



**23<sup>rd</sup> Annual Report**  
**2011-2012**

**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

**Group CFO**

- ♦ Atul Agarwal

**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, 2605077; Fax: 91-141-2601020

**Corporate Office**

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



**Our Vision**

Be the Value Leader in Electronic Retailing of Jewelry and Life Style Products

**Our Mission**

WE WILL

Build a Learning Organisation with High Performing People

Offer Low priced High Quality Products

Delight Our Customers Every Day

**Our Core Values**

Team work

Honesty

Commitment

Passion

Positive Attitude

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## *Chairman's Message*

Dear Shareholders,

I am pleased to inform you that your Company has ended the year with excellent growth both in revenues and profitability.

Even though the global economy during 2011-12 has been volatile and uncertain, consolidated sales grew up by 22.95% and profits registered a growth of 58.95%. The investments that your company made in direct to consumer electronic retail model during 2006-07, has started to bear fruits. From a 100% B to B model in 2005-06, your Company achieved 85.87% of it's revenue from B to C model. In addition to the profitability, we achieved great brand recognition for your company in US and UK consumer markets. We now have over 500,000 registered customers at US and UK. Such transformation of business is especially noteworthy as it was carried out in the midst of greatest recession in recent memory in a discretionary product category of jewelry.

Following the success of our jewelry offerings to our retail customers in US and UK, we recently added lifestyle products like hand bags, scarves, Iphone / Ipad covers etc. to our offerings. These have been received very well. This expands the market size to over \$10 Billion that is available to us in electronic retail in US and UK. Such offerings combined with lower price points has increased our repeat purchase rate to over 8 average per customer per year from 6.5 last financial year.

We continue to invest heavily in building infrastructure and competencies at front end of retail as well as in supply chain. We assign great value to the customer base that we already have and new customers that we continue to acquire rapidly. Our investments are geared towards leveraging above customer base.

Even though the world economy is going to be difficult in foreseeable future, your company's business model is now largely recession proof due to low price points and wide product offerings. This combined with rapid growth potential owing to the large market available to us leads me to believe in tremendous potential that your company has in years to come.

Your Company has always followed the highest standards of Corporate Governance and considers it as more of an ethical requisite than a regulatory necessity. It's a matter of great pride that our success over the years have come without ever compromising on integrity, our social obligation and regulatory compliance. We commit to update and strengthen your Company's governance structures even further in years to come.

I would like to commend the grit, determination and commitment of all the employees of VGL Group who have helped us reach where we are now and seek their continued efforts in the journey forward. I gratefully acknowledge the unflinching faith reposed by you in the Board and Management of the Company. I also sincerely appreciate the loyalty and support of our countless costumers as we re-dedicate ourselves to serve them better. It's our most coveted asset to fuel future growth.

Thank You,

**Sunil Agrawal**  
Chairman



## BOARDS' PROFILE

Annual Report 2011-2012



### *Mr. Sunil Agrawal, Chairman*

*He is a commerce graduate with an MBA from Columbia University, New York (USA). A first generation entrepreneur, he established Vaibhav in 1980 with the objective to professionalize the Gems and Jewelry trade. He has travelled widely, and gained an immense knowledge of gemstones and jewelry. 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 jewelry 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 38 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. Bardiya is the President of Jewellers Association, Jaipur & also working committee member of GJEPC, Mumbai.*

### *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 in MSC (Physics) from the University of Rajasthan. He is also a P.G. Diploma Holder in urbanisation from the University of London with merit and a Graduate of the National Defence College, New Delhi. He has served in various senior government positions culminating in his becoming Chief Secretary of Rajasthan in 1994. He has won prestigious awards like Indira Gandhi Priyadarshni Vriksha Mitra Award (1986), Acharya Jai Mal Gyan Award (1988), Mewar Gaurav Award (1994) and Chanakya Award (2010). He has headed state public undertakings like RSMM, RSCB, RSWC, Spin Fed, Tilam Sangh of RSSC & RKCL. He had been Director of NABARD, Prasar Bharti, Local Area (Northern Region) and Board of RBI.*

### *Mr. Surendra Singh Bhandari, Director*

*Mr. S.S. Bhandari, B. Com., FCA, is a Practicing Chartered Accountant since 1970 with meritorious academic record. He is Founder Partner of M/s. S. Bhandari & Co., Chartered Accountants, Jaipur and is one of the leading consultants to various companies in the areas of banking, audit, assurance, tax assignments, corporate restructuring and other advisory services. Mr. Bhandari is presently on the Board of Directors of Bank of Baroda, M/s. Asian Hotels (West) Ltd., Mumbai and M/s. Asian Hotels (East) Ltd., Kolkata (Hyatt Group) as Independent Director and has worked as Nominee Director on the Board of Central Bank of India and as Trustee of the PNB Mutual Fund and also as Director of Bank of Rajasthan Ltd. He is also deeply involved in various social and philanthropic activities through Shri Bhagwan Mahaveer Viklang Sahayata Samiti and other institutions.*



### *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.*







# Vaibhav Gems Limited

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

## NOTICE

Notice is hereby given that the 23<sup>rd</sup> Annual General Meeting of the Shareholders of VAIBHAV GEMS LIMITED will be held on Saturday, 29<sup>th</sup> September, 2012 at 11:00 am at E-69, EPIP, Sitapura, Jaipur - 302 022 (Rajasthan), to transact the following businesses :

### Ordinary Business:

1. To consider and adopt the Balance Sheet of the Company as at 31<sup>st</sup> March 2012, the Statement of Profit & Loss for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mrs. Sheela Agarwal who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in the place of Mr. Mitha Lal Mehta who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Haribhakti & Co. and M/s B. Khosla & Co., Chartered Accountants as Joint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### Special Business:

5. **To approve the reappointment of Mr. Rahimullah as Managing Director of the Company and fix his remuneration**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

**"RESLOVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) read

with Schedule XIII thereof and subject to such other approvals, if necessary, approval of the Company be and is hereby accorded to the reappointment of Mr. Rahimullah as a Managing Director of the Company for a period of two years, w.e.f 1<sup>st</sup> August, 2012 on the remuneration set out below :

Salary: ₹ 3,50,000 p.m.

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to enhance, enlarge, alter or vary the scope and quantum of remuneration in the light of further progress of the Company subject to the applicable provisions of the Act and/or rules and regulations, or any amendment thereto or any re-enactment thereof."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this Resolution."

### Notes :

1. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the ensuing Annual General Meeting is appended hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll, instead of himself / herself and proxy need not be a member of Company. Proxies in order to be effective must be received by the Company at its Registered Office not later than forty-eight hours before the commencement of the meeting.
3. Corporate Members are requested to send a duly



certified copy of the Board Resolution authorizing their representative to attend and vote at the ensuing Annual General Meeting.

4. Members / Proxies / Representatives should bring the enclosed attendance slip duly filed in and signed for attending the meeting. Copies of Annual Report or Attendance Slip will not be distributed at the meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Register of Members and Share Transfer Books of Company will remain closed from 22<sup>nd</sup> September, 2012 to 29<sup>th</sup> September, 2012 (both days inclusive).
7. Members are requested to send their demat/remat applications, request for share transfers, intimation of change of address and other correspondence to the Company's Registrar and Transfer Agent, M/s Karvy Computershare Pvt. Ltd., Plot no.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081
8. Members who hold shares in physical form are

requested to notify immediately, any change in their addresses to the Registrar and Transfer Agent of the Company at the above address and to their respective depository participants, in case shares are held in electronic form.

9. In terms of Section 205C of the Companies Act, 1956, the Central Government has established "Investor Education and Protection Fund"(IEPF) and any amount of dividend remaining unclaimed / unpaid for a period of seven years from the date it becomes due for payment should be transferred to this fund. Once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof. Members wishing to claim dividend, which remain unclaimed, are requested to correspond with the Company at its Registered Office.
10. The relevant details as required under Clause 49 of the Listing Agreement, of Directors seeking re-appointment are annexed to this notice.

Place: Jaipur  
13<sup>th</sup> August, 2012

**Regd. Office :**  
K-6B, Fateh Tiba, Adarsh Nagar,  
Jaipur - 302004

**By order of the Board of Directors**

**Brahm Prakash**  
**Company Secretary**



**Explanatory Statement**

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 :

**Item No. 5**

The Shareholders had approved the reappointment, terms & conditions and remuneration of Mr. Rahimullah, Managing Director through ordinary resolution dated 27<sup>th</sup> September, 2007 for a period of five years w.e.f 1<sup>st</sup> August, 2007 to 31<sup>st</sup> July, 2012. The tenure of his office has expired. Considering the contribution of Mr. Rahimullah, Managing Director in running the affairs of the Company and the fact that there are no adequate profits, the Board

of Directors at their meeting held on 31<sup>st</sup> July, 2012 has reappointed, subject to Shareholder's approval, Mr. Rahimullah as the Managing Director for a period of two years w.e.f 1<sup>st</sup> August, 2012 to 31<sup>st</sup> July, 2014 on remuneration set out in foregoing resolution, as recommended by Remuneration Committee at their meeting held on 31<sup>st</sup> July, 2012, in terms of the provisions contained in Schedule XIII (Part II)(Section II)(Para 1B) of the Companies Act, 1956.

The Board recommends the resolution for approval of members.

No Director, except Mr. Rahimullah is interested in the resolution.

**Additional information required to be given along with notice calling General Meeting as per Schedule XIII (Part II)(Section II)(Para 1B) of the Companies Act, 1956, is given hereunder:**

<b>I General Information</b>			
i) Nature of Industry	The Company operates in Gems and Jewelry Industry		
ii) Date or expected date of commencement of commercial production	The Company has been in the business for more than 22 years (Since 1990)		
iii) Financial performance based on given indicator (₹/Cr.)	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
a) Revenue from Operations	176.68	145.43	120.83
b) Net profit / (loss) (as computed u/s.349)	(117.40)	(132.14)	(149.91)
c) Net profit / (loss) as per Profit & Loss Account	14.09	17.37	2.13
iv) Export performance and net foreign exchange collaborations (₹/Cr.)	162.63	145.52	121.89
v) Foreign investments or collaborations if any (₹/Cr)	21.31	21.31	25.70
vi) Earning Per Share (Basic)	4.31	5.48	(4.38)
Earning Per Share (Diluted)	4.29	5.47	0.53
<b>II Information about the Appointee</b>			
1. Background details (Name):	Mr. Rahimullah		
i) Father's name	Late Shri Azizullah		
ii) Nationality	Indian		
iii) Date of birth	03.03.1958		
iv) Qualification	B.Com		
2. Past remuneration (FY 2011-12):			
i) Salary and perks	₹ 42 Lacs		
ii) Commission	Nil		



3	Job Profile & Suitability	Mr. Rahimullah, Managing Director has over 38 years of experience in the Gems & Jewellery Industry with expertise in procurement of rough gemstones. Currently, he manages all the functions and operations of Vaibhav Gems Limited. He is also a part of strategic management team of the VGL Group. He handles all the day to day operations of the company under overall superintendence of Board of Directors. The Company greatly benefits from his experience and vision.
4	Remuneration proposed	₹ 3.50 Lacs per month
5	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	The remuneration being paid to Mr. Rahimullah, Managing Director is comparatively lower than what is prevalent in the industry
6	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	Mr. Rahimullah, Managing Director does not have any pecuniary relationship with the company except the remuneration paid to him.
III	<b>Other Information:</b>	
1	Reasons of loss or inadequate profits	In the year 2007-08 and thereafter the world market has witnessed worst ever recession. Ours being the Gems & Jewellery industry and the product being of discretionary nature, the operations were badly affected due to the sharp fall in demand, resulting into losses
2	Steps taken or proposed to be taken for improvement	The company has taken various steps to cut costs in all possible areas. The Company has consolidated operations and closed loss making units at various centers and is now focusing on its core business areas to regain strength
3	Expected increase in productivity and profits in measurable terms	The Position is expected to improve in the current financial year depending on the improvement in the economic scenario and resultant growth in demand
IV	<b>Disclosure:</b>	The remuneration package of Mr. Rahimullah, Managing Director is given above. All elements of remuneration package for the year 2011-12 are also given in the Corporate Governance Report. As on date, the company has not granted any stock options to its Directors.





