt

- a) Disputed Income Tax: Rs. 47.44 Millions (Previous Year : Nil)

The Company has filed appeal against the assessment order and appeal is pending before CIT (A). The company, based on tax consultant's assessment, is confident that the case is likely to be decided favourably.

- b) Disputed Service Tax : Rs. 436.32 Millions

The Company has replied the show cause notice and based on the opinion

received and as per the internal assessment of the company, the demand is not likely to be crystallised.

2.2 Share Capital & Share Warrants

- a) As per the provisions of the Companies Act 1956, the Company had issued 10 Millions warrants convertible, within a period of eighteen months from the date of issue, into equal number of equity shares on preferential basis at a price of Rs. 312 per warrant to promoter and promoter group on February 21, 2008. During the year the company has not received further subscription and on lapse of eighteen months period, the amount of Rs. 312 Millions received as subscription is forfeited and is credited to Capital Reserve Account.

- b) The Company after obtaining board approval on December 19, 2008 announced buy back of its equity shares in compliance with the provisions of Companies Act, 1956 and Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998. The Board of Directors approved a buy back for a maximum amount of Rs. 144 Millions at a maximum price of Rs. 120 per equity share. The scheme was operative upto December 18, 2009. The company bought back 7,92,883 equity shares at an average price of Rs. 115.95 per share. The company spent Rs. 91.94 Millions towards buyback of the said 7,92,883 equity shares. The excess amount paid over the face value of equity shares has been drawn out from the Share Premium. Further as required as per the Companies Act, 1956, a sum of Rs. 7.93 Millions is transferred to Capital Redemption Reserve Account.

- 2.3 The Company has not utilised balance amount of USD 2.00 Millions out of the FCCB proceeds as on March 31, 2009. The said balance is lying in banks pending utilisation towards its objects viz. overseas acquisitions and infrastructure activities including development of Special Economic Zones.

Upto March 31, 2009, the company had converted USD 36.14 Millions of FCCBs into 58,96,067 equity shares of Rs. 10 each at an initial conversion price of Rs. 275/- per equity share. During the year 2008-09, the conversion price was adjusted and reset to Rs. 220/- per equity share as per terms and condition of Offering Circular dated November 21, 2006 and any equity shares upon conversion would rank pari passu with existing share holders. The company has not converted any FCCBs from April 1, 2009 to March 31, 2010 and the outstanding FCCBs as on March 31, 2010 was USD 73.86 Millions.

- 2.4 Out of the balance Global Depository Receipts (GDRs) proceeds of USD 21.335 Millions as on March 31, 2009, the company utilised USD 19.12 Millions towards investment in overseas and Indian subsidiaries and towards general corporate purposes including working capital requirements as per the objects of the issue. Pending utilisation, the balance proceeds of USD 2.215 Millions have been kept in deposit accounts with overseas banks as on March 31, 2010.

2.5 Investments

The company had given in the previous year an amount of Rs. 180 Millions to one of the subsidiaries. Pending completion of various formalities by the said subsidiary, the said amount continues to be classified under the "Investment Schedule".

2.6 Secured Loans

- a) Working capital borrowings from Banks/ Financial Institution are secured against hypothecation by way of a first charge on all the present and future goods, movable assets, vehicles, furniture, stock-in-trade, fixed deposits, book debts, mortgage by way of deposit of title deeds of land and building of the Company's factory premises, office premises of group companies alongwith personal guarantee of the Managing Director.

Schedules

forming part of the accounts for the year ended March 31, 2010

b) On June 22, 2009, the company issued 12% redeemable non cumulative convertible debentures of Rs. 1,250 Millions to LIC of India. The tenor of debentures is five years (maturity date : June 21, 2014) and are redeemable in eight equal quarterly installments with initial moratorium of three years. The said debentures are secured by first pari passu charge over certain immovable properties in Hyderabad (A.P.) belonging to one of the wholly owned subsidiaries. During the year, the company has transferred Rs. 250 Millions to Debenture Redemption Reserve.

2.7 During the year, the company has revalued its land admeasuring 7,937.80 sq m. at Borivali, Mumbai at rates indicated in "Stamp Duty Ready Reckoner and market value of flats in Mumbai 2009" to represent the present value of the land in the books. The corresponding amount of appreciation of Rs. 122.83 Millions is transferred to Revaluation Reserve Account.

2.8 Following payments have been made to Directors during the year

	(Rs. in Millions)	
	2010	2009
Salary & Other Payments	5.59	10.24

In view of the sufficient profits during the year and as no commission is paid/payable to any director, separate computation of profit in respect of managerial remuneration as required under Section 198 / 349 of the Companies Act, 1956 is not given.

2.9 Interest received during the year was Rs. 95.19 Millions (Previous Year Rs. 359.88 Millions) and Tax Deducted at Source from interest income was Rs. 17.49 Millions for the year ended March 31, 2010. (Previous Year Rs. 66.17 Millions).

2.10 Sundry Debtors (Schedule 8)

Sundry debtors as on March 31, 2010 includes Rs. 2,817.36 Millions (Previous year : Rs. 1,186.06 Millions) due from concerns in which Directors are interested as Directors/Partners.

2.11 Loans and Advances (Schedule 10)

Advances to suppliers includes Rs. 240.13 Millions (Previous year : Rs. 206.95 Millions) given to concerns in which Directors are interested as Directors/Members/Partners.

2.12 Remuneration to Auditors

	(Rs. in Millions)	
	2010	2009
a) Audit Fees	1.75	1.66
b) Tax Audit Fees	0.25	0.15
c) Service Tax	0.21	0.19
Total	2.21	2.00

2.13 Information required pursuant to Paras 3 & 4 of part II of Schedule VI to the Companies Act, 1956 - As per Annexure - I

2.14 Earning per share (after Tax provision)

	2010	2009
Net profit for the period attributable to equity shareholders (Rs. in Millions)	1,420.92	1,267.69
Weighted average number of equity Shares outstanding	84,359,854	85,062,883
Basic earnings per share (Face value of Rs.10 each) (Rs)	16.84	14.90
Weighted average number of equity Shares (incl. dilutive) outstanding	99,782,900	98,169,248
Diluted earnings per share (Face value of Rs.10 each) (Rs)	14.53	12.19

Schedules

forming part of the accounts for the year ended March 31, 2010

2.15 Deferred Tax Assets & Liabilities as at March 31, are as under:

	(Rs. in Millions)	
	2010	2009
Deferred Tax (Liability)		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(12.37)	(9.97)
Gross Deferred Tax (Liability)	(12.37)	(9.97)
Deferred Tax Asset		
Provision for Retirement Benefits	3.16	1.70
Provision for brought forward business loss	0.00	0.00
Gross Deferred Tax Asset	3.16	1.70
Net Deferred Tax Asset/(Liability)	(9.21)	(8.27)

2.16 Defined Benefit Plan

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

	(Rs. in Millions)	
	2010	2009
I Assumptions		
Discount Rate Previous Year	8.00 %	8.00%
Salary Escalation Previous Year	6.00 %	6.00%
Attrition Rate Previous Year	2.00 %	2.00%
Discount Rate Current Year	7.75 %	7.75%
Salary Escalation Current Year	6.00 %	6.00%
Attrition Rate Current Year	2.00 %	2.00%
II Table Showing Change in Benefit Obligation		
Liability at the beginning of the year	7.35	6.30
Interest Cost	0.71	0.64
Current Service Cost	2.61	2.71
Past Service Cost (Non Vested Benefit)	-	-
Past Service Cost (Vested Benefit)	-	-
Liability Transfer in	-	-
Liability transfer out	-	-
Benefit Paid	(0.35)	(1.27)
Actuarial (gain)/loss on obligations	(1.03)	(1.03)
Liability at the end of the year	9.29	7.35
III Tables of Fair Value Plan of Assets		
Fair Value of Plan Assets at the beginning of year	-	-
Expected Return of Plan Assets	-	-
Contributions	0.35	1.27
Transfer from Other Company	-	-
Transfer to Other Company	-	-
Benefit Paid	(0.35)	(1.27)
Actuarial gain / (Loss) on Plan Assets	-	-
Fair Value of Plan Assets at the end of the year	-	-
Total Actuarial Gain/(loss) to be recognised	1.03	1.03

Schedules

forming part of the accounts for the year ended March 31, 2010

	(Rs. in Millions)	
	2010	2009
IV Recognition of Transitional Liability		
Transition Liability at start	-	-
Transition Liability recognised during the year	-	-
Transition Liability at end	-	-
V Actuarial Return on Plan Assets		
Expected Return on Plan Assets	-	-
Actuarial Gain / (Loss) on Plan Assets	-	-
Actuarial Return on Plan Assets	-	-
VI Amount Recognised in the Balance Sheet		
Liability at the end of the year	9.29	7.35
Fair Value of Plan Assets at the end of the year		
Difference	(9.29)	(7.35)
Unrecognised Past Service Cost	-	-
Unrecognised Transition Liability	-	-
Amount Recognised in the Balance Sheet	(9.29)	(7.35)
VII Expenses Recognised in the Income Statement		
Current Service Cost	2.61	2.71
Interest Cost	0.71	0.64
Expected Return on Plan Assets	-	-
Past Service Cost (Non Vested Benefit) Recognised	-	-
Past Service Cost (Vested Benefit) Recognised	-	-
Recognition of Transition Liability	-	-
Actuarial (Gain) or Loss	(1.03)	(1.03)
Expense Recognised in Profit & Loss Account	2.29	2.32
VIII Balance Sheet Reconciliation		
Opening Net Liability	7.35	6.30
Expense as above	2.29	2.32
Employers Contribution	(0.35)	(1.27)
Amount Recognised in Balance Sheet	9.29	7.35

Schedules

forming part of the accounts for the year ended March 31, 2010

	(Rs. in Millions)	
	2010	2009
IX Other Details		
Gratuity is payable at the rate of 15 days		
Salary for each year of service subject to maximum of Rs. 3,50,000/-		
Salary escalation is considered as advised by the Company which is in line with the industry practice		
Considering promotion and demand and supply of the Employees		
Number of Members	494	383
Salary Per Month	7.52	6.19
Contribution for next year	-	-
X Experience Adjustment		
On Plan Liability Gain / (Loss)	(0.33)	(1.40)

Provision recognised in balance sheet is Rs. 9.29 Millions as per actuarial valuation. Accordingly the company has recognised expenses of Rs. 1.99 Millions as against Rs. 2.29 Millions as per actuarial valuation

2.17 Segment Reporting (Accounting Standard – 17)

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

2.18 Related Party Transaction (Accounting Standard - 18)

Refer to Annexure – III

2.19 Impairment of Assets

There has been no case of impairment of assets reported during the year.

