

22nd Annual Report

2010-2011



Vaibhav Gems Limited



FORWARD LOOKING STATEMENT

All statements that address expectations or projections about the future, product development, market position, expenditures and financial results, are forward looking statements. Forward-looking statements are based on certain assumptions and expectations of future conditions. The Company cannot guarantee the accuracy of these assumptions and expectations. Therefore, actual performance may differ from the projected performance as there are certain factors affecting the Company's performance such as international market conditions, Government policies and laws, changes in the economic conditions affecting demand and supply etc. The Company does not take any responsibility to change / modify any forward-looking statement on the basis of any subsequent developments or events.





Board of Directors

- | | | |
|---------------------------|---|-------------------|
| ❖ Sunil Agrawal | - | Chairman |
| ❖ Rahimullah | - | Managing Director |
| ❖ Nirmal Kumar Bardiya | - | Director |
| ❖ Anandi Lal Roongta | - | Director |
| ❖ Mitha Lal Metha | - | Director |
| ❖ Surendra Singh Bhandari | - | Director |
| ❖ Sheela Agrawal | - | Director |

Company Secretary

- ❖ Brahm Prakash

Statutory Auditors

- ❖ Haribhakti & Co., Mumbai
- ❖ B. Khosla & Co., Jaipur

Registrar & Share Transfer Agent

- ❖ Karvy Computershare (P) Limited
17-24, Vittal Rao Nagar, Madhapur
Hyderabad- 500 081

Bankers

- ❖ Punjab National Bank, Jaipur
- ❖ State Bank of Bikaner and Jaipur, Jaipur
- ❖ Union Bank of India, Jaipur
- ❖ IDBI Bank, Jaipur

Registered Office

- ❖ K-6B, Fateh Tiba, Adarsh Nagar, Jaipur-302004
Tel: 91-141-2601020; Fax: 91-141-2603228/2010

Corporate Office

- ❖ E-69, EPIP, Sitapura, Jaipur-302022
Tel: 91-141-2770648; Fax: 91-141-2770510



Our Vision

To be the most preferred global Jewellery company for all stake holders worldwide

Our Mission

"Bring smile to our customers and all other stake holders"

Our Core Values

I will serve my customers with passion.

I will keep my word.

I will be respectful to all.

I will always help my team.

I will keep an open mind and improve everyday.

CONTENTS

Chairman's Message	3
Board's Profile	4-5
Directors' Report	7-11
Management Discussion and Analysis	12-13
Corporate Governance Report & Other Declarations	14-24
Financial Statements - Standalone	25-53
Financial Statements - Consolidated	54-70



Chairman's Message

Dear Shareholders,

It is my pleasure to present to you, your company's annual report for 2010-11.

I am happy to report that the investments that we made during the last four years in our new direct-to-consumer business model began to bear fruit in 2010-11. Until 2006-07, your company was in b-to-b business, selling fine jewelry to major retailers such as Zales, Wal-Mart, QVC, Macy's in the US and Argos, QVC, and more in the UK. We began investing in consumer retailing through TV and the Internet in 2007, first in the UK and later in Germany and the US. The economic recession of 2008-09 delayed the maturity of this business model for some time, but helped us identify the discount segment within electronic retail, which we found was underserved. While there are 8-10 major players in electronic jewelry retail in both the US and UK markets, almost none of them addresses the discount market segment. Your company has direct sourcing capabilities, allowing us to competitively price products. This is both congruent to a discount model and is difficult to match by our competitors.

This new discount model requires that we run your company frugally. To this end, we have been able to lower the expense to sales ratio from 51% in 2009-10 to 46.5% in 2010-11. We will strive to reduce this ratio further in the coming years.

You may be aware that the US and UK economies continue to be stressed and that precious metals' prices continue to rise. To address these issues, your company has launched many new, inexpensive product lines such as natural gemstone-studded gold & platinum-bonded silver, copper, brass, Murano-style glass, gemstone-studded stainless steel, gemstone beads, glass beads and more. Customers have responded very well to these offerings, leading to a 19% increment in gross margin in 2010-11 over last year.

Your company has also invested in capacity expansion at its Jaipur plant by constructing a new factory building at E-69, which adjoins the current premises at E-68, Sitapura. This capacity will support the larger requirement of our US and UK operations in the 2011 season and beyond. Your company has also initiated investments in retail units for a better customer experience and at its Jaipur manufacturing unit for further improved quality and productivity. These initiatives will come on stream during 2011-12.

Our success in 2010-11 gives me immense confidence in our direct-to-consumer, discount business model. With a combined jewelry retail market of over \$60 billion in the US and UK available to us, at least 10%, or \$6 billion, of which is electronic commerce. I am confident that we have a long runway ahead of us and will see substantial growth in years to come.

The success in 2010-11 could not have been achieved without the tireless efforts, dedication and commitment of our employees. I sincerely thank each and every one of the VGL Group employees for their support leading to this success. I also want to express sincerest thanks to my colleagues on the board for their support and guidance during the year, and would like to thank our bankers for their continued support to the company. Lastly, my sincere thanks to you, the valued shareholders, for your continued support for me and my colleagues on the board.

Thank You,

Sunil Agrawal
Chairman



BOARDS' PROFILE

Annual Report 2010-2011



Mr. Sunil Agrawal, Chairman

He is a commerce graduate with an MBA from Columbia University. A first generation entrepreneur, he established Vaibhav Enterprises in 1980 with the objective to trade in gemstones. He has travelled widely, and gained an immense knowledge of gemstones and jewellery. He has brought this expertise to bear on the success of the company. He has represented the company at all major international trade shows and jewellery fairs. He is credited with the pioneering commercialization of popular gemstones like Tanzanite.

Mr. Rahimullah, Managing Director

Beginning his career in his emerald trading and export business, he has gained considerable experience and knowledge in this field, and has travelled extensively in Africa, Europe and the Far East to source rough stones. He brings with him 37 years of industry experience. His dedication, vision and acumen have been responsible for the company's impressive growth.



Mr. Nirmal Kumar Bardiya, Director

One of the most renowned jewellers of Jaipur with a vast experience in the manufacture of coloured gemstones, he is associated with the Company since 2001. He is highly specialized in high volume gemstones and beads, and is one of the leading global players in this segment.

Mr. Anandi Lal Roongta, Director

A post-graduate in Economics and Law, he is a retired IAS officer and worked with the government of Rajasthan, the Government of India and various public sector units. He held prestigious positions like Managing Director of the Rajasthan Finance Corporation, Chairman-cum-Managing Director of the Rajasthan State Industrial Development and Investment Corporation Limited and was also the Industry Advisor to the Government of Rajasthan.





Mr. Mitha Lal Mehta, Director

A retired IAS officer and a renowned public administrator, social activist and human resource developer, he is a gold medalist and a Post Graduate in Physics from the University of Rajasthan, he is a P.G. Diploma Holder in urbanisation from the University of London with merit and a Graduate from the National Defence College in New Delhi. He has served in senior government positions such as the Chief Secretary of the Government of Rajasthan, Additional Secretary of the Ministry of Home Affairs and Director of NABARD. He has won prestigious awards like Indira Gandhi Priyadarshni Vriksha Mitra Award (1986), Acharya Jai Mal Gyan Award (1988) and Mewar Gaurav Award (1994).

Mr. Surendra Singh Bhandari, Director

One of the senior most Chartered Accountants of Rajasthan and a senior partner of M/s S. Bhandari & Co., he is one of the leading management consultants to various companies in the areas of banking and tax assignments, corporate restructuring, amalgamation and mergers, besides handling audit assignments in various renowned companies and financial institutions. Presently, he is on the Board of Asian Hotels (East) Ltd. and Asian Hotels (West) Ltd.



Mrs. Sheela Agrawal, Director

An active social worker, she possesses great acumen and business understanding. She is a religious lady and is the mother of Mr. Sunil Agrawal, Chairman.



**DIRECTORS' REPORT****Dear Shareholders**

The Directors have pleasure in presenting 22nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2011.

Financial Highlights

The standalone financial results of the Company for year ended 31st March, 2011 were as follows:

Rs. in Lacs

Particulars	2010-11	2009-10
Sales and Other Income	14,683.47	12,151.96
Less: Operating Cost	13,138.43	12,111.93
Operating Profit/PBDIT	1,545.04	40.13
Less: Interest	1,121.11	1,280.75
Less: Depreciation & Amortization	120.26	120.77
Profit Before Tax	303.67	(1,361.39)
Less: Provision for Tax	(0.71)	(17.57)
Net Profit After Tax but before Exceptional Items	304.38	(1,343.82)
Add: Exceptional Items – (Provision for Doubtful Loans and Debts)	1,432.63	1,557.60
Profit After Tax and Exceptional Items	1,737.01	213.90
Add : Balance brought forward from the previous year	(34,354.17)	(34,568.08)
Total Profit/(Loss) for Appropriations	(32,617.15)	(34,354.18)
Appropriations : Dividend on Preference Share Capital	-	-
Proposed Dividend on Equity Shares	-	-
Tax on Dividend	-	-
General Reserve	-	-
Total	(32,617.15)	(34,354.18)
Balance carried to Balance Sheet	(32,617.15)	(34,354.18)

Dividend

In view of accumulated losses brought forward, your Directors do not recommend any dividend for the financial year 2010-11.

Corporate Social Responsibility

Your Company is a responsible corporate citizen. As a part of Corporate Social Responsibility, your Company has donated to various Charitable Institutions in the fields of Education and health. Main recipients have been Akshay Patra providing midday meals to the students of Government schools; Sumedha providing scholarship to needy students; Manav Seva Sangh Prem Niketan Hospital engaged in the distribution of medicines to the needy people; Jaipur Cancer Relief Control Society providing medical assistance to cancer patients.

Subsidiaries

The Company has the following operating Subsidiaries:

- a) **STS Jewels Inc., USA, a 100 per cent subsidiary** is engaged in the wholesale segment and selling jewellery to the departmental stores, TV channels and others in USA.
- b) **STS Gems Limited, Hong Kong, a 100 per cent subsidiary** is engaged in outsourced manufacturing for the group and marketing of Jewellery in Europe.
- c) **The Jewellery Channel Ltd. UK (TJC UK)**, a wholly owned step down subsidiary of Vaibhav Gems Limited, is engaged in marketing of jewellery through electronic media and operates a dedicated 20 hours jewellery TV shopping channel and Internet Jewellery shopping website in the UK.
- d) **The Liquidation Channel, USA (TJC USA)**, a wholly owned step down subsidiary of Vaibhav Gems Limited is engaged in marketing of jewellery through electronic media and operates a dedicated 24 hours jewellery TV shopping channel and Internet Jewellery shopping website in the USA.



Consolidated Financial Statements

Yours Directors also present the audited consolidated financial statements as prepared in compliance with the Accounting Standard 21 issued by Institute of Chartered Accountants of India (ICAI) and Listing Agreement as prescribed by SEBI.

Documents required under Section 212(1) of the Companies Act, 1956

The Ministry of Corporate Affairs (MCA) has, vide circular no. 2/2011 granted general exemption to all companies under Section 212(8) of the Companies Act, 1956 for not attaching the documents required under Section 212(1) of the said act, subject to Board's consent accorded through resolution and compliance of certain conditions as specified. Your Company has complied with all the conditions as stipulated in the said circular. Hence, the company present audited consolidated financial statements in annual report. The Company undertakes that annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholder at head office of the holding Company and of the subsidiary companies concerned and hard copy of the same shall be provided to any shareholder on demand.

Transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)

Pursuant to the provisions of Section 205(A) of the Companies Act, 1956, the Company has transferred Rs. 75,045 on 24th December, 2010, lying in unpaid dividend account of the Company for a period of 7 years, to Investor Education and Protection Fund (IEPF) established by the Central Government under Section 205(C) of the said Act.

Fixed Deposits

The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of Balance Sheet.

Directors

In accordance with the provisions of Companies Act, 1956 and Articles of Association of the Company, Mr. Nirmal Kumar Bardiya and Mr. Anandi Lal Roongta, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

As required by Clause 49 of Listing Agreement with the Stock Exchanges, the brief resume and other particulars of the aforesaid Directors are provided elsewhere in Annual Report.

Auditors and Auditors' Report

M/s Haribhakti & Company, Chartered Accountants, Mumbai and M/s B. Khosla & Co., Chartered Accountants, Jaipur, Joint Statutory Auditors of the Company retire at the conclusion of ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made by the Company for the year 2011-12 would be within the limit prescribed under Section 224(1B) of the Companies Act 1956.

Information referred in the Auditor's Report are self explanatory and don't call for any further comments.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' responsibility statement, it is hereby confirmed that:

- I. In the preparation of the annual accounts for the financial year ended 31st March 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- II. 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 at the end of the financial year and profit and loss account of the company for that period.



- III. 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.
- IV. The Directors have prepared the annual accounts on a going concern basis.

Employee Relations

Employee relations continued to be cordial throughout the year. Your Directors wish to place on record their sincere appreciation for the excellent spirit with which the entire team of the Company worked at all plants and offices and achieved commendable progress.

Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review, as required under clause 49 of the Listing Agreement is annexed to the Directors' Report.

Corporate Governance

A report on Corporate Governance as stipulated under clause 49 of the Listing Agreement forms part of this Annual Report. The requisite certificate from the Statutory Auditors of the Company confirming the compliance with the conditions of Corporate Governance as stipulated under clause 49 is also annexed with this report.

Particulars of Employees

Information as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, are required to be set out in the annexure to the Directors' Report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the shareholders excluding the statement of particulars under Section 217 (2A). The Statement is open for inspection at the registered office of

the Company during working hours and a copy of the same may be obtained by writing to the Company at its registered office.

Employee Stock Option Plan 2006

Employee Stock Option Plan was approved and implemented by the Company and options were granted to employees in accordance with Securities Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999. The Compensation Committee constituted in accordance with SEBI guidelines administers and monitors the scheme. The applicable disclosures as stipulated under SEBI Guidelines as at 31st March 2011 are given in Annexure I to the Directors' Report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo:

Information in accordance with the provisions of 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.

A. Conservation of Energy

The operations of your Company are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy efficient equipments. We regularly evaluate and use new energy efficient technologies and make necessary investment in these to make our infrastructure more energy-efficient.

B. Technology Absorption

The Company has not carried out any specific research and development activities. Your Company possesses an in-house research and development wing, which is continuously working towards more efficient jewellery production, improved processes and better designs. Your Company has not imported any technology for its manufacturing process and therefore, the question of adaptation/absorption does not arise.

**C. Foreign Exchange Earnings and Outgo**

The foreign exchange earnings and outgo of the Company is as follows:

Rs. in Lacs

	2010-11	2009-10
Earnings	14,562.96	12,194.30
Outgo	3,686.48	4,453.88

Acknowledgment

Your Directors wish to place on record their deep gratitude to the Shareholders, Customers, Bankers, Suppliers and various Government Authorities for their wholehearted support. Your Directors also recognize and appreciate the efforts and hard work of all employees of the Company and their continued contribution to its progress.

For and on behalf of the Board of Directors

Place : Jaipur
Date : 17th August, 2011

Sunil Agrawal
Chairman



ANNEXURE I : EMPLOYEES STOCK OPTION PLAN (VGL ESOP 2006)

Para Ref in SEBI Guidelines	Item of Disclosure	Remarks						
12.1(a)	Options Granted	Total options granted and outstanding as at 31 st March 2011 are 5,63,655 including 20,000 options granted on 30 th September 2010 .						
12.1(b)	The pricing formula decided by Compensation Committee	During the period under review, 20,000 options were granted at an exercise price of Rs. 33.57 per option.						
12.1(c)	Options Vested	2,37,655						
12.1(d)	Options exercised	NIL						
12.1(e)	The total number of shares arising as a result of exercise of option	Not Applicable						
12.1(f)	Options lapsed (reissuable)	1,26,002						
12.1(g)	Variation of terms of options	NIL						
12.1(h)	Money realized by exercise of options	Not Applicable						
12.1(i)	Total number of options in force	5,63,655						
12.1(j)	Employee wise details of options granted : (i) Senior Managerial Personnel; (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year. (iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	<p><u>Senior Management Personnel:</u></p> <table border="1"> <thead> <tr> <th>Name of Employee</th> <th>Number of Options</th> </tr> </thead> <tbody> <tr> <td>Pushpendra Singh</td> <td>10,000</td> </tr> <tr> <td>Shanon Bacton</td> <td>10,000</td> </tr> </tbody> </table> <p>NIL</p> <p>NIL</p>	Name of Employee	Number of Options	Pushpendra Singh	10,000	Shanon Bacton	10,000
Name of Employee	Number of Options							
Pushpendra Singh	10,000							
Shanon Bacton	10,000							
12.1(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	As disclosed in the Financial Statements of the Company						



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

The Gems and Jewellery industry occupies an important position in Indian economy. It is the leading foreign exchange earner, as well as one of the fastest growing industry in the country. The sector enjoys a leadership position globally in manufacturing of diamonds. The world is eyeing India for trade across various sectors be it diamonds, colourstone or Jewellery. The Gems and Jewellery market essentially comprises of sourcing, processing, manufacturing and selling of precious metals and gemstones. The sector has witnessed a considerable growth in the volume of exports from exports figures of US\$ 29,358.49 million in the financial year 2009-10 to US\$ 43,139.24 million in financial year 2010-11, thus indicating a net increase of 46.89% in the total Gems and Jewellery Exports.

The Gems and Jewellery Industry has historically been one of India's leading foreign exchange earning sector and contributed 16.67% to India's total merchandise exports in the fiscal year. According to Gems and Jewellery Export Promotion Council (GJEPC), India's Gems and Jewellery sector is expected to grow in a range of about 15% to 20% in 2011-12 fiscal year.

Company operates its live electronic retail channels in US and UK from Austin, Texas and London respectively. The retail environment in both these countries continues to be tough. The total jewellery market is approx. \$60 Billion and approx 10% of which is via electronic commerce. Even though economy is expected to increase by approx. 2% in both these economies, the electronic commerce is expected to grow by approx. 10%.