Details of Directors in terms of listing agreement, seeking reappointment at 23<sup>rd</sup> Annual General meeting

Name of Director	Date of Birth	Date of Appointment	Expertise in specific functional areas	Qualifications	Name of Companies in which Directorship held on 31.3.2012	Member of the committees of the Board of other Companies as on 31.3.2012	Number of shares held in the Company
Mrs. Sheela Agarwal	12-12-1942	10-11-2006	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.	Commerce Graduate	1) Brett Plastics Private Limited 2) Reengus Exim Private Limited	Nil	21,501
Mr. Mitha Lal Mehta	01-01-1939	25-01-2004	A retired IAS officer and a renowned public administrator, social activist and human resource developer, he is a gold medalist in MSC (Physics) from the University of Rajasthan. He is also a P.G. Diploma Holder in urbanisation from the University of London with merit and a Graduate of the National Defence College, New Delhi. He has served in various senior government positions culminating in his becoming Chief Secretary of Rajasthan in 1994. He has won prestigious awards like Indira Gandhi Priyadarshini Vriksha Mitra Award (1986), Acharya Jai Mal Gyan Award (1988), Mewar Gaurav Award (1994) and Chanakya Award (2010). He has headed state public undertakings like RSM, RSCB, RSWC, Spin Fed, Tilam Sangh of RSSC & RKCL. He had been Director of NABARD, Prasar Bharti, Local Area (Northern Region) and Board of RBI.	Gold medalist in M.Sc. (Physics) and P.G. Diploma Holder in Urbanisation	Nil	Nil	Nil
Mr. Rahimullah	03-03-1956	25-01-1999	38 years of experience in emerald trading and export business.	Graduate in Commerce	1) VGL Sofitech Limited 2) Jaipur Gem Bourse Limited 3) Ganpati Chambers Private Limited	Nil	54,600

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

We have the honour of presenting our twenty third Annual Report and Audited Financial Statements for the year ended 31<sup>st</sup> March, 2012.

**Overview of Financial Performance**

The Standalone and Consolidated financial results of the Company for year ended 31<sup>st</sup> March, 2012 are as follows:

28.39 % of the paid up capital of the Company. The open offer commenced on 28<sup>th</sup> March, 2012 and Mrs Deepti Agarwal and Mr. Nirmal Kumar Bardiya would be classified as Promoters of the Company w.e.f. 28<sup>th</sup> March, 2012.

**Award**

During the year under review, your Company has been awarded "Rajasthan State Award" for the year 2008-09 on account of export excellence in the category of

(₹ in Lacs)

Particulars	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Revenue from Operation and Other Income	18,892.82	14,683.47	67,481.60	53,749.79
Less: Operating Cost	16,177.14	13,138.43	57,418.10	47,389.86
Operating Profit / PBDIT	2,715.68	1,545.04	10,063.50	6,359.93
Less: Interest	1,103.41	1,121.11	1,276.05	1,308.78
Less: Depreciation & Amortization	152.69	120.26	908.30	810.65
<b>Profit Before Taxes</b>	<b>1,459.57</b>	<b>303.67</b>	<b>7,879.15</b>	<b>4,240.50</b>
Less: Provision for Taxes	22.93	(0.71)	22.93	(0.22)
Net Profit After Tax but before Exceptional Items	1,436.64	304.38	7,856.22	4,240.72
Less : Exceptional Items - (Provision Bad Debts)	(27.30)	1432.63	1,005.39	(69.33)
<b>Profit After Tax and Exceptional Item</b>	<b>1,409.34</b>	<b>1737.01</b>	<b>6,850.83</b>	<b>4,310.05</b>
Appropriations:				
Dividend on Preference Share Capital	-	-	-	-
Proposed Dividend on Equity Shares	-	-	-	-
Tax on Dividend	-	-	-	-
General Reserve	-	-	-	-
<b>Profit for the year</b>	<b>1,409.34</b>	<b>1737.01</b>	<b>6,850</b>	<b>4,310.05</b>

**Dividend**

In view of the accumulated losses brought forward, your Directors do not recommend any dividend for the financial year 2011-12.

**Share Capital**

Pursuant to Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011, Mrs. Deepti Agarwal, Mr. Rahimullah, Mr. Nirmal Kumar Bardiya and M/s Shivram Properties Pvt. Ltd. have made an open offer for the acquisition of 90,00,000 Equity Shares of Rs. 10 each, representing

precious & semi-precious stones by Government of Rajasthan.

**Consolidated Financial Statements**

Consolidated Financial Statements are prepared in accordance with the Accounting Standard - 21 issued by Institute of Chartered Accountants of India (ICAI) and Listing Agreement, as prescribed by SEBI and the same have been provided in the Annual Report of the Company.

**Statutory Disclosures**

The Ministry of Corporate Affairs (MCA) vide general circular no. 2/2011 has granted general exemption to all





Companies under Section 212(8) of the Companies Act, 1956 with respect to not attachment of the documents required under Section 212(1) of the said act, subject to compliance of certain conditions. Your company has complied with all the conditions as stipulated in the said circular. Hence, balance sheet, profit & loss account and other documents of the subsidiary companies are not being attached with balance sheet of the Company. The statement pursuant to Section 212 of the Companies Act, 1956 containing key financials of the Company's subsidiaries is included in this Annual Report.

The Company will make available the annual accounts of the subsidiaries to any member of the company who may be interested in obtaining the same. The annual accounts of the subsidiary companies are also available for inspection by any member. The same shall also be kept for inspection by any shareholder at the head office of the holding company and of the subsidiary companies concerned.

#### 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 across the globe.
- 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) **Liquidation Channel, USA (LC 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.

#### Corporate Social Responsibility

Your Company believes that as a responsible corporate citizen, it must address the needs of underprivileged and be committed to serving them. Your Company is keen to

fulfil its social responsibility by being actively involved in a variety of public service projects. In line with this, the Company has donated to various social institutions (NGO's) in the field of education and health care.

#### Fixed Deposits

During the year under review, your Company has not accepted any public deposits under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975.

#### Directors

During the year under review, Mr. Nirmal Kumar Bardiya who was an Independent Non Executive Director on the Board of the Company, is no longer to be considered as Independent Director since 28<sup>th</sup> March, 2012, being the date of Public announcement, for the acquisition of 14, 26,500 Equity Shares, constituting 4.50 % of the paid up capital of the Company. Further, Mrs. Sheela Agarwal and Mr. Mitha Lal Mehta 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, a brief resume and other particulars of Directors retiring by rotation is provided in the 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 hold office until the conclusion of ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment and they have confirmed that the said re-appointment will be in conformity with the limit prescribed under Section 224(1B) of the Companies Act, 1956.

There are no reservations, qualifications or adverse remarks contained in the Auditors' Report attached to Balance Sheet as at 31<sup>st</sup> March, 2012. Information referred in 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 31<sup>st</sup> March, 2012, 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.

#### **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 ₹ 27,856 on 24<sup>th</sup> November, 2011, which was lying in unpaid dividend account of the Company for a period of seven years, to Investor Education and Protection Fund (IEPF) established by the Central Government under Section 205(C) of the said act.

#### **Industrial Relations**

Industrial relations continue to be peaceful and cordial at all levels. The Directors are pleased to record their appreciation for the valuable contribution by the employees of the Company at all levels.

#### **Employee Stock Option Plan (As Amended) - 2006**

Pursuant to the approval of members accorded at last Annual General Meeting held on 30<sup>th</sup> September, 2011, the Company has changed the name of VGL ESOP - 2006 to VGL ESOP (As Amended) - 2006 in accordance with Securities Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. Under this scheme, a corpus of new 7,50,000 Stock Options was created for grant to the eligible employees. Each option is convertible into one fully paid up Equity Share of ₹ 10 each.

Details required to be provided under the Securities Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme)

Guidelines, 1999 are set out in Annexure I to this Report.

#### **Management Discussion and Analysis Report**

Management Discussion and Analysis Report for the year under review, as required under Clause 49 of the Listing Agreement, forms part of this Annual Report.

#### **Corporate Governance**

Your Company believes in sound practices of Good Corporate Governance. Transparency, Accountability, Responsibility are the fundamentals guiding principles for all decisions, transactions and policy matters of the Company.

A Report on Corporate Governance along with a certificate from the Statutory Auditors' of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of this Annual Report.

#### **Particulars of Employees**

Information as required under provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, are required to be attached to this report. However, as per provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to 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.

#### **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 equipments 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 information on foreign exchange earnings and outgo is furnished in the notes to accounts.

**Acknowledgment**

Your Directors take this opportunity to thank and place on record their sincere appreciation of the wholehearted support extended by the Company's bankers, shareholders, customers, vendors, auditors and various statutory authorities. The Directors also wish to thank all the employees for their continued contribution, hard work and dedication throughout the year.