2.20 Disclosure as per Accounting Standard (AS – 19) on “Leases”, issued by the ICAI, are given below:

- a) The Company has taken various office premises under operating lease or leave and license agreements. These are generally non-cancelable and ranges between 11 months and 5 years under leave and license, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.
- b) Lease payments are recognised in the Profit and Loss Account under ‘Rent’ in schedule 16.
- c) The future minimum lease payments under non-cancelable operating lease :
 - i) not later than one year Rs. 37.56 Millions (Previous year : 28.91 Millions)
 - ii) later than one year and not later than five years Rs. 65.73 Millions (Previous year : 79.48 Millions)
 - iii) More than five years Rs. NIL (Previous year : Rs. Nil)

Schedules

forming part of the accounts for the year ended March 31, 2010

2.21 Disclosure of Foreign Currency Exposures :

The details of outstanding foreign currency exposure of the company as at March 31, 2010 are as under

Particulars	(In Millions)	
	USD	Euro
Debtors – covered by Forward Contract	69.28	-
Debtors – uncovered	329.96	0.59
Creditors – covered by Forward Contract	29.37	-
Creditors – uncovered	138.68	-
Bank Balance – uncovered	2.58	-
FCCBs – uncovered	73.86	-
Bank Facility – uncovered	35.59	-

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

2.22 Disclosure of Loans and Advances to Subsidiaries, Associates & Others (Pursuant to Clause 32 of Listing Agreement)

Name of the Company	(Rs. in Millions)	
	Amount outstanding as at March 31, 2010	Maximum amount outstanding during the year
Wholly Owned Subsidiaries		
Alliance Jewellery Private Limited	0.03	0.03
Asmi Jewellery Private Limited	99.49	99.49
Brightest Circle Jewellery Private Limited	75.00	75.00
Cria Jewellery India Private Limited	41.89	43.02
D'Damas Jewellery (I) Private Limited	55.74	342.28
Decent Securities & Finance Private Limited	91.89	94.15
Eureka Finstock Private Limited	104.13	104.13
Fantasy Jewellery Private Limited	477.00	477.00
Gitanjali Exports Corporation Limited	1,101.86	1,229.40
Gitanjali Holdings Limited	0.03	0.03
Gitanjali Infratech Limited	353.92	353.92
Gitanjali Jewellery Retail Private Limited	24.74	27.77
Gitanjali Lifestyle Limited	342.23	344.25
Gitanjali USA Inc.	0.91	0.91
Hyderabad Gems SEZ Limited	846.22	853.38
Lucera Retail Venture Private Limited	0.06	0.06
Mehul Impex Limited	353.52	549.79
MMTC Gitanjali Private Limited	4.66	18.55
Mobile NxtTeleservices Private Limited	0.03	0.03
Modali Gems Private Limited	0.09	0.09
Mohar Jewels Limited	4.78	4.78
Bezel India Private Limited	0.07	0.07
Nashik Multiservices SEZ Limited	81.18	81.18
Spectrum Jewellery Private Limited	27.57	27.57
Tristar	25.44	25.44
West Bengal SEZ Limited	0.15	0.15

At the year end, the company has no loans and advances in the nature of loans, where in repayment is beyond seven years.

Schedules

forming part of the accounts for the year ended March 31, 2010

The above statement excludes :

- a) Rs. 212.05 Millions invested in a subsidiary company as long term debt and is presently included under loans and advances pending clarification / approval and compliance, would be converted into share capital accordingly.
 - b) Rs. 5.18 Millions advanced to the subsidiary companies by way of trade advance.
- 2.23** a) The Company is in the process of identifying enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Based on the details regarding the status of the suppliers, to the extent obtained, no supplier is covered under the Act.
- b) To the extent information available with the company, the company does not owe any sum to small scale industrial unit as defined in clause (j) of Section 3 of the Industrial (Development & Regulation) Act, 1951.
- 2.24** Previous year's figures have been regrouped/rearranged/reworked wherever necessary and possible so as to confirm to current year's classification.

As per our report of even date.
For **FORD, RHODES, PARKS & CO.**
Chartered Accountants
Firm Reg. No. : 102860W
A. D. SHENOY
Partner
M. No. 11549
Place : Mumbai
Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI	DHANESH SHETH	PANKHURI WARANGE
Managing Director	Director	Company Secretary

Annexure - I

Information required pursuant to Paras 3 & 4 of Part II of Schedule VI to the Companies Act, 1956.

a) Diamonds	(Rs. in Millions)				
	2010		2009		
	Qty.	Rs.	Qty.	Rs.	
Opening Stock					
Diamonds	Cts. 1,151,445.080	6,619.79	Cts. 923,280.000	3,382.47	
Closing Stock					
Diamonds	Cts. 1,162,991.480	7,099.02	Cts. 1,151,445.080	6,619.79	
Watches	Pcs. 541.000	1.73	-	-	
Silver Plated Items	Pcs. 4,013.000	16.55	-	-	
Sales					
Diamonds	Cts. 2,441,359.860	21,582.81	Cts. 2,513,061.480	15,289.35	
Watches	Pcs. 7,991.000	15.75	-	-	
Purchases					
Diamonds	Cts. 3,229,397.010	20,383.70	Cts. 3,377,159.860	17,966.56	
Watches	Pcs. 8,532.000	13.90	-	-	
Silver Plated Items	Pcs. 4,013.000	16.55	-	-	
Inter Division Diamond Transferred	cts 29,815.090	467.37	cts 68,608.290	970.29	
Inter Division Diamond Received	cts 3,290.550	38.46	11,050.670	173.96	
Repairing Loss	cts 352.300	-	cts 124.710	-	
Manufactured					
Polished Diamonds	Cts 388,144.440	6,619.47	264,662.220	3,807.76	
Rough Rejection Diamonds	Cts 62,158.480	4.95	69,320.930	3.63	
Consumption-RoughDiamonds/Jewellery					
Imported	6% 230,752.040	408.58	14% 223,015.890	469.37	
Indigenous	94% 969,164.790	6,080.62	86% 689,218.230	2,910.95	
	100% 1,199,916.830	6,489.20	100% 912,234.120	3,380.32	
Yield %	32.35%		29.01%		
Value of Import on CIF Basis					
Diamonds		14,854.93		11,156.88	
Expenditure in Foreign Exchange					
Foreign Travelling		8.03		7.42	
Others		23.69		11.30	
		31.72		18.72	
Earnings in Foreign Exchange					
FOB Value of Exports		19,449.31		14,170.31	

Annexure - I

	GOLD 24KT Stated in the form of .995 Gold (Gms.)		GOLD(MOUNTINGS) 10 KT .995 Gold (Gms.)		ALLOYS (Gms.)		DIAMONDS (Cts)		PRE. & SEMI STONES & PEARLS (Cts)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
b) Raw Material Consumed/ Trading Goods										
a) Opening Stock										
Quantity	96,927.47	147,494.14	1,366.55	1,294.60	213,358.41	199,051.61	20,591.78	21,860.58	65,443.26	14,749.45
Rs.	129.13	176.69	1.43	1.43	1.80	1.72	237.42	249.04	12.04	6.34
b) Purchases										
Quantity	1,357,015.44	1,789,795.02	1,017.42	71.95	409,328.06	611,483.87	31,545.08	31,960.60	951,586.07	332,884.87
Rs.	2,191.82	2,488.01	1.84	0.00	2.19	3.39	636.83	620.05	836.41	272.04
c) Consumed in Production										
Quantity	438,945.83	1,003,096.05	-	-	374,195.94	588,622.29	62,555.37	28,468.01	795,798.34	231,550.42
Rs.	647.69	1,453.65	-	-	3.28	3.25	1,065.36	572.06	741.87	255.96
d) Sales										
Quantity	1,041,399.17	837,265.64	-	-	33,286.23	8,554.78	4,034.60	6,010.34	140,717.20	50,640.64
Rs.	1,672.77	1,081.93	-	-	0.20	0.05	60.23	98.59	73.87	10.38
e) Adjustments										
Quantity	68,117.66	-	-	-	(23,632.49)	-	28,896.87	1,248.95	33,390.38	-
Rs.	66.61	-	-	-	0.85	-	450.87	38.97	18.71	-
f) Closing Stock										
Raw Form										
Quantity	35,105.27	47,919.04	2,383.97	1,366.55	191,059.20	212,252.89	10,802.10	14,748.51	113,375.85	58,348.56
Rs.	55.85	63.59	3.28	1.43	1.36	1.79	149.23	170.47	51.21	9.22
W.I.P.										
Quantity	6,610.30	49,008.43	-	-	512.61	1,105.52	3,641.66	5,843.27	528.32	7,094.70
Rs.	11.25	65.53	-	-	0.00	0.01	50.31	66.95	0.21	2.82

Annexure - I

	(Rs. in Millions)									
	SYNTHETIC STONES (Cts)		PLATINUM (Gms)		PLATINUM (950) (Gms)		COLOUR STONE/C.Z./PEARL. (Cts)		SILVER (Gms)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
b) Raw Material Consumed/ Trading Goods (Contd.)										
a) Opening Stock										
Quantity	40,646.81	20,709.63	4,680.12	2,654.06	-	-	41,209.27	31,717.76	106,208.67	21,120.38
Rs.	4.28	2.47	6.21	3.55	-	-	27.13	32.12	3.53	1.15
b) Purchases										
Quantity	23,852.36	50,328.57	1.49	-	-	-	-	65,375.75	45,259.27	278,080.96
Rs.	5.97	4.09	0.00	-	-	-	-	48.99	1.88	11.24
c) Consumed in Production										
Quantity	22,638.83	30,391.39	-	-	-	-	41,209.27	14,873.68	190,794.72	192,992.67
Rs.	4.41	2.28	-	-	-	-	27.13	37.31	6.46	8.86
d) Sales										
Quantity	-	-	-	-	-	-	-	41,010.56	-	-
Rs.	-	-	-	-	-	-	-	16.67	-	-
e) Adjustments										
Quantity	-	-	-	2,026.06	-	-	-	-	55,047.08	-
Rs.	-	-	-	2.65	-	-	-	-	1.63	-
f) Closing Stock										
Raw Form										
Quantity	38,171.99	40,617.18	593.57	592.08	-	-	-	32,026.21	8,104.01	65,624.18
Rs.	5.32	4.27	0.85	0.85	-	-	-	25.43	0.29	2.11
W.I.P.										
Quantity	3,688.35	29.63	4,088.04	4,088.04	-	-	-	9,183.06	7,616.29	40,584.49
Rs.	0.51	0.00	5.36	5.36	-	-	-	1.70	0.28	1.42

Annexure - I

	STEEL (Gms)		CONSUMABLES (Gms)		PALADIUM (Gms)		PLATINUM MOUNTING (Gms)		(Rs. in Millions)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	TOTAL									
a) Opening Stock										
Quantity	8,824.00	6,877.00	-	-	-	-	82.25	82.25	599,338.59	467,611.46
Rs.	5.88	2.09	-	-	-	-	0.04	0.04	428.89	476.64
b) Purchases										
Quantity	-	3,266.00	-	-	2,146.22	-	-	-	2,821,751.41	3,163,247.59
Rs.	-	6.03	-	0.50	1.15	-	-	-	3,678.09	3,454.34
c) Consumed in Production										
Quantity	8,824.00	1,319.00	-	-	1,936.45	-	-	-	1,936,898.75	2,091,313.51
Rs.	5.88	2.24	-	0.50	1.04	-	-	-	2,503.12	2,336.11
d) Sales										
Quantity	-	-	-	-	-	-	-	-	1,219,437.20	943,481.96
Rs.	-	-	-	-	-	-	-	-	1,807.07	1,207.62
e) Adjustments										
Quantity	-	-	-	-	-	-	-	-	161,819.50	3,275.01
Rs.	-	-	-	-	-	-	-	-	538.67	41.62
f) Closing Stock										
Raw Form										
Quantity	-	8,824.00	-	-	209.77	-	82.25	82.25	399,887.98	482,401.45
Rs.	-	5.88	-	-	0.11	-	0.04	0.04	267.54	285.08
W.I.P.										
Quantity	-	-	-	-	-	-	-	-	26,685.57	116,937.14
Rs.	-	-	-	-	-	-	-	-	67.92	143.79

Annexure - I

c) Finished Goods :