Sources : www.gjepc.org; www.blonnet.com, www.researchandmarkets.com

Company Overview

Vaibhav Gems Limited is a professionally managed, end-to-end vertically integrated Gems and Jewellery business organization. It is one of the eight world-wide 'sight' holders for Tanzanite and is the leader in processing and retailing popular Gemstones such as Fire Opal, Apatite and Emerald and various other precious and semi precious stones. VGL has won GJEPC highest export award for 15 years out of last 37 years. The Company is operating dedicated 20 and 24 hours live jewellery shopping television channels in UK and USA from London and Austin, Texas respectively.

Industry SWOT Analysis

Strengths

- ◆ Only vertical end to end business model in entire Jewellery Electronic Retail industry in US and UK allowing excellent margins and fastest time to market for any new gem-find or new product.
- ◆ Low cost of operation at both retail as well as manufacturing side.
- ◆ Highly scalable business model without large Capex expenses.
- ◆ Good combination of technical as well as advisory personnel in the management.
- ◆ Good Industry experience & knowledge of Promoters.
- ◆ Independent and experienced Board of Directors.
- ◆ A large number of Gems and Jewellery institutions in India that provide regular supply of trained manpower
- ◆ ISO 9002 certified World-class Gems and Jewellery manufacturing facility.

Weaknesses

- ◆ Low indigenous reserves of rough and diamonds.
- ◆ Exposure to foreign exchange and raw material price fluctuations.
- ◆ Less advanced technology as compared to European jewellery manufacturing countries like Italy, Spain and France.
- ◆ Organizational development processes at relatively initial phase.
- ◆ Relatively large reliance on promoters for overall management.

Opportunities

- ◆ Large potential of Per House Hold (HH) revenue increment to existing viewer base of approx. 70 Million HH's. in US and UK .
- ◆ Potential to acquire another 50 Million HH's.
- ◆ Electronic retail segment is growing faster than overall GDP.
- ◆ Further strengthen manufacturing base with latest manufacturing and product development technologies.
- ◆ Further strengthen the low price point 'Discount' model in both US and UK markets, which is excellent in current weak economies in US and UK and good in growing economic cycles too.
- ◆ Potential to replicate end-to-end discount electronic retail business model in other countries, once we have achieved reasonable market share in US and UK.

Threats

- ◆ Increasing prices of rough gemstones.
- ◆ Volatility in gold and silver prices.
- ◆ New competitors coming up or existing competitors adopting our low cost end-to-end business model.



Financial Performance

The details of financial performance of the Company are appearing in Balance Sheet, Profit & Loss Account along with other financial statements.

Financial Highlights for the year ended 31st March, 2011 are as under :

On a standalone basis, the Company has achieved a turnover of Rs. 145.15 crores against Rs. 120.84 crores in the previous financial year recording a growth of over 20%. Profits after tax and exceptional items were Rs. 17.37 crores against Rs. 2.14 crores for the previous year.

On a consolidated basis, the Company has achieved a turnover of Rs. 525.54 crores against Rs. 338.18 crores in the previous financial year recording a growth of over 55%. Profits after tax and exceptional items were Rs. 43.10 crores as compared to loss of Rs. 68 crores for the previous year.

Outlook

The heavy investments made in Electronic retail segment during last four years finally bore fruits during the year under review. Even though economies of both US and UK continue to be very weak, the Company has made decent profits of Rs. 17.37 crores and EPS of Rs. 5.48. We expect the performance of 2011-12 to be approx. 15-20% above 2010-11. We also expect EPS to be higher by corresponding number.

Risk and Concerns

Vaibhav Gems Limited is exposed to various risks that are particular to its businesses and environment within which it operates including loss of key managerial personnel, increase in input costs, exchange rate fluctuations, changing import duty structures, political instability, changes in economies or government policies of the countries to which the Company exports its products, geographic concentration risk, raw material risk, seasonality risk and government regulations.

The completion factor also affects the performance of the Company. The Company constantly works on taking appropriate measures and reviewing them from time to time to de-risk itself from foreign exchange and various other risks. The Company's current and fixed assets as well as products are adequately insured against various risks. The Company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism. Through this approach, the Company strives to identify opportunities that enhance organizational values while managing or mitigating risks

that can impact its future performance.

Internal Control System and their Adequacy

The Company maintains a system of internal control commensurate with the size and nature of its operations to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. In order to ensure that all checks and balances are in place and all internal control systems and procedures are in order, periodic internal audit is conducted by qualified Chartered Accountants.

The Internal Auditors' independently evaluate adequacy of internal controls. The Internal Audit reports submitted by Internal Auditors are reviewed by Audit Committee on a quarterly basis. Post audit reviews are also carried out to ensure that audit recommendations have been implemented.

Material Developments in Human Resources/Industrial Relations front including number of people employed

Human Resources are most valuable assets of the Company. The Company's Human Resource Policy primarily aims at talent management and leadership development, safety and health of its employees. The Company has well experienced, creative, talented and motivated staff to cater to the business demands in terms of better designs, quality and precision in manufacture with minimum possible loss and consistency to meet international standards. The Company provides an environment which encourages initiatives, innovative thinking and reward performance. The Company also focuses on development of employees at all levels and supports them with safe, pollution free and favorable working conditions. As a result, the employees of the Company have played a crucial role in contributing to the growth of the Company.

The total number of employees of the Company as on 31st March 2011 was 869.

Cautionary Statement

Statements in Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable laws and regulations. Actual Results could differ materially from those expressed or implied due to variations in prices of raw materials, seasonal demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments and other incidental factors.



CORPORATE GOVERNANCE REPORT

1. Philosophy on Code of Corporate Governance

Corporate Governance is commitment to values and ethics in business conduct which stems from the culture, policies, practices, traditions, voluntary adherence to ethical standards and mindset of an organisation. Strong governance standards focusing on fairness, transparency, accountability are vital not only for the healthy and vibrant corporate sector but also inclusive growth of the economy.

Vaibhav Gems Limited believes that good Corporate Governance practices would ensure ethical and efficient conduct of the affairs of the Company and also help in maximizing value for all its stakeholders. VGL continues to focus on good Corporate Governance, in line with emerging local and global standards. It understands and respects its fiduciary role in the corporate world. Besides adhering to the prescribed corporate practices as per clause 49 of the Listing Agreement, it voluntarily governs itself as per highest standards of ethical and responsible conduct of business which not only strengthens its bond of trust with the stakeholders but also creates value for the society at large.

2. Board of Directors

Composition

The policy of the Company is to have an optimum mix of independent and non independent Directors to maintain the independence of the Board. Currently, there are seven Directors on the board of the Company. Independent Directors are professionals with high credentials, who actively contribute in the deliberation of Board, covering strategic matters and decisions.

The Board meets once in every quarter to review the quarterly results and other items of the agenda and if necessary, additional meetings are held as and when required. The gap between two meetings did not exceed four months. The Board is apprised of all important information relating to the business of the company; and the agenda together with all papers are sent in advance to all Directors to enable the Board to discharge and take informed decisions. During the Financial Year ended on 31st March 2011, the Board met four times on 21st May 2010, 14th August 2010, 13th November 2010 and 05th February 2011.

The table below sets out details of name, categories of Directors, their attendance at each Board Meeting held during the year and last AGM and the number of other Board or Committees in which your Directors are members or Chairperson:

Name of the Director	Category	Attendance		No. of Directorship and Committees Membership / Chairmanship		
		Board Meetings	Last AGM	Other Directorship*	Committees Membership including Vaibhav Gems Limited**	Committees Chairmanship including Vaibhav Gems Limited**
Mr. Sunil Agrawal	Chairman and Non-Executive Director	1	Yes	3	Nil	Nil
Mr. Rahimullah	Non Independent Managing Director	4	Yes	2	1	Nil
Mr. Anandi Lal Roongta	Independent Non-Executive Director	4	Yes	1	3	1
Mr. Mitha Lal Mehta	Independent Non-Executive Director	4	Yes	Nil	1	2
Mr. Surendra Singh Bhandari	Independent Non-Executive Director	4	Yes	2	5	1
Mr. Nirmal Kumar Bardiya	Independent Non-Executive Director	2	No	9	3	Nil
Mrs. Sheela Agrawal	Non Independent Non-Executive Director	4	No	2	Nil	Nil



* The Directorship held by Directors as mentioned above, do not include Directorship in Foreign Companies and Committees include Audit Committee, Shareholders'/Investors' Grievance Committee, Remuneration Committee and Compensation Committee.

** Chairmanships / Memberships of Audit Committee, Shareholders'/Investors' Grievance Committee, Compensation Committee and Remuneration Committee of all Public Limited Companies have been considered.

3. Committees of the Board

Audit Committee

The composition, powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. In particular, these include :

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors of any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- 12a. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Composition, name of members and Chairperson



The Audit Committee of the Company consists of four members who all are Non Executive Independent Directors. The Committee is headed by Mr. Surendra Singh Bhandari. During the year under review, four meetings of Audit Committee were held on 21st May 2010, 14th August 2010, 13th November 2010 and 05th February 2011. The table below sets out the composition and attendance at Audit Committee meetings as on 31st March 2011 :

Name of the Director	Position Held in Committee	No. of Meetings Attended
Mr. Surendra Singh Bhandari	Chairman	4
Mr. Anandi Lal Roongta	Member	4
Mr. Mitha Lal Mehta	Member	4
Mr. Nirmal Kumar Bardiya	Member	2

The Company Secretary is also the Secretary to the Audit Committee.

Remuneration Committee

a. Terms of reference, composition, name of members and Chairperson

The Remuneration Committee of the Board of Directors has been constituted to recommend/ review the remuneration package of the whole time Directors. The Committee comprises of four Non-Executive Independent Directors namely Mr. Surendra Singh Bhandari, Mr. Anandi Lal Roongta, Mr. Mitha Lal Mehta & Mr. Nirmal Kumar Bardiya. The Committee is headed by Mr. Mitha Lal Mehta.

The broad terms of reference of the committee are as follows:

- i) Recommend to the Board, the remuneration including salary, perquisites and commission to be paid to the company's Managing Director and Whole-time Directors.
- ii) Finalize the perquisites package of the Managing Director and Whole-time Directors within the overall ceiling fixed by the Board.
- iii) Recommend to the Board, retirement benefits to be paid to the Managing Director and Whole-time Directors under the retirement benefit guidelines adopted by the Board.

b. Remuneration Policy

(A) Whole time Directors

The Whole Time Director is paid remuneration within the range approved by the Board of Directors /Remuneration Committee which is further approved by the Company in General Meeting. The remuneration is decided considering various factors such as qualification, experience, expertise and capability of the appointee, his contribution to the Company's growth, remuneration prevailing in the industry, financial position of the Company, etc.

(B) Non-Executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees for attending each meeting of Board of Directors and Committee thereof.

No meeting was held during period under review.

Details of Remuneration, Sitting fees etc. paid to all the Directors for the year ended 31st March, 2011 are given hereunder:

Remuneration of Directors during 2010-2011

Name of Director	Sitting Fees	Remuneration	Total	Terms	Shares held as on 31.3.11
Mr. Sunil Agrawal	Nil	NA	Nil	Not liable to retire by rotation	28,140
Mr. Anandi Lal Roongta	90,000	NA	90,000	Retirement by rotation	1,787
Mr. Mitha Lal Mehta	90,000	NA	90,000	Retirement by rotation	Nil
Mr. Nirmal Kumar Bardiya	40,000	NA	40,000	Retirement by rotation	Nil
Mr. Surendra Singh Bhandari	90,000	NA	90,000	Retirement by rotation	Nil
Mr. Rahimullah	NA	42,00,000	42,00,000	Contractual	54,600
Mrs. Sheela Agrawal	40,000	NA	40,000	Retirement by rotation	19,750

The Company Secretary is also the Secretary to the Remuneration Committee

**Compensation Committee**

The Compensation Committee of the Board of Directors has been constituted to determine the various terms and conditions for the stock options granted / to be granted to the eligible employees and to administer the stock option scheme of the Company. The Committee comprises of four Non-Executive Independent Directors namely Mr. Surendra Singh Bhandari, Mr. Anandi Lal Roongta, Mr. Mitha Lal Mehta & Mr. Nirmal Kumar Bardiya. The Committee is headed by Mr. Mitha Lal Mehta.

During the year under review, the committee met on 30th September, 2010. The table below sets out the composition and attendance at Compensation Committee meeting as on 31st March 2011:

Name of the Director	Position Held in Committee	No. of Meetings Attended
Mr. Mitha Lal Mehta	Chairman	1
Mr. Anandi Lal Roongta	Member	1
Mr. Nirmal Kumar Bardiya	Member	Nil
Mr. Surendra Singh Bhandari	Member	1

Shareholders' / Investors' Grievance Committee

An Investors' Grievance Committee was set up specifically to look into the expeditious redressal of Inventors' complaints. The Committee consists of two Non-Executive Independent Directors namely Mr. Anandi Lal Roongta as

Chairman, Mr. Surendra Singh Bhandari and the Managing Director of the Company Mr. Rahimullah as members. The terms of reference of the Committee include redressal of shareholders' and investors' complaints like issue of duplicate share certificates, non-receipt of balance sheet, non-receipt of declared dividends etc. The Board has delegated the power of approving transfer of securities in physical form to the managing director, executive director, company secretary and other senior officials of the company.

During the year under review, the committee met on 15th March, 2011.

Name of the Director	Position Held in Committee	No. of Meetings Attended
Mr. Anandi Lal Roongta	Chairman	1
Mr. Rahimullah	Member	1
Mr. Surendra Singh Bhandari	Member	1

Name and Designation of the Compliance Officer

Mr. Brahm Prakash Company Secretary and Manager Legal

Details of Shareholders/Investors Complaints Received

The company received a complaint during the third quarter of 2010-11, which was resolved immediately and there is no pending complaint at the end of the Year.

4. General Body Meetings**Date, time and venue of the last three Annual General Meetings:**

Year	Date	Time	Venue
2007-08	30 th September 2008	11:00 A.M.	K-6B, Fateh Tiba, Adarsh Nagar, Jaipur - 302 004
2008-09	30 th September 2009	11:00 A.M.	E-68, EPIP, Sitapura, Jaipur - 302 022
2009-10	30 th September 2010	11:00 A.M.	E-69, EPIP, Sitapura, Jaipur - 302 022

**Special Resolution passed in last Annual General Meetings:****30-09-2008-AGM**

Alteration of Articles of Association of the Company

30-09-2009-AGM

To approve the remuneration of Shri Rahimullah, Managing Director

30-09-2010-AGM

No Special resolution was passed.

Special Resolution through Postal ballot

During the period under review, no special resolution was passed through postal ballot. Further, no special resolution is proposed to be passed through postal ballot.

5. Disclosures

- (i) The details of related party transactions are given in the notes to accounts. None of the transaction with any of the related party was in conflict with the interests of the company.
- (ii) There were no non-compliance / strictures, penalty imposed on the Company by Stock Exchange (s) or SEBI or any statutory authority on any matters related to capital market during the last three years.
- (iii) As on date of reporting, the company has not adopted any Whistle Blower Policy. However, no personnel has been denied access to the Audit Committee.
- (iv) The Company has fully complied with all the mandatory requirements prescribed under clause 49 of the Listing Agreement with Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) relating to Corporate Governance and included all suggested items in the Report on Corporate Governance.
- (v) Further, the Company has adopted following non-mandatory requirements :

Remuneration Committee of the Board of Directors of the Company has been set up and the particulars of the Committee are given in the Report itself.

6. Means of Communication

- (i) Financial Results of the Company are immediately provided to Stock Exchanges for dissemination to

the shareholders by way of displaying on their official websites i.e www.bseindia.com and www.nseindia.co.in.

- (ii) Financial Results are published in leading Local & National newspapers such as Jansatta and Financial Express.
- (iii) Financial Results are also displayed on the website of the Company i.e www.vaibhavgems.com
- (iv) Official news releases, if any, are published in leading newspapers and displayed at www.vaibhavgems.com.
- (v) No Presentation was made to Institutional investors and Analyst during the year under review.

7. General Shareholder Information**(i) Annual General Meeting:**

Date and time : 30th September, 2011, 11:00 AM

Venue : E-69, EPIP, Sitapura, Jaipur - 302 022

(ii) Financial Calendar :

1st April 2010 to

31st March 2011

(iii) Date of Book Closure :

24th September 2011
to 30th September 2011
(both day inclusive)

(iv) Dividend Payment Date:

NA

(v) Stock Exchanges where listed and Stock code:**Bombay Stock Exchange Limited (BSE)**

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001

Stock Code : 532156

National Stock Exchange of India Limited (NSE)

"Exchange Plaza", Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

Stock Code : VAIBHAVGEM

ISIN Code no.: INE884A01019

Listing of Global Depository Receipts at Luxembourg Stock Exchange

11, Avenue de la Porte-Neuve, L-2227 Luxembourg



Common Code : 023953692 for both Euroclear and Clearstream

ISIN Code : US9187661064

(vi) Listing Fees to Stock Exchanges

The Company has paid listing fees in respect of financial year 2011-2012 to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

(vii) Custodial Fees to Depository

The company has paid custodial fees for the Financial year 2011-2012 to National Securities Depository Limited and Central Depository Services (India) Limited.