**For and on behalf of the Board of Directors**

Place : Jaipur  
Date : 13<sup>th</sup> August, 2012

**Sunil Agrawal**  
Chairman

**ANNEXURE I : VGL ESOP (AS AMENDED) - 2006**

No.	Item of Disclosure	Remarks
(a)	Options Granted	Total options granted and outstanding as at 31 <sup>st</sup> March, 2012 are 5,46,324.
(b)	The Pricing Formula	The exercise price shall be the market price which would be the latest available closing price of the shares on the stock exchange, which records the highest trading volume of the Company's equity shares on the date prior to the date of meeting of the Compensation Committee at which the options are granted.
(c)	Options Vested	4,37,825
(d)	Options exercised	NIL
(e)	The total number of shares arising as a result of exercise of option	Not Applicable
(f)	Options lapsed (reissuable)	17,331
(g)	Variation of terms of options	NIL
(h)	Money realized by exercise of options	Not Applicable
(i)	Total number of options in force	5,46,324
(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;	 NIL  NIL  NIL
(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

Company operates its live electronic retail channels in US and UK from Austin, Texas and London respectively. The total jewelry market in these two countries is approx. \$60 billion and about 10% of which is via electronic commerce. Even though economy is expected to increase by about 2% in both these economies, the electronic commerce is expected to grow by approx. 10%. The largest player in electronic commerce in US and UK is QVC (A subsidiary of Liberty Media), whose turnover in these two markets is approx. \$6.5 billion. Approx. 17% of this revenue is that of Jewelry segment and approx. 25% by lifestyle products segment. QVC is followed by HSN, whose revenue is approx. \$2 billion with approx. 18% from Jewelry segment and another 25% approx. from lifestyle products.

### 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. The Company is operating dedicated 20 and 24 hours live Jewellery shopping television channels in UK and USA from London and Austin, Texas respectively. Company has robust sourcing organizations in China, Thailand and India. With the expansion of product line to include lifestyle products, such sourcing units assume greater significance.

### Industry SWOT Analysis

#### Strengths

- ◆ Only vertical end to end business model in entire 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 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 9001-2008 certified World-class Gems and jewelry manufacturing facility.
- ◆ Efficient sourcing units that allow us expansion in other product categories.

#### Weaknesses

- ◆ Low indigenous reserves of rough and diamonds.
- ◆ Exposure to foreign exchange and raw material price fluctuations.
- ◆ Less advanced technology as compared to European jewelry 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. 75 million HH's. in US and UK.
- ◆ Potential to acquire another 40 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 financial performance of the Company is reflected in Balance Sheet, Profit & Loss Account along with other financial statements.

Financial Highlights for the year ended 31<sup>st</sup> March, 2012 are as under:

On a standalone basis, the Company has achieved a turnover of ₹ 176.68 crores against ₹ 145.43 crores in the previous financial year, recording a growth of 21.48%. Profit after tax and exceptional items is ₹ 14.09 crores against ₹ 17.37 crores for the previous year.

On a consolidated basis, the Company has achieved a turnover of ₹ 646.49 crores against ₹ 525.82 crores in the previous financial year, recording a growth of 22.94%. Profit after tax and exceptional items is ₹ 68.50 crores against ₹ 43.10 crores for the previous year.

### Outlook

The Company is optimistic of growth through continued same Household sales Growth as well as network expansion across the US & UK, sustained investment in brands and introduction of new products. Once we have achieved reasonable market share in current markets, we will expand to other developed and developing markets.

### Risk and Concerns

The Company's risk mitigation initiatives helped it to sustain and grow during periods of economic turbulence. In the face of inflation and rising interest, consumers either reduced or deferred their purchases. The Company countered this reality through the creation of new needs by launching new products in US and UK market.

The Company is constantly working on taking appropriate measures to de-risk itself from foreign exchange and various other risks. The Company's current and fixed assets as well as consignments 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

VGL has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss and from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly.

The Company has strong and independent Internal audit system. 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 development is a critical organizational priority an imperative to growth. Human Resource development continues to be major thrust area in your Company. The Company has created a healthy productive work environment which encourages excellence. The Company has also put in place a scalable requirement and human resource management process, which enables it to attract and retain the employees of high caliber. The Company's commitment to build meaningful employee engagement has resulted in significant enhancement in quality and productivity. The Company has been providing training on 'ongoing basis' to its employees at different levels by in-house and outside faculty.

The total number of employees of the Company as on 31<sup>st</sup> March, 2012 was 913.

### 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 securities laws and regulations. Actual Results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions, variation in prices of raw materials, changes in Government regulations, tax regimes, economic developments and other incidental factors.



**CORPORATE GOVERNANCE REPORT****1. Philosophy on Code of Corporate Governance**

Vaibhav Gems Limited's philosophy on Corporate Governance envisages working towards high levels of transparency, accountability, consistent value systems, delegation across all facets of its operations leading to sharply focused and operationally efficient growth.

In the fast changing business scenario, good Corporate Governance helps in achieving long term Corporate Goals of enhancing Stakeholders' value. Corporate Governance focuses on commitment to values adhering to ethical business practices. This includes corporate structures, culture, policies and the manner in which the corporate entity deals with various stakeholders'.

Vaibhav Gems Limited is committed to learn and adopt the best practices of Corporate Governance. 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 Board of Directors of the Company has an optimum combination 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 and informed 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 31<sup>st</sup> March, 2012, the Board met eight times on 7<sup>th</sup> May, 2011, 12<sup>th</sup> August, 2011, 17<sup>th</sup> August, 2011, 19<sup>th</sup> September, 2011, 23<sup>rd</sup> September, 2011, 30<sup>th</sup> September, 2011, 9<sup>th</sup> November, 2011, 7<sup>th</sup> February, 2012.

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	5	Yes	1	Nil	Nil
Mr. Rahimullah	Managing Director	8	Yes	3	1	Nil
Mr. Anandi Lal Roongta	Independent Non-Executive Director	7	Yes	1	3	1
Mr. Mitha Lal Mehta	Independent Non-Executive Director	7	No	Nil	1	2
Mr. Surendra Singh Bhandari	Independent Non-Executive Director	8	Yes	3	7	3
Mr. Nirmal Kumar Bardiya	Non-Independent Non-Executive Director	3	Yes	9	3	Nil
Mrs. Sheela Agrawal	Non Independent Non-Executive Director	8	Yes	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. The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. 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 auditors 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 utilization of proceeds of 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 Chairperson and Members

The Audit Committee of the Company consists of three Non Executive Independent Directors and one Non-Executive and Non Independent Director. The Committee is headed by Mr. S.S. Bhandari. During the year under review, Committee met on 7th May 2011, 12th August 2011, 9th November 2011, and 7th February 2012. The table below sets out the composition and attendance at Audit Committee



meetings as on 31<sup>st</sup> March 2012 :

Name of the Director	Position Held in the Committee	No. of Meetings Attended
Mr. Surendra Singh Bhandari	Chairman	4
Mr. Anandi Lal Roongta	Member	3
Mr. Mitha Lal Mehta	Member	4
Mr. Nirmal Kumar Bardiya	Member	1

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 three Non-Executive Independent Directors. The Committee is headed by Mr. Mitha Lal Mehta.

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

- Recommend to the Board, the remuneration including salary, perquisites and commission to be paid to the company's Managing Director and Whole-time Directors.
- Finalize the perquisites package of the Managing Director and Whole-time Directors within the overall ceiling fixed by the Board.
- 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.

During the year under review, the Committee met one time on 7<sup>th</sup> May, 2011.

The table below sets out the composition and attendance at Remuneration Committee meeting as on 31<sup>st</sup> March 2012

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

Details of Remuneration, Sitting fees, etc. paid to all the Directors for the year ended 31<sup>st</sup> March, 2012 are given hereunder:

#### Remuneration of Directors during 2011-2012

Name of Director	Sitting Fees	Remuneration	Terms	Shares held as on 31.03.12
Mr. Sunil Agrawal	Nil	NA	Not liable to retire by rotation	28,140
Mr. Anandi Lal Roongta	1,20,000	NA	Retirement by rotation	1,787
Mr. Mitha Lal Mehta	1,20,000	NA	Retirement by rotation	Nil
Mr. Nirmal Kumar Bardiya	40,000	NA	Retirement by rotation	Nil
Mr. Surendra Singh Bhandari	1,40,000	NA	Retirement by rotation	Nil
Mr. Rahimullah	NA	42,00,000	Contractual	54,600
Mrs. Sheela Agrawal	80,000	NA	Retirement by rotation	21,501

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 three Non-Executive Independent Directors namely Mr. Mitha Lal Mehta, Mr. Anandi Lal Roongta, Mr. Surendra Singh Bhandari & one Non-Executive Non-Independent Director, Mr. Nirmal Kumar Bardiya. The Committee is headed by Mr. Mitha Lal Mehta.

No meeting was held during the year.

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

**Shareholders' / Investors' Grievance Committee**

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

During the year under review, the Committee met on 5<sup>th</sup> March, 2012.

Attendance of members at Shareholders' / Investors' Grievance Committee meeting held during the year 2011-12 :

Name of the Director	Position Held in the Committee	No. of Meetings Attended
Mr. Anandi Lal Roongta	Chairman	1
Mr. Surendra Singh Bhandari	Member	1
Mr. Rahimullah	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 17 complaints during the year 2011-12, 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	No. of Special Resolution (s) Passed
2008-09	30 <sup>th</sup> September 2009	11:00 A.M.	E-68, EPIP, Sitapura, Jaipur - 302 022	1
2009-10	30 <sup>th</sup> September 2010	11:00 A.M.	E-69, EPIP, Sitapura, Jaipur - 302 022	Nil
2010-11	30 <sup>th</sup> September 2011	11:00 A.M.	E-69, EPIP, Sitapura, Jaipur - 302 022	4

**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**

- 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 interest of the company.
- 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.

- 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 item 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 (New Delhi) and Financial Express (All Editions).
- (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](http://www.vaibhavgems.com).
- (v) No Presentation was made to Institutional investors and Analysts during the year under review.

## 7. General Shareholder Information

### (i) Annual General Meeting:

**Date and time :** 29<sup>th</sup> September, 2012, 11:00 AM  
**Venue :** E-69, EPIP, Sitapura, Jaipur - 302 022

- (ii) **Financial Calendar :** 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012
- (iii) **Date of Book Closure :** 22<sup>nd</sup> September, 2012 to 29<sup>th</sup> September, 2012

(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, Av de la Porte-Neuve, L-2227 Luxembourg

**ISIN Code : US9187661064**

#### **(vi) Listing Fees to Stock Exchanges**

The Company has paid listing fees in respect of financial year 2012-2013 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 2012-2013 to National Securities Depository Limited and Central Depository Services (India) Limited.

#### **(viii) Registrar & Share Transfer Agent :**

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

#### **(ix) Share Transfer System**

Registrar and Transfer Agents (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.