	(Rs. in Millions)	
	2010	2009
a) Opening Stock		
Quantity (gms.)	175,480.47	565,905.25
Rs.	527.16	1,241.04
b) Mfg Jewellery/Diamond		
Quantity (gms.)	1,717,478.91	1,914,513.54
Rs.	2,481.52	2,313.85
c) Finished Jewellery/Diamond Purchased		
Quantity (gms.)	1,440,222.11	1,325,248.86
Rs.	6,764.42	4,132.61
d) Jewellery/Diamond sold		
Quantity (gms.)	3,079,152.92	3,582,827.63
Rs.	10,939.57	9,591.61
e) Jewellery/Diamond - Division Transfer		
Quantity (gms.)	107,853.54	47,359.55
Rs.	88.20	87.27
f) Cl. Stock		
Quantity (gms.)	146,175.02	175,480.47
Rs.	435.51	527.16
Yield (%)	88.67%	91.55%

Annexure - II

Segmentwise Reporting Revenue, Results and Capital Employed for the year ended March 31,

Particulars	(Rs. in Millions)	
	2010	2009
A) Primary Segment (By Business Segment)		
1. Segment Revenue		
a. Segment - Diamond	21,439.24	17,196.06
b. Segment - Jewellery	12,626.59	10,797.43
Total	34,065.83	27,993.49
Less: Inter Segment sales	516.13	1,055.02
Net Sales	33,549.70	26,938.47
2. Segment Results		
Profit/(Loss) before Tax and interest from each segment		
a. Segment - Diamond	700.65	415.03
b. Segment - Jewellery	1,519.60	1,580.99
Total	2,220.25	1,996.02
Less:		
Interest	1,011.14	453.39
Other un-allocable expenses	(284.45)	235.43
Profit Before Tax	1,493.56	1,307.20
3. Capital Employed		
a. Segment - Diamond	6,337.04	6,868.98
b. Segment - Jewellery	4,631.01	2,961.44
c. Unallocated net assets	9,514.76	9,397.77
Capital Employed	20,482.81	19,228.19
B) Secondary Segment (By Geographical Segment)		
Segment Revenue		
India	15,617.12	12,749.18
Rest of the world	17,932.58	14,189.29
Revenue	33,549.70	26,938.47

Annexure - III

Related Party Disclosures as per AS 18

(A) PARTICULARS OF ENTERPRISES CONTROLLED BY THE COMPANY WHERE THERE ARE TRANSACTIONS

Name of Related Party	Relationship
Mehul Impex Limited	Subsidiary
Gitanjali Exports Corporation Limited	Subsidiary
CRIA Jewellery Private Limited	Subsidiary
Fantasy Jewellery Private Limited	Subsidiary
Hyderabad Gems SEZ Limited	Subsidiary
Shubalavanyaa Jewel crafts Private Limited	Subsidiary
Asmi Jewellery India Private Limited	Subsidiary
Gili India Limited	Subsidiary
Gitanjali Infratech Limited	Subsidiary
Gitanjali Lifestyle Limited	Subsidiary
Gitanjali Jewellery Retail Private Limited	Subsidiary
D'Damas Jewellery (India) Private Limited	Subsidiary
Brightest Circle Jewellery Private Limited	Subsidiary
Raigad Gems SEZ Limited	Subsidiary
Aurangabad SEZ Limited	Subsidiary
Nanded SEZ Limited	Subsidiary
Nashik Multi Services SEZ Limited	Subsidiary
Mohar Jewels Limited	Subsidiary
West Bengal SEZ Limited	Subsidiary
Gitanjali Ventures DMCC	Subsidiary
Samuels Jewelers Inc. USA	Subsidiary
Gitanjali USA Inc.	Subsidiary
Rogers Limited Inc	Subsidiary
Gitanjali Retail Ventures Limited	Subsidiary
Gitanjali Holdings Limited	Subsidiary
MMTC Gitanjali Private Limited	Subsidiary
Decent Securities & Finance Private Limited	Subsidiary
Eureka Finstock Private Limited	Subsidiary
Nagpur Multi Product SEZ Limited	Subsidiary
Modali Gems Private Limited	Subsidiary
Bezel India Private Limited	Subsidiary
Spectrum Jewellery Private Limited	Subsidiary
Tri-Star Worldwide LLC	Step Down Subsidiaries
Trinity Expositions Private Limited	Step Down Subsidiaries
Lucera Retail Venture Private Limited	Step Down Subsidiaries
Kolkata Axis Malls Limited	Step Down Subsidiaries
Hoop Retail Ventures Private Limited	Step Down Subsidiaries
Mobilenxt Teleservices Private Limited	Step Down Subsidiaries
Alliance Jewelleries Private Limited	Step Down Subsidiaries
Salasar Retail Limited	Step Down Subsidiaries
Diamlink Inc	Step Down Subsidiaries
Diamlink Jewellery Inc	Step Down Subsidiaries
Mannat Jewellery Manufacturing Private Limited	Step Down Joint Venture
Pink Jewellery Private Limited	Step Down Joint Venture

Annexure - III

(B) PARTICULARS OF KEY MANAGEMENT PERSONNEL	
Name of Related Party	Relationship
Mehul C. Choksi	Managing Director
G.K.Nair	Director
Suresh Chukkapalli	Director
Dhanesh V.Sheth	Director
Sujal Shah	Director
Prakash D.Shah	Director
S.Krishnan	Director
Nehal Modi	Director
Nitin Potdar	Director
(C) PARTICULARS OF ENTERPRISES UNDER COMMON CONTROL OF THE KEY MANAGEMENT PERSONNEL WHERE THERE ARE TRANSACTIONS	
Name of Related Party	
Audarya Investments Private Limited	
Naviraj Estates Private Limited	
Priyanka Gems Private Limited	
Partha Gems Private Limited	
Lustre Manufacturers Private Limited	
Gitanjali Realtors Private Limited	
Rohan Diamonds Private Limited	
Rohan Mercantile Private Limited	
Trans Expo Trade Private Limited	
The Next Diamond Company	
Mozart Investment Private Limited	
Maitreyi Impex Private Limited	
Gitanjali Gold & Precious Limited	
Touchstone	
Diamond Creations	
Prism Bullion Private Limited	
Sneaking Mercantile Private Limited	
N & J Finstock Private Limited	
(D) PARTICULARS OF ENTERPRISES CONTROLLED BY RELATIVES OF KEY MANAGEMENT PERSONNEL WHERE THERE ARE TRANSACTIONS	
Name of Related Party	
Diminco N.V.	
Ivida Technologies Private Limited	
(E) PARTICULARS OF RELATIVES OF KEY MANAGEMENT PERSONNEL WHERE THERE ARE TRANSACTIONS	
Name of Related Party	
Guniyal C. Choksi	
Priti M.Choksi	

Annexure - III

(F) PARTICULARS OF TRANSACTIONS WITH PARTIES REFERRED TO IN (A) ABOVE	(Rs. in Millions)
Purchases	1,261.15
Purchases Return	67.68
Purchases of Fixed Assets	3.08
Labour Charges Paid	2.04
Sales	9,254.81
Sales of Fixed Assets	30.95
Interest Received	8.63
Sales Return	19.65
Sales Incentives	1.66
Amount outstanding shown under Sundry Debtors	2,662.58
Labour Charges received	28.68
Advances given(Net)	2,085.67
Amount outstanding shown under Advance to Subsidiary Co.	4,329.87
Advance Received(Net)	270.85
Amount outstanding shown under Advance from Customer	270.85
Amount outstanding shown under Advances	0.24
Investments	772.19
Sale of Shares	0.13
Reimbursement of Expenses	23.17
Expenses Recovered	334.91
Guarantees given to the bankers for working capital Credit facilities	13,744.60
(G) PARTICULARS OF TRANSACTIONS WITH PARTIES REFERRED TO IN (B) ABOVE	
Salary and other payments	5.59
Sales	2.57
Loan taken	0.40
Loan returned	12.04
Amount outstanding shown under Unsecured Loans from Director	0.40
Amount outstanding shown under Sundry Debtors	0.88
Guarantees obtained for working capital borrowings from bankers	To the extent of working capital borrowings
(H) PARTICULARS OF TRANSACTIONS WITH PARTIES REFERRED TO IN (C) ABOVE	
Sales	156.17
Labour Charges Paid	16.92
Amount Outstanding Shown Under Sundry Debtors	145.02
Advances given(Net)	115.15
Amount outstanding shown under Advances to Suppliers	232.23
Assortment charges	2.26
Expenses Reimbursement	0.81
(I) PARTICULARS OF TRANSACTIONS WITH PARTIES REFERRED TO IN (D) ABOVE	
Sales	1,250.66
Purchases	773.46

Annexure - III

Advances given(Net)	8.62
Expenses Reimbursement	2.65
Expenses Recovered	0.08
Amount outstanding shown under Advances to Suppliers	8.62
Amount Outstanding Shown Under Sundry Debtors	120.29
(J) PARTICULARS OF TRANSACTIONS WITH PARTIES REFERRED TO IN (E) ABOVE	
Sales	0.65
Sales of Shares	0.50
Amount Outstanding Shown Under Unsecured Loans	0.22
Amount Outstanding Shown Under Sundry Debtors	0.14

Balance Sheet Abstract

and general business profile

1. Registration Details

Registration No. :

State Code :

Balance Sheet Date :
Date Month Year

2. Capital raised during the year

Public Issue :

Private Placement :

Bonus Issue :

Right Issue :

3. Position Of Mobilisation And Deployment Of Funds

Total Liabilities :

Total Assets :

Sources of Funds

Paid-up Capital :

Reserves & Surplus :

Share Warrants :

Deferred Tax Liability :

Secured Loans :

Unsecured loans :

Application of Funds

Net Fixed Assets :

Investments :

Net Current Assets :

Deferred Tax Assets :

4. Performance Of Company

Turnover Incl. other income :

Total Expenditure :

Net Profit Before Tax :

Net Profit after Tax :

Earning per share in (Rs) :

Dividend Rate :

5. Generic Names Of Principal Products/Services Of Company

Item Code No :

Product Description

:

Rough Diamonds

:

Polished Diamonds

:

Gold

:

Silver

:

Gold Jewellery

For and on behalf of the Board

Place : Mumbai
Dated : May 29, 2010

MEHUL C. CHOKSI
Managing Director

DHANESH SHETH
Director

PANKHURI WARANGE
Company Secretary

Statement

pursuant to Section 212(8) of the Companies Act, 1956 Relating to Subsidiary Companies for the year ended March 31, 2010

Name of Subsidiaries	(Rs in Millions)											
	West Bengal SEZ Ltd.	Lucera Retail Venture Pvt. Ltd.	Trinity Watch Company Pvt. Ltd.	Bezel India Private Limited	Decent Securities & Finance Pvt.Ltd.	Eureka Finstocks Pvt. Ltd.	Hoop Retail Ventures Pvt. Ltd.	Gitanjali Retail Ventures Pvt. Ltd.	MMTC Gitanjali Ltd.	Kolkata Axis Mall Ltd.		
Particulars												
Reporting Currency	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR
Exchange Rate												
Capital	0.50	10.00	0.50	20.00	0.50	0.50	10.10	0.50	25.50	0.50		
Reserves	(0.19)	(59.29)	(3.29)	14.55	1.22	(3.53)	(49.24)	(0.24)	(7.80)	(0.09)		
Total Assets	0.66	288.57	31.07	45.98	94.64	110.24	98.05	0.51	139.15	0.51		
Total Liabilities	0.66	288.57	31.07	45.98	94.64	110.24	98.05	0.51	139.15	0.51		
Details of Investments (Except investment in Subsidiaries)	-	-	-	-	94.27	106.65	-	-	-	-	-	
Turnover	-	222.86	1.23	-	-	-	1.93	-	137.73	-	-	
Profit before Taxation	(0.02)	(4.79)	(0.07)	(7.06)	0.56	(1.27)	(1.74)	(0.02)	(9.46)	(0.02)		
Provision for Taxation	0.00	(1.11)	-	-	0.13	-	-	-	(1.89)	-		
Profit after Taxation	(0.02)	(5.90)	(0.07)	(7.06)	0.43	(1.27)	(1.74)	(0.02)	(7.57)	(0.02)		
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	