(viii) Share Price Data

Month	VGL Price at BSE (In Rs.)		VGL Price at NSE (In Rs.)	
	High Price	Low Price	High Price	Low Price
April 2010	32.45	27.00	31.65	27.00
May 2010	32.00	25.50	31.70	25.35
June 2010	29.85	27.00	29.80	26.60
July 2010	42.65	26.75	42.60	26.80
August 2010	43.50	36.00	47.00	35.10
September 2010	43.40	33.25	43.50	33.05
October 2010	39.70	35.55	40.00	35.20
November 2010	38.40	27.80	39.75	27.05
December 2010	33.00	19.45	32.30	19.30
January 2011	28.25	21.65	27.75	20.65
February 2011	24.95	18.00	25.90	17.60
March 2011	39.10	24.00	38.90	24.80

(ix) Registrar & Share Transfer Agent :

Karvy Computershare (P) Limited,
17-24 Vittal Rao Nagar,
Madhapur,
Hyderabad - 500 081.
Andhra Pradesh, India
Tel: 040-23420815 / 23420828

(x) Share Transfer System

Registrar and Transfer Agent (the 'RTA'), on receipt of transfer deed with respective share certificates, scrutinizes the same and verify signatures of transferors on the transfer deed with specimen signatures registered with the company. A list of such transfers is prepared and checked thoroughly and a transfer register is prepared. The transfer register is placed before the Share Transfer Committee meeting for approval. Share transfers are registered and share certificates are returned within 30 days from the date of lodgment provided the documents submitted are valid and complete in all respects.

**(xi) Distribution of Shareholding****a. Distribution of Shareholding as on 31st March, 2011**

No. of equity Shareholding	Number of Shares	% of Shareholding	Number of Shareholders	% of Shareholders
1 to 5000	6,02,125	1.90	4,478	84.59
5001 to 10000	3,23,172	1.02	398	7.52
10001 to 20000	2 68 866	0.85	176	3.32
20001 and above	3,05,04,310	96.23	242	4.57
Total	3,16,98,473	100.00	5,294	100.00

b. Categories of Shareholders as on 31st March, 2011

Category	No. of Shares	% Holding
Indian Promoters	27,00,182	8.52
Foreign Promoters	15,41,940	4.86%
Banks	Nil	Nil
FIs	64,34,924	20.30%
Private Corporate Bodies	11,74,341	3.70%
Indian Public	65,01,953	20.52%
NRIs	45,90,396	14.49%
Others		
(i) Clearing Members	4,737	0.01%
(ii) Shares underlying GDR*	87,50,000	27.60%
Total	3,16,98,473	100.00%

(xii) Dematerialization of shares and liquidity

99.57% of total shares have been dematerialized upto 31st March 2011. The shares of the Company are listed at NSE and BSE, where they are actively traded.

*411060 GDR's were converted into Equity Shares on 22nd July, 2010.

(xiii) Name and address of the custodian in India for the purpose of GDR

CITI Bank N.A.(MUMBAI)
81, Dr. Annie Besant Road,
Worli, Mumbai
Mumbai-400018, India

(xiv) Name and address of the Depository for the purpose of GDR

CITI BANK NEW YORK
388, Greenwich Street, 14th Floor
New York - 10013
USA

(xv) Plant Locations

The Company plants are located at the following addresses :

- ◆ E-68 and E-69, EPIP, Sitapura, Jaipur 302 022
- ◆ Unit No. 186-A, SDF, VI, SEEPZ, Mumbai

(xvi) Branch Office

- ◆ 905 / 304, Panchratna, Opera House, Mumbai 400004

(xvii) Address for Correspondence

Mr. Brahm Prakash, Company Secretary heads the Corporate Secretarial Department of the Company. In case of any problem / query, shareholders can contact at:

Address: E-69, EPIP, Sitapura, Jaipur

Phone: 91-141-2770648

Fax: 91-141-2770510

Email: brahm.prakash@vaibhavgems.com

(xviii) Other useful information to shareholders

- ◆ Shareholders/Beneficial Owners are requested to quote their Folio No./DP & Client ID Nos., as the case may be, in all correspondence with the RTA/Company.



- ◆ Shareholders holding shares in physical form are requested to notify to the RTA/Company, change in their address/Pin Code number and Bank Account details promptly by written request under the signatures of sole / first joint holder. Beneficial Owners of shares in demat form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc. directly to their DP as the same are maintained by the DPs.
- ◆ To prevent fraudulent encashment of dividend instruments, members are requested to provide their Bank Account Details (if not provided earlier) to the Company (if shares are held in physical form) or to DP (if shares are held in D-mat form), as the case may be.
- ◆ Non-resident members are requested to immediately notify change in their residential status on return to India for permanent settlement and particulars of their NRE Bank Account with a bank in India, if not furnished earlier.
- ◆ In case of loss/misplacement of shares, investors should immediately lodge a FIR/Complaint with the police and inform to RTA/Company along with original or certified copy of FIR/acknowledged copy of the complaint.
- ◆ For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed.
- ◆ Shareholders are requested to keep record of their specimen signature before lodgement of shares with the RTA/Company to obviate possibility of difference in signature at a later date.
- ◆ Shareholders(s) of the Company who have multiple accounts in identical name(s) or holding more than one Share Certificates in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company/RTA.
- ◆ Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in physical form in companies. Shareholders, in particular those holding shares in single name, may avail of the above facility by furnishing the particulars of their nominations in the prescribed Nomination Form.
- ◆ Shareholders are requested to give us their valuable suggestions for improvement of our investor services.
- ◆ Shareholders are requested to quote their e-mail Ids, telephone / fax numbers for prompt reply to their communication.

8. Unclaimed Dividend on Equity Shares

Investors are requested to claim their preceding year's unclaimed / outstanding dividends from the Company. They may correspond at company's address or send e-mail at brahm.prakash@vaibhavgems.com for clarifying any doubts. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to Investor Education and Protection Fund as per the requirements of Section 205C of the Companies Act, 1956, and Rules made there under. No claim shall be entertained after claimed dividend is transferred to this fund.

9. CEO/CFO Certification

The CEO and CFO certification on the financial statements for the financial year under review is enclosed at the end of this report.

10. Code for the Board of Directors and Senior Management Personnel

The Company has laid down a code of conduct for the members of the board and senior management personnel of the Company. The code of conduct has been posted on the Company's Website www.vaibhavgems.com. All the board members and senior management personnel have affirmed compliance with the code of conduct of the Company for the financial year 2010-11. A declaration to this effect signed by Mr. Rahimullah, Managing Director of the Company is appended at the end of this report.

11. Code for prevention of Insider Trading Practices

The Company has formulated a comprehensive code of conduct for prevention of Insider Trading, to preserve the confidentiality and prevent misuse of unpublished price sensitive information. The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the company and the consequences of non-compliances.

12. Auditors' Report on Corporate Governance

As required by Clause 49 of the Listing Agreement the Auditors' Certificate is appended at the end of this report.



CEO and CFO Certification

**The Board of Directors
Vaibhav Gems Limited
Jaipur**

1. We have reviewed the financial statements and the cash flow statement 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.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year 2010-2011 which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies of which we are aware, in the design or operation of the internal controls, and that we have taken the required steps to rectify these deficiencies.
4. We have indicated to the auditors and the Audit committee that:
 - (i) There are no significant changes in internal control over financial reporting during the year;
 - (ii) There are no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
 - (iii) There are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**Rahimullah
Managing Director**

**Anshuman Khandelwal
Manager - Finance & Accounts**

Place : Jaipur
Date : 7th May, 2011



Declaration for Compliance with Code of Conduct

I hereby confirm and declare that all the Directors of the Company and Senior Management Personnel have affirmed compliance with the Code of Conduct of the company for the financial year 2010-11.

Place : Jaipur

Date : 17th August, 2011

Rahimullah

Managing Director



Auditors' Certificate on Corporate Governance

The Members

Vaibhav Gems Limited
Jaipur

We have examined the compliance of conditions of Corporate Governance by "Vaibhav Gems Limited" for the year ended 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the Company as per the information and explanations provided by the Shareholders' / Investors' Grievance Committee and the Registrar and Share Transfer Agent of the Company.

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

For **Haribhakti & Co.**
Chartered Accountants
FRN No. 103523W

Chetan Desai
Partner
Membership No. 17000

Place : Jaipur
Date : 17th August, 2011

For **B. Khosla & Co.**
Chartered Accountants
FRN No. 000205C

Sandeep Mundra
Partner
Membership No. 75482



AUDITORS' REPORT

To
The Members of
Vaibhav Gems Limited

1. We have audited the attached balance sheet of **VAIBHAV GEMS LIMITED** (the 'Company') as at March 31, 2011, the profit and loss account for the year ended on that date and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (together 'the order') issued by the Central Government of India 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, we give in the Annexure a statement of the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books of accounts;
 - c. the balance sheet, the profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the balance sheet, the profit and loss account and cash flow statement of the Company dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act, to the extent they are applicable to the Company;
 - e. on the basis of written representation received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors of the Company, prima facie, are disqualified as on March 31, 2011 from being appointed as a director in terms of section 274(1)(g) of the Act;
 - f. Without qualifying our report we draw attention to:
 - (i) Accounting Policy 8 c with regard to identification of specific item of inventory and determination of estimated net realizable value which is based on technical judgement of management and relied upon by us.
 - (ii) Note No. 14 on the accounts, As explained therein, exposure of the Company to three foreign subsidiaries whose net worth is negative aggregate Rs. 529.79 crores against which no provision in excess of Rs. 212.88 crores is considered necessary by the management.



- g. In our opinion and to the best of our information and according to explanations given to us, the said accounts, read together with significant accounting policies and notes on accounts, give the information required by the Act in the manner so required and the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
- i. in case of Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
 - ii. in case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Haribhakti & Co.**
Chartered Accountants
FRN No. 103523W

Chetan Desai
Partner
Membership No. 17000

Place : Jaipur
Date : 7th May, 2011

For **B. Khosla & Co.**
Chartered Accountants
FRN No. 000205C

Sandeep Mundra
Partner
Membership No. 75482



ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) a. The Company has maintained proper records of all Fixed Assets from 1st April 1998 onwards showing full particulars including quantitative details and location thereof. As regarding Fixed Assets acquired prior to above date, the Company has compiled only item wise lists of its fixed assets.
- b. We are informed that during the year the management has physically verified the fixed assets and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of fixed assets.
- c. As per information and explanations given to us and in our opinion, during the year, the Company has not disposed off any substantial part of fixed assets.
- (ii) a. As explained to us, inventories have been physically verified by the management at reasonable intervals.
- b. In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- c. On the basis of examination of inventories records, we are of the opinion that the Company is maintaining proper records of inventories. As explained to us, the discrepancies noticed on physical verification of stock as compared to book records are not material and same have been properly dealt with in the books of accounts.
- (iii) a. The Company has granted loan to four foreign subsidiaries covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 12857.89 lacs and the year-end balance of loan granted to such subsidiaries was Rs. 12857.89 lacs.
- b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- c. The loans granted are repayable on demand. As informed, the Company has not demanded repayment of such loan during the year, thus, there has been no default on the part of the subsidiaries to which money has been lent. The loan given is interest free.
- d. The Company has taken unsecured loan from three companies covered in the register maintained under Section 301 of the Act. The amount involved is Rs. 204.00 lacs and the year end balance is Rs. 204.00 lacs. As explained to us the loan is interest free and there is no stipulation as to the repayment of the same.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the Company and the nature of its business, for the purchase of inventories and fixed assets and for the sale of goods and services. We have not observed any continuing failure to correct major weaknesses in internal control.
- (v) a. According to the information and explanations given to us, we are of the opinion that the particulars of contract or arrangement referred in Section 301 of the Act have been entered into the register maintained under Section 301 of the Act.
- b. As informed to us, due to the peculiar nature of goods sold/purchased, no comparables for prevailing market prices are available and the ascertainment of the same involves technical judgment. In absence of information relating to prevailing market prices we are unable to comment whether the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to information and explanations given to us, the Company during the year has not accepted any deposits from the public to which the provisions of Section 58A and 58AA or any other relevant provisions of the Act are applicable. No order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal in this regard.



- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) a. The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues applicable to it.
b. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid statutory dues were in arrears as at the last day of the financial year for a period of more than six months from the date they became payable.
c. According to the information and explanations given to us, there are no dues of sales tax, Income tax, Custom duty, excise duty, service tax and cess which have not been deposited on account of any dispute.
- (ix) In our opinion, the accumulated loss of the Company as on March 31, 2011 does not exceeds fifty percent of its net worth. The Company has not incurred cash losses during the current financial year. The Company had incurred cash losses in the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions.
- (xi) As informed, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are prima facie not prejudicial to the interest of the Company.
- (xiii) The Company has not taken any term loans during the year.
- (xiv) According to the information and explanations given to us and on overall examination of the balance sheet of the Company as at March 31, 2011, we report that no fund raised on short term basis have been used for long term purposes.
- (xv) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties covered in the register maintained under Section 301 of the Act.
- (xvi) During the year covered by our report the Company has not raised any money by way of public issue.
- (xvii) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
- (xviii) The following clauses of paragraphs 4 & 5 of the said Order are not applicable to the Company and has not been reported.
Clause (viii), Clause (xiii), Clause (xiv) and Clause (xix)

For **Haribhakti & Co.**
Chartered Accountants
FRN No. 103523W

Chetan Desai
Partner
Membership No. 17000

For **B. Khosla & Co.**
Chartered Accountants
FRN No. 000205C

Sandeep Mundra
Partner
Membership No. 75482

Place : Jaipur
Date : 7th May, 2011



Balance Sheet as at 31st March, 2011

Amount in Rupees

Particulars	Schedule	As at 31st March, 2011		As at 31st March, 2010	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	I	75,69,84,730		75,69,84,730	
Reserves and Surplus	II	5,99,67,94,867	6,75,37,79,597	5,99,31,82,663	6,75,01,67,393
Loan Funds					
Secured Loans	III		1,71,59,30,286		1,69,38,42,291
Unsecured Loans	IV		2,04,00,000		28,00,000
	Total		8,49,01,09,883		8,44,68,09,684
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	V	23,83,33,732		22,01,42,619	
Less : Depreciation		14,02,77,886		12,89,71,491	
		9,80,55,846		9,11,71,128	
Add : Capital Work in Progress		1,47,74,753	11,28,30,599	-	9,11,71,128
Investments					
	VI		2,58,34,88,760		2,77,24,55,724
Deferred Tax Asset (Net)					
			38,66,567		27,80,107
Current Assets, Loans and Advances					
Inventories	VII	65,61,41,675		60,81,09,569	
Sundry Debtors	VIII	1,27,17,03,070		1,10,01,37,138	
Cash and Bank Balances	IX	13,65,58,028		5,64,38,974	
Interest Accrued on Bank Deposits		5,12,793		1,90,822	
Loans and Advances	X	65,70,33,305		56,33,55,989	
		2,72,19,48,872		2,32,82,32,493	
Less : Current Liabilities and Provisions					
Current Liabilities	XI	9,81,73,885		8,99,01,847	
Provisions	XII	1,59,19,308		1,36,97,357	
		11,40,93,193		10,35,99,204	
Net Current Assets					
			2,60,78,55,679		2,22,46,33,288
Profit and Loss Account					
Debit Balance in Profit & Loss Account		3,26,17,15,533		3,43,54,16,691	
Less : General Reserve deducted as per contra		7,96,47,256	3,18,20,68,278	7,96,47,256	3,35,57,69,436
	Total		8,49,01,09,883		8,44,68,09,684
Significant Accounting Policies and Notes on Accounts					
	XXI				

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm Regn No. 103523W

For **B. KHOSLA & CO.**
Chartered Accountants
Firm Regn No. 000205C

RAHIMULLAH
Managing Director

CHETAN DESAI
Partner
Membership No. 17000

SANDEEP MUNDRA
Partner
Membership No. 75482

BRAHM PRAKASH
Company Secretary

NIRMAL KUMAR BARDIYA
Director

Jaipur, 7th May, 2011



Profit & Loss Account for the year ended 31st March, 2011

Amount in Rupees

Particulars	Schedule	Year ended 31st March, 2011	Year ended 31st March, 2010
INCOME			
Sales	XIII	1,45,14,75,487	1,20,83,95,398
Other Income	XIV	1,68,72,086	(5,47,01,330)
Total		1,46,83,47,573	1,15,36,94,068
EXPENDITURE			
Material Cost	XV	1,02,55,12,421	92,21,36,980
Manufacturing Expenses	XVI	8,42,76,204	6,85,97,884
Employees Cost	XVII	14,34,40,617	10,94,63,098
Administrative & Selling Expenses	XVIII	5,26,13,163	3,89,26,115
Financial Expenses	XIX	12,01,12,222	13,86,21,066
Depreciation	V	1,20,25,878	1,20,76,506
Total		1,43,79,80,504	1,28,98,21,649
Profit/(Loss) Before Tax		3,03,67,070	(13,61,27,581)
Less : Provision for Taxation			
- Current Tax		6,07,640	-
- Earlier Years Tax		4,07,638	-
- Deferred Tax Charges/(Credits)		(10,86,460)	(17,57,168)
- Fringe Benefit Tax		-	-
Profit/(Loss) After Tax Before Exceptional Item		3,04,38,252	(13,43,70,413)
Add : Exceptional Items (Refer Note No. 9)		14,32,62,906	15,57,60,160
Less : Diminution in Value of Investment		-	-
Profit/(Loss) After Tax After Exceptional Item		17,37,01,159	2,13,89,747
Balance brought forward		(3,43,54,16,691)	(3,45,68,06,439)
Profit Available for Application		(3,26,17,15,533)	(3,43,54,16,691)
APPROPRIATION			
Dividend on Preference Share Capital		-	-
Proposed Dividend		-	-
Tax on Dividend		-	-
General Reserve		-	-
Balance carried to Balance Sheet		(3,26,17,15,533)	(3,43,54,16,691)
Earning Per Share of Rs. 10 each (Refer Note No. 13)			
Basic (Rs.)			
Before extra ordinary Item		5.48	(4.38)
After extra ordinary Item		5.48	(4.38)
Diluted (Rs.)			
Before extra ordinary Item		5.47	0.53
After extra ordinary Item		5.47	0.53
Additional Information	XX		
Significant Accounting Policies and Notes on Accounts	XXI		