#### **(x) Dematerialization of Shares**

The Company has set up requisite facilities for dematerialization of its Equity Shares in accordance with the provisions of Depository Act, 1996 with National Securities Depository Limited and Central Depository Services (India) Limited. The Company has entered into agreements with both of the Depositories. The status as on 31<sup>st</sup> March, 2012 is as under :



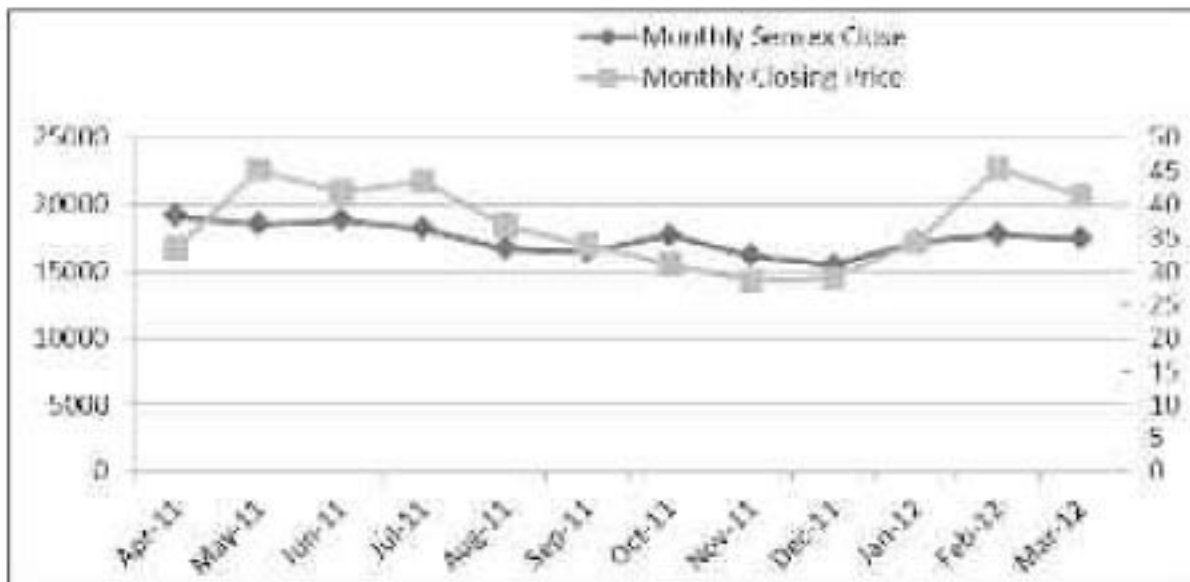


Mode	No. of Shares	% age
Physical Form	67,132	0.21%
NSDL	2,80,15,090	88.38%
CDSL	36,16,251	11.41%
Total	3,16,98,473	100.00%

(xi) Market Price Data

Month	VGL Price at BSE (In ₹)		VGL Price at NSE (In ₹)	
	High Price	Low Price	High Price	Low Price
April 2011	35.50	32.20	35.00	30.65
May 2011	53.80	32.65	53.80	31.35
June 2011	47.00	39.25	46.50	35.10
July 2011	53.80	41.60	49.95	39.80
August 2011	45.50	33.60	45.50	32.55
September 2011	41.20	30.05	40.45	33.00
October 2011	36.45	29.65	35.75	29.45
November 2011	32.75	24.65	32.90	24.30
December 2011	31.50	25.15	32.50	24.30
January 2012	41.80	28.70	41.30	27.40
February 2012	51.50	34.00	51.50	33.25
March 2012	48.95	35.55	48.40	35.30

Performance of the Company's Shares in comparison to BSE Sensex :



**(xii) Distribution of Shareholding****a. Distribution of Shareholding as on 31<sup>st</sup> March, 2012**

Sr. No	No. of Equity Shares	Number of Shares	% of Shareholding	Number of Shareholders	% of Shareholders
1	1 - 5000	5,01,943	1.58	3,940	84.37
2	5001 - 10000	2,68,091	0.85	332	7.11
3	10001 - 20000	2,56,208	0.81	169	3.62
4	20001 - 30000	1,73,051	0.55	67	1.43
5	30001 - 40000	92,322	0.29	26	0.56
6	40001 - 50000	89,027	0.28	19	0.41
7	50001 - 100000	2,90,804	0.92	40	0.86
8	100001 and Above	3,00,27,027	94.73	77	1.65
	<b>Total</b>	<b>3,16,98,473</b>	<b>100.00</b>	<b>4,670</b>	<b>100.00</b>

**b. Categories of Shareholders as on 31<sup>st</sup> March, 2012**

Category	No. of Shares	% Holding
Indian Promoters	27,01,993	8.53%
Foreign Promoters	15,41,940	4.86%
Banks	Nil	Nil
FIs	64,34,924	20.30%
Corporate Bodies	9,84,027	3.10%
Indian Public	66,72,306	21.05%
NRIs	45,88,853	14.48%
Others		
(i) Clearing Members	24,490	0.08%
(ii) Shares underlying GDR*	87,50,000	27.60%
<b>Total</b>	<b>3,16,98,473</b>	<b>100.00%</b>

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

CITI Bank N.A.(MUMBAI)  
Trent House, 3rd Floor, G Block,  
Plot No. 60, Bandra Kurla Complex, Bandra (East)  
Mumbai - 400051

**(xiv) Plant Locations**

The Company plants are located at the following addresses:

- ◆ K-6B, Fateh Tiba, Adarsh Nagar, Jaipur-302 004
- ◆ E-68 and E-69, EPIP, Sitapura, Jaipur - 302 022
- ◆ Unit No. 186-A, SDF, VI, SEEPZ, Mumbai

**(xv) Branch Office**

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

**(xvi) 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 - 302022  
Phone: 91-141-2770648  
Fax: 91-141-2770510  
Email: brahm.prakash@vaibhavgems.com

**(xvii) 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. 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](http://www.vaibhavgems.com). The code of conduct has been circulated to all the members of the board and senior management personnel and they have affirmed their compliance with the said code of conduct for the

financial year ended 31st March 2012. A declaration to this effect signed by Mr. Rahimullah, Managing Director of the Company is appended at the end of this report.

#### **9. Code for prevention of Insider Trading Practices**

The Company has instituted a comprehensive code of conduct in compliance with the SEBI regulations on prevention of Insider trading. The code lays down guidelines, which advise on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautions on the consequences of non-compliances.

#### **10. Risk Management**

The Company follows well - established risk assessment and minimization procedures which are periodically reviewed by the Board.

#### **11. Management Discussion and Analysis**

The Management Discussion and Analysis Report is provided elsewhere in the Annual Report.

#### **12. 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.

#### **13. Auditors' Report on Corporate Governance**

As required by Clause 49 of the Listing Agreement the Auditors Certificate is provided elsewhere in the Annual 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 for the year ended 31<sup>st</sup> March, 2012 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 2011-2012 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; and
  - (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**

**Atul Agarwal  
Group CFO**

Place : Jaipur  
Date : 29<sup>th</sup> May, 2012





### **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 2011-12.

Place : Jaipur

Date : 13<sup>th</sup> August, 2012

**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 2012, 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  
F. No. 103523W

**Chetan Desai**  
Partner  
M. No. 17000

Place : Jaipur  
Date : 13<sup>th</sup> August, 2012

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

**Sandeep Mundra**  
Partner  
M. 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, 2012, and also the statement of Profit and Loss and 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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (as amended), issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
  - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;



- b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
  - c) in the case of cash flow statement, of the cash flows for the year ended on that date.
- vii. Without qualifying our report we draw attention to:
- a) 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 judgment of management and relied upon by us.
  - b) Note No. 32 on the accounts, as explained therein, exposure of the Company to three foreign subsidiaries whose net worth is negative aggregating ₹ 630.49 crores against which no provision in excess of ₹ 225.38 crores is considered necessary by the management.

For **Haribhakti & Co.**  
Chartered Accountants  
F. R. No.103523W

**Chetan Desai**  
Partner  
M. No. 17000  
Mumbai, May 29<sup>th</sup>, 2012

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

**Sandeep Mundra**  
Partner  
M. No. 075482  
Jaipur, May 29<sup>th</sup>, 2012





**ANNEXURE TO AUDITORS' REPORT**

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Vaibhav Gems Limited on the financial statements for the year ended March 31, 2012]

- (i) (a) The Company has maintained proper records of fixed assets showing full particulars, including quantitative details and location thereof.
- (b) We are informed that the fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory were noticed on such verification. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (ii) (a) As explained to us, inventories have been physically verified by the management during the year at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of examination of inventory 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 account.
- (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 ₹ 13750.47 lacs and the year-end balance of loans granted to such parties was ₹ 13750.47 lacs.
- (b) As informed to us the loans are interest free. In our opinion the other terms and conditions for such loans are prima facie, not prejudicial to the interest of the Company.
- (c) The terms of recovery of the loan made have not been stipulated and so we are not in a position to make specific comment as regard to the repayment of the principal amount to the Company.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) The Company had taken loan from three companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹380 lacs and the year-end balance of loans taken from such parties was ₹ 380 lacs.
- (f) As informed to us the above loans are interest free and in our opinion other terms and conditions for such loans are prima facie not prejudicial to the interest of the Company.
- (g) As informed to us there were no principal amounts due during the year for these loans.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- (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 the 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 the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) In respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance





of cost records has been prescribed under Clause (d) of Sub-Section (1) of Section 209 of the Act, the company has obtained certificate from the Cost Accountant indicating that the prescribed accounts and records have been made and maintained.

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. Further, the company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.
- (xvi) The Company has not taken any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, no debentures have been issued by the company during the year.
- (xx) The Company has not raised money by way of public issue during the year.
- (xxi) 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.