Name of Subsidiaries	(Rs in Millions)											
	Raigad Gems SEZ Ltd.	Aurangabad Gems SEZ Ltd.	Nanded Gems SEZ Ltd.	Nagpur Multi-Product SEZ Ltd.	Nashik Multi Services SEZ Ltd.	Spectrum Jewellery Private Limited	Salasar Retail Limited	Alliance Jewellers Private Limited	MobileNXT Teleservices Private Limited			
Particulars												
Reporting Currency	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR
Exchange Rate	-	-	-	-	-	-	-	-	-	-	-	-
Capital	0.50	0.50	0.50	0.50	0.50	0.20	40.69	0.10	38.75			
Reserves	(0.20)	(0.22)	(0.22)	(0.22)	(0.65)	(83.10)	(77.97)	(4.29)	(26.98)			
Total Assets	0.51	0.51	0.51	0.51	81.69	164.95	505.04	31.93	273.34			
Total Liabilities	0.51	0.51	0.51	0.51	81.69	164.95	505.04	31.93	273.34			
Details of Investments (Except investment in Subsidiaries)	-	-	-	-	-	-	-	-	0.04			
Turnover	-	-	-	-	-	115.31	120.45	-	6.03			
Profit before Taxation	(0.02)	(0.02)	(0.02)	(0.02)	(0.29)	(24.68)	(174.33)	(2.46)	(35.73)			
Provision for Taxation	-	-	-	-	-	-	65.54	0.02	-			
Profit after Taxation	(0.02)	(0.02)	(0.02)	(0.02)	(0.29)	(24.68)	(239.87)	(2.48)	(35.73)			
Proposed Dividend	-	-	-	-	-	-	-	-	-			

Note: Gitanjali Holdings Limited is yet to commence its operations and hence financial figures not given.

For and on behalf of the Board

Place : Mumbai
Dated : 29th May, 2010

MEHUL C. CHOKSI
Managing Director

DHANESH SHETH
Director

PANKHURI WARANGE
Company Secretary

Auditors' Report

on Consolidated Financial Statements

The Board of Directors

Gitanjali Gems Limited

Mumbai.

1. We have audited the attached Consolidated Balance Sheet of GITANJALI GEMS LIMITED (the Company) and its subsidiaries & joint ventures (entities together termed as the Gitanjali Group) as at March 31, 2010, the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated Financial Statements are the responsibility of the Company's management and have been prepared on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries and joint venture companies whose financial statements reflect total assets of Rs. 8,500.67 Millions as at March 31, 2010 (Previous Year Rs. 7,493.24 Millions), and total revenues Rs. 7,614.46 Millions (Previous Year Rs. 7,351.00 Millions) for the year ended on that date. These financial statements and other financial information have been subjected to audit by other auditors whose reports have been furnished to us. We have placed reliance on the said reports for the purpose of our opinion on the consolidated financial statements.
4. We have relied on the unaudited financial statements (Refer Schedule 18, Note 2.1(b)) of entities whose financial statements reflect total assets of Rs. 11,122.64 Millions as at March 31, 2010 (Previous Year Rs. 11,030.18 Millions), total revenue of Rs 9,301.62 Millions (Previous Year Rs. 6,884.66 Millions) for the year then ended. These unaudited financial statements of the entities, as approved by the Board of Directors, have been furnished to us by the Management and our report in so far as it relates to the amounts included therein, is based solely on such approved unaudited financial statements.
5. We report that the consolidated financial statements have been prepared by the management of the Company in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interest in Joint Ventures, notified by Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements and also other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Gitanjali Group as at March 31, 2010,
 - b) in the case of the Consolidated Profit and Loss Account, of the profit of the Gitanjali Group for the year ended on that date, and
 - c) in the case of Consolidated Cash Flow Statement, of the Consolidated cash flows of the Gitanjali Group for the year ended on that date.

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

Chartered Accountants

Firm Reg. No.: 102860W

A.D.Shenoy

Partner

Membership No. 11549

Place : Mumbai

Date : 29th May, 2010

Consolidated Balance Sheet

as at 31st March,

	Schedule	2010		2009
(Rs. in Millions)				
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	842.70		850.63
Share Warrants		-		312.00
Reserves & Surplus	2	21,122.47		19,612.25
			21,965.17	20,774.88
MINORITY INTEREST			483.05	98.48
LOAN FUNDS				
Secured Loans	3	22,134.50		16,592.65
Unsecured Loans	4	3,818.36		3,873.67
			25,952.86	20,466.32
DEFERRED TAX LIABILITY (NET)			-	48.22
TOTAL			48,401.08	41,387.90
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	5	3,272.57		3,108.86
Less: Depreciation		1,092.34		815.74
Net Block		2,180.23		2,293.12
Capital Work-in-Progress		626.06		533.29
			2,806.29	2,826.41
Goodwill on consolidation			907.20	773.30
DEFERRED TAX ASSETS (NET)			18.53	-
INVESTMENTS	6		359.12	331.33
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	7	20,793.87		19,758.17
Sundry Debtors	8	32,309.31		27,596.29
Cash & Bank Balances	9	2,386.40		2,972.00
Loans & Advances	10	4,574.86		4,675.62
		60,064.44		55,002.08
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	11	14,655.95		16,718.96
Provisions	12	1,098.73		826.28
		15,754.68		17,545.24
			44,309.76	37,456.84
NET CURRENT ASSETS			48,400.90	41,387.88
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		0.18	0.02
TOTAL			48,401.08	41,387.90
Significant Accounting Policies & Notes to Accounts	18			
Schedules 1 To 18 annexed hereto form part of the Balance Sheet and Profit & Loss Account				

As per our report of even date.

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

Chartered Accountants

Firm Reg. No. : 102860W

A. D. SHENOY

Partner

M. No. 11549

Place : Mumbai

Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI

Managing Director

DHANESH SHETH

Director

PANKHURI WARANGE

Company Secretary

Consolidated Profit & Loss Account

for the year ended 31st March,

	Schedule	2010		(Rs. in Millions) 2009
INCOME				
Sales (Net)	14	65,276.34		50,888.76
Other Income	15	25.83	65,302.17	22.36
				50,911.12
EXPENDITURE				
Cost of Trading Goods / Material Consumed	16	55,252.84		42,382.69
Operating Expenses	17	5,632.22		5,629.50
Interest		1,724.31		978.40
Depreciation & Amortization		445.41		335.96
			63,054.78	49,326.55
PROFIT BEFORE TAX				
Provision for Current Tax		244.20	2,247.39	1,584.57
Provision for Fringe Benefit Tax		(0.00)		129.61
Provision for Deferred Tax		(12.30)		10.94
			231.90	(108.77)
PROFIT AFTER TAX (BEFORE ADJUSTMENT FOR CONSOLIDATION)				
			2,015.49	31.78
Less: Minority Interest			13.78	46.96
Profit after Tax (after adjustment for consolidation)			2,001.71	1,505.83
Add: Balance brought forward from previous year				
(i) Gitanjali Gems Ltd.		6,197.38		4,970.46
(ii) Adjustment on account of consolidation		2.30		(0.82)
(iii) Subsidiary Companies as at 31-3-09		(19.98)		8.88
(iv) Joint Venture as at 31-3-09		(4.70)		0.16
			6,175.00	4,978.68
AMOUNT AVAILABLE FOR APPROPRIATIONS				
			8,176.71	6,484.51
APPROPRIATIONS				
Capital Redemption Reserve		7.93		-
Debenture Redemption Reserve		250.00		-
General Reserve		120.00		108.00
Proposed Dividend on Equity Shares		168.54		153.11
Tax on Dividend		28.64		26.02
			575.11	287.13
BALANCE CARRIED TO BALANCE SHEET				
			7,601.60	6,197.38
Basic Earnings per Share of face value of Rs. 10 each (Rs.)			23.73	17.70
Diluted Earnings per Share of face value of Rs. 10 each (Rs.)			20.35	15.34
(Refer Schedule 18, Note 2.8)				
Schedules 1 To 18 annexed hereto form part of the Balance Sheet and Profit & Loss Account				

As per our report of even date.
For **FORD, RHODES, PARKS & CO.**
Chartered Accountants
Firm Reg. No. : 102860W
A. D. SHENOY
Partner
M. No. 11549
Place : Mumbai
Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI **DHANESH SHETH** **PANKHURI WARANGE**
Managing Director Director Company Secretary

Consolidated Cash Flow Statement

as at 31st March,

	(Rs. in Millions)	
	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT BEFORE TAX AS PER PROFIT & LOSS ACCOUNT		2,247.39
Adjusted for:		1,584.57
Depreciation, Amortisation & Preliminary expenses written off	445.41	335.96
Effect of Exchange Rate Change	(352.94)	(635.56)
Loss on sale of Fixed Asset	2.73	0.06
Dividend Received	(0.21)	(0.33)
Expenditure Pending Allocation written off	-	9.82
Provision for Gratuity & Leave Encashment	2.99	5.08
Interest and Finance Charges - net	1,724.31	978.40
		1,822.29
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		4,069.68
Adjusted for:		2,278.00
Trade & Other Receivables	(3,724.24)	(2,530.77)
Inventories	(1,155.27)	(6,277.61)
Trade Payable and Other Liabilities	2,413.70	(1.73)
Cash Generated from operations		(8,810.11)
		1,603.87
Taxes Paid		(230.08)
Net Cash generated from Operations		1,373.79
CASH FLOW FROM INVESTING ACTIVITIES:		(6,635.68)
Purchase of Fixed Assets - net	(149.66)	(365.05)
Capital work-in-progress (incl. advance)	(8.77)	91.68
Investment in Subsidiaries / Joint Venture	(137.96)	(1,054.11)
Miscellaneous Expenditure incurred	-	(0.10)
Receipt of Dividend	0.21	0.33
Interest Income	-	1.00
Net Cash Used in Investing Activities		(296.18)
CASH FLOW FROM FINANCING ACTIVITIES:		(1,326.25)
Proceeds/Payments from :		
Issue/Buy Back of Share Capital	(7.93)	-
Share Premium	(84.01)	-
Minority Shareholders	6.63	-
Unsecured Loans	151.46	538.70
Dividend Paid including tax	(178.88)	(179.13)
Interest Paid	(1,603.85)	(929.00)
Net Cash from Financing Activities		(1,716.58)
Net Increase / (Decrease) in Cash & Cash Equivalents		(638.97)
Opening Balance of Cash & Cash Equivalents	2,972.00	11,229.55
Adjustment on account of exchange rate	(15.03)	267.47
Upon addition / exclusion of Subsidiaries / J.V.	68.40	6.34
Closing Balance of Cash & Cash Equivalents		3,025.37
		2,386.40
		2,972.00

Certified that the above statement is in accordance with the requirements prescribed by SEBI.

- Note:
- 1) Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard - 3 of The Companies (Accounting Standards) Rules, 2006
 - 2) Foreign Current exchange rate fluctuation includes exchange difference on account of translation of Foreign Subsidiary companies financial Statement.
 - 3) Figures in bracket indicates outflows.
 - 4) Previous year's figures have been restated and regrouped wherever necessary.

As per our report of even date.