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm Regn No. 103523W

For **B. KHOSLA & CO.**
Chartered Accountants
Firm Regn No. 000205C

RAHIMULLAH
Managing Director

CHETAN DESAI
Partner
Membership No. 17000

SANDEEP MUNDRA
Partner
Membership No. 75482

BRAHM PRAKASH
Company Secretary

NIRMAL KUMAR BARDIYA
Director

Jaipur, 7th May, 2011



Cash Flow Statement for the Year ended 31st March, 2011

Amount in Rupees

Particulars	Schedule	Year ended 31st March, 2011	Year ended 31st March, 2010
A. Cash Flow from Operating Activities			
Net Profit before Tax and Exceptional Items		3,03,67,070	(13,61,27,581)
Adjustment for :			
Depreciation		1,20,25,878	1,20,76,506
Unrealised Foreign Exchange Difference		2,57,33,078	8,92,38,773
Employee Compensation Expenses		(4,24,325)	1,41,131
Loss/(Profit) on sale of Fixed Assets		(83,476)	(66,258)
Loss on Impaired Fixed Assets		-	-
Leave Encashment & Gratuity Expenses		62,64,540	40,08,517
Liability No Longer required		(31,34,304)	-
Interest and Dividend Earned		(25,79,914)	(12,63,971)
Interest paid on borrowings		11,21,11,231	12,80,75,665
Operating Profit before working Capital Changes		18,02,79,778	9,60,82,782
Adjustment for :			
Trade and other Receivables		(14,65,53,751)	21,28,03,778
Trade Payables		1,08,98,261	(4,12,78,280)
Stock-in-Trade		(4,80,32,106)	(7,55,59,263)
Cash Generated from Operations		(34,07,817)	19,20,49,017
Direct Taxes paid - Current Year		-	-
- Earlier Year		(4,07,638)	-
Net Cash from Operating Activities		(38,15,455)	19,20,49,017
B. Cash Flow from Investing Activities			
Purchase of Fixed Assets		(3,39,04,373)	(1,10,98,797)
Sale of Fixed Assets		3,02,500	4,30,889
Investment in Subsidiaries		18,89,66,964	-
Loan to Subsidiaries		-	-
Interest and Dividend received		22,57,943	11,62,074
Net Cash used in investing activities		15,76,23,034	(95,05,833)
C. Cash flow from Financing Activities			
Proceeds from / (Repayment of) Long Term Borrowings		1,94,37,793	(78,24,78,343)
Proceeds from / (Repayment of) Long Term Loan		13,84,915	72,20,58,072
Proceeds from Issuance of Share Capital		-	-
Proceeds from / (Repayment of) Unsecured Loan		1,76,00,000	28,00,000
Dividend and Tax on Dividend Paid		-	-
Interest Paid on Borrowings		(11,21,11,231)	(12,80,75,665)
Net Cash used in Financing Activities		(7,36,88,523)	(18,56,95,936)
Net Increase in Cash and Cash Equivalents		8,01,19,055	(31,52,752)
Opening Balance of Cash and Cash Equivalents		5,64,38,974	5,95,91,726
Closing Balance of Cash and Cash Equivalents		13,65,58,029	5,64,38,974
Cash and Cash Equivalents Comprises			
Cash, cheques and drafts in hand		367,368	8,49,549
Balance with scheduled bank in current accounts		4,74,58,437	1,94,43,802
Balance with scheduled bank in deposit accounts		8,87,32,223	3,61,45,623
Balance with other Banks		-	-
		13,65,58,029	5,64,38,974
Significant Accounting Policies and Notes on Accounts	XX		
Notes :			
The Cash Flow Statement has been prepared under the "Indirect Method" as set out in 'Accounting Standard-3', issued by the Institute of Chartered Accountants of India.			

As per our attached report of even date

For and on behalf of the board

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm Regn No. 103523W

For **B. KHOSLA & CO.**
Chartered Accountants
Firm Regn No. 000205C

RAHIMULLAH
Managing Director

CHETAN DESAI
Partner
Membership No. 17000

SANDEEP MUNDRA
Partner
Membership No. 75482

BRAHM PRAKASH
Company Secretary

NIRMAL KUMAR BARDIYA
Director

Jaipur, 7th May, 2011



Schedules Forming Part of Balance Sheet

Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE I - SHARE CAPITAL				
Authorised				
41,000,000 (Previous Year - 41,000,000) Equity Shares of Rs. 10/- each	41,00,00,000		41,00,00,000	
4,500,000 (Previous Year - 4,500,000) Unclassified Shares of Rs. 100/- each	45,00,00,000	86,00,00,000	45,00,00,000	86,00,00,000
Issued, Subscribed and Paid up				
31,698,473 (Previous Year - 31,698,473) Equity Shares of Rs. 10/- each	31,69,84,730		31,69,84,730	
4,400,000 (Previous Year - 4,400,000) 1% Non Convertible Redeemable Cumulative Preference Share of Rs. 100 each (Refer Note No. 6)	44,00,00,000	75,69,84,730	44,00,00,000	75,69,84,730
		75,69,84,730		75,69,84,730
Notes :				
Out of the above Equity Shares :-				
7,294,920 Equity Shares were allotted as fully paid up Bonus Share by capitalisation of Profit & Loss Account				
87,50,000 (Previous Year - 12,860,600) Equity Shares have been allotted as underlying Share for 87,50,000 Global Depository Receipts				

SCHEDULE II - RESERVES AND SURPLUS

Securities Premium Account		5,87,40,20,191		5,87,40,20,191
General Reserve :				
As per last Balance Sheet	7,96,47,256		7,96,47,256	
Less: Debit Balance in Profit & Loss deducted as per contra	7,96,47,256		7,96,47,256	
Capital Reserve		8,12,63,600		8,12,63,600
Employee Stock Option Outstanding (Refer Note No. 7)	26,85,290		45,16,157	
Less : Deferred Employees Compensation expenses outstanding	5,02,771	21,82,519	19,09,313	26,06,844
Foreign Currency Translation Reserve		3,93,28,557		3,52,92,028
		5,99,67,94,867		5,99,31,82,663



Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE III - SECURED LOANS				
Working Capital Facilities from Banks :				
Pre-shipment Credit	31,55,37,884		39,49,12,324	
Post-shipment Credit	26,95,49,415	58,50,87,299	16,94,71,896	56,43,84,219
Term Loan :				
Corporate Loan	40,74,00,000		40,74,00,000	
Working Capital Term Loan	72,34,42,987	1,13,08,42,987	72,20,58,072	1,12,94,58,072
		1,71,59,30,286		1,69,38,42,291

Notes:

A. Working Capital Facilities & Working Capital Term Loan :-

- (i) Above Loans are secured by hypothecation of Stock-in-trade and Book Debts on pari-passu basis.
- (ii) **Further Secured, on parri-passu basis, by :-**
 - a. Equitable Mortgage of Land and Buildings situated at K-6A & K-6B, Adarsh Nagar and E-68 & E-69 EPIP, Sitatpura, Jaipur
 - b. Hypothecation of Plant & Machineries & other Movable Assets

B. Corporate Loan :-

- (i) Above Corporate Loan is secured by second charges on Current Assets as well as Fixed Assets of the Company.
- (ii) Pledge of 2,300,000 equity shares of Rs. 10 each of Vaibhav Gems limited by Brett Plastic Private Limited and ;
- (iii) Pledge of 21,800,000 equity shares of US \$ 1 each of Genoa Jewelers Limited, BVI

C. Working Capital Facilities, Working Capital Term Loan & Corporate Loan :-

- (i) Pledge of 254,332 equity shares of Rs. 10 each of Vaibhav Gems limited by Brett Plastic Private Limited and
- (ii) Pledge of 200 common shares with no par value of STS Jewels Inc.
- (iii) Pledge of 87,500 Ordinary Shares of HK \$100 each & assignment of loan with Rs. 2.42 Crores of STS Gems Limited HKK.
- (iv) Pledge of 12,576,633 equity shares of US \$ 1 each and assignment of loan worth Rs. 43.63 Crores of Genoa Jewelers Limited, BVI and;
- (v) Personal Guarantee of Mr. Sunil Agarwal, Chairman of the Company

SCHEDULE IV - UNSECURED LOANS

Intercompany Loan		2,04,00,000		28,00,000
Total		2,04,00,000		28,00,000



Amount in Rs.

Schedules Forming Part of Balance Sheet

SCHEDULE : V - FIXED ASSETS

NAME OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2010	Addition during the year	Ded./Adj. during the year	As at 31.03.2011	Up to 31.3.2010	For the Year	Ded./Adj. during the year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
Freehold Land	48,94,908	-	-	48,94,908	-	-	-	-	48,94,908	48,94,908
Leasehold Land	41,58,637	1,12,68,080	-	1,54,26,717	7,61,595	-	-	7,61,595	1,46,65,122	33,97,042
Building	5,31,45,115	6,13,106	-	5,37,58,221	2,41,97,990	29,20,075	-	2,71,18,065	2,66,40,156	2,89,47,125
Plant & Machinery	8,06,88,728	45,84,441	30,000	8,52,43,169	4,98,09,211	46,58,901	27,500	5,44,40,612	3,08,02,557	3,08,79,517
Electric Installation	1,67,03,171	2,93,633	-	1,69,96,804	86,32,231	11,59,028	-	97,91,259	72,05,545	80,70,940
Furniture & Fixtures	2,28,04,444	2,86,061	-	2,30,90,505	1,55,72,240	13,26,057	-	1,68,98,297	61,92,208	72,32,204
Office Equipment	1,23,01,250	2,12,932	-	1,25,14,182	79,20,496	6,27,606	-	85,48,102	39,66,080	43,80,754
Computer	2,14,94,521	5,82,758	-	2,20,77,279	1,92,77,063	9,59,858	-	2,02,36,921	18,40,357	22,17,457
Vehicles	39,51,846	12,88,609	9,08,507	43,31,948	28,00,665	3,74,353	6,91,983	24,83,035	18,48,913	11,51,181
Total	22,01,42,619	1,91,29,620	9,38,507	23,83,33,732	12,89,71,491	1,20,25,878	7,19,483	14,02,77,886	9,80,55,846	9,11,71,128
Previous Year	20,85,08,946	1,30,98,797	14,65,123	22,01,42,619	11,79,95,477	1,20,76,506	11,00,492	12,89,71,491	9,11,71,128	9,05,13,469

Note : Lease deed in respect of additions to lease hold land of Rs. 1,12,00,000 is yet to be executed.



Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE VI - INVESTMENTS				
<i>(Long Term - at Cost)</i>				
Trade Investments - Unquoted				
- In Wholly owned subsidiaries				
1000 (Previous Year - 1,000) Common Stock with No par value of Jewel Gem USA Inc.	52,70,90,000	14,76,67,475	52,70,90,000	14,76,67,475
Less : Diminution in Value of Investment	37,94,22,525		37,94,22,525	
3,43,76,633 (Previous Year - 3,38,79,121) Ordinary Shares of US \$ 1 each fully paid-up of Genoa Jewellers Limited	1,48,11,50,232	28,30,98,141	1,48,11,50,232	47,20,65,105
Less : Diminution in Value of Investment brought forward	1,00,90,85,127		1,00,90,85,127	
Less : Provision appropriated from debtors (Refer Note No. 14)	18,89,66,964			
3,50,000 (Previous Year - 3,50,000) Ordinary Shares of Baht 100 each fully paid-up of STS Gems Thai Limited	1,11,25,99,043		1,11,25,99,043	
Less : Diminution in Value of Investment	1,11,25,99,043		1,11,25,99,043	
1,00,000 (Previous Year - 1,00,000) Ordinary Shares of Baht 100 each fully paid up of STS Creations Thai Limited	6,20,31,574		6,20,31,574	
Less : Diminution in Value of Investment	6,20,31,574		6,20,31,574	
200 (Previous Year - 200) Common Shares with No par value of STS Jewels Inc.	1,99,50,79,632	1,99,50,79,632	1,99,50,79,632	1,99,50,79,632
1,500 (Previous Year - 1,500) Ordinary Shares of Yen 50,000 each fully paid-up of STS Gems Japan Limited	1,99,18,042		1,99,18,042	
Less : Diminution in Value of Investment	1,99,18,042		1,99,18,042	
87,500 (Previous Year - 87,500) Ordinary Shares of HK \$100 each fully paid-up of STS Gems Limited, Hongkong	15,74,99,992	15,74,99,992	15,74,99,992	15,74,99,992
2 (Previous Year - 2) Corporate Shares (One share of Ninety Nine Thousand Pesos and other one of One thousand Pesos) of Indo Mexico Co. s. de rl.de.cv.	41,02,27,250		41,02,27,250	
Less : Diminution in Value Investment	41,02,27,250		41,02,27,250	



Amount in Rupees

Particulars	As at 31st March, 2011	As at 31st March, 2010
Other than Trade Investment - Unquoted		
3,60,000 (Previous Year - 360,000) Equity Shares of Rs. 10 each fully paid up of VGL Softech Limited	52,07,000	52,07,000
Less : Diminution in Value of Investment	52,07,000	52,07,000
Other than Trade Investment - Quoted		
368 (Previous Year - 368) Equity Shares of Rs.10 each fully paid up of Punjab National Bank	1,43,520	1,43,520
	2,58,34,88,760	2,77,24,55,724
Notes :		
1. Aggregate amount of Quoted Investment	1,43,520	1,43,520
2. Market Value of Quoted Investment	4,49,015	3,72,692
3. Aggregate amount of Non quoted Investment	5,77,08,02,765	5,77,08,02,765

SCHEDULE VII - INVENTORIES

(As taken, valued and certified by the Management)

Materials-in-process	63,92,83,871	59,69,71,633
Semi Finished Goods	64,27,000	37,53,078
Finished Goods	62,97,540	40,94,962
Stores and Consumables	41,33,264	32,89,897
	656,141,675	608,109,569

SCHEDULE VIII - SUNDRY DEBTORS

(Unsecured and considered good unless otherwise stated)

Outstanding for more than Six Months		
Considered Good	41,19,77,714	48,76,13,027
Considered Doubtful	-	31,44,72,363
	41,19,77,714	80,20,85,390
Less : Provision for Doubtful Debts	18,89,66,964	31,44,72,363
Less : Appropriated to Investment (Refer Note No. 14)	(188,966,964)	-
	41,19,77,714	48,76,13,027
Others		
Considered Good	85,97,25,357	61,25,24,111
Considered Doubtful	-	-
	85,97,25,357	61,25,24,111
Less : Provision for Doubtful Debts	-	-
	85,97,25,357	61,25,24,111
	1,27,17,03,071	1,10,01,37,138



Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE IX - CASH AND BANK BALANCES				
Cash on hand		3,67,368		8,49,549
Balance with Scheduled Banks				
In Current Accounts	4,74,58,437		1,94,43,802	
In Deposit Accounts	8,87,32,223	13,61,90,660	3,61,45,623	5,55,89,425
(Pledged Rs. 13,916,327) (Previous Year Rs. 1,53,90,139)		13,65,58,028		5,64,38,974

SCHEDULE X - LOANS & ADVANCES (Unsecured and considered good unless otherwise stated)				
Advances and Loans to Subsidiaries (Refer Note No. 12)				
Considered good	61,21,93,213		50,81,56,683	
Considered doubtful	67,35,95,574		77,35,95,574	
	1,28,57,88,787		1,28,17,52,258	
Less : Provision for Doubtful Debts	67,35,95,574	61,21,93,213	77,35,95,574	50,81,56,683
Advances recoverable in cash or in kind or for value to be received		2,11,77,246		14,363,578
Advance Tax (Net of Provision)		1,92,95,854		3,55,16,406
Security Deposits		43,66,992		53,19,322
		65,70,33,305		56,33,55,989

SCHEDULE XI - CURRENT LIABILITIES				
Sundry Creditors (Refer Note No. 5)		7,94,11,576		7,40,67,891
Unclaimed Dividend*		2,37,138		3,12,183
Other Liabilities		1,85,25,171		1,55,21,774
		9,81,73,885		8,99,01,847
* Investor Education and Protection Fund to be credited by the amount as and when they become due.				