**For Haribhakti & Co.**  
Chartered Accountants  
F. R. No. 103523W

**Chetan Desai**  
Partner  
M. No. 17000  
Mumbai, May 29<sup>th</sup>, 2012

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

**Sandeep Mundra**  
Partner  
M. No. 075482  
Jaipur, May 29<sup>th</sup>, 2012





**Balance Sheet as at 31st March, 2012**

Particulars	Note	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	756,984,730	756,984,730
Reserves And Surplus	3	3,044,922,100	2,814,726,589
Money received against share warrants		-	-
		<b>3,801,906,830</b>	<b>3,571,711,319</b>
<b>Share application money pending allotment</b>			
		-	-
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	655,193,591	1,027,142,987
Deferred Tax Liability (Net)		-	-
Other Long Term Liabilities		-	-
Long-Term Provisions	5	14,505,691	14,846,343
		<b>669,699,282</b>	<b>1,041,989,330</b>
<b>Current Liabilities</b>			
Short-Term Borrowings	6	618,628,717	585,087,299
Trade Payables	7	195,443,048	77,695,149
Other Current Liabilities	8	220,514,969	144,578,734
Short-Term Provisions	9	2,017,340	1,072,965
		<b>1,036,604,074</b>	<b>808,434,147</b>
		<b>5,508,210,186</b>	<b>5,422,134,796</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	10	129,944,398	98,055,846
Intangible Assets		-	-
Capital Work-In-Progress	10	409,008	14,774,753
Intangible Assets under development		-	-
Non-Current Investments	11	2,583,488,760	2,583,488,760
Deferred Tax Assets (Net)	12	2,609,260	3,866,567
Long-Term Loans and Advances	13	713,630,094	616,560,205
Other non-current assets		-	-
		<b>3,430,081,520</b>	<b>3,316,746,131</b>
<b>Current Assets</b>			
Current Investments		-	-
Inventories	14	742,652,925	656,141,675
Trade Receivables	15	1,216,285,589	1,271,703,071
Cash and Bank Balances	16	90,592,911	136,558,028
Short-Term Loans and Advances	17	28,249,124	40,473,099
Other Current Assets	18	348,118	512,792
		<b>2,078,128,667</b>	<b>2,105,388,665</b>
		<b>5,508,210,186</b>	<b>5,422,134,796</b>
<b>Total</b>			
<b>Significant Accounting Policies &amp; Notes to Accounts referred to above form an integral part of financial statements</b>			
	1 to 41		

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**  
Chartered Accountants  
F. R. No.: 103523W

For **B. KHOSLA & CO.**  
Chartered Accountants  
F. R. No.: 000205C

**RAHIMULLAH**  
Managing Director

**CHETAN DESAI**  
Partner  
M. No.: 17000

**SANDEEP MUNDRA**  
Partner  
M. No.: 075482

**NIRMAL KUMAR BARDIYA**  
Director

**BRAHM PRAKASH**  
Company Secretary

**Statement of Profit & Loss for the year ended 31st March, 2012**

Particulars	Note	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
<b>REVENUE</b>			
Revenue From Operations	19	1,766,854,872	1,454,357,033
Other Income	20	122,427,122	13,990,540
<b>Total</b>		<b>1,889,281,994</b>	<b>1,468,347,573</b>
<b>EXPENSES</b>			
Cost of Materials Consumed	21	1,260,202,664	1,015,384,779
Purchases of Stock-In-Trade	22	33,803,302	15,004,142
Changes in Stock-In-Trade	23	(19,572,043)	(4,876,500)
Employee Benefits Expense	24	162,544,508	143,440,616
Finance Costs	25	119,370,041	120,112,222
Depreciation and Amortization Expense	10	15,269,373	12,025,878
Other Expenses	26	171,706,993	136,889,367
<b>Total</b>		<b>1,743,324,838</b>	<b>1,437,980,504</b>
<b>Profit Before Exceptional Items and Tax</b>		<b>145,957,157</b>	<b>30,367,069</b>
Exceptional Items (refer Note No. 33)		(2,730,000)	143,262,906
<b>Profit Before Tax</b>		<b>143,227,157</b>	<b>173,629,975</b>
Tax Expense:			
(1) Current Tax		1,014,140	607,640
(2) Earlier Years Tax		21,526	407,638
(3) Deferred Tax Charges/(Credits)		1,257,307	(1,086,460)
		<b>2,292,973</b>	<b>(71,182)</b>
<b>Profit for the Year</b>		<b>140,934,184</b>	<b>173,701,157</b>
<b>Earnings Per equity Share of Rs.10 Each (Refer Note No.38)</b>			
Basic (Rs.)		4.31	5.48
Diluted (Rs.)		4.29	5.47
Significant Accounting Policies & Notes to Accounts referred to above form an integral part of financial statements	1 to 41		

*As per our attached report of even date**For and on behalf of the Board*

For **HARIBHAKTI & CO.**  
Chartered Accountants  
F. R. No.: 103523W

For **B. KHOSLA & CO.**  
Chartered Accountants  
F. R. No.: 000205C

**RAHIMULLAH**  
Managing Director

**CHETAN DESAI**  
Partner  
M. No.: 17000

**SANDEEP MUNDRA**  
Partner  
M. No.: 075482

**NIRMAL KUMAR BARDIYA**  
Director

**BRAHM PRAKASH**  
Company Secretary

Jaipur, 29<sup>th</sup> May, 2012





## Cash Flow Statement for the Year ended 31st March, 2012

Particulars	Year Ended 31st March, 2012 (₹)	Year Ended 31st March, 2011 (₹)
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax and Exceptional Items	143,227,157	30,367,069
Adjustment for :		
Depreciation	15,269,373	12,025,878
Unrealised Foreign Exchange Difference	2,660,922	25,733,078
Deferred Tax	(1,257,307)	
Employee Compensation Expenses	3,145	(424,325)
Loss/(Profit) on sale of Fixed Assets	(39,851)	(83,476)
Loss on Impaired Fixed Assets	-	-
Leave Encashment & Gratuity Expenses	2,544,626	6,264,540
Liability No Longer required	(2,143,357)	(3,134,304)
Interest and Dividend Earned	(3,536,637)	(2,579,914)
Interest paid on borrowings	110,340,968	112,111,231
<b>Operating Profit before working Capital Changes</b>	<b>267,069,038</b>	<b>180,279,777</b>
Adjustment for :		
Trade and other Receivables	124,900,829	(146,553,751)
Trade payables, Provisions, Other Current Liabilities	191,137,988	10,898,261
Stock-in-Trade	(86,511,250)	(48,032,106)
<b>Cash Generated from Operations</b>	<b>496,596,606</b>	<b>(3,407,819)</b>
Direct Taxes paid - Current Year	1,014,140	-
- Earlier Year	21,526	407,638
<b>Net Cash from Operating Activities</b>	<b>495,560,940</b>	<b>(3,815,457)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(32,963,329)	(33,904,373)
Sale of Fixed Assets	211,000	302,500
Investment in Subsidiaries	-	188,966,964
Loan to Subsidiaries	-	-
Interest and Dividend received	3,536,637	2,257,943
<b>Net Cash used in Investing Activities</b>	<b>(29,215,692)</b>	<b>157,623,034</b>
<b>C. Cash flow from Financing Activities</b>		
Proceeds from / (Repayment of) Long Term Borrowings	(436,733,106)	39,456,679
Proceeds from / (Repayment of) Short term Borrowings	33,541,418	1,384,915
Proceeds from Issuance of Share Capital	-	-
Dividend and Tax on Dividend paid	-	-
Interest Paid on Borrowings	(110,340,968)	(112,111,231)
<b>Net Cash used in Financing Activities</b>	<b>(513,532,656)</b>	<b>(71,269,637)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(47,187,408)</b>	<b>82,537,940</b>
Opening Balance of Cash and Cash Equivalents	122,825,807	40,287,867
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>75,638,399</b>	<b>122,825,807</b>
<b>Cash and Cash Equivalents Comprises</b>		
Cash, cheques and drafts in hand	1,762,378	367,368
Balance with scheduled bank in current accounts	73,876,021	47,458,437
Balance with scheduled bank in deposit accounts	-	75,000,002
	<b>75,638,399</b>	<b>122,825,807</b>

**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  
F. R. No.: 103523W

For **B. KHOSLA & CO.**  
Chartered Accountants  
F. R. No.: 000205C

**RAHIMULLAH**  
Managing Director

**CHETAN DESAI**  
Partner  
M. No.: 17000

**SANDEEP MUNDRA**  
Partner  
M. No.: 075482

**BRAHM PRAKASH**  
Company Secretary

**NIRMAL KUMAR BARDIYA**  
Director

Jaipur, 29<sup>th</sup> May, 2012



**Note No.1 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 require 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 instalments.

**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. 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
- b. 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.

*For and on behalf of the Board*

Jaipur, 29<sup>th</sup> May, 2012

**BRAHM PRAKASH**  
*Company Secretary*

**NIRMAL KUMAR BARDIYA**  
*Director*

**RAHIMULLAH**  
*Managing Director*





Notes Accompanying to the financial statement for the year ended March 31,2012

Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
<b>2</b>	<b>Share Capital</b>				
<b>a</b>	The details of Authorised, Issued, Subscribed and paid up capital are as under :-				
	<b>Share Capital</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
	<b>Authorised</b>				
	41,000,000 Equity Shares of Rs. 10/- each	41,000,000	410,000,000	41,000,000	410,000,000
	4,500,000 Unclassified Shares of Rs 100/- each	4,500,000	450,000,000	4,500,000	450,000,000
	<b>Issued, Subscribed and Paid up</b>				
	31,698,473 Equity Shares of Rs. 10/- each	31,698,473	316,984,730	31,698,473	316,984,730
	4,400,000 1% Redeemable Preference Shares of Rs 100/- each	4,400,000	440,000,000	4,400,000	440,000,000
			<b>756,984,730</b>		<b>756,984,730</b>
<b>b</b>	The Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year is as under :-				
	<b>Particulars</b>	<b>Equity Shares</b>	<b>Preference Shares</b>	<b>Equity Shares</b>	<b>Preference shares</b>
	Shares outstanding at the beginning of the year	31,698,473	4,400,000	31,698,473	4,400,000
	Shares issued during the year	-	-	-	-
	Shares bought back during the year	-	-	-	-
	Shares outstanding at the end of the year	31,698,473	4,400,000	31,698,473	4,400,000
<b>c</b>	The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held except those held as underlying for GDR. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.				
<b>d</b>	Company has issued 44,00,000 non Convertible 1% Redeemable Preference shares in the year 2006-07. These Preference Shares 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.				
<b>e</b>	The details of shareholders holding more than 5% equity shares and preference shares as at reporting date are as under :-				
	<b>Name</b>	<b>No. of Shares held</b>	<b>% of Holding</b>	<b>No. of Shares held</b>	<b>% of Holding</b>
	<b>Equity Shares</b>				
	Brett Plastics Pvt Ltd.	2,554,332	8.06	2,554,332	8.06
	Nalanda India Fund Limited	4,110,600	12.97	4,110,600	12.97
	FID Funds (Mauritius) Limited	2,324,324	7.33	2,324,324	7.33
	Surawell Pacific Ltd #	3,175,000	10.02	3,175,000	10.02
	Heartiford Ltd. #	2,400,000	7.57	2,400,000	7.57
	Accelstar Investment Ltd. #	3,175,000	10.02	3,175,000	10.02
	<b>Preference Shares</b>				
	Reengus Exim Pvt. Ltd.	1,086,000	24.68	1,086,000	24.68
	Brett Plastics Pvt. Ltd.	2,879,000	65.43	2,879,000	65.43
	STP Exim Pvt. Ltd.	225,000	5.11	225,000	5.11

# Held through global depository receipts. The beneficiaries details are based on the information provided by management.



Note No.	Particulars	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
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**f 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 years 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	30.09.10	
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 01.04.11	36,655	12,000	300,000	195,000	20,000	563,655
Options granted during the year*	-	-	-	-	-	-
Options lapsed during the year	7,331	-	-	10,000	-	17,331
Options granted and outstanding as at the end of the year on 31.03.12	29,324	12,000	300,000	185,000	20,000	546,324

\* 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. 3145 [Previous Year (Rs. 424,325)] has been charged/credited under Employee Cost.