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

Chartered Accountants

Firm Reg. No. : 102860W

A. D. SHENOY

Partner

M. No. 11549

Place : Mumbai

Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI

Managing Director

DHANESH SHETH

Director

PANKHURI WARANGE

Company Secretary

Schedules

forming part of the balance sheet as at 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED :		
120,000,000 Equity shares of Rs. 10/- Each (Previous year 120,000,000 Equity Shares of Rs. 10/- each)	1,200.00	1,200.00
	1,200.00	1,200.00
ISSUED, SUBSCRIBED & PAID UP :		
84,270,000 (Previous Year 85,062,883)Equity Shares of Rs. 10 each fully paid up	842.70	850.63
TOTAL	842.70	850.63
SCHEDULE 2 - RESERVES & SURPLUS		
Share Premium Account	12,026.90	12,110.91
General Reserve	470.00	350.00
Profit & Loss Account Balance	7,601.60	6,197.38
Capital Reserve on Consolidation	390.33	387.23
Exchange Fluctuation Reserve Account	(59.12)	566.73
Capital Redemption Reserve Account	7.93	-
Capital Reserve	312.00	-
Debenture Redemption Reserve Account	250.00	-
Revaluation Reserve Account	122.83	-
TOTAL	21,122.47	19,612.25
SCHEDULE 3 - SECURED LOANS		
Working Capital Loans From Banks / Financial Institution (Refer Schedule 18, Note 2.5)	20,884.17	16,591.87
Non Convertible Debenture	1,250.00	-
Others	0.33	0.78
TOTAL	22,134.50	16,592.65
SCHEDULE 4 - UNSECURED LOANS		
From Directors	13.94	27.67
From Shareholders	4.84	2.23
From Ex-partner of the erstwhile firm	8.28	8.28
From a Company	474.99	88.57
From Foreign Currency Convertible Bonds (Refer Schedule 18, Note-2.4)	3,316.31	3,746.92
TOTAL	3,818.36	3,873.67

Schedules

forming part of the balance sheet as at 31st March,

DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
	As at 31st March, 2009	Add./Adj. on account of Acquisition	Additions	Deductions / Transfers	As at 31st March, 2010	As at 31st March, 2009	Add./Adj. on account of Acquisition	For the Year	Deductions / Transfers	As at 31st March, 2010	As at 31st March, 2009
Freehold land	493.06	-	124.03	-	617.09	1.53	-	0.25	-	1.78	491.53
Factory Building	240.57	(0.69)	0.40	-	240.28	71.08	0.61	16.13	-	87.82	169.49
Office Premises	62.93	-	12.38	-	75.31	4.95	-	3.40	-	8.35	57.98
Plant & Machinery	258.67	3.56	59.07	31.97	289.33	112.57	0.38	30.92	1.01	142.86	146.10
Furniture & Fixture	404.38	77.03	35.89	11.74	505.56	130.51	27.18	56.82	10.99	203.52	273.87
Office Equipments	47.36	149.88	9.18	1.97	204.45	18.78	64.73	17.85	0.69	100.67	28.58
Computers	151.13	22.42	40.20	1.49	212.26	74.94	16.41	35.14	0.47	126.02	76.19
Vehicles	43.64	3.86	4.39	0.67	51.22	21.07	2.71	6.69	0.50	29.97	22.57
Electrical Fittings	2.04	(0.34)	0.01	-	1.71	0.80	(0.06)	0.14	0.00	0.88	1.24
Motor Boat	14.72	-	-	-	14.72	3.76	-	2.19	-	5.95	10.96
Intangible Assets	569.67	(36.99)	0.03	0.54	532.17	55.54	0.88	26.96	0.16	83.22	514.13
Leasehold Improvements	732.88	(44.60)	4.91	164.72	528.47	320.21	(28.99)	10.08	-	301.30	412.67
Sub-Total	3,021.05	174.13	290.49	213.10	3,272.57	815.74	83.85	206.57	13.82	1,092.34	2,205.31
Capital Work-in-Progress	621.10	-	29.21	24.25	626.06	-	-	-	-	-	621.10
TOTAL	3,642.15	174.13	319.70	237.35	3,898.63	815.74	83.85	206.57	13.82	1,092.34	2,806.29
Previous Year Figures	2,938.82	447.10	446.03	189.80	3,642.15	431.65	53.52	337.02	6.45	815.74	2,826.41

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

Schedules

Forming part of the balance sheet as at 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 6 - INVESTMENTS		
(I) LONG TERM INVESTMENT (UNQUOTED AT COST)		
- In Affiliates		
2,315,220 Equity Shares of Rs. 10/- each of MobileNXT Teleservices Private Limited (Previous Year Nil)	23.15	-
2,833,000 Equity Shares of Rs. 10/- each of Modali Gems Pvt. Ltd. (Previous Year 2,833,000)*	-	0.01
19,800 Equity Shares of Rs. 10/- each of Spectrum Jewellery Pvt. Ltd. (Previous Year 10,000 Equity Shares)*	-	0.10
25,000 Equity Shares of Rs. 10/- each of Diadem Ranka Desire Lifestyle Pvt Ltd (previous year -25,000 Equity Shares)*	-	0.25
- In Others		
51 Equity share of Citizen Co-op Bank of face value of Rs. 10/- each, fully paid up (Previous Year 51 Equity Shares)	0.00	0.00
1,000,000 Equity Shares of Diamond India Ltd. (Previous year 1,000,000 Equity Shares)	30.00	30.00
(II) IN EQUITY SHARES (NON - TRADED)		
125 Equity share of Shoppers' Stop Ltd. of Rs. 10/- each, fully paid up (previous Year 125 Equity shares)	0.03	0.03
(III) IN GOVERNMENT SECURITIES		
National saving certificates (pledge with sales tax department)	0.02	0.02
(IV) OTHER INVESTMENTS		
Redeemable Non-Convertible Bond with Indusind Bank	100.00	100.00
Shares of Laxmi Finance Leasing	0.01	0.01
Premises at 3, Laxmi Tower, B-wing, Mumbai	106.64	106.64
Premises at 6, Laxmi Tower, B-wing, Mumbai	94.27	94.27
(V) QUOTED INVESTMENTS		
PNB - Principal Mutual Fund - MIP Plus (214,463.413 units. NAV as on 31.3.10 Rs 2,443,146)	2.50	-
PNB - Principal Mutual Fund - Balance Fund (84,317.032 units. NAV as on 31.3.10 Rs 2,519,393)	2.50	-
TOTAL	359.12	331.33

* Considered for Consolidation, hence excluded from investment in affiliates.

SCHEDULE 7 - INVENTORIES		
Raw Materials	7,600.95	7,700.02
Work In Process	162.65	212.39
Manufactured Goods / Trading Goods	13,009.90	11,814.54
Consumables, Stores & Tools	4.49	27.27
Props, Display Material and Boxes	2.56	1.82
Others	13.32	2.13
TOTAL	20,793.87	19,758.17

Schedules

forming part of the balance sheet as at 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 8 - SUNDRY DEBTORS		
Unsecured, Considered Good unless and otherwise stated		
Outstanding for more than six months	15,186.95	10,414.76
Outstanding for more than six months considered doubtful	14.61	16.03
	15,201.56	10,430.79
Others	17,833.06	15,427.51
	17,833.06	15,427.51
Add : Exports Receivables Translation Control A/C	(634.96)	1,844.79
Less: Provision for doubtful debts	90.35	106.80
TOTAL	32,309.31	27,596.29
SCHEDULE 9 - CASH & BANK BALANCES		
Cash in hand	6.63	10.92
Balance with Scheduled Banks :		
in Current Accounts	550.38	503.71
in Fixed Deposits	1,829.04	2,457.02
in EEFC Account	0.35	0.35
TOTAL	2,386.40	2,972.00
SCHEDULE 10 - LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	2,091.14	2,720.16
Deposits	262.10	413.72
Income Tax - (Including FBT)	904.91	717.55
Service Tax Receivable	3.50	3.46
Staff Advances	31.03	13.89
Sales Tax / VAT / Excise Duty Receivable	64.25	24.92
Advance Payment - Statutory Dues	-	6.34
Prepaid Expenses	160.10	111.90
Other Receivables	148.24	123.25
Advances to Suppliers / Labourer	876.77	511.57
Share Application Money / Advance towards share capital	32.82	28.86
TOTAL	4,574.86	4,675.62

Schedules

forming part of the balance sheet as at 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 11 - CURRENT LIABILITIES		
Sundry Creditors *		
– For Goods / Labour	10,197.17	13,514.08
– For Other Expenses	2,724.82	1,046.16
– For Other liabilities	24.26	197.93
Statutory Liabilities	91.72	101.05
Advance received from customers	412.43	463.95
Preference Share Capital	1,152.11	1,164.72
Franchisee Deposits	5.04	7.45
Interest accrued but not due on bank loans	51.69	56.86
Less: Import Payable Translation Control Account	3.29	(166.76)
TOTAL	14,655.95	16,718.96

*Note: There is no amount due and outstanding to Investor Education and Protection Fund and Small Scale Industrial Undertakings

SCHEDULE 12 - PROVISIONS		
Provision for Taxation	858.64	610.95
Provision for Fringe Benefit Tax	12.12	12.95
Provision for Gratuity / Leave Encashment	30.46	23.25
Proposed Dividend	168.80	153.11
Provision for Dividend Tax	28.64	26.02
Other Provisions	0.07	-
TOTAL	1,098.73	826.28

SCHEDULE 13 - MISC. EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary Expenses	0.18	0.02
TOTAL	0.18	0.02

Schedules

forming part of the Profit & Loss Account for the year ended 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 14 - SALES (NET)		
EXPORTS (INCLUDING DEEMED EXPORTS)		
Diamonds	21,509.22	16,679.11
Jewellery	17,716.95	15,376.91
Others	-	2.49
	39,226.17	32,058.51
LOCAL		
Diamonds	7,403.75	7,270.68
Bullion and Jewellery	18,567.47	11,550.73
Others	78.95	8.84
	26,050.17	18,830.25
TOTAL	65,276.34	50,888.76
SCHEDULE 15 - OTHER INCOME		
Commission Received	-	2.19
Dividend Received	0.21	0.33
Labour & Job work charges	1.46	1.04
Rent Received	0.60	0.72
Interest on Income Tax Refund	-	0.24
Insurance Claim	-	0.17
Discount Received	0.07	0.08
Sales Tax Refund	-	0.15
Sundry Balance written back (Net)	1.26	0.30
Profit / (Loss) on Sale of Fixed Assets	1.40	-
Provision no longer required, written back	1.42	-
EEFC/Cont/Cryt/Bank Facility Exchange Difference	0.08	0.04
Miscellaneous Income	19.33	17.10
TOTAL	25.83	22.36
SCHEDULE 16 - COST OF TRADING GOODS/MATERIAL CONSUMED		
OPENING STOCK		
Diamonds	9,942.18	4,719.73
Bullion/Jewellery	10,446.29	8,336.10
Others	103.81	47.05
	20,492.28	13,102.88
ADD: PURCHASES		
Diamonds	26,202.25	28,609.29
Bullion/Jewellery/Stones and Gold	28,886.11	18,659.14
Others	(6.33)	150.01
	55,082.03	47,418.44
Foreign Exchange Rate Difference - Imports	-	19.62
ADD : LABOUR CHARGES	1,288.46	1,058.97
	56,370.49	48,497.03
LESS : CLOSING STOCK		
Diamonds	9,914.97	9,481.17
Bullion/Jewellery	11,595.73	9,647.52
Others	99.23	88.53
	21,609.93	19,217.22
TOTAL	55,252.84	42,382.69