SCHEDULE XII - PROVISIONS				
Leave Encashment (Refer Note No. 3)		37,87,061		31,36,824
Gratuity (Refer Note No. 3)		1,21,32,247		1,05,60,533
		1,59,19,308		1,36,97,357



Schedules Forming Part of Profit & Loss Account

Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE XIII - SALES				
Export Sales	1,44,97,61,043		1,20,83,28,239	
Domestic Sales	17,14,444	1,45,14,75,487	67,158	1,20,83,95,398
		1,45,14,75,487		1,20,83,95,398

SCHEDULE XIV - OTHER INCOME				
Interest Received (Gross, Tax Deducted at Source - Rs. 312,304) (Previous Year - Rs. 192,605)		25,75,498		12,41,632
Dividend Received		4,416		22,339
Commission Received (Gross, Tax Deducted at Sources - Rs. 109,912) (Previous Year Rs 4,65,928)		28,81,546		47,19,026
Liability No Longer required		31,34,304		-
Miscellaneous Income		35,95,751		8,40,095
Exchange Fluctuation (Net)		46,80,572		(6,15,24,421)
		1,68,72,086		(5,47,01,330)

SCHEDULE XV - MATERIAL COST				
Materials Consumed				
Operating Material-in-process	59,69,71,632		50,71,36,959	
Add : Purchases	1,05,76,97,018		99,42,36,517	
	1,65,46,68,650		1,50,13,73,477	
Less : Closing Material-in-process	63,92,83,871	1,01,53,84,779	59,69,71,632	90,44,01,844
Purchases of Finished Goods		1,50,04,142		19,22,555
(Increase)/Decrease in Semi Finished and Finished Goods :				
Opening Stocks				
Semi Finished Goods	37,53,078		80,41,533	
Finished Goods	40,94,962		1,56,19,087	
	78,48,040		2,36,60,620	
Less : Closing Stocks				
Semi Finished Goods	64,27,000		37,53,078	
Finished Goods	62,97,540		40,94,962	
		(48,76,500)		15,812,581
	1,27,24,540		7,848,040	
		1,02,55,12,421		92,21,36,980



Amount in Rupees

Particulars		As at 31st March, 2011		As at 31st March, 2010
SCHEDULE XVI - MANUFACTURING EXPENSES				
Job Work Charges		4,01,02,492		2,01,00,854
Stores and Consumables		2,01,74,945		2,43,03,333
Power and Fuel		1,03,36,201		90,64,706
Repairs and Maintenance		57,84,513		45,14,246
Other Manufacturing Expenses		78,78,053		1,06,14,746
		8,42,76,204		6,85,97,884
SCHEDULE XVII - EMPLOYEES COSTS				
Salaries, Wages, Bonus etc.		12,68,75,245		9,83,24,878
Contributions to Provident and Other Funds		1,07,56,566		73,34,603
Staff Welfare Expenses		57,41,530		33,32,761
Employee Compensation Expenses under ESOS (Refer Note No.7)		(4,24,325)		1,41,131
Recruitment and Training		4,91,601		3,29,725
		14,34,40,617		10,94,63,098
SCHEDULE XVIII - ADMINISTRATIVE & SELLING EXPENSES				
Rent, Rates and Taxes		15,19,911		9,12,392
Insurance		39,55,053		30,49,067
Travelling and Conveyance		90,15,983		58,39,285
Legal and Professional		30,25,957		23,04,656
Postage and Telephone		22,28,488		24,71,634
Printing and Stationery		9,36,654		9,05,266
Advertisement and Business Promotion		4,43,416		8,32,447
Brokerage and Commission		17,70,432		28,88,236
Packing and Forwarding		1,82,63,879		1,08,74,586
Misc. Expenses		41,60,358		33,83,760
Donation (Refer Note No. 15)		13,61,000		-
Auditors' Remuneration		12,47,007		8,13,518
Directors' Remuneration		42,00,000		42,00,000
Bad Debts Written off	8,64,10,121			
Less : Provision there against Written back	8,64,10,121			
Directors' Sitting Fees		3,50,000		2,45,000
Information Technology Expenses		1,35,025		2,04,620
Loss on Sale of Assets		-		1,648
		5,26,13,163		3,89,26,115
SCHEDULE XIX - FINANCIAL EXPENSES				
Interest				
- On Term Loans	8,91,04,092		6,35,97,243	
- On Working Capital Facilities	2,30,07,139	11,21,11,231	6,44,78,422	12,80,75,665
Finance Charges		80,00,991		1,05,45,400
		12,01,12,222		13,86,21,066



Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE XX - ADDITIONAL INFORMATION (Pursuant to provisions of Paragraph 3 and 4 of Part II of Schedule VI to the Companies Act, 1956)				
1. Material Consumed	Quantity	Rupees	Quantity	Rupees
Roughs (Grams)	1,63,33,403	22,81,00,941	11,44,902	13,25,31,998
Gold, Silver and Alloys (Grams)	44,26,064	32,16,85,933	23,13,168	31,97,12,209
Gemstones (Carats)	1,50,63,582	28,94,31,616	1,17,00,643	30,22,40,079
Accessories (Nos.)	14,78,791	10,54,41,831	5,70,559	5,60,06,185
Diamond (Carats)	19,833	7,07,24,459	20,323	9,39,11,373
		1,01,53,84,779		90,44,01,844
<i>Note Consumption includes quantity and cost of materials sold.</i>				
2. Stocks, Turnover and Purchases				
Opening Stocks				
Gems Stones (Carats)	86,021	31,26,785	1,12,173	40,15,469
Jewellery (Nos.)	17	5,076	-	-
Diamond (Carats)	150	9,63,101	1,789	1,16,03,618
Accessories (Nos.)	-	-	-	-
		40,94,962		1,56,19,087
Purchase				
Gem Stones (Carats)	-	-	-	-
Jewellery (Nos.)	35,300	1,50,04,142	2,164	6,80,832
Diamond (Carats)	-	-	312	12,41,723
Accessories (Nos.)	-	-	-	-
		1,50,04,142		19,22,555
Turnover				
Roughs (Grams)	10,773	10,87,153	1,605	25,672
Gem Stones (Carats)	71,64,760	16,36,25,573	2,36,870	10,00,77,458
Jewellery (Nos)	14,85,557	1,24,05,09,489	7,46,142	1,07,66,67,842
Diamond (Carats)	1,128	62,28,830	834	83,77,083
Accessories (Nos.)	1,29,028	3,83,09,790	61,834	2,30,56,410
Others	-	17,14,652	-	1,90,932
		1,45,14,75,787		1,20,83,95,398
Closing Stocks				
Gem Stones (Carats)	86,021	29,53,579	86,021	31,26,785
Jewellery (Nos.)	17	5,076	17	5,076
Diamond (Carats)	180	12,28,000	150	9,63,101
Accessories (Nos.)	-	-	-	-
		41,86,655		40,94,962
3. Capacities and Production		Quantity		Quantity
Licensed and Installed Capacity		Not Applicable		Not Applicable
Actual Production				
Gem Stones (Carats)*		85,07,336		7,63,148
Diamond (Carats)		1,158		-
Studded Jewellery (Nos.)		14,50,257		7,86,183
Accessories (Nos.)		6,71,755		5,29,855
(*Production during the year includes Re-cut, Re-Processing & Re-polishing of Gemstones)				
4. Captive Consumption				
Gem Stones (Carats)		13,42,576		5,58,141
Diamond (Carats)		-		1,907
Accessories (Nos.)		5,42,727		4,68,021
5. Managerial Remuneration		Rupees		Rupees
Profit before Taxation after Exeptional Item		17,36,29,977		1,96,32,578
Add : Depreciation as per accounts		1,20,25,878		1,20,76,506



Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
Managerial Remuneration		42,00,000		42,00,000
Loss on Sale of Fixed Assets		-		1,648
Loss on Impaired Fixed Assets		-		-
Diminution in Value of Investment		-		-
		18,98,55,855		3,59,10,732
Less Depreciation as per Section 350 of Companies Act, 1956		1,20,25,878		1,20,76,506
Profit on Sale of Fixed Assets		83,476		67,906
Share Issue Expenses		-		-
Profit as Per Sec. 349		17,77,46,501		2,37,66,320
Eligible Remuneration to Managing Director as per Sec. 309		88,87,325		48,00,000
Remuneration Paid to Managing Director		42,00,000		42,00,000
		Rupees		Rupees
6. Payments to Directors from Subsidiaries		-		1,47,66,144
7. Payment to Auditors				
a. Audit Fees		6,61,800		4,41,200
b. Tax Audit Fees		2,20,600		1,65,450
c. For other services		1,72,650		55,150
d. For Reimbursement of Expenses		1,91,957		1,51,718
		12,47,007		8,13,518
8. Repair and Maintenance				
a. Buildings		19,39,908		16,97,445
b. Machineries		18,70,017		16,41,087
c. Other Repairs		19,74,588		11,75,714
		57,84,513		45,14,246
9. Value of Imports calculated on C.I.F. basis				
a. Raw Materials (other than through canalising agencies)		36,38,17,038		42,94,96,312
b. Consumables, Stores & Spares		37,48,091		1,65,82,958
10. Value and % of Material Consumption				
Raw Materials and Components :				
Imported	36.00	36,73,39,219	43.20	39,06,88,986
Indigenous	64.00	64,80,45,560	56.80	51,37,12,858
		1,01,53,84,779		90,44,01,844
Consumables, Stores & Spares :				
Imported	69.00	1,39,51,917	62.78	1,52,57,892
Indigenous	31.00	62,23,028	37.22	90,45,441
		2,01,74,945		2,43,03,333
11. Expenditure in Foreign Currency				
Traveling Expenses		10,83,498		2,89,931
Others				2,21,831
12. Earnings in Foreign Currency				
Export of goods calculated on F.O.B. Basis		1,45,62,95,937		1,21,47,11,520
Commission				47,19,026
13. Remittance in Foreign Currency on account of Dividends :				
a. Year to which the Dividend relates		-		-
b. Number of Non-Resident Shareholders to whom remittances were made		-		-
c. Number of Shares on which remittances were made		-		-
d. Dividend Amount (in Rupees)		-		-



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE XXI - SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

- a. The financial statements have been prepared in compliance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India, the accounting standards as specified in Companies (Accounting Standards) Rules 2006, prescribed by Central Government and the relevant provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires changes in the accounting policy hitherto in use.
- b. The financial statements have been prepared under historical cost convention on an accrual basis.

2. Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known /materialized.

3. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses. Cost includes capital cost, freight, duties, taxes and other incidental expense incurred during the construction / installation stage attributable to bringing the asset to working condition for its intended use.

4. Depreciation and Amortization

- a. Depreciation on Fixed Assets is being provided on written down value method at the rate and in the manner specified in Schedule XIV of the Companies Act, 1956.
- b. Assets acquired on lease is amortized over the period of lease in equal installments.

5. Intangible Assets

Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the company and the cost of the assets can be measured reliably.

Intangible Assets are amortized over their respective individual estimated useful lives on a straight line basis.

6. Impairment of Assets

As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine

- a. the provision for impairment loss, if any, required or
- b. the reversal, if any, required for impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined

- a. in the case of an individual asset, at the higher of net selling price and the value in use.
- b. in the case of a cash-generating unit (a group of assets that generates identified independent cash flows), at the higher of the cash generating unit's selling price and the value in use.



Value in use is determined as the present value of estimated future cash flow from the continuing use of an asset and from its disposal at the end of its useful life.

7. Borrowing Cost

Borrowing Cost attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. All other borrowing costs are charged to revenue.

8. Inventories

- a. Inventories are valued at lower of cost and estimated net realisable value. Cost is determined on 'First-in First-out', 'Specific Identification', or "Weighted Averages' basis as applicable. Cost of Inventories Comprises of all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of semi finished and finished goods are determined on absorption costing method.
- b. All raw materials purchased are simultaneously issued for production. Accordingly material-in-process includes such raw materials as well. Semi Finished Goods are goods manufactured and pending for pre-shipment inspection. Materials consumed are materials used in production of semi finished and finished goods only.
- c. Identification of a specific item and determination of estimated net realizable value involve technical judgments of the management, which has been relied upon by the Auditors.

9. Investments

Long-term investments including those held through nominees are stated at cost. Provision for diminution in the value of long-term investments (including Loans and Advances to Subsidiaries considered as a part of net investment) is made only if such a decline is other than temporary in the opinion of the management.

Current investments are carried at lower of cost and fair value.

10. Revenue Recognition

Sale of Goods:

Revenue from sales of goods is recognized when risk and rewards of ownership of the products are passed on to the customers, which is generally on dispatch of goods and is stated net of returns, trade discounts, claims etc.

Dividend on Investment:

Revenue is recognized when the right to receive payment is established.

Interest Income:

Interest Income is recognized on time proportionate basis taking into account the Revenue is recognized on time proportionate basis.

Commission Income:

Revenue is recognized on the accrual basis.

11. Foreign Currency Transactions:

a. Initial Recognition:

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

b. Conversion:

Monetary items denominated in foreign currencies at the year-end are translated at closing rates. Non-monetary items



which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction and investment in foreign companies are recorded at the exchange rates prevailing on the date of making the investments. Contingent Liabilities are translated at closing rate.

Exchange difference arising on translation of Loan and Advances to non integral wholly owned subsidiaries and forming part of net investment, are recognized in foreign currency translation reserve.

c. Exchange Differences:

Exchange differences arising on the settlement of monetary items or on restatement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

d. Forward Exchange Contract not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of contract. Exchange differences on such contract are recognized in the profit and loss account in the year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense.

12. Employee Benefits

- a. Short term and other long term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b. Employee's Retirement benefits are recognized as an expense in the profit and loss for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable, determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.
- c. In respect of Employee Stock Options, the excess of market price of shares as at the date of grant of option granted to employee (including certain employees' of subsidiaries) over the exercise price is treated as Employee Compensation Cost and amortized on a straight line basis over the vesting period.

13. Provision for Current and Deferred Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The deferred tax assets are recognized if there is a virtual certainty that the assets will be realized in future.

14. Earning Per Share

The basic earning per share is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares)

15. Provision, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a. the Company has a present obligation as a result of past event,
- b. a probable outflow of resources is expected to settle the obligation and
- c. the amount of the obligation can be reliably estimated



Contingent Liability is disclosed in case of

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation
- a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet Date.

B. NOTES ON ACCOUNTS

Particulars	As At 31.03.2011	As at 31.03.2010
	Rupees	Rupees
1(a) Capital Commitment		
Estimated amount of contracts remaining to be Executed and not provided for	10,80,625	NIL
1(b) Contingent Liabilities :		
● Guarantees given by bank on behalf of the Company	8,09,30,000	7,70,32,800
● Guarantees given to bank & others by the Company	30,50,90,000	31,78,51,200
● Disputed Tax Matters		
Income Tax	40,96,403	2,51,31,306
Service Tax	NIL	20,90,209
Custom Duty	NIL	NIL
● Dividend on Cumulative Preference Share* (*Arrears pertaining to 2007-08, 2008-09, 2009-10 & 2010-11)	1,76,00,000	1,32,00,000
2. The Deferred Tax Liabilities / (Asset) comprise of the following :		
	As at 31.03.2011	As at 31.03. 2010
	Rupees	Rupees
a. Deferred Tax Liability	10,52,499	14,52,377
Depreciation		
b. Deferred Tax Assets :		
Provision for Gratuity	37,48,864	32,63,205
Provision for Leave Encashment	11,70,202	9,69,279
	<u>49,19,066</u>	<u>42,32,484</u>
	<u>(38,66,567)</u>	<u>(27,80,107)</u>

c. Deferred Tax Liability / (Assets)(Net)

Net deferred tax charge/(credit) for the year of (Rs. 10,86,460) (Previous year Rs. 17,57,168) has been recognized in the Profit and Loss Account for the year.

3. The Company has classified various benefits provided to employees as under:

A. Defined Contribution Plans

- Provident Fund
- State Defined Contribution Plans



i. Employers' Contribution to Employees' State Insurance

The Company has recognised the following amounts in Profit and Loss Account:

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
	Rs.	Rs.
Employer's contribution to Provident Fund	64,64,814	5,232,803
Employer's contribution to Employees State Insurance	42,91,752	20,94,082

B. Defined Benefit Plans**a. Contribution to Gratuity Fund (Funded Scheme)**

In accordance with the Accounting Standard (AS 15) (Revised 2005), actuarial valuation was performed in respect of the Gratuity Liability based on the following assumptions:

Discount Rate (per annum)	8.20%	8.20%
Rate of increase in compensation levels (per annum)	10.00%	8.86%
Rate of return on Plan Assets (for Funded Scheme)	9.15%	9.15%
Expected Average remaining working lives of the employees (years)	23 Years	23 Years

I. Change in the Present Value of Obligation

The Scheme is funded with an insurance company in the form of qualifying insurance policy

Particulars	Year Ended March 31, 2011 (Rs.)	Year Ended March 31, 2010 (Rs.)
Present value of defined benefit obligation as at beginning of the year	1,37,19,281	1,00,03,078
Interest cost	11,24,981	7,80,240
Past Service cost	NIL	11,48,656
Current service cost	27,68,545	20,90,960
Benefits paid	NIL	(9,31,880)
Actuarial (gain) / loss on obligations	20,74,431	6,28,227
Present value of defined benefit obligation as at the end of the year	1,82,61,313	1,37,19,281

II. Changes in the Fair Value of Plan Assets

Particulars	Year Ended March 31, 2011 (Rs.)	Year Ended March 31, 2010 (Rs.)
Present value of plan assets as at beginning of the year	31,58,748	34,51,062
Expected return on plan assets	3,31,339	3,15,772
Contributions	40,64,904	NIL
Benefits paid	(14,25,925)	(5,71,537)
Actuarial gains / (losses)	NIL	(36,549)
Fair value of plan assets as at end of the year *	61,29,066	31,58,748

*All the funds under the plan assets are managed by insurer

**III. Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets**

Particulars	Year Ended March 31, 2011 (Rs.)	Year Ended March 31, 2010 (Rs.)
Present value of funded obligation as at end of the year	1,82,61,313	1,37,19,281
Fair value of plan assets as at end of the year	61,29,066	31,58,748
Funded asset recognised in the Balance Sheet		-
Shown under Schedule XI - "Provision"	1,21,32,247	1,05,60,533

IV. Amount recognised in the Balance Sheet

Particulars	Year Ended March 31, 2011 (Rs.)	Year Ended March 31, 2010 (Rs.)
Present value of defined benefit as at end of the year	1,82,61,313	1,37,19,281
Fair value of plan assets as at end of the year	61,29,066	31,58,748
Liability / Net Asset recognised in the Balance Sheet	1,21,32,247	1,05,60,533

V. Expenses recognised in Profit and Loss Account

Particulars	Year Ended March 31, 2011 (Rs.)	Year Ended March 31, 2010 (Rs.)
Current service cost	27,68,545	20,90,960
Past service cost	-	11,48,656
Interest cost	11,24,981	7,80,240
Expected Return on Plan Assets	(3,31,339)	(3,15,772)
Net Actuarial (gain) / Loss recognised in the period	20,74,431	6,64,776
Total Expenses recognised in the Profit and Loss Account*	56,36,618	43,68,860

*included in Salaries, wages, bonus etc. in Schedule - XVI

VI. Actual Return on Plan Assets

Particulars	Year Ended March 31, 2011 (Rs.)	Year Ended March 31, 2010 (Rs.)
Expected Return on Plan Assets	3,31,339	3,15,772
Actuarial gain / (losses) on Plan Assets	NIL	(36,549)
Actual Return on Plan Assets	331,339	2,79,223

The 100% Plan Assets of the Company as on balance sheet date are invested with Life Insurance Corporation through Group Gratuity Policy.

The expected rate of return on plan assets is based on market expectations at the beginning of the period. The rate of return on long-term government bonds is taken as reference for this purpose.