**3 Reserves & Surplus**

**A. Capital Reserve:**

Opening Balance	81,263,600	81,263,600
Add: Transfer During The Year	-	-
	81,263,600	81,263,600
Less : Written back during year	-	-
	<b>81,263,600</b>	<b>81,263,600</b>

**B. Securities Premium Account :**

Opening Balance	5,874,020,191	5,874,020,191
Add: Securities premium credited on share issue	-	-
	5,874,020,191	5,874,020,191
Less: Premium utilised for various reasons	-	-
	<b>5,874,020,191</b>	<b>5,874,020,191</b>

**C. Employee Stock Option Outstanding**

Options granted till date		
Add : Compensation for options granted during year	2,685,290	4,516,157
	-	-
Less : Written back during year	2,685,290	4,516,157
Closing Balance	356,838	1,830,867
	2,328,452	2,685,290
Less : Deferred Employees Compensation expenses outstanding	142,788	502,771
	<b>2,185,664</b>	<b>2,182,519</b>





Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
<b>D. General Reserve:</b>					
	Opening Balance	79,647,256		79,647,256	
	Add: Transferred from Profit and Loss Account	-		-	
		79,647,256		79,647,256	
	Less: Withdrawn during the year	-	79,647,256	-	79,647,256
<b>E. Foreign Currency Translation Reserve</b>					
	Opening Balance	39,328,557		102,724,218	
	Add : Current year transfer	89,258,183			
		128,586,740		102,724,218	
	Less : Written back during year	-		63,395,661	
			128,586,740		39,328,557
<b>F. Surplus/ (Deficit)</b>					
	Opening balance	(3,261,715,534)		(3,435,416,692)	
	Add:				
	Net Profit for the current year	140,934,184		173,701,158	
	Surplus/ (Deficit)		(3,120,781,350)		(3,261,715,534)
			<b>3,044,922,100</b>		<b>2,814,726,589</b>

**NON CURRENT LIABILITIES**

**4 Long Term Borrowings**

a The details of Secured or Unsecured Long Term Borrowings outstanding as at March 31,2012 are as under :-

**Secured:**

**Term Loan from Banks**

Corporate Loan #	258,020,000		346,300,000	
Working Capital Term Loan #	359,173,591	617,193,591	660,442,987	1,006,742,987

**Unsecured:**

**Deposits (Inter corporate deposit)**

From Related parties		38,000,000		20,400,000
		<b>655,193,591</b>		<b>1,027,142,987</b>

# Current maturities are disclosed under other current liabilities

**b Nature of Security**

**A. 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

**B. Working Capital Term Loan**

- (i) Above WCTL Loan is secured by first pari passu charge on block of assets (including Land & Building).

**C. Working Capital Term Loan & Corporate Loan is further secured (on pari passu basis) by :-**

- (i) Pledge of 254,332 equity shares of Rs. 10 each of Vaibhav Gems Limited by Brett Plastic Private Limited.
- (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 worth 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) Assignment of Loan to 2 subsidiaries of Rs.46.05 Crores
- (vi) Personal Guarantee of Mr. Sunil Agarwal, Chairman of the Company & pledge of 28,140 shares in his name.

**c Terms of Repayment of Term Loans**

**A. Corporate Loan**

**IDBI Term Loan** of Rs.40.74 Crore with a moratorium period of 30 months and repayable in equal monthly installment over a period of 60 months commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a. thereafter

**B. Working Capital Term Loan**

**Punjab National Bank** : WCTL of Rs.36 Crore with a moratorium period of 30 months and repayable in equal monthly 60 instalments commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a. thereafter.



Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
	<b>State Bank of Bikaner &amp; Jaipur:</b> WCTL of Rs.18 Crore with a moratorium period of 30 months and repayable in equal monthly 60 instalments commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a.thereafter				
	<b>Union Bank of India:</b> WCTL of Rs.18 Crore with a moratorium period of 30 months and repayable in equal monthly 60 instalments commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a.thereafter				
<b>C.</b>	<b>Deposits (Inter corporate deposit)</b>				
	These deposits are received as a part of Promoter's contribution in terms of CDR package and not repayable before the repayment of term loan and working capital term loan repayable.				
<b>5</b>	<b>LONG TERM PROVISIONS</b>				
	<b>Provision For Employee Benefits</b>				
	Provision for Gratuity (Refer Note no. 30b)	11,772,339		11,297,923	
	Provision for Leave Encashment (Refer Note no. 30b)	2,733,352	14,505,691	3,548,420	14,846,343
			<b>14,505,691</b>		<b>14,846,343</b>
<b>6</b>	<b>Short Term Borrowings</b>				
<b>a</b>	The details of Short- Term Borrowings as at March 31,2012 are as under :-				
	<b>Secured:</b>				
	<b>Loan Repayable on demand from Banks</b>				
	Pre-shipment Credit	401,498,074		315,537,884	
	Post-shipment Credit	217,130,643	618,628,717	269,549,415	585,087,299
			<b>618,628,717</b>		<b>585,087,299</b>
<b>b</b>	<b>Nature of Security</b>				
	<b>Working Capital Facilities :-</b>				
	(i) Above Loans are secured by hypothecation of Stock-in-trade and Book Debts on pari-passu basis.				
	(ii)Further Secured, on pari-passu basis, by :-				
	a. Equitable Mortgage of Land and Buildings situated at K-6A & K-6B, Adarsh Nagar and E-68 & E-69 EPIP, Sitapura, Jaipur				
	b. First charge on block of asset of the company (excluding Land & Building and vehicles)				
	(iii) Pledge of 200 common shares with no par value of STS Jewels Inc.				
	(iv) Pledge of 87,500 Ordinary Shares of HK \$100 each & assignment of loan worth Rs. 2.42 Crores of STS Gems Limited, HKK.				
	(v)Pledge of 12,576,833 equity shares of US \$ 1 each and assignment of loan worth Rs.43.63 Crores of Genoa Jewelers Limited, BVI and;				
	(vi)Personal Guarantee of Mr. Sunil Agarwal, Chairman of the Company & pledge of 28,140 shares in his name.				
<b>7</b>	<b>Trade Payables</b>				
	Trade Payables		195,443,048		77,695,149
			<b>195,443,048</b>		<b>77,695,149</b>
	Trade Payables 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.				
<b>8</b>	<b>Other Current Liabilities</b>				
<b>a.</b>	Other Current Liabilities consists of following :-				
	<b>Current Maturity of Long Term Debt:</b>				
	Corporate Loan	81,480,000		61,100,000	
	Working Capital Term Loan	96,000,000	177,480,000	63,000,000	124,100,000
	Unclaimed Dividend*		209,282		237,138
	Employee benefit payables		12,178,588		8,552,624
	Statutory Dues (including PF,TDS etc.)		2,497,876		2,705,738
	Creditor for Capital goods		7,420,727		134,971
	Other Payables#		20,728,496		8,848,263
			<b>220,514,969</b>		<b>144,578,734</b>

\* Investor Education and Protection Fund to be credited by the amount as and when required.

# Includes Rs. 1,21,73,773 (previous year 5,973,314 Dr. balance) being credit balance in current account with a bank.





Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
9	<b>Short Term Provisions</b>				
	<b>Provision for employee benefits:</b>				
	Provision for Gratuity (Refer Note no. 30b)	815,409		834,324	
	Provision for Leave Encashment (Refer Note no. 30b)	187,791	1,003,200	238,641	1,072,965
	Provision for Taxation		1,014,140		-
			<u>2,017,340</u>		<u>1,072,965</u>

**11 NON CURRENT INVESTMENT**

(Long Term - at Cost less provision for other than temporary diminution)

Amount in ₹

Particulars	Gross Amount		Diminution in Value of Investment		Net Amount	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
<b>A. Trade Investment (Unquoted) in Equity Instruments Investment in wholly owned Subsidiaries (Fully Paid up) :</b>						
1 1,000 (Previous year -1,000) with no par value of Jewel Gem USA Inc.	527,090,000	527,090,000	379,422,525	379,422,525	147,667,475	147,667,475
2 34,376,633 (Previous year - 34,376,633) Ordinary Shares of US \$ 1 each Genoa Jewellers Limited	1,481,150,232	1,481,150,232	1,198,052,091	1,198,052,091	283,098,141	283,098,141
3 350,000 (Previous year - 350,000) Ordinary Shares of Baht 100 each STS Gems Thai Limited	1,112,599,043	1,112,599,043	1,112,599,043	1,112,599,043	-	-
4 100,000 (Previous year - 100,000) Ordinary Shares of Baht 100 each STS Creations Thai Limited	62,031,574	62,031,574	62,031,574	62,031,574	-	-
5 200 (Previous year 200) Common Shares with No par value of STS Jewels Inc.	1,995,079,632	1,995,079,632	-	-	1,995,079,632	1,995,079,632
6 1,500 (Previous year - 1,500) Ordinary Shares of Yen 50,000 each STS Gems Japan Limited	19,918,042	19,918,042	19,918,042	19,918,042	-	-
7 87,500 (Previous year - 87,500) Ordinary Shares of HK \$100 each STS Gems Limited, Hongkong	157,499,992	157,499,992			157,499,992	157,499,992
8 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 r.l.de.cv. (Refer note no. 34)	-	410,227,250	-	410,227,250	-	-
<b>Total (A)</b>	<b>5,355,368,515</b>	<b>5,765,595,765</b>	<b>2,772,023,275</b>	<b>3,182,250,525</b>	<b>2,583,345,240</b>	<b>2,583,345,240</b>

**B. Other than Trade Investments**

**(i) Unquoted Investment in Equity Instrument of Associate (Fully Paid up) :**

360,000 (Previous year - 360,000) Equity Shares of Rs.10 each of VGL Softech Limited	5,207,000	5,207,000	5,207,000	5,207,000	-	-
Extent of holding 19.78 %						

**(ii) Quoted Investment in Equity (Fully Paid up) :**

368 (Previous year - 368) Equity Shares of Rs.10 each of Punjab National Bank	143,520	143,520	-	-	143,520	143,520
<b>Total (B)</b>	<b>5,350,520</b>	<b>5,350,520</b>	<b>5,207,000</b>	<b>5,207,000</b>	<b>143,520</b>	<b>143,520</b>

**C. Total (A+B)**

	<b>5,360,719,035</b>	<b>5,770,946,285</b>	<b>2,777,230,275</b>	<b>3,187,457,525</b>	<b>2,583,488,760</b>	<b>2,583,488,760</b>
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Notes:-

1. Aggregate amount of Quoted Investment					143,520	143,520
2. Market value of Quoted Investment					449,015	372,892
3. Aggregate amount of Non Quoted Investment					5,360,575,515	5,360,575,515
4. Aggregate amount of provision for diminution in value of Investment					2,777,230,275	3,187,457,525