Schedules

forming part of the Profit & Loss Account for the year ended 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 17 - OPERATING EXPENSES		
PAYMENT TO AND PROVISION FOR EMPLOYEES		
Salary, Bonus & Allowances	1,821.23	1,756.39
Contribution to P.F. & Other Funds	232.91	135.98
Staff Welfare	28.48	196.84
Staff Recruitment expenses	2.47	6.79
Leave Encashment	0.97	61.06
Gratuity	4.96	8.73
SUB-TOTAL (A)	2,091.02	2,165.79
OTHER OPERATING EXPENSES		
Stores Consumed	43.06	2.86
Rent, Rates & Taxes	1,156.18	857.57
Postage, Telephones & Communication charges	131.46	124.55
Bank Charges	451.41	396.51
E.C.G.C. Premium	24.87	15.14
Insurance	45.00	8.93
Printing & Stationery	21.66	22.71
Travelling & Conveyance	117.22	114.15
Packing Materials Consumed	25.53	17.58
Donation	14.85	10.35
Repairs & Maintenance - Building	3.89	2.21
Repairs & Maintenance - Others	50.29	45.75
Repairs & Maintenance - Plant & Machinery	1.16	3.31
Advertisement & Selling expenses	1,033.07	838.37
Octroi Charges	1.89	0.94
Legal, Professional & Service Charges	251.48	357.57
License Fees	0.82	0.29
Export Sales Expenses	10.13	9.08
Freight & Forwarding (Export)	38.25	11.98
Import Expenses	3.73	5.68
Auditor's Remuneration	7.45	6.06
Bad Debts / Advance written off / Sundry balances W/off	85.97	(1.21)
Provision for Doubtful Debts	26.76	50.25
Deffered & Preliminary Expenses written off	-	0.58
Block Policy Premium	1.87	0.67
Books & Periodicals	0.07	0.04
Construction Expenses	-	0.51
EEFC/Cont/Cryt/Bank Facility Exchange Difference	(382.66)	171.54
Electricity	33.86	27.26
Motor Car Expenses	1.67	1.64
Membership & Subscription	3.83	6.71
Loss from discontinued operation	-	103.66
Miscellaneous Expenses	273.16	206.62
Brokerage	15.81	5.71
Internet Charges	0.03	0.07
Interest on Statutory Liabilities	-	0.00
Sales Tax Asst. Dues	3.06	(1.61)

Schedules

forming part of the Profit & Loss Account for the year ended 31st March,

	(Rs. in Millions)	
	2010	2009
SCHEDULE 17 - OPERATING EXPENSES (CONTD.)		
Security Service Charges	31.27	27.85
Service Tax	1.60	0.79
Computer and Related Expenses	10.81	9.59
Prior period Expenses (net)	0.69	1.45
SUB-TOTAL (B)	3,541.20	3,463.71
TOTAL	5,632.22	5,629.50

SCHEDULE – 18:

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO CONSOLIDATED ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements:

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

1.2 Principles of consolidation

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

1.3 Use of Estimates

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

Schedules

forming part of the accounts for the year ended 31st March, 2010

1.4 Revenue Recognition

- a) Revenue on sale of products are recognised when the risk and rewards of ownership are passed onto the customers, which is generally on dispatch of goods. Sales are stated net of returns and net of sales tax and other taxes as applicable.
- b) Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.
- c) Interest income is recognized when it is rationally certain of recovery and on time basis taking into account the amount outstanding and rate applicable. Interest is shown as net of interest expense.

1.5 Fixed Assets and Intangibles

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

1.6 Leases

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

a) Finance lease

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

b) Operating lease

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

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

1.7 Impairment of Fixed Assets

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

1.8 Depreciation and Amortization of Fixed Assets

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

Leasehold Land is amortised over the period of the lease.

1.9 Investments

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

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

1.10 Borrowing Costs

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

1.11 Foreign Currency Transactions

Transactions in foreign currency are recorded at the rate prevailing on the date of transactions. Foreign currency assets except investments and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the date of balance sheet and resultant gains/losses are charged to the Profit and Loss account. Premium or discount in respect

Schedules

Forming part of the accounts for the year ended 31st March, 2010

of forward foreign exchange contracts is amortised as expense or income over the life of the contracts. Any profit or loss arising on cancellation or renewal of such forward contract is recognized as income or expense for the period. Exchange differences arising on settlement or restatement of foreign currency denominated liabilities relating to the acquisition of fixed asset are recognized in the Profit and Loss account.

1.12 Inventories

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

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

1.13 Taxation

Tax expense for the year comprises of current income tax, deferred tax and Fringe-benefit tax.

a) Indian Companies

Provision for income tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

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

Fringe-benefit tax is provided as per the Income Tax Act, 1961.

b) Foreign Companies

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

1.14 Employee Benefits

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

1.15 Earnings Per Share

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

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

1.16 Provisions and Contingent Liabilities and Contingent Assets

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

Schedules

Forming part of the accounts for the year ended 31st March, 2010

2. Notes to Accounts

Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the Company. Recognizing this purpose, the Company has disclosed only such notes from the individual financial statements which:

- are necessary for representing a true and fair view of the Consolidated Financial Statement
- involve items considered to be material and which cannot be viewed in the independent financial statement of Gitanjali Gems Limited.

2.1 a) Companies considered in the Consolidated Financial Statement are as follows:

Name of the Subsidiary Companies	Country of Incorporation	Percentage of Ownership Interest as at 31-03-2010	Percentage of Ownership Interest as at 31-03-2009	Relationship
1. Asmi Jewellery India Private Limited (Formerly known as Desire Lifestyle Private Limited.)	India	100%	100%	Subsidiary
2. Aurangabad SEZ Limited (Formerly known as Aurangabad Gems SEZ Limited)	India	100%	100%	Subsidiary
3. Bezel India Pvt. Ltd (Formerly known as Morellato India Pvt. Ltd)	India	100%	50%	Subsidiary
4. Brightest Circle Jewellery Private Limited	India	100%	100%	Subsidiary
5. CRIA Jewellery Private Limited	India	100%	100%	Subsidiary
6. Decent Securities & Finance Private Limited	India	100%	100%	Subsidiary
7. Eureka Finstock Private Limited	India	100%	100%	Subsidiary
8. Fantasy Jewellery Private Limited (Formerly known as Fantasy Diamond Cuts Private Limited)	India	100%	100%	Subsidiary
9. Gili India Limited (Formerly known as Gitanjali Jewels Limited)	India	100%	100%	Subsidiary
10. Gitanjali Exports Corporation Limited	India	100%	100%	Subsidiary
11. Gitanjali Infratech Limited	India	100%	100%	Subsidiary
12. Gitanjali Jewellery Retail Private Limited (Formerly Known as Modali Jewels Private Limited)	India	100%	100%	Subsidiary
13. Gitanjali Lifestyle Limited	India	100%	100%	Subsidiary
14. Gitanjali Retail Ventures Limited	India	100%	100%	Subsidiary
15. Hyderabad Gems SEZ Limited	India	100%	100%	Subsidiary
16. Mehul Impex Limited	India	100%	100%	Subsidiary
17. Modali Gems Private Limited (Formerly known as Modali Distributors Private Limited)	India	100%	100%	Subsidiary
18. Mohar Jewels Limited	India	100%	100%	Subsidiary
19. Nagpur Multi Products SEZ Limited	India	100%	100%	Subsidiary
20. Nanded SEZ Limited (Formerly known as Nanded Gems SEZ Limited)	India	100%	100%	Subsidiary
21. Nashik Multi Services SEZ Limited	India	100%	100%	Subsidiary
22. Raigad Gems SEZ Limited	India	100%	100%	Subsidiary
23. West Bengal SEZ Limited	India	100%	100%	Subsidiary
24. Gitanjali Ventures DMCC	UAE	100%	100%	Subsidiary
25. Gitanjali USA, Inc.	USA	100%	100%	Subsidiary
26. Rogers Ltd., Inc.	USA	100%	100%	Subsidiary
27. Spectrum Jewellery Pvt. Ltd	India	99%	50%	Subsidiary
28. Samuels Jewelers Inc.	USA	97%	97%	Subsidiary
29. MMTG Gitanjali Private Limited	India	74%	100%	Subsidiary

Contd.

Schedules

Forming part of the accounts for the year ended 31st March, 2010

Name of the Subsidiary Companies	Country of Incorporation	Percentage of Ownership Interest as at 31-03-2010	Percentage of Ownership Interest as at 31-03-2009	Relationship
30. D'Damas Jewellery (India) Private Limited	India	51%	51%	Subsidiary
31. ShubaLavanyaa Jewel Crafts Private Limited	India	51%	51%	Subsidiary
32. Tristar Worldwide LLC	USA	100%	70%	Step Down Subsidiary
33. Trinity Expositions Private Limited (Formerly known as Trinity Watch Company Private Limited)	India	100%	100%	Step Down Subsidiary
34. Lucera Retail Venture Private Limited (Formerly known as Renaissance Retail Venture Private Limited)	India	100%	100%	Step Down Subsidiary
35. Hoop Retail Ventures Private Limited (Formerly known as B. Vijay Retail Ventures Private. Limited)	India	100%	100%	Step Down Subsidiary
36. Kolkata Axis Mall Limited	India	100%	100%	Step Down Subsidiary
37. Salasar Retail Limited	India	76%	–	Step Down Subsidiary
38. Alliance Jewelleries Pvt. Ltd	India	100%	–	Step Down Subsidiary
39. Dialink Inc. USA	USA	51%	–	Step Down Subsidiary
40. Dialink Jewelry Inc	USA	51%	–	Step Step Down Subsidiary
41. Jewelry Marketing Company LLC	USA	51%	–	Step Step Down Subsidiary
42. LJOW Holdings, LLC	USA	51%	–	Step Step Down Subsidiary
43. Mannat Jewellery Manufacturing Private Limited	India	50%	50%	Step Down Joint Venture
44. Diadem Ranka Desire Lifestyle Pvt. Ltd	India	50%	50%	Step Down Joint Venture
45. Pink Jewellery Private Limited	India	50%	50%	Step Down Joint Venture

Schedules

Forming part of the accounts for the year ended 31st March, 2010

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

Name of the Company	Country of Incorporation	Relationship	Percentage of Ownership Interest as at 31-03-2010	Percentage of Ownership Interest as at 31-03-2009
1. Samuels Jewelers Inc.	USA	Subsidiary	97%	97%
2. Rogers Ltd., Inc.	USA	Subsidiary	100%	100%
3. Gitanjali USA, Inc.	USA	Subsidiary	100%	100%
4. Tristar Worldwide LLC	USA	Step Down Subsidiary	100%	100%
5. Diamlink Inc. USA	USA	Step Down Subsidiary	51%	-
6. Diamlink Jewellery Inc	USA	Step - Step Down Subsidiary	51%	-
7. Jewelry Marketing Company LLC	USA	Step - Step - Step Down Subsidiary	51%	-
8. LJOW Holdings, LLC	USA	Step - Step - Step Down Subsidiary	51%	-
9. ShubaLavanyaa Jewel Crafts Private Limited	India	Subsidiary	51%	51%
10. Diadem Ranka Desire Lifestyle Pvt. Ltd	India	Step Down Joint Venture	50%	50%

- c) Following are the companies, which are not included in the consolidation as the management is of the opinion that on comparison of the assets and revenues of the Companies as a percentage to the total consolidated assets and revenue of the Group is not material.
- i) Mobile NXT Teleservices Private Limited, a step down subsidiary of (70% ownership interest) the group incorporated in India.
 - ii) Gitanjali Holdings Limited, a wholly owned foreign subsidiary incorporated in UAE. The same is not incorporated as it is yet to start its operations.
- d) In respect of fourteen subsidiaries and two Step down joint ventures considered in the aforesaid Consolidated Financial Statements the companies have negative net worth as on 31st March, 2010 and it is reported that the accounts of the said companies have been prepared on going concern basis.