**b. Leave Encashment (Non Funded Scheme)**

Leave Encashment has been provided based on valuation, as at the balance sheet date, made by independent actuaries.

I. Amount recognised in the Balance Sheet

Particulars	Year Ended March 31, 2011 (Rs.)	Year Ended March 31, 2010 (Rs.)
Actual value of Leave encashment as at beginning of the year	31,36,824	28,88,789
Leave encashment provided for the year	1,18,942	11,73,945
Actual paid for the year	5,31,295	9,25,910
Actual value of Leave encashment as at end of the year (actuaries)	37,87,061	31,36,824

5. Sundry Creditors include overdue amounts (mainly unclaimed) of Rs. Nil (Previous Year Rs. Nil) including interest of Rs. Nil (Previous Year Rs. Nil) payable to Micro, Small & Medium enterprises. The company does not owe any amount to Micro, Small & Medium enterprises. These enterprises have been identified on the basis of information available to the Company.
6. Non Convertible Redeemable Cumulative Preference Share are redeemable at the end of seven years from the date of allotment i.e. 31st Oct' 2006 or before at the discretion of the Board.

7. Employee Stock Option Scheme:

The Company has issued Employees' Stock Option Scheme (VGL ESOP- 2006) to its employees (including certain employees of the Subsidiaries).

Out of stock option granted, 20% stock option will vest at the end of one year from the date of Grant, 30% stock option at the end of the second year and balance 50% stock option at the end of third year. The exercise period for the options is four year from the date of vesting.

The details of the Grant under the aforesaid schemes are as under:-

Particulars	VGL ESOP – 2006					Total
	A	B	C	D	E	
Exercise (Grant) Price	240	202	20.65	26.75	33.57	
Date of Grant of Option	06.01.2007	27.07.2007	28.01.2009	29.01.2010	30.09.10	
Vesting commences on	06.01.2008	27.07.2008	28.01.2010	29.01.2011	30.09.11	
Options granted and outstanding as at the beginning of the year on 01.04.10	60,157	12,000	3,00,000	2,97,500		6,69,657
Options granted during the year*	-	-	-		20,000	20,000
Options lapsed during the year (Re-issuable)	23,502	-	-	1,02,500	-	1,26,002
Options granted and outstanding as at the end of the year on 31.03.11	36,655	12,000	3,00,000	1,95,000	20,000	5,63,655

* Partially granted out of lapsed option

The excess of market price per share as on the date of grant of option, over the exercise price for the Stock Option granted to employees (including certain employees of the Subsidiaries), is amortized by the Company over the vesting period. The amortized value for the year pertaining to its employees (including certain employees of the Subsidiaries) amounting to Rs. (4,24,325) [Last Year (Rs. 141,131)] has been charged under Employee Cost.



9. The details of exceptional items are as under :

Sr. No.	Particulars	2010-2011	2009-10
1.	Excess provisions for doubtful loans written back	10,00,00,000	-
2.	Excess provisions for doubtful debts written back	4,32,62,906	15,57,60,160
	Total	14,32,62,906	15,57,60,160

10. Un-hedged foreign currency exposures as at March 31, 2011 are as under :

Particulars	(2010-11) Rs. in crore	(2009-10) Rs. in crore
Receivables (Net of Hedge)	170.02	160.56
Payables	6.11	41.29

11. Balances with Non-Scheduled bank held in:

Name of The Bank	As at 31.03.2011	Maximum Amount outstanding at any time during the year	As at 31.03.2010	Maximum Amount outstanding at any time during the year
a. In Current Account				
i) ICICI UK Bank Limited	-	-	-	848,893
b. In Fixed Deposit				
i) PNB, UK	-	-	-	772,229

12. Advances and Loans to Wholly Owned Subsidiaries:

Name of Subsidiaries	As at 31.03.2011	Maximum Amount outstanding at any time during the year	As at 31.03.2010	Maximum Amount outstanding at any time during the year
a. Jewel Gems USA	9,47,94,000	10,69,95,000	9,47,94,000	10,69,95,000
b. STS Gems Limited, HK	2,25,70,000	2,54,75,000	2,25,70,000	2,54,75,000
c. STS Gems Thai Limited	12,22,70,000	12,22,70,000	12,22,70,000	12,22,70,000
d. Genoa Jewellers Limited	1,04,21,18,258	1,09,44,44,448	1,04,21,18,258	1,09,44,44,448

13. Earning Per Share (EPS):

	2010-11	2009-10
a. Profit After Tax (Rs.)		
- Before Exceptional Item	3,04,38,252	(13,43,70,413)
- After Exceptional Item	17,37,01,159	2,13,89,746
b. Dividend on Preference Shares (Rs.)	44,00,000	44,00,000



c. Profit attributable to Equity Shareholders for Basic and Diluted EPS (Rs.) (a-b)		
- Before Exceptional Item	2,60,38,252	(13,87,70,413)
- After Exceptional Item	16,93,01,159	1,69,89,746
d. i) Weighted average number of Equity Shares outstanding during the year for Basic EPS		
	3,16,98,473	3,16,98,473
ii) No of Stock Option Outstanding	5,54,724	6,69,657
iii) No of Dilutive Potential Equity Shares		82,700
e. Weighted average number of Equity Shares outstanding during the year for Diluted EPS [(d(i)+d(iii))]		
	3,16,98,473	3,17,81,173
f. Basic Earning Per Share		
- Before Exceptional Item	5.48	(4.38)
- After Exceptional Item	5.48	0.54
g. Diluted Earning Per Share		
- Before Exceptional Item	5.47	(4.38)
- After Exceptional Item	5.47	0.54

14. Three subsidiaries of the company are having negative net worth. The company has exposure of Rs 4,003,319,864, Rs 1,131,641,158, Rs 163,025,979. in these companies towards investments, loans and advance and sundry debtors respectively against which aggregate provision of Rs 2,228,800,190 has been made in the accounts of earlier year. Out of this a provision of Rs 100,000,000 has been written back during the year towards loan. The management of the company does not foresee any further requirement of provision in respect of these subsidiaries. Since the investment in these subsidiaries are long term in nature and all of the subsidiaries are having substantial carrying business value.

Further during the year on account of recoveries excess provision for doubtful debts amounting to Rs.188,966,964 has been appropriated against the investment held in subsidiary company.

15. Donation paid Rs.1,361,000 for which consent of shareholder under section 293(1)(e) of the Companies Act, 1956 is yet to be obtained.

16. Related Party Disclosures:

A. List of related parties with whom transactions have taken place and relationships:

Subsidiaries (Direct and Step down)

1. Jewel Gem USA Inc.; 2. STS Gems Japan Limited; 3. STS Gems Limited, Hong Kong; 4. STS Jewels Inc., USA; 5. STS Creations Thai Limited, Thailand; 6. STS Gems Thai Limited, Thailand; 7. Indo Mexico Co. S. De R.L. De C.V., Mexico; 8. Genoa Jewelers Limited, BVI; 9. STS Jewels Canada INC.; 10. STS Gems USA Inc.; 11. The Jewellery Channel Ltd., United Kingdom; 12. Genoa Jewelers STT (St. Thomas) Limited, USVI; 13. Genoa Jewelers (St. Kitts) Limited, West Indies; 14. Genoa Jewelers (SXM) N.V., St. Maarten. 15. Der Schmuckkanal Deutschland GmbH; Germany 16. Liquidation Channel, Austin (formerly known as The Jewellery Channel Inc., USA).

Enterprises in which Directors are interested :

1. VGL Softech Limited; 2. Shivram Properties Private Limited. 3. Surawell Pacific Limited. 4. Emerald Creation Inc. 5. Brett Plastic Pvt. Limited

Key Management Personnel (KMP)

1. Shri Rahimullah Managing Director;

Relative of Key Management Personnel

1. Mr. Asifullah; 2. Mr. Arifullah



B. Related Party Transactions

Amount in Rs.

Nature of transactions	Subsidiaries		Key Managerial Person		Relative of Key Managerial Person		Enterprises over which significant influence exercised by Key Managerial Persons	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
(i) Transaction during the year								
a. Sales of Goods	1,31,56,10,094	10,997,83,946		-		-		52,48,549
b. Purchases of Goods	16,15,08,840	29,65,93,180		-		-		-
c. Loan Given		-		-		-		-
d. Loan Taken								28,00,000
e. Expense	18,90,462	22,58,291		-		1,62,000		4,20,000
f. Investment		-		-		-		-
g. Remuneration		-	42,00,000	42,00,000		-		-
h. Guarantee		-		-		-		-
i. Purchases of Fixed Assets		-		-		-		5,06,679
(ii) Balances as at 31.03.09								
a. Amount Receivable	1,04,88,31,318	1,33,65,90,256		-		-		-
b. Amount Payable	4,12,72,508	29,393,798		-		18,000		33,06,679
c. Loan Receivable	1,27,60,65,206	1,28,17,52,258		-		-		-
d. Investment	5,29,33,36,941	5,76,55,95,765		-		-	52,07,000	52,07,000
e. Guarantee	38,58,84,000	38,58,84,000		-		-		-

17. Segment Reporting:

Due to change in organizational structure as well as business focus of company consequent upon acquisition/setting up of various Overseas Corporate Bodies, differential risk and rewards are, now, more identifiable and associated with the method of distribution of product and hence, Company has identified business segment with respect to method of distribution as Primary Segment for its Consolidated Operation. The Company, on standalone basis, operates in only one business segment “**Wholesale Business**” In view of this, no further disclosure is required as per Accounting Standard “AS-17”.

18. Previous year figures have been reworked, regrouped, rearranged and reclassified wherever considered necessary, to make them comparable to those of the current year.

Signatures to Schedules I to XXI

For and on behalf of the Board

Brahm Prakash
Company Secretary

Rahimullah
Managing Director

Nirmal Kumar Bardiya
Director

Jaipur, 7th May 2011



Balance Sheet Abstract and General Business Profile

I. Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

II. Capital Raised During the year (Amount in Rs. Thousands)

Public Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/>	Total Assets <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/>
Source of Funds	
Paid - up Capital <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="5"/>	Share Warrent Money <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/>
Secured Loans <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="0"/>	Deferred Tax Liability <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/>
	Reserve and Surplus <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="5"/>
	Unsecured Loans <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>

Application of Funds :

Net Fixed Assets <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="1"/>	Investment <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="2"/>
Net Current Assets <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="3"/>	Deferred Tax Assets (net) <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="7"/>
Profit & Loss Account <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="8"/>	

IV. Performance of Company (Amount in Rs. Thousands)

Turnover <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="8"/>	Total Expenditure <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="1"/>
Profit/(Loss) Before Tax <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="7"/>	Profit/(Loss) After Tax Before Exceptional Item <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="8"/>
Profit/(Loss) after tax And Exceptional Item <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="1"/>	Earning per shares in Rs. Before Exceptional Item <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="."/> <input type="text" value="4"/> <input type="text" value="8"/>
Earning Per Share in Rs. After Exceptional Item <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="."/> <input type="text" value="4"/> <input type="text" value="8"/>	Dividend Rate% <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>

V. Generic Names of Three Principal Products / Services of Company (As per Monetary Terms)

Product Description	Other Previous Stones	Gold Studded Jewellery
Item Code No.	<input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="9"/>	<input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="3"/>
Item Code No.	<input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="1"/>	<input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="4"/>
Item Code No.	<input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="9"/>	



Statement pursuant to exemption received
under Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

Rs. in Lacs

Name of the Company	Issued & Subscribed Share Capital	Reserves	Total Liabilities	Total Assets	Investment other than in Subsidiary	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend
STS Jewels Inc., USA	226.43	(708.55)	3,689.16	3,207.03	-	6,501.50	155.16	-	155.16	NIL
STS Gems Thai Limited, Thailand	521.64	(527.49)	1,378.20	1,372.35	-	816.36	(17.68)	-	(17.68)	NIL
STS Creations Thai Limited, Thailand	149.04	(331.54)	183.24	0.75	-	-	(0.54)	-	(0.54)	NIL
STS Gems Limited, Hong Kong	508.75	772.34	4131.31	5,412.40	-	8,471.48	170.58	-	170.58	NIL
STS Gems Japan Limited	409.88	(475.67)	76.95	11.16	-	-	(16.64)	-	(16.64)	NIL
Jewel Gem USA Inc.	5,343.68	(6,892.95)	3,866.09	2,316.82	-	1,032.82	(443.33)	(0.49)	(443.82)	NIL
Genoa Jewellers Limited, BVI	15,567.60	(20,505.68)	11,176.72	6,238.84	1,717.03	-	196.71	-	196.71	NIL
Indo Mexico Co. S. De R.L. De C.V., Mexico	3,556.69	(3,761.37)	566.90	362.21	-	-	(54.82)	-	(54.82)	NIL
STS Gems USA Inc.*	-	-	-	-	-	-	-	-	-	NIL
STS Jewels Canada Inc.*	-	-	-	-	-	-	-	-	-	NIL
The Jewellery Channel Ltd., United Kingdom	18.15	(7,786.15)	11,545.32	3,777.32	-	16,525.62	1,802.79	-	1,802.79	NIL
The Jewellery Channel Inc., USA	1,358.56	(13,470.40)	16,153.13	4,041.29	-	27,488.32	1,937.61	-	1,937.61	NIL
Genoa Jewellers (St. Kitts) Limited, St. Kitts	0.23	(330.92)	330.70	-	-	-	-	-	-	NIL

NOTES :

1. All foreign subsidiaries figures are converted into Indian Rupees on standalone basis and all balance sheet item at closing rate and all profit and loss account item at average rate.
2. *Ceases its operations and all reserves and assets were transferred to respective holding company viz, STS Jewels Inc.



CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT FOR CONSOLIDATED Financial Statements

To,
The Board of Director of
VAIBHAV GEMS LIMITED

- 1) We have audited the attached Consolidated Balance Sheet of Vaibhav Gems Limited (the Company) and its subsidiaries as at 31st March 2011 and the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management 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 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 of material misstatement. An audit includes examining, on 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 provide reasonable basis for our opinion.
- 3) We further report that :
 - a) We did not audit the financial statement of 6 subsidiaries, whose financial statements reflect total assets of Rs. 10,365.90 lacs as at March 31,2011, and total revenue of Rs. 6,335.49 lacs for the year ended on that date. These financial statements and some financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
 - b) The consolidated financial statements of 2 subsidiaries, which reflect total assets of Rs. 14,168.85 lacs and total revenue of Rs. 45,940.72 lacs have been audited by one of the undersigned, viz. B. Khosla & Co.
 - c) We draw attention to Note no. 8 of Notes to accounts. As explained therein the auditors of four subsidiaries have laid an emphasis on the ability of the subsidiaries to continue on going concern basis without the adequate support from the Company.
 - d) Certain other financial information of the subsidiaries, which have not been attested by other auditors, has been complied by the management and have been verified to the extent possible.
- 4) Without qualifying our report we draw attention to Accounting Policy on Inventories with regard to identification of specific item of inventory and determination of estimated net realizable value which is based on technical judgement of management and relied upon by us.
- 5) We report that the consolidated financial statement have been prepared by the company's management in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and on the basis of the separate audited financial statements and other information referred in paragraph 3 (d) above.
- 6) We report that on the basis of the information and explanations given to us and on consideration of the separate audit report on the individual financial statement of the Company and its subsidiaries, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at March 31,2011.
 - b. in case of the Consolidated Profit and Loss Account of the Profit for the year ended on that date; and
 - c. in case of the Consolidated Cash Flow Statement, of the cash flow for the year ended on that date.

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm Regn No. 103523W

CHETAN DESAI
Partner
Membership No. 17000

Place : Jaipur
Date : 7th May, 2011

For **B. KHOSLA & CO.**
Chartered Accountants
Firm Regn No. 000205C

SANDEEP MUNDRA
Partner
Membership No. 75482



Consolidated Balance Sheet as at 31st March, 2011

Amount in Rupees

Particulars	Schedule	As at 31st March, 2011		As at 31st March, 2010	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	I	75,69,84,730		75,69,84,730	
Reserves and Surplus	II	5,98,78,74,902	6,74,48,59,632	6,22,46,03,491	6,98,15,88,221
Loan Funds					
Secured Loans	III	1,98,82,43,012		1,98,75,45,331	
Unsecured Loans	IV	2,76,54,788	2,01,58,97,800	1,74,83,412	2,00,50,28,743
Total			8,76,07,57,432		8,98,66,16,964
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	V	2,44,97,38,765		2,40,48,77,869	
Less : Depreciation		41,93,59,611		33,70,09,500	
Net Block		2,03,03,79,154		2,06,78,68,369	
Capital Work in Progress		1,47,74,753	2,04,51,53,907	-	2,06,78,68,369
Investments					
	VI		17,18,46,384		13,18,21,431
Deferred Tax Asset (Net)					
			38,66,567		27,80,107
Current Assets, Loans and Advances					
Inventories	VII	1,47,88,25,476		1,56,67,14,030	
Sundry Debtors	VIII	23,39,14,950		12,51,10,815	
Cash and Bank Balances	IX	20,10,70,402		11,73,82,397	
Interest Accrued on Bank Deposits		10,47,161		1,90,822	
Loans and Advances	X	34,67,79,276		33,79,63,167	
		2,26,16,37,265		2,14,73,61,231	
Less : Current Liabilities and Provisions					
Current Liabilities	XI	39,98,47,327		47,45,41,939	
Provisions	XII	1,59,19,308		1,36,97,357	
		41,57,66,635		48,82,39,296	
Net Current Assets					
			1,84,58,70,630		1,65,91,21,935
Profit and Loss Account					
Debit Balance in Profit & Loss Account		4,77,36,67,200		5,20,46,72,378	
Less : General Reserve deducted as per contra		7,96,47,256	4,69,40,19,944	7,96,47,256	5,12,50,25,122
Total			8,76,07,57,432		8,98,66,16,964

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm Regn No. 103523W

For **B. KHOSLA & CO.**
Chartered Accountants
Firm Regn No. 000205C

RAHIMULLAH
Managing Director

CHETAN DESAI
Partner
Membership No. 17000

SANDEEP MUNDRA
Partner
Membership No. 75482

BRAHM PRAKASH
Company Secretary

NIRMAL KUMAR BARDIYA
Director

Jaipur, 7th May, 2011



Consolidated Profit and Loss Account for the year ended 31st March, 2011

Amount in Rupees

Particulars	Schedule	Year ended 31st March, 2011	Year ended 31st March, 2010
INCOME			
Sales	XIII	5,25,53,81,598	3,38,18,07,965
Other Income	XIV	11,95,97,134	5,21,71,074
Total		5,37,49,78,732	3,43,39,79,039
EXPENDITURE			
Material Cost	XV	2,06,65,33,045	1,97,76,96,275
Manufacturing / Direct Expenses	XVI	30,02,48,318	18,88,70,539
Employees Cost	XVII	67,56,67,190	48,30,86,639
Administrative & Selling Expenses	XVIII	1,62,30,38,726	1,00,88,10,397
Financial Expenses	XIX	20,43,76,480	26,33,08,340
Total		4,86,98,63,759	3,92,17,72,190
Profit/(Loss) Before Depreciation		50,51,14,973	(48,77,93,151)
Depreciation	V	8,10,65,465	8,74,87,288
Profit/(Loss) Before Tax		42,40,49,508	(57,52,80,439)
Add/Less : Provision for Taxation			
- Current Tax		6,07,640	4,25,375
- Earlier Years Tax		4,56,501	13,01,656
- Deferred Tax Charges/(Credits)		(10,86,460)	(17,57,168)
Profit/(Loss) After Tax and Before Minority Interest		42,40,71,827	(57,52,50,302)
Less : Exceptional Items (Refer Note No. 9)		(69,33,351)	(10,48,24,499)
Profit After Tax After Exceptional Item		43,10,05,178	(68,00,74,801)
Balance brought forward		(5,20,46,72,378)	(4,52,45,97,577)
Profit Available for Appropriation		(4,77,36,67,200)	(5,20,46,72,378)
APPROPRIATION			
Proposed Dividend		-	-
Tax on Dividend		-	-
Balance carried to Balance Sheet		(4,77,36,67,200)	(5,20,46,72,378)
Earning Per Share of Rs. 10 each (Refer Note No. 7)			
Basic (Rs.)			
Before Extra Ordinary Item		13.60	(18.29)
After Extra Ordinary Item		13.46	(21.59)
Diluted (Rs.)			
Before Exceptional Item		13.59	(18.29)
After Exceptional Item		13.46	(21.59)
Significant Accounting Policies and Notes on Accounts	XX		

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm Regn No. 103523W

For **B. KHOSLA & CO.**
Chartered Accountants
Firm Regn No. 000205C

RAHIMULLAH
Managing Director

CHETAN DESAI
Partner
Membership No. 17000

SANDEEP MUNDRA
Partner
Membership No. 75482

BRAHM PRAKASH
Company Secretary

NIRMAL KUMAR BARDIYA
Director

Jaipur, 7th May, 2011



Consolidated Cash Flow Statement for the Year ended 31st March, 2011

Amount in Rupees

Particulars	Schedule	As at 31st March, 2011	As at 31st March, 2010
A. Cash Flow from Operating Activities			
Net Profit/(Loss) before Tax and extraordinary Items		42,40,49,508	(57,52,80,439)
Adjustment for:			
Depreciation		8,10,65,465	8,74,87,288
Unrealised Foreign Exchange Difference			
Employee Compensation Expenses		(4,24,325)	1,41,131
Profit on sales of investment			
Loss/(Profit) on sale of Fixed Assets		38,25,451	50,43,852
Loss on Impaired Assets		-	63,26,911
Gratuity Expenses		62,64,540	40,08,517
Interest and Dividend Earned		(28,45,614)	(18,34,559)
Interest paid on borrowings		13,08,77,933	14,64,20,188
Operating Profit before working Capital Changes		64,28,12,958	(32,76,87,111)
Adjustment for:			
Trade and other Receivables		(11,95,63,043)	6,83,05,380
Trade Payables		(7,24,72,661)	(28,89,09,002)
Stock-in-Trade		8,78,88,554	28,06,88,566
Cash Generated from Operations		53,86,65,808	(26,76,02,167)
Direct Taxes paid		(6,07,640)	(4,25,375)
Earlier Year Tax		(4,56,501)	(13,01,656)
Minority share of interest in Profits		-	-
Net Cash from Operating Activities		53,76,01,667	(26,93,29,198)
B. Cash Flow from Investing Activities			
Purchase of Fixed Assets		(6,46,48,573)	(2,29,54,506)
Purchase of Intangible Assets		-	(5,42,95,493)
Payment for Goodwill (net of Capital Reserve)		-	-
Sales of Fixed Assets		54,68,925	16,64,16,234
Sales/(Purchase) of Shares/Mutual Fund		(4,00,24,953)	-
Profit on sale of investment		-	-
Interest and Dividend received		16,04,081	17,32,663
Net Cash used in Investing Activities		(9,76,00,521)	9,08,98,898
C. Cash flow from Financing Activities			
Proceeds from / (Repayment of) Long Term Borrowings		(2,56,14,164)	73,31,68,938
Proceeds from / (Repayment of) Short Term Borrowings		1,88,83,221	(86,27,24,483)
Proceeds from Issuance of Share Capital (Net of Expenses)		-	-
Loans advanced to others		1,76,00,000	(2,32,87,150)
Minority Interest payable		-	-
Foreign Currency Translation Reserve - Unrealised		(23,63,04,265)	44,91,75,125
Dividend and Tax on Dividend paid		-	-
Interest Paid on Borrowings		(13,08,77,933)	(14,64,20,188)
Net Cash used in Financing Activities		(35,63,13,141)	14,99,12,242
Net Increase in Cash and Cash Equivalents (A+B+C)		8,36,88,005	(2,85,18,058)
Opening Balance of Cash and Cash Equivalents		11,73,82,397	14,59,00,456
Closing Balance of Cash and Cash Equivalents		20,10,70,402	11,73,82,398
Cash and Cash Equivalents Comprises			
Cash, cheques and drafts in hand		28,21,123	26,84,329
Balance with bank in current accounts		10,00,03,976	4,82,35,034
Balance with bank in deposit accounts		9,82,45,303	6,64,63,034
Balance with other Banks		-	-
		20,10,70,402	11,73,82,397
Significant Accounting Policies and Notes on Accounts forming integral part of Cash Flow Statement	XX		

The Cash Flow Statement has been prepared under the "indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm Regn No. 103523W

For **B. KHOSLA & CO.**
Chartered Accountants
Firm Regn No. 000205C

CHETAN DESAI
Partner
Membership No. 17000
Jaipur, 7th May, 2011

SANDEEP MUNDRA
Partner
Membership No. 75482

BRAHM PRAKASH
Company Secretary

NIRMAL KUMAR BARDIYA
Director

RAHIMULLAH
Managing Director



Schedules Forming Part of Consolidated Accounts

Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE I - SHARE CAPITAL				
Authorised				
41,000,000 (Previous Year - 41,000,000) Equity Shares of Rs. 10/- each	41,00,00,000		41,00,00,000	
4,500,000 (Previous Year - 4,500,000) Unclassified Shares of Rs. 100/- each	45,00,00,000	86,00,00,000	45,00,00,000	86,00,00,000
Issued, Subscribed and Paid up				
31,698,473 (Previous Year - 31,698,473) Equity Shares of Rs. 10/- each	31,69,84,730		31,69,84,730	
4,400,000 (Previous Year - 4,400,000) 1% Non Convertible Redeemable Cumulative Preference Share of Rs. 100 each (Refer Note No. 6)	44,00,00,000	75,69,84,730	44,00,00,000	75,69,84,730
		75,69,84,730		75,69,84,730
Notes :				
Out of the above Equity Shares :-				
a) 72,94,920 Equity Shares were allotted as fully paid up Bonus Share by capitalisation of Profit & Loss Account				
b) 87,50,000 (Previous Year - 1,28,60,600) Equity Shares have been allotted as underlying Share for 87,50,000 Global Depository Receipts				

SCHEDULE II - RESERVES AND SURPLUS				
Securities Premium Account				
As per last Balance Sheet	5,87,40,20,191		5,87,40,20,191	
Add : Received during the year	-		-	
	5,87,40,20,191		5,87,40,20,191	
Less : Expenses for issue of Securities	-	5,87,40,20,191	-	5,87,40,20,191
General Reserve :				
As per last Balance Sheet	7,96,47,256		7,96,47,256	
Add : Transitional liabilities for Deffered Benefit Plan	-		-	
	7,96,47,256		7,96,47,256	
Less: Debit Balance in Profit & Loss deducted as per contra	7,96,47,256		7,96,47,256	
Capital Reserve on Consolidation		9,54,74,890		9,54,74,890
Foreign Currency Translation Reserve		1,61,97,301		25,25,01,566
Employee Stock Option Outstanding (Refer Note No. 10)	40,56,421		45,16,157	
Less : Deferred Employees Compensation expenses outstanding	10,44,577	21,82,519	19,09,313	26,06,844
		5,98,78,74,901		6,22,46,03,491



Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE III - SECURED LOANS				
From Bank :				
Term Loan	1,16,42,39,702		1,18,24,25,242	
Working Capital Term Loan	82,40,03,310	1,98,82,43,012	80,51,20,089	1,98,75,45,331
		1,98,82,43,012		1,98,75,45,331

SCHEDULE IV - UNSECURED LOANS				
From Bank		72,54,788		1,46,83,412
Intercorporate Loan		2,04,00,000		28,00,000
		2,76,54,788		1,74,83,412

Note : For Schedule V ; Refer Page No. 63

SCHEDULE VI - INVESTMENTS <i>(Long Term - at Cost)</i>				
Other than Trade Investment - Unquoted				
3,60,000 (Previous Year - 3,60,000) Equity Shares of Rs. 10 each fully paid up of VGL Softech Limited	52,07,000		52,07,000	
Less : Diminuation in Value of Investment	(52,07,000)		(52,07,000)	
Other than Trade Investment - Quoted				
368 (Previous Year - 368) Equity Shares of Rs.10 each fully paid up of Punjab National Bank		1,43,520		1,43,520
Trade Investment - Quoted				
10,000 SPDR S&P 500 ETF		5,29,83,918		5,26,85,217
Money Market Funds		11,87,18,946		7,89,92,694
		17,18,46,384		13,18,21,431

SCHEDULE VII - INVENTORIES <i>(As taken, valued and certified by the Management)</i> <i>(At cost or net realisable value, whichever is lower)</i>				
Materials-in-process		51,00,50,081		68,44,44,296
Semi Finished Goods		12,90,83,042		37,53,078
Finished Goods		83,55,59,089		87,52,26,759
Stores and Consumables		41,33,264		32,89,897
		1,47,88,25,476		1,56,67,14,030



Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE VIII - SUNDRY DEBTORS <i>(Unsecured and considered good unless otherwise stated)</i>				
Outstanding for more than six months				
Considered good	2,87,50,770		1,03,79,078	
Considered doubtful	-		7,59,95,406	
Less : Provision for doubtful debts	-	2,87,50,770	(7,59,95,406)	1,03,79,078
Others		20,51,64,180		11,47,31,737
		23,39,14,950		12,51,10,815

SCHEDULE IX - CASH AND BANK BALANCES				
Cash in hand		28,21,123		26,84,329
Balance with Banks				
In Current Accounts	10,00,03,976		4,82,35,034	
In Deposit Accounts	9,82,45,303	19,82,49,279	6,64,63,034	11,46,98,068
		20,10,70,402		11,73,82,397

SCHEDULE X - LOANS & ADVANCES <i>(Unsecured and considered good unless otherwise stated)</i>				
Advances recoverable in cash or in kind or for value to be received		24,07,19,292		23,80,91,011
Advance Tax (Net of Provision)		1,92,45,674		4,16,04,038
Security Deposits		8,68,14,310		5,82,68,118
		34,67,79,276		33,79,63,167

SCHEDULE XI - CURRENT LIABILITIES				
Sundry Creditors		23,37,09,620		30,35,11,204
Unclaimed Dividend		2,37,138		3,12,183
Other Liabilities		16,59,00,569		17,07,18,552
		39,98,47,327		47,45,41,939

SCHEDULE XII - PROVISIONS				
Leave Encashment		37,87,061		31,36,824
Gratuity		1,21,32,247		1,05,60,533
		1,59,19,308		1,36,97,357



Schedules Forming Part of Consolidated Account

Amount in Rupees

Particulars	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE XIII - SALES				
Sales & Other Operational Income		5,25,53,81,598		3,38,18,07,965
		5,25,53,81,598		3,38,18,07,965
SCHEDULE XIV - OTHER INCOME				
Interest Income		28,45,614		18,34,559
Miscellaneous Income		11,67,51,520		5,03,36,515
		11,95,97,134		5,21,71,074
SCHEDULE XV - MATERIAL				
Materials Consumed				
Operating Material-in-process	68,44,44,296		50,71,36,959	
Add : Purchases	1,05,77,15,496		1,35,75,53,078	
	1,74,21,59,792		1,86,46,90,037	
Less : Closing Material-in-process	51,00,50,081	1,23,21,09,711	68,44,44,296	1,18,02,45,741
Purchases of Finished Goods		92,00,85,630		30,88,39,575
(Increase)/Decrease in Semi Finished and Finished Goods :				
Opening Stocks				
Semi Finished Goods	37,53,078		80,41,533	
Finished Goods	87,52,26,758		1,35,95,49,263	
	87,89,79,836		1,36,75,90,796	
Less : Closing Stocks				
Semi Finished Goods	12,90,83,042		37,53,078	
Finished Goods	83,55,59,090		87,52,26,759	
	96,46,42,132	(8,56,62,296)	87,89,79,837	48,86,10,959
		2,06,65,33,045		1,97,76,96,275



Amount in Rupees

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE XVI - MANUFACTURING / DIRECT EXPENSES		
Job Work Charges	4,01,02,492	4,78,36,985
Stores and Consumables	2,01,74,945	2,43,03,333
Power and Fuel	1,03,36,201	90,64,706
Repairs and Maintenance	57,84,513	45,14,246
Freight, Taxes and Duties	10,64,09,284	7,18,85,967
Other Manufacturing Expenses	11,74,40,883	3,12,65,302
	30,02,48,318	18,88,70,539
SCHEDULE XVII - EMPLOYEES COSTS		
Salaries, Wages, Bonus etc.	58,18,37,259	42,28,63,939
Contributions to Provident and Other Funds	8,19,62,151	5,34,77,422
Staff Welfare Expenses	83,08,193	60,49,038
Employee Compensation Expenses under ESOS (Refer Note No. 10)	(4,24,325)	1,41,131
Recruitment and Training	39,83,912	5,55,109
	67,56,67,190	48,30,86,639
SCHEDULE XVIII - ADMINISTRATIVE & SELLING EXPENSES		
Rent, Rates and Taxes	4,15,69,983	6,40,26,277
Insurance	1,68,83,339	1,53,73,180
Travelling and Conveyance	2,39,02,444	2,13,61,220
Legal and Professional	2,17,34,651	2,52,76,428
Postage and Telephone	3,20,70,900	2,49,99,913
Printing and Stationery	1,37,12,425	87,97,766
Advertisement and Business Promotion	3,79,50,094	2,25,78,299
Discount, Brokerage and Commission	22,69,256	84,01,751
Packing and Forwarding	4,44,42,114	2,08,90,079
Repair & Maintenance	76,20,125	35,26,165
Bad Debts	62,75,689	2,15,10,531
Office Expenses	7,85,35,283	6,00,55,717
Donation	25,92,643	1,56,837
Auditors' Remuneration	40,15,700	40,04,503
Directors' Remuneration	42,00,000	1,98,18,177
Directors' Sitting Fees	3,50,000	2,45,000
Information Technology Expenses	2,87,99,308	4,15,24,020
Loss on Sale of Assets	38,25,451	50,43,852
Loss on Impaired Assets	-	63,26,911
<u>TV Channel Expenses</u>		
Content & Brodcasting	92,28,39,879	45,71,29,508
Call handling & Collection Charges	13,29,53,784	8,68,64,937
Packing & Distribution Charges	19,64,95,658	9,08,99,326
	1,62,30,38,726	1,00,88,10,397
SCHEDULE XIX - FINANCIAL EXPENSES		
Interest	13,08,77,933	14,64,20,188
Bank Commission & Other Financial Expenses	1,45,42,628	1,70,43,296
Exchange Fluctuation Losses	5,89,55,919	9,98,44,856
	20,43,76,480	26,33,08,340



(Amount in Rs.)