2.2 Investments:

- a) During the year the company has directly or through its subsidiaries acquired balance additional shares in the following subsidiaries so as to make wholly owned subsidiaries of the company:
- i) Spectrum Jewellery Pvt Limited (SJPL)

During the year, the Company purchased additional 9,800 equity shares of Rs. 10/- each of SJPL. Thus, SJPL became a subsidiary of the company. The Company as on 31st March, 2010 holds 19,800 equity shares of Rs.10/- each.
 - ii) Bezel India Private Limited (BIPL)(Formerly known as Morellato India Private Limited)

During the year, the Company acquired 10,00,000 equity shares of Rs. 10/- each of BIPL. Thus, BIPL became a wholly owned subsidiary of the company. The Company as on 31st March, 2010 holds 20,00,000 equity shares of Rs.10/- each.
- b) During the year the company has invested in following companies:
- i) Salasar Retail Limited (SRL)

During the year, the Company purchased 30,92,676 equity shares of Rs. 10/- each of SRL through one of its subsidiaries. Thus, SRL became a step down subsidiary of the company.
 - ii) MobileNxt Teleservices Pvt Limited (MTPL)

During the year, the Company purchased 23,15,220 equity shares of Rs. 10/- each of MTPL through one of its subsidiaries. Thus, MTPL became a step down subsidiary of the company.

Schedules

forming part of the accounts for the year ended 31st March, 2010

iii) Alliance Jewelleries Pvt Limited (AJPL)

During the year, the Company purchased 10,000 equity shares of Rs. 10/- each of AJPL through one of its subsidiaries. Thus, AJPL became a wholly owned step down subsidiary of the company.

iv) Diamlink Inc.USA (DI)

During the year, the Company purchased 80.58 common stock (51%) of DI through one of its Overseas subsidiaries. Thus, DI became a step down subsidiary of the company.

DI is having Diamlink Jewellery Inc (DJI) as subsidiary and Jewellery Marketing Company,LLC (JMC) & LJOW Holdings, LLC (LJOW) as step down subsidiary. Thus, DJI became a step step down and JMC & LJOW became a step step step down subsidiary of the company.

v) MMTC Gitanjali Private Limited (MGPL)

During the year the Company subscribed for additional 1,837,000 equity shares of Rs 10/- each of MGPL and with the subscription of 663,000 Equity Shares by minority shares holders of MGPL, the Company's interest stands at 74% as at 31st March,2010.

c) Quoted –

i) 214,463.413 units of PNB-Principal Mutual fund-MIP Plus at a total cost of Rs. 2.50 Millions. (Market value as on March 31,2010 Rs. 2.443 Millions)

ii) 84,317.032 units of PNB-Principal Mutual fund-Balance Fund at a total cost of Rs. 2.50 Millions. (Market value as on March 31,2010 Rs. 2.519 Millions)

d) During the year the Company has sold 50,000 equity shares of Rs. 10/- each of Ivida Technologies Private Limited. Thus, as on 31st March, 2010 Ivida ceased to be subsidiary of the Company.

2.3 Share Capital and Share Warrants.

a) As per the provisions of the companies Act 1956, the company had issued 10 Millions warrants convertible , with in a period of eighteen months from the date of issue, in to equal number of equity shares on preferential basis at a price of Rs 312 per warrant to Promoter and Promoter group on February 21, 2008. During the year the company has not recd further subscription and on lapse of eighteen months period, the amount of Rs 312 Millions received as subscription is forfeited and is credited to Capital Reserve Account.

b) The company after obtaining board approval on 19th December, 2008 announced buy back of of it's equity shares in compliance with the provisions of Companies Act,1956 and Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998. The Board of Directors approved a buy back for a maximum amount of Rs. 144 Millions at a maximum price of Rs 120/- per equity shares. The scheme was operative up to 18th Decmber, 2009. The company bought back 792,883 equity shares at an average price of Rs. 115.95 per share. The company spent Rs 91.94 Millions towards by back of the said 792,883 equity shares. The excess amount paid over the face value of equity shares has been drawn out from the Share Premium. Further as required as per the Companies Act, 1956, a sum of Rs. 7.93 Millions is transferred to Capital Redemption Reserve Account.

2.4 Statement of utilization of FCCB and GDR proceeds as on 31st March:

a) Foreign Currency Convertible Bonds (FCCB)

The company has not utilized balance amount of USD 2.00 Millions Out of the FCCB proceeds as on March 31st, 2009. The said balance is lying in banks pending utilization towards its objects viz. overseas acquisitions and infrastructure projects including development of Special Economic Zones.

Up to March 31, 2009, the company had converted USD 36.14 Millions of FCCBs in to 5,896,067 equity shares of Rs. 10/-each at an initial conversion price of Rs 275/- per equity share. During the year 2008-09, the conversion price was adjusted and reset to Rs. 220/- per equity share as per terms and condition of the Offering Circular dated November 21, 2006. The company has not converted any FCCBs from April 1, 2009 to March 31, 2010 and the outstanding FCCBs as on March 31, 2010 were USD 73.86 Millions. Any equity shares upon conversion would rank pari passu with existing shareholders.

Schedules

forming part of the accounts for the year ended 31st March, 2010

b) Global Depository Receipts (GDR's)

Out of the balance GDR proceeds of USD 21.335 Millions as on 31st March, 2009, the company utilized USD 19.12 Millions towards investment in Overseas and Indian subsidiaries and towards general corporate purposes including working capital requirements as per the objects of the issue. Pending utilization, the balance proceeds of USD 2.215 Millions, have been kept in deposit accounts with overseas banks as on 31st March, 2010.

2.5 Secured Loans:

- a) Working capital borrowings from Banks/ financial institution of the Company and some of its subsidiaries are secured against hypothecation by way of a first/pari passu charge on all the present and future goods, movable assets, vehicles, furniture, stock-in-trade, fixed deposits, book debts, mortgage by way of deposit of title deeds on certain immovable properties along with personal guarantee of the Director/Corporate guarantees of the Company.
- b) On 22nd June, 2009, the company issued 12% redeemable non cumulative convertible debentures of Rs 1,250 Millions to LIC of India. The tenor of Debentures is five years (maturity date : 21st June, 2014) and are redeemable in eight equal quarterly installments with initial moratorium of three years. The said debentures are secured by first pari passu charge over certain immovable properties in Hyderabad, belonging to one of the wholly owned subsidiary. During the year, the company has transferred Rs. 250 Millions to Debenture Redemption Reserve.

2.6 Sundry Debtors:

The Sundry debtors of subsidiary companies include dues:

- a) Rs. 68.60 Millions outstanding since 2001, where one of the subsidiaries has filed suit for recovery in the Honorable City Civil Court at Ahmedabad against M/S K.L.Chokshi. It has obtained a legal opinion confirming that it has a reasonably good chance to succeed at the hearing of the above suit and to get decree against the defendant. The Management, based on the aforesaid view, is of the opinion that the debts are good and recoverable and no provision is considered necessary at this stage.
- b) Rs 58.88 Millions, where one of its subsidiaries has filed suit / is in the process of filing suit for recovery. The management is of the opinion that debts are good and recoverable and no provision is considered necessary at this stage.

2.7 Contingent Liabilities not provided in respect of:

- a) Corporate Guarantees given by the Company for Working capital facilities availed by Subsidiary Companies to the extent of Rs. 13,744.60 Millions (Previous Year Rs. 2,828.70 Millions)
- b) Outstanding Letters of Credit: Rs. 1,207.49 Millions (Previous Year Rs. 800.60 Millions).
- c) Bank Guarantee given by Subsidiary companies: Rs. 941.92 Millions (Previous Year Rs. 451.50 Millions)
- d) Duty on Imports against Export Obligations: Nil (Previous Year Rs. 2.58 Millions)
- e) Disputed Income Tax: Rs. 95.64 Millions (Previous Year Rs. 1.80 Millions)
- f) Estimated Amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances given): Rs. 14.40 Millions (Previous Year Rs. 10.43 Millions)
- g) Forward contract for sale of gold Rs. Nil (Previous Year Rs. 14.26 Millions)
- h) Forward contract for purchase of gold Rs. Nil (Previous Year Rs. 14.29 Millions)
- i) Disputed SBLC charges Rs Nil (Previous Year Rs. 0.50 Millions)
- j) Pending F and C forms (Under Sales Tax regulation) Rs. 85.55 Millions (Previous Year Rs. 133.04 Millions)
- k) Guarantees given to Sales Tax authority Rs 1.87 Millions (Previous Year Rs. 3.99 Millions)
- l) Guarantees given to Customs authority Rs 0.42 Millions (Previous Year Rs. 0.42 Millions)
- m) Two of the subsidiaries have provided corporate guarantees to the extent of realizable value of the properties situated at B-6 and B-3, Laxmi Towers, Bandra Kurla Complex, Bandra East, Mumbai – 400 051 favouring Allahabad Bank consortium to secure the credit facilities of the Company.
- n) A claim of Rs 7.26 Millions (previous year Nil) has been filed against a step down subsidiary in the court. Based on the opinion by legal council the claim is not likely to be crystallised.
- o) Disputed Service Tax Rs 451.53 Millions (Previous year Nil). The Company has replied the show cause notice and based on the opinion received demand is not likely to be crystallised.

Schedules

forming part of the accounts for the year ended 31st March, 2010

- p) In case of one of the subsidiary income tax assessments for 3 years are under appeal for disallowance of expenses. In view of the carried forward losses there is no income tax demand outstanding.
- q) In case of one of the subsidiary the seller has disputed consideration payable (Rs. 305 million paid towards acquisition of property) and performance under the contract. The company has filed suit against the seller for specific performance of the contract. As per the legal opinion, the property will be transferred in the company's name.

2.8 Earning Per Share for the year ended 31st March:

Basic Earning Per Share (after Tax Provision)

Particulars	(Rs. in Millions)	
	2010	2009
Net profit for the period attributable to Equity shareholders	2,001.72	1,505.83
Weighted average number of Equity Shares outstanding as at 31st March (Nos.)	84,359,854	85,062,883
Basic earnings per share (Face value of Rs. 10 each) (Rs)	23.73	17.70

Diluted Earning Per Share (after Tax Provision)

Net profit for the period attributable to Equity shareholders	2,030.98	1,505.83
Weighted average number of Equity Shares outstanding (Nos.)	99,782,900	98,169,248
Diluted earnings per share (Face value of Rs.10 each) (Rs)	20.35	15.34

2.9 Deferred Tax Assets and Liabilities as on 31st March:

(Rs. in Millions)

Deferred Tax Liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(13.23)	(12.35)
Others	(193.97)	(101.56)
Gross Deferred Tax Liability	(207.20)	(113.91)
Deferred Tax Asset		
Provision for Retirement Benefits / Doubtful Debts	8.07	7.85
Disallowance under Section 43B of I. T. Act	5.43	3.88
Disallowances under section 40(a)	0.02	-
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	7.22	7.10
On preliminary expenses not written off till the commencement of business as per Income Tax Act, 1961	1.24	1.24
Others	203.75	114.77
As per Note below *	-	(69.15)
Gross Deferred Tax Asset	225.73	65.69
Net Deferred Tax Asset/(Liability)	18.53	(48.22)

* Note 1) In case of sixteen subsidiaries and three step down joint ventures where due to losses incurred and where in the absence of virtual certainty backed by convincing evidence, no deferred tax assets have been recognized and in case of a subsidiary no additional provision is recognised by the company on the timing difference arising on account of unabsorbed depreciation and carried forward business losses. In case of a subsidiary no additional provision is recognized.

2) The gross deferred liabilities and deferred tax is shown above. However the same is reported on net basis in the Consolidated Financial Statements.

Schedules

forming part of the accounts for the year ended 31st March, 2010

2.10 Segment Reporting (Accounting Standard 17)

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

Refer to Annexure I

2.11 Related Party Transactions (Accounting Standard 18)

Refer to Annexure II

2.12 Impairment of Assets

As required by Accounting Standard – 28, the Company has carried out the assessment of impairment of assets.

There has been no impairment of assets reported during the year.