SCHEDULE : V - FIXED ASSETS

PARTICULARS OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Balance as on 31.03.2010	Additions	Deductions	Currency Realignment	Balance as on 31.03.2011	Depreciation Adjustments	Currency Realignment	Balance as on 31.03.2011	Balance as on 31.03.2010
Intangible Assets									
Goodwill on Consolidation*	1,79,79,29,503	-	-	-	1,79,79,29,503	-	-	1,79,79,29,503	1,79,79,29,503
Broadcast Rights	5,42,95,493	-	-	37,85,749	5,80,81,243	1,93,60,414	1,05,160	3,71,07,460	5,27,87,285
Tangible Assets									
(Land (Freehold)	48,94,908	-	-	-	48,94,909	-	-	48,94,909	48,94,908
Land (Leasehold)	41,58,637	1,12,68,080	-	-	1,54,26,717	-	-	1,46,65,101	33,97,021
Building	6,96,80,987	6,13,106	-	95,444	7,03,89,537	30,30,753	15,948	4,06,30,647	4,29,68,797
Lease Hold Improvement	10,40,76,290	45,03,161	-	5,89,986	10,91,69,437	2,22,12,326	21,30,372	2,79,04,100	4,71,53,733
Plant & Machinery	16,04,59,505	1,46,07,846	1,02,07,486	5,88,140	16,54,48,005	2,01,62,965	20,27,065	5,65,09,358	6,89,33,945
Electric Installation	1,67,03,171	2,93,633	-	-	1,69,96,804	11,59,028	-	72,05,545	80,70,940
Furniture & Fixtures	5,24,75,677	38,92,773	-	1,48,644	5,65,17,094	3,35,32,622	4,12,717	1,65,16,582	1,89,43,055
Office Equipment	1,29,70,061	12,25,408	-	43,123	1,42,38,592	84,38,144	38,934	49,30,983	45,31,918
Computer	12,03,68,982	1,21,81,204	-	6,59,016	13,32,09,202	74,03,134	18,93,023	2,02,30,015	1,66,85,952
Vehicles	68,64,653	12,88,609	9,08,507	1,92,967	74,37,722	8,16,316	1,65,154	18,54,950	15,71,370
Total	2,40,48,77,869	4,98,73,820	1,11,15,993	61,03,069	2,44,97,38,765	8,10,30,640	67,88,372	2,03,03,79,154	2,06,78,68,429
Previous Year	2,58,50,85,314	7,72,49,999	17,88,21,788		2,40,48,77,869	8,74,87,288	3,42,24,405	2,06,78,68,369	2,21,06,76,549

**Schedule XX. Significant Accounting Policies and Notes to Account****A. Significant Accounting Policies****1) Basis for Preparation of Consolidated Financial accounts**

- (a) The consolidated financial statement relates to Vaibhav Gems Limited (**'the holding Company'**) and its Subsidiaries (**together** referred to as **'VGL Group'**) and has been prepared in compliance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.
- (b) The consolidated financial statement has been prepared under historical cost convention on an accrual basis.

2) Principles of consolidation

- (a) The Subsidiaries considered in the consolidated financial statement are:

Name of the Subsidiaries	Country of incorporation	Ownership Interest/voting power (%)	Financial Year ends on
Direct Subsidiaries			
Genoa Jewelers Limited	British Virgin Islands	100%	31 st March
Indo Mexico Co.S.DeR.L. De C.V.	Mexico	100%	31 st March
Jewel Gem USA Inc.	USA	100%	31 st March
STS Creations Thai Limited.	Thailand	100%	31 st March
STS Gems Japan Limited.	Japan	100%	31 st March
STS Gems Limited.	Hong Kong	100%	31 st March
STS Gems Thai Limited.	Thailand	100%	31 st March
STS Jewels Inc.	USA	100%	31 st March
Step-down Subsidiaries			
Genoa Jewelers (St. Kitts) Limited.	West Indies	100%	31 st March
The Jewelry Channel Limited UK.	United Kingdom	100%	31 st March
The Jewelry Channel Inc.	USA	100%	31 st March

- (b) The consolidated financial statements have been prepared on the following basis:

- (i) The consolidated financial statement has been prepared in accordance with the Accounting Standard 21, "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India.
- (ii) The financial statement of VGL Group have been consolidated on a line-by-line basis by adding together the book values of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in un-realized profits or losses.
- (iii) The consolidated financial statements have been prepared by using uniform accounting policies for like transaction and other events in similar circumstances and are presented to the extent possible, in the same manner as those of the parent company's independent financial statements unless stated otherwise.



- (iv) The operations of foreign subsidiaries have been considered by the management, as non integral operations as described in Accounting Standard AS 11 (revised) "Accounting for the effects of changes in foreign exchange rates".
- (v) The difference between the cost to the company of its investments in the subsidiaries and its portion of equity of subsidiaries at the dates they became subsidiaries, is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be. This is based upon determination of pre-acquisition profits/losses and of net worth on the date of the acquisition determined by the management on the basis of certain estimates which have been relied upon by the auditors.
- (vi) Minority Interest in the consolidated financial statements is identified and recognized after taking into consideration;
 - o The minorities' share of movement in equity since the date parent-subsidiary relationship came into existence.
 - o The profits/losses attributable to the minorities are adjusted against the income of the group in order to arrive at the net income attributable to the company
- (vii) The goods lying in inventory of any entity may include certain goods which have been processed in and transferred from one or more entity. For the purpose of consolidation, the amount of unrealized profits included in the value of such goods lying in inventory of any entity as at the end of the financial period, have been eliminated to the extent of % of net profit of the same financial period of the entity from whom these goods have been procured.
- (viii) Depreciation and amortization has been provided on the estimated useful life of an asset.
- (ix) As per requirement of AS-28 "Impairment of Assets" issued by ICAI, the management is of the opinion that there is no impairment of goodwill (on consolidation) except as provided in the financial statement.
- (x) All employees' related benefits including social security have been provided in accordance with the laws of the country in which the individual entity is operating.
- (xi) The financial statement of the subsidiaries for the period ended March 31, 2011 have been prepared & audited as per the generally accepted accounting principles (GAAP) of the countries in which they are operating. These financial statements have been converted by the management as per requirement of Indian GAAP.
- (xii) Other significant accounting policies are as set out in standalone financial statement of Vaibhav Gems Limited, to the extent applicable.

B. Notes to Accounts

Capital Commitment :

Particulars	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees
Capital Commitment		
Estimated Amount of contracts remaining to be executed	10,80,625	NIL

**Contingent Liabilities :**

Particulars		As at	As at
		31.03.2011	31.03.2010
		Rupees	Rupees
a.	Guarantees given by bank on behalf of Company	8,09,30,000	7,70,32,800
b.	Guarantees given by Company to Bank	30,50,90,000	31,78,51,200
c.	Disputed Income Tax, Service Tax Matters	30,93,942	2,72,21,515
d.	Dividend on Cumulative Preference Shares	1,76,00,000	1,32,00,000

The Deferred Tax Liabilities / (Asset) Comprise of the following :

Particulars	As at	As at
	31.03.2011	31.03.2010
	Rupees	Rupees
a. Deferred tax Liability		
Depreciation	10,52,499	14,52,377
b. Deferred tax Assets:		
Provision for Gratuity	37,48,864	32,63,205
Provision for Leave Encashment	11,70,202	9,69,279
Carried forward Losses		
Total	49,19,066	42,32,484
c. Deferred Tax Liability/(Assets)(Net)	(38,66,567)	(27,80,107)

Net deferred tax charge/(credit) for the year of (Rs. 10,86,460) (Previous year Rs. 17,57,168) has been recognized in the Profit and Loss Account for the year.

5. Lease Commitments:

Some of the subsidiaries have lease agreements towards their retail stores, office and other premises. These non-cancelable operating leases have various expiry dates. The total future minimum lease payments (excluding certain escalations) in this respect are as follows:

Year	2010-11	2009-10
Not later than one year	3,60,88,242	17,19,81,644
Later than one year & not later than five years	20,10,68,133	4,72,47,106
Later than five years	-	-

6. Non Convertible Redeemable Cumulative Preference Share are redeemable at the end of seven years from the date of allotment i.e. 31st October, 2006 or before at the discretion of the Board.

**7. Earning per Share (EPS) :**

		2010-11 Rupees	2009-10 Rupees
a.	Profit / (Loss) for the year After Tax (Rs.)	42,40,71,834	(57,52,50,302)
	-Before Exceptional Items	43,10,05,186	(68,00,74,801)
	-After Exceptional Items	44,00,000	44,00,000
b.	Dividend on Preference Share including Tax thereon(Rs.)		
c.	Profit / (Loss) attributable to Equity Shareholders for Basic and Diluted EPS (Rs.) (a-b)		
	-Before Exceptional Items	41,96,71,834	(57,96,50,302)
	-After Exceptional Items	42,66,05,186	(68,44,74,801)
d.	(i) Weighted averages number of Equity shares outstanding during the year for Basic EPS	3,16,98,473	3,16,98,473
	(ii) No of Stock Options Outstanding	4,01,088	3,81,088
	(iii) No of Dilutive Potential Equity Shares	-	82,700
e.	Weighted average number of Equity Shares outstanding during the year for Diluted EPS (d(i) + d(iii))	3,16,98,473	3,16,98,473
f.	Basic Earning Per Share		
	-Before Exceptional Items	13.60	(18.29)
	-After Exceptional Items	13.46	(21.59)
g.	Diluted Earning Per Share		
	-Before Exceptional Items	13.59	(18.29)
	-After Exceptional Items	13.46	(21.59)

8. In case of few subsidiaries, although, the net worth as on the balance sheet date is negative, based on the management representation for continuing support to those subsidiaries, the respective auditors have accepted the financials on the going concern basis and accordingly no adjustment is made in the consolidated financial statement.

9. The details of exceptional items are as under::

Sr. No.	Particulars	2010-2011	2009-2010
1	Write off of receivables by subsidiaries under closure	-	6,82,73,317
2	Loss on hived off of subsidiaries	-	3,65,51,182
3	Reverse of excess provision for doubtful debts	69,33,350	-
	Total	69,33,350	10,48,24,499

10. Employee Stock Option Scheme:

The Company has issued Stock Option under the VGL's Employee Stock Option Scheme (VGL ESOP-2006) to its employees (including certain employees of the Subsidiaries).

Out of stock option granted, 20% stock option will vest at the end of one year from the date of Grant, 30% stock option at the end of the second year and balance 50% stock option at the end of third year. The exercise period for the options is four year from the date of vesting.



The details of the Grant under the aforesaid schemes are as under:-

Particulars	VGL ESOP – 2006					
	A	B	C	D	E	Total
Exercise (Grant) Price	240	202	20.65	26.75	33.57	
Date of Grant of Option	06.01.2007	27.07.2007	28.01.2009	29.01.2010	30.09.2010	
Vesting commences on	06.01.2008	27.07.2008	28.01.2010	29.01.2011	30.09.2011	
Options granted and outstanding as at the beginning of the year on 01.04.10	60,157	12,000	3,00,000	2,97,500		6,69,657
Options granted during the year*	-	-	-	-	20,000	20,000
Options lapsed during the year (Re-issuable)	23,502	-	-	1,02,500	-	126,002
Options granted and outstanding as at the end of the year on 31.03.11	36,655	12,000	3,00,000	19,500	20,000	5,63,655

* Partially granted out of lapsed option

The excess of market price per share as on the date of grant of option, over the exercise price for the Stock Option granted to employees (including certain employees of the Subsidiaries), is amortized by the Company over the vesting period. The amortized value for the year pertaining to its employees (including certain employees of the Subsidiaries) amounting to Rs. (4,24,325) [Last Year (Rs. 141,131)] has been charged under Employee Cost.

11. Segment information:

(i) For the year ended 31st March 2011:

	Particulars	Wholesale Operation	Retail Operations (TV Channels)	Retail Operations (Stores)	Elimination	Total
1	Revenue					
	External Revenue	8,53,987,949	4,40,13,93,648	-	-	5,25,53,81,597
	Inter-Segment Revenue	4,50,40,84,345	74,75,022	-	(4,51,15,59,366)	-
	Total Revenue	5,35,80,72,294	4,40,88,68,670	-	(4,51,15,59,366)	5,25,53,81,597
2	Segment Result					
	Operating Result	30,89,24,360	34,16,91,036	1,28,732	(2,02,28,955)	63,05,15,172
	Interest Income					28,45,614
	Interest Expenses					15,03,55,349
	Un-allocable exchange loss					5,89,55,919
	Profit / (Loss) Before Tax					42,40,49,519
	Tax Expenses					(22,319)
	Net Profit / (Loss) after tax					42,40,71,838
	Less Exceptional Item					(69,33,351)
	Profit after Exceptional item					43,10,05,189
3	Other Information					
	Segment Assets	3,83,86,14,114	78,18,60,905	3,62,21,311		4,65,66,96,330
	Segment Liabilities	1,92,64,84,613	41,54,20,326	8,97,59,494		2,43,16,64,433
	Depreciation and Amortization	1,46,22,952	6,64,42,513	-		8,10,65,465
	Non Cash Expenses other than Depreciation	38,25,451	-	-		38,25,451



(ii) For the year ended 31st March 2010 :

	Particulars	Wholesale Operation	Retail Operations (TV Channels)	Retail Operations (Stores)	Elimination	Total
1	Revenue					
	External Revenue	53,73,90,724	2,81,46,81,899	2,97,35,342	-	3,38,18,07,965
	Inter-Segment Revenue	1,41,93,80,738	3,76,99,953	-	(1,45,70,80,690)	-
	Total Revenue	1,95,67,71,462	2,85,23,81,852	2,97,35,342	(1,45,70,80,690)	3,38,18,07,965
2	Segment Result					
	Operating Result	(10,52,89,203)	(11,14,81,320)	(11,40,79,431)		(33,08,49,954)
	Interest Income					18,34,559
	Interest Expenses					14,64,20,188
	Un-allocable exchange loss					9,98,44,856
	Profit / (Loss) Before Tax					(57,52,80,439)
	Tax Expenses					(30,137)
	Net Profit / (Loss) after tax					(57,52,50,302)
	Less Exceptional Item					10,48,24,499
	Profit after Exceptional item					(68,00,74,801)
3	Other Information					
	Segment Assets	3,64,77,09,501	66,10,26,326	4,10,95,307		4,34,98,31,134
	Segment Liabilities	1,91,51,19,968	49,00,10,258	8,81,37,813		2,49,32,68,039
	Depreciation and Amortization	1,66,57,807	6,84,81,901	23,47,580		8,74,87,288
	Non Cash Expenses other than Depreciation	1,13,70,763	-	-		1,13,70,363

Notes:

- Segment has been identified in line with the Accounting Standard-17, "Segment Reporting" taking into consideration the organization structure as well as the differential risks and returns of these segments.
- The differential risk and rewards of VGL Group are more identifiable and associated with the method of distribution of product and hence, the company has identified two reportable segments viz. Wholesale Operations & Retail Operations. The Retail Operations are further classified into two sub-segments viz. Retail Operations (Stores) & Retail Operation (TV channels).
- Inter-Segment revenues are recognized at sales and/or transfer price.
- The Segment Revenues, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis. The amounts, which are not allocable to any segment, are shown as un-allocable under respective heads.

Related Party Disclosures:**A. List of related parties with whom transactions have taken place and relationships:**

Key Managerial Personnel(KMP)
 Shri Rahimullah Managing Director
 Shri Sunil Agrawal - Chairman



Relative of Key Managerial Personnel

1. Shri Imranullah; 2. Shri Rizwanullah; 3. Shri Inamullah 4. Shri Arifullah 5. Shri Ashif Ullah

Enterprises in which Directors are interested:

1. Amrin Gems Export; 2. Stone Age Limited; 3. VGL Softech Limited; 4. Shivram Properties Private Limited; 5. Emerald Creations 6. Surawell Pacific Ltd. 7. STS Creation Thai Ltd. 8. Anubhav Gems Pvt. Ltd.

Nature of Transactions	Key Managerial Person		Relative of Key Managerial Person		Enterprises over which significant influence exercised by Key Managerial Persons			
	2010-11	2009-10	2010-11	2009-10	2010-11		2009-10	
					VGL Softech Ltd.	Other	VGL Softech Ltd.	Other
(i) Transaction during the Year			-					
a. Purchases of Goods			-			68,06,322		-
b. Sales of Goods						2,58,12,825		3,21,66,096
b. Advance Given			-					
c. Purchase of Fixed Assets			-					
d. Expenses			-	3,93,120	3,84,512	4,20,000	-	4,20,000
e. Remuneration	42,00,000	1,98,18,178		20,60,800	23,12,065			
f. Guarantee*			-					
(ii) Balances as at 31.03.08			-					
a. Amount Receivable			-				-	1,89,69,389
b. Amount Payable			-					
c. Loan & Advance Receivable			-					
d. Investments						52,07,000		52,07,000

13. The previous year figures have been regrouped, rearranged, restated & reclassified wherever necessary.

For and on behalf of the Board

Brahm Prakash
Company Secretary

Nirmal Kumar Bardiya
Director

Rahimullah
Managing Director

Jaipur, 7th May 2011



Vaibhav Gems Limited

Regd. Office: K-6B, Fateh Tiba, Adarsh Nagar, Jaipur 302 004

PROXY FORM

DP ID No.		L.F. No.	
Client ID No.		No. of Shares held	

I/We.....
of.....being
A Member/Members of **Vaibhav Gems Limited**, hereby appoint.....
of.....or failing him/her.....
of..... as my/our proxy to attend and vote for me/us or my/our behalf at the Twenty Second Annual General Meeting of the Company at E-69, EPIP, Sitapura, Jaipur - 302 022 and any adjournment thereof.

Affix
Revenue
Stamp

(Signature of the shareholder)

Signed this day of 2011

Note:

1. The Proxy Form signed across revenue stamp should reach the Registered Office of the Company atleast 48 hours before the scheduled time of meeting.
2. Those members who have multiple folios with different joint holders may use copies of this Attendance Slip/ Proxy.



Vaibhav Gems Limited

Regd. Office: K-6B, Fateh Tiba, Adarsh Nagar, Jaipur 302 004

ATTENDANCE SLIP

DP ID No.		L.F. No.	
Client ID No.		No. of Shares held	

I/we hereby record my/our presence at the Twenty Second Annual General Meeting of the Company on Friday, the 30th day of September, 2011 at 11 a.m. at Corporate office of the Company at E-69, EPIP, Sitapura, Jaipur -302022.

.....
Name of the ShareholderSignature
(in block capital letters)

.....
Name of the ProxySignature
(in block capital letters)

Notes:

1. Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting venue.
2. Shareholder/ Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.





Vaibhav Gems Limited

Registered office

K-6B, Fateh Tiba, Adarsh Nagar, Jaipur - 302 004
Tel.: 91-141-2601020 Fax : 91-141-2603228/2010

Corporate Office

E-69, EPIP, Sitapura, Jaipur - 302 022
Tel. : 91-141-2770648 Fax : 91-141-2770510