2.13 Employee Benefits

The company has followed Accounting Standard-15 Employee Benefits, notified under the Companies (Accounting Standard) Rules, 2006. Wherever applicable, the company and its subsidiaries accounted for the liability for gratuity benefits payable in future based on independent actuarial valuation. The liability is not funded except in the case of a subsidiary where it is funded. For detail disclosure refer respective balance sheets.

2.14 Disclosure of Foreign Currency Exposures:

The details of outstanding foreign currency exposure of the company as at March 31, 2010 are as under:

Particulars	(In Millions)	
	USD	Euro
Debtors – covered by Forward Contract	69.28	
Debtors – uncovered	352.55	0.59
Creditors – covered by Forward Contract	29.37	
Creditors – uncovered	143.16	0.00
Bank Balance - uncovered	2.58	
FCCBs – uncovered	73.86	
Advance to supplier - uncovered	0.02	
Advance from customers	2.96	
Bank Facility - uncovered	35.59	

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

Schedules

forming part of the accounts for the year ended 31st March, 2010

2.15 Disclosure as per Accounting Standard 19 on "Leases", issued by the ICAI, are given below:

- a) The Company has taken various office premises under operating lease or leave and license agreements. These are generally non-cancelable and ranges between 11 months and 5 years under leave and license, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The company has given refundable interest free security deposits under certain agreements.
- b) Lease payments are recognized in the Profit & Loss account under the head 'Rent'.
- c) The future minimum lease payments are as follows;
 - i) not later than one year Rs. 709.30 Millions (Previous year Rs. 720.06 Millions)
 - ii) Later than one year and not later than five years Rs.1,517.66 Millions (Previous year Rs. 1,519.43 Millions)
 - iii) More than five years Rs. 408.04 Millions (Previous year Rs 453.47)

- 2.16 a) The Company is in process of identifying enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Based on the details regarding the status of the suppliers, to the extent obtained, no supplier is covered under the Act.
- b) To the extent information available with the company, the company does not owe any sum to small scale industrial units as defined in clause (j) of section 3 of the Industrial (Development & Regulation) Act,1951.

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

As per our report of even date.

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

Chartered Accountants

Firm Reg. No. : 102860W

A. D. SHENOY

Partner

M. No. 11549

Place : Mumbai

Dated : 29th May, 2010

For and on behalf of the Board

MEHUL C. CHOKSI

Managing Director

DHANESH SHETH

Director

PANKHURI WARANGE

Company Secretary

Annexure - I

Consolidated Segment wise Reporting Revenue, Results and Capital Employed For the year ended 31st March,

	(Rs. in Millions)	
	2010	2009
A) Primary Segment (By Business Segment)		
1. Segment Revenue		
a) Segment - Diamond	31,976.11	27,340.37
b) Segment - Jewellery	36,333.18	27,051.33
c) Segment - Others	78.95	11.33
Total	68,388.24	54,403.03
Less: Inter Segment Revenue	3,111.90	3,514.27
Net Sales / Income from Operations	65,276.34	50,888.76
2. Segment Results		
Profit / (Loss) before tax and interest from each segment		
a) Segment - Diamond	1,023.12	715.53
b) Segment - Jewellery	2,724.46	2,194.04
c) Others	(74.11)	(158.13)
Total	3,673.47	2,751.44
Less		
Interest	1,724.31	978.40
Other Un allocable expenses	(284.45)	235.43
Total Profit Before Tax	2,233.61	1,537.61
3. Capital Employed		
a) Segment - Diamond	9,485.27	9,100.72
b) Segment - Jewellery	11,272.29	9,384.11
c) Unallocated net assets	1,207.61	3,469.70
Total	21,965.17	21,954.53
B) Secondary Segment (By Geographical Segment)		
Segment Revenue		
India	26,050.17	18,830.25
Rest of the world	39,226.17	32,058.51
Total Revenue	65,276.34	50,888.76

Annexure - II

Consolidated Related Party Statement for the year ended 31st March, 2010

Related Party & Their Relationship

1	Subsidiary Companies	Aurangabad SEZ Limited
		Brightest Circle Jewellery Private Limited
		Bezel India Private Limited
		CRIA Jewellery Private Limited
		D'Damas Jewellery (India) Private Limited
		Asmi Jewellery India Private Limited
		Fantasy Jewellery Private Limited
		Gili India Limited
		Gitanjali Exports Corporation Limited
		Gitanjali Infratech Limited
		Gitanjali Lifestyle Limited
		Gitanjali USA, Inc.
		Gitanjali Ventures DMCC
		Hyderabad Gems SEZ Limited
		Mehul Impex Limited
		Nagpur Multi Product SEZ Limited
		Nanded SEZ Limited
		Nashik Multi Services SEZ Limited
		Raigad Gems SEZ Limited
		Rogers Limited, Inc
		Samuels Jewelers Inc.
		ShubaLavanyaa Jewel Crafts private Limited
		Modali Gems private Limited
		Gitanjali Jewellery Retail Priavte Limited
		MMTC Gitanjali Private Limited
		Gitanjali Retail Ventures Limited
		West Bengal SEZ Limited
		Decent Securities & Finance Private Limited
		Eureka Finstock Private Limited
		Mohar Jewels Limited
		Gitanjali Holdings Limited
		Spectrum Jewellery private Limited
2	Key Management Personnel	Mr. Mehul C. Choksi
		Mr. G.K.Nair
3	Enterprises under Common Control of Key Management Personnel	Audarya Investments private Limited
		Diamond Creations
		Damsy Retail Jewellery Private Limited
		Gitanjali Gold & Precious Limited
		Gitanjali Reality private Limited
		Legacy Gold private Limited
		Lustre Manufacturers private Limited
		Maitreyi Impex private Limited
		Mast Jewellery Distribution private Limited
		Mozart Investment private Limited

Annexure - II

Consolidated Related Party Statement for the year ended 31st March, 2010

Related Party & Their Relationship

	Naviraj Estates private Limited
	N & J Finstock private Limited
	Partha Gems private Limited
	Prism Bullion private Limited
	Priyanka Gems private Limited
	Rohan Diamonds private Limited
	Rohan Mercantile private Limited
	The Next Diamond Company
	Touchstone
	Trans-Expo Trade private Limited
4	Relative of Key Management Personnel
	Mrs. Amita Bhansali
	Mrs. Guniyal C. Choksi
	Mrs. Neena Sheth
	Mrs. Priti M. Choksi
5	Enterprises Controlled by Relatives of Key Management Personnel
	Diminco N.V.
	Ivida Technologies Private Limited
6	Enterprises Controlled by the Investing Venturer of the Joint Venture Company
	Damas LLC
	Modern India Limited
	Morellato SPA
	Damas Goldfield Jewellery private Limited
7	Step Down Subsidiaries
	Tri-Star Worldwide LLC
	Trinity Expositions Private Limited
	Lucera Retail Venture Private Limited
	Kolkatta Axis Malls Limited
	Hoop Retail Ventures Private Limited
	Salasar Retail Limited
	Alliance Jewellery Private Limited
	Diamlink Inc., USA
8	Step Step Down Subsidiaries
	Diamlink Jewelry Inc.
	Jewelry Marketing Company, LLC
	LJOW Holdings, LLC
9	Step Down Joint Ventures
	Diadem Ranka Desire Lifestyle private Limited
	Mannat Jewellery Manufacturing Private Limited
	Pink Jewellery Private Limited

Relationship with the Company	Transaction with the Company	(Rs. in Millions)
Enterprise Controlled by the Investing Venturer of a Joint Venture Company	Amount Outstanding shown under Sundry Debtors	50.87
	Amount Outstanding shown under Sundry Creditors	(2.39)
	Sales	1,911.30
Enterprise Controlled by the Investing Venturer of a Step Down Joint Venture Company	Expenses	2.02

Contd.

Annexure - II

Related Party Transactions

Contd.

Relationship with the Company	Transaction with the Company	(Rs. in Millions)
Enterprises Controlled by relatives of Key management personnel		
	Amount Outstanding shown under Sundry Creditors	0.26
	Amount Outstanding shown under Sundry Debtors	197.58
	Amount Outstanding shown under Advance to supplier	8.62
	Purchases	929.64
	Sales	1,810.44
	Services	4.36
	Purchase of Fixed Assets	0.12
	Expenses	5.86
	Advances given	8.62
Enterprises under Common Control of Key management personnel		
	Advance Given (Net)	120.48
	Advances Received (Net)	28.83
	Amount Outstanding shown under Advances to Labour	3.69
	Amount Outstanding shown under Advances from Customer	4.74
	Amount Outstanding shown under Advances to Suppliers	299.42
	Amount Outstanding shown under Loans & Advances	1.12
	Amount Outstanding shown under Sundry Creditors	3.07
	Amount Outstanding shown under Sundry Debtors	259.90
	Amount Outstanding shown under Unsecured Loan	2.84
	Expenses incurred	7.76
	Purchases	6.32
	Reimbursement of Expenses-Payable	0.81
	Sales	231.30
	Sales return	16.82
	Services	0.08
	Purchase of Fixed Assets	0.07
	Labour Paid	18.73
	Investments	2.71
Key Management Personnel		
	Amount Outstanding shown under Unsecured Loan	0.47
	Salary & Other Payments	5.59
	Amount Outstanding shown under Sundry Debtors	0.88
	Loan return	12.17
	Loan taken	0.40
	Amount Outstanding shown under Unsecured Loan	0.21
	Sales	2.57
	Guarantee given for Working Capital borrowings to the banks / financial institution	To The extent of Borrowings
Relative of key management personnel		
	Amount Outstanding shown under Sundry Creditors	8.90
	Amount Outstanding shown under Unsecured Loan	10.64
	Amount Outstanding shown under Sundry Debtors	0.14
	Sales	0.65
	Loan return	0.22
	Sale of Shares	0.50
Step Down Joint Venture Companies		
	Amount Outstanding shown under Sundry Debtors	9.07
	Investments	2.50
	Purchases	(8.23)
	Sales	1.73
	Advance towards Share Capital	28.86
Subsidiary Companies		
	Amount Outstanding shown under Loans & Advances	16.20
	Amount Receivable shown under Sundry Debtors	5.38
	Expenses recovered	0.03
	Sales	24.38
	Guarantees given to bankers for working capital credit facilities	13,744.60
Holding Company		
	Equitable Mortgage created by subsidiary company in favour of Holding Company	To The extent of value of property

GITANJALI

GITANJALI GEMS LIMITED

Regd. Office: 801/802, Prasad Chambers, Opera House, Mumbai - 400 004

PROXY FORM

DP ID No.*	Folio No.
Client ID No.*	No. of Shares

I/We _____ of _____ in the district of _____ being a Member / Members of the above named Company, hereby appoint _____ of _____ in the district of _____ or failing him / her _____ of _____ in the district of _____ as my / our proxy to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on Saturday, September 25, 2010 at 3.00 P.M. and at any adjournment (s) thereof.

Signed this _____ day of _____ 2010.

Affix a
15 paise
revenue
stamp

Signature

*Applicable for investors holding shares in electronic form.

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

GITANJALI

GITANJALI GEMS LIMITED

Regd. Office: 801/802, Prasad Chambers, Opera House, Mumbai - 400 004

ATTENDANCE SLIP

DP ID No.*	Folio No.
Client ID No.*	No. of Shares

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

Joint Shareholders may obtain additional Attendance Slip at the venue of the meeting.

Name : _____

Address : _____

I hereby record my presence at the 24th Annual General Meeting of the Company at M.C. Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Kala Ghoda, Mumbai-400001 at 3.00 P.M. on Saturday, September 25, 2010.

Signature of Member / Proxy

*Applicable for investors holding shares in electronic form.



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