**12 Deferred Tax Assets (Net)**

**Add: Deferred Tax Assets**

Provision for Gratuity	3,889,614		3,748,864	
Provision for Leave Encashment	902,633	4,792,247	1,170,202	4,919,066

**Less: Deferred Tax Liability:**

Depreciation	2,182,987	2,182,987	1,052,499	1,052,499
		<u>2,609,260</u>		<u>3,866,567</u>



Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
	Net deferred tax charge/(credit) for the year of Rs. 12,57,307 (Previous year Rs. (1,086,460) has been recognized in the Profit and Loss Account for the year.				
<b>13</b>	<b>LONG TERM LOANS AND ADVANCES</b> (Unsecured and considered good unless otherwise stated)				
	Capital Advances		7,857,725		-
	Loans & Advances to subsidiaries				
	Considered good	698,721,395		612,193,213	
	Considered doubtful	676,325,575		673,595,574	
		1,375,046,970		1,285,788,787	
	Less: Provision for Doubtful Debts	676,325,574	698,721,396	673,595,574	612,193,213
	Security Deposits		7,050,969		4,366,992
			<b>713,630,090</b>		<b>616,560,205</b>
	<b>CURRENT ASSETS</b>				
<b>14</b>	<b>INVENTORIES</b> (Cost & Net realizable value whichever is lower) (As taken, valued and certified by the Management)				
	Materials-in-process		705,989,037		639,283,871
	Semi Finished Goods		28,958,991		6,427,000
	Finished Goods		3,337,592		6,297,540
	Stores and Consumables		4,367,305		4,133,264
			<b>742,652,925</b>		<b>656,141,675</b>
<b>15</b>	<b>TRADE RECEIVABLES</b> (Unsecured and considered good unless otherwise stated)				
	Outstanding for a period exceeding Six Months from the date they are due for payment				
	Considered good	98,456,151		125,702,074	
	Considered doubtful	-		-	
		98,456,151		125,702,074	
	Less : Provision for Doubtful Debts brought forward			188,966,964	
	Less : Provision appropriated to Investment			(188,966,964)	
			98,456,151		125,702,074
	Others				
	Considered good	1,117,829,438		1,146,000,997	
	Considered doubtful	-		-	
		1,117,829,438		1,146,000,997	
	Less: Provision for Doubtful Debts	-		-	
			1,117,829,438		1,146,000,997
			<b>1,216,285,589</b>		<b>1,271,703,071</b>
<b>16</b>	<b>CASH AND BANK BALANCES</b>				
	<b>Cash &amp; Cash Equivalents</b>				
	Balance with Banks		73,664,707		47,219,119
	Bank Deposits (Non pledged)		-		75,000,000
	Cash on hand		1,762,378		367,368
			<b>75,427,085</b>		<b>122,586,487</b>
	<b>Other Bank Balance</b>				
	Bank Deposits (Pledged)		14,954,514		13,732,223
	Unpaid Dividend account		211,312		239,318
			<b>15,165,826</b>		<b>13,971,541</b>
			<b>90,592,911</b>		<b>136,558,028</b>
<b>17</b>	<b>SHORT TERM LOANS AND ADVANCES</b> (Unsecured and considered good unless otherwise stated)				
	Advance To Staff		884,288		1,623,507
	Advance To Suppliers		11,844,693		8,418,381
	Prepaid Expenses		3,405,542		3,031,884
	Balances with Tax Authorities		10,895,633		27,399,327
	Forward Contract Receivables		1,218,968		-
			<b>28,249,124</b>		<b>40,473,099</b>





Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
<b>18</b>	<b>OTHER CURRENT ASSETS</b>				
	Interest Accrued on Bank FDR		348,120		512,793
			<b>348,120</b>		<b>512,793</b>
<b>19</b>	<b>REVENUE FROM OPERATIONS</b>				
	Sale of Products:				
	Export Sales	1,639,869,450		1,449,761,043	
	Domestic Sales	122,271,559	1,762,141,009	1,714,444	1,451,475,487
	Other Operating revenue		4,713,863		2,881,546
			<b>1,766,854,872</b>		<b>1,454,357,033</b>
<b>19.1</b>	<b>PARTICULARS OF SALE OF PRODUCTS</b>				
	Gem Stones		247,188,074		166,752,936
	Jewellery		1,495,333,786		1,278,493,721
	Diamond		19,619,149		6,228,830
			<b>1,762,141,009</b>		<b>1,451,475,487</b>
<b>20</b>	<b>OTHER INCOME</b>				
	Interest		3,528,541		2,575,498
	Dividend Received		8,096		4,416
	Liability No Longer required		2,143,357		3,134,304
	Miscellaneous Income		4,892,733		3,595,751
	Exchange Fluctuation (Net)		111,854,396		4,680,572
			<b>122,427,123</b>		<b>13,990,541</b>
<b>21</b>	<b>COST OF MATERIAL CONSUMED</b>				
	<b>Materials Consumed</b>				
	Opening Material-in-process	639,283,871		596,971,632	
	Add: Purchases	1,326,907,830		1,057,697,018	
		<b>1,966,191,701</b>		<b>1,654,668,650</b>	
	Less: Closing Material-in-process	705,989,037	1,260,202,664	639,283,871	1,015,384,779
			<b>1,260,202,664</b>		<b>1,015,384,779</b>
<b>21.1</b>	<b>PARTICULARS OF RAW MATERIAL PURCHASED</b>				
	Precious Metals		364,259,474		325,975,248
	Gem Stones		893,786,398		803,113,738
	Jewellery		41,399,473		111,724,259
	Others		27,462,485		16,883,773
			<b>1,326,907,830</b>		<b>1,057,697,018</b>
<b>22</b>	<b>PURCHASES OF STOCK-IN-TRADE</b>				
	Purchases of Finished Goods		33,803,302		15,004,142
			<b>33,803,302</b>		<b>15,004,142</b>
<b>22.1</b>	<b>PARTICULARS OF FINISHED GOODS PURCHASED</b>				
	Jewellery		33,148,295		15,004,142
	Diamond		655,007		-
			<b>33,803,302</b>		<b>15,004,142</b>
<b>23</b>	<b>CHANGES IN STOCK-IN-TRADE</b>				
	Decrease/(Increase) of Stock-in-Trade consists of				
	<b>Finished Goods:</b>				
	Opening Stocks				
	Semi Finished Goods	6,427,000		3,753,078	
	Finished Goods	6,297,540		4,094,962	
		<b>12,724,540</b>		<b>7,848,040</b>	
	Less: Closing Stocks				
	Semi Finished Goods	28,958,991		6,427,000	
	Finished Goods	3,337,592		6,297,540	
		<b>32,296,583</b>	<b>(19,572,043)</b>	<b>12,724,540</b>	<b>(4,876,500)</b>
			<b>(19,572,043)</b>		<b>(4,876,500)</b>
<b>24</b>	<b>EMPLOYEES BENEFIT EXPENSE</b>				
	Salaries, Wages, Bonus etc.		142,349,166		126,875,245
	Contributions to Provident and Other Funds		12,075,515		10,756,566
	Staff Welfare Expenses		7,099,473		5,741,530



Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
	Employee Compensation Expenses under ESOS (Refer Note No.2f)		3,145		(424,325)
	Recruitment and Training		1,017,209		491,601
			<b>162,544,508</b>		<b>143,440,616</b>
<b>25</b>	<b>FINANCE COST</b>				
	Interest				
	- On Term Loans	87,085,430		89,104,092	
	- On Working Capital Facilities	23,255,538	110,340,968	23,007,139	112,111,231
	Finance Charges		9,029,073		8,000,991
			<b>119,370,041</b>		<b>120,112,222</b>
<b>26</b>	<b>OTHER EXPENSES</b>				
<b>a.</b>	<b>MANUFACTURING EXPENSES</b>				
	Job Work Charges		57,895,009		40,102,492
	Stores and Consumables		33,068,158		20,174,945
	Power and Fuel		12,623,184		10,336,201
	Repairs and Maintenance		5,886,776		5,784,513
	Other Manufacturing Expenses		4,662,683		7,878,053
			<b>114,135,810</b>		<b>84,276,204</b>
<b>b.</b>	<b>ADMINISTRATIVE &amp; SELLING EXPENSES</b>				
	Rent, Rates and Taxes		1,599,259		1,519,911
	Insurance		4,420,537		3,955,053
	Travelling and Conveyance		10,447,947		9,015,983
	Legal and Professional		2,963,993		3,025,957
	Postage and Telephone		2,284,195		2,228,488
	Printing and Stationery		1,091,850		936,654
	Advertisement and Business Promotion		578,716		443,416
	Brokerage and Commission		302,266		1,770,432
	Packing and Forwarding		19,566,101		18,263,879
	Misc. Expenses		6,904,931		4,160,358
	Donation		1,221,000		1,361,000
	<b>Auditors' Remuneration</b>				
	- Statutory Audit Fees	898,880		661,800	
	- Taxation Matters	168,540		165,450	
	- For Other services	44,944		227,800	
	- Reimbursement Of Expenses	62,294	1,174,658	191,957	1,247,007
	Directors' Remuneration		4,200,000		4,200,000
	Investment in Subsidiary Writtenoff (refer note no.34)	410,227,250			
	Less : Provision there against Written back	410,227,250			
	Directors' Sitting Fees		500,000		350,000
	Information Technology Expenses		315,731		135,025
			<b>57,571,183</b>		<b>52,613,163</b>
	<b>Total Other Expenses</b>		<b>171,706,993</b>		<b>136,889,367</b>
<b>27</b>	<b>Value and % of Material Consumption</b>		<b>%</b>		<b>%</b>
	<b>Raw Materials and Components:</b>				
	Imported	56.00	701,474,912	36.00	367,339,219
	Indigenous	44.00	558,727,752	64.00	648,045,560
			<b>1,260,202,664</b>		<b>1,015,384,779</b>
	<b>Consumables, Stores &amp; Spares:</b>				
	Imported	61.00	20,062,913	69.00	13,951,917
	Indigenous	39.00	13,005,232	31.00	6,223,028
			<b>33,068,145</b>		<b>20,174,945</b>
<b>28</b>	<b>Expenditure in Foreign Currency</b>				
	Travelling Expenses		1,120,796		1,083,498





Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
29	<b>Earnings in Foreign Currency</b> Export of goods calculated on F.O.B. basis		1,627,457,256		1,456,295,937
30	The Company has classified various benefits provided to employees as under:				
A.	<b>Defined Contribution Plans</b>				
	a. Provident Fund				
	b. State Defined Contribution Plan				
	i. Employers' Contribution to Employees' State Insurance				
	The Company has recognised the following amounts in Profit and Loss Account:				
	Employer's contribution to Provident Fund		7,820,049		6,464,814
	Employer's contribution to Employees State Insurance		4,229,422		4,291,752
B.	<b>a. Contribution to Gratuity Fund (Funded Scheme) &amp; Leave Encashment (Unfunded Scheme)</b>				
	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:				
		Gratuity Leave Encashment		Gratuity Leave Encashment	
	Discount Rate (per annum)	8.60%	8.60%	8.20%	8.20%
	Rate of increase in compensation levels (per annum)	10.00%	10.00%	10.00%	10.00%
	Rate of return on Plan Assets (for Funded Scheme)	9.15%	0.00%	9.15%	0.00%
	Expected Average remaining working lives of the employees (years)	23 Years		23 Years	
I.	<b>Change in the Present Value of Obligation</b>				
	The Scheme is funded with an insurance company in the form of qualifying insurance policy.				
	Present value of defined benefit obligation as at beginning of the year	18,261,313	3,787,061	13,719,281	3,701,983
	Interest cost	1,497,428	310,539	1,124,981	303,563
	Past Service cost	NIL	NIL	NIL	NIL
	Current service cost	2,924,357	657,590	2,768,545	812,397
	Benefits paid	(2,124,581)	(978,129)	(1,425,925)	(531,295)
	Actuarial (gain) / loss on obligations	(1,472,933)	(855,918)	2,074,431	(499,587)
	Present value of defined benefit obligation as at the end of the year	<b>19,085,584</b>	<b>2,921,143</b>	<b>18,261,313</b>	<b>3,787,061</b>
II.	<b>Changes in the Fair Value of Plan Assets</b>				
	Present value of plan assets as at beginning of the year	6,129,066	NIL	3,158,748	NIL
	Expected return on plan assets	502,658	NIL	331,339	NIL
	Contributions	1,888,181	NIL	4,064,904	NIL
	Benefits paid	(2,022,069)	NIL	(1,425,925)	NIL
	Actuarial gains / (losses)	NIL	NIL	NIL	NIL
	Fair value of plan assets as at end of the year *	<b>6,497,836</b>	<b>NIL</b>	<b>6,129,066</b>	<b>NIL</b>
	* All the funds under the Plan Assets are managed by insurer.				
III.	<b>Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets</b>				
		Gratuity Leave Encashment		Gratuity Leave Encashment	
	Present value of funded obligation as at end of the year	19,085,584	2,921,143	18,261,313	3,787,061
	Fair value of plan assets as at end of the year	6,497,836	NIL	6,129,066	NIL
	Funded Asset recognised in the Balance Sheet Shown as	(12,587,748)	(2,921,143)	(12,132,247)	(3,787,061)
	Long term provision (refer note no.5)	11,772,339	2,733,352	11,297,923	3,548,420
	Short term provision (refer note no.9)	815,409	187,791	834,324	238,641
IV.	<b>Amount recognised in the Balance Sheet</b>				
	Present value of defined benefit obligation as at the end of the Year	19,085,584	2,921,143	18,261,313	3,787,061
	Fair value of plan assets as at end of the year	6,497,836	NIL	6,129,066	NIL
	Liability/(Net Asset) recognised in the Balance Sheet	(12,587,748)	(2,921,143)	12,132,247	(3,787,061)



Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
<b>V. Expenses recognised in Profit and Loss Account</b>					
	Current service cost	2,924,357	657,590	2,768,545	812,397
	Past service cost	—	—	—	—
	Interest cost	1,497,428	310,539	1,124,981	303,563
	Expected Return on Plan Assets	(502,658)	—	(331,339)	—
	Net Actuarial (gain) / Loss recognised in the period	(1,472,933)	(855,918)	2,074,431	(499,587)
	Total Expenses recognised in the Profit and Loss Account*	<b>2,446,194</b>	<b>112,211</b>	<b>5,636,618</b>	<b>616,373</b>
* Included in Salaries, wages, bonus etc in Note No.23					
<b>VI. Actual Return on Plan Assets</b>					
	Expected Return on Plan Assets	502,658	NIL	331,339	NIL
	Actuarial gain / (losses) on Plan Assets	NIL	NIL	NIL	NIL
	<b>Actual Return on Plan Assets</b>	<b>502,658</b>	<b>NIL</b>	<b>331,339</b>	<b>NIL</b>

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 .

**31 Un-hedged foreign currency exposures as at March 31, 2012 are as under:**

Receivables (Net of Hedge)	1,868,962,984	1,883,896,284
Payables	143,311,146	58,962,227

**32** Three subsidiaries of the company are having negative net worth. The company has exposure of Rs 4,003,319,864, Rs. 1,201,671,493 & Rs. 1,099,953,990 in these companies towards investments, loans and advance and Trade receivables respectively against which aggregate provision of Rs 2,253,800,190 has been made in the accounts of earlier year. 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.

**33** The details of exceptional items are as under :

Provision for doubtful loans to Subsidiary	(25,000,000)	-
Provision for Doubtful loan/Debts to Subsidiary written back	22,270,000	143,262,906
<b>Total</b>	<b>(2,730,000)</b>	<b>143,262,906</b>

**34** During the year the Company has written off its investment in equity shares of one of the Subsidiary Indo Mexico Co.S.De.R.L.De.C.V.,Mexico amounting to Rs. 41,02,27,250. An equivalent amount of provision for permanent diminution in such investment made in earlier years have been written back.

**35 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.;                   | 8. STS Gems Thai Limited, Thailand;            | 11. Genoa Jewelers (St. Kitts) Limited, West Indies; |
| 2. STS Gems Japan Limited;               | 7. Indo Mexico Co. S. De R.L. De C.V., Mexico; | 12. The Jewellery Channel Inc., USA                  |
| 3. STS Gems Limited, Hong Kong;          | 8. Genoa Jewelers Limited, BVI;                |  |
| 4. STS Jewels Inc., USA;                 | 9. STS Gems USA Inc.;                          |  |
| 5. STS Creations Thai Limited, Thailand; | 10. The Jewellery Channel Ltd., United Kingdom |  |

**Enterprises in which Key management personnel are interested :**

- |                          |                         |
|--------------------------|-------------------------|
| 1. VGL Softech Limited   | 3. Anubhav Gems (P) Ltd |
| 2. Emerald Creation Inc. |                         |

**Key Management Personnel (KMP):**

1. Mr. Rahimullah – Managing Director

**Relative of Key Management Personnel**

- |                  |                  |
|------------------|------------------|
| 1. Mr. Asifullah | 2. Mr. Arifullah |
|------------------|------------------|





Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
<b>B. Related Party Transactions</b>					
Amount in ₹					
	Nature of Transactions	Subsidiary		Key Managerial Person	
		2011-12	2010-11	2011-12	2010-11
					Relative of Key Managerial Person & Enterprises over which significant influence exercised by Key Managerial Person
					2011-12
					2010-11
(i)	Transactions During the year				
	a. Sales of Goods	1,521,048,207	1,315,810,094		39,846,459
	b. Purchases of Goods	278,256,708	161,508,840		94,402
	c. Loan Given	-	-		
	d. Expense	370,860	1,890,462		
	e. Investment	-	-		
	f. Guarantee	2,029,079	-		
	g. Remuneration			4,200,000	4,200,000
(ii)	Balances as at 31.03.12				
	a. Amount Receivable	1,156,468,448	1,048,831,318		
	b. Amount Payable	92,460,004	41,272,508		
	c. Loan Receivable	1,375,046,969	1,276,085,206		
	d. Investment	-	5,293,336,941		5,207,000
	e. Guarantee	1,551,337,492	385,884,000		5,207,000

**36 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".

**37 Loans given to Subsidiaries**

Name of Company	Type	As at		Maximum Balance during the year	
		Current year	Previous year	Current year	Previous year
Jewel Gems USA Inc.	Loan	105,335,737	94,794,000	105,335,737	94,794,000
Genca Jewellers Limited	Loan	1,096,335,757	1,042,118,258	1,096,335,757	1,042,118,258
STS Gems Ltd. HK	Loan	25,580,000	22,570,000	25,580,000	22,570,000
STS Gems Thai Ltd.	Loan	147,795,476	122,270,000	147,795,476	122,270,000

**38 Earning Per Share (EPS)**

a	Profit after Tax (Rs.)	140,934,184	173,701,159
b	Dividend on Preference Shares (Rs.)	4,400,000	4,400,000
c	Profit attributable to Equity Shareholders for Basic and Diluted EPS (Rs.) (a-b)	136,534,184	169,301,159
d	i) Weighted average number of Equity Shares outstanding during the year for Basic EPS	31,698,473	31,698,473
	ii) No of Stock Option Outstanding	546,324	554,724
	iii) No of Dilutive Potential Equity Shares	145,000	-
e	Weighted average number of Equity Shares outstanding during the year for Diluted EPS (d(i)+d(iii))	31,698,473	31,698,473
f	Basic Earning Per Share	4.31	5.48
g	Diluted Earning Per Share	4.29	5.47

**39 Provisions & Contingent Liabilities**

<b>1 (a). Capital Commitment:</b>			
	Estimated amount of contracts remaining to be Executed and not provided for	Nil	1,080,625
<b>1 (b). Contingent Liabilities:</b>			
	Guarantees given by bank on behalf of the Company	90,799,200	80,930,000
	Guarantees given to bank & others by the Company	1,460,538,292	305,090,000
<b>Disputed Tax Matters:</b>			
	Income Tax	NIL	4,096,403
	Dividend on Cumulative Preference Share*	22,000,000	17,600,000

(\*Arrears pertaining to 2007-08, 2008-09, 2009-10, 2010-11 & 2011-12)

40 In the opinion of the Board, all assets other than fixed assets and non current investments have a value on realisation in the ordinary course of business at least equal to the amount stated.

41 As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act, 1956 is applicable to the Financial Statements for the financial year commencing on or after 1st April, 2011. Accordingly, the financial statements for the year ended March 31, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to confirm to the requirements of Revised Schedule VI.



**NON CURRENT ASSETS**

Note 10 Fixed Assets

NAME OF ASSETS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Addition	Ded./Adj. during the year	As at 31.03.2012	Up to 31.3.2011	For the Year	Ded./Adj. during the year	Up to 31.03.2012	As at 31.03.2012	As at 31.3.2011
<b>A. Tangible Assets</b>										
Freehold Land	4,894,908	-	-	4,894,908	-	-	-	-	4,894,908	4,894,908
Leasehold Land	15,426,717	50,311	-	15,477,028	861,974	152,767	-	1,014,741	14,462,287	14,885,122
Building	53,758,221	12,814,506	-	66,572,727	27,118,065	3,771,148	-	30,889,213	35,683,514	26,640,156
Plant & Machinery	85,243,169	23,469,035	-	108,712,203	54,440,612	5,820,601	-	60,261,213	48,450,990	30,802,557
Electric Installation	16,996,804	2,799,678	-	19,796,482	9,791,259	1,314,894	-	11,106,153	8,690,329	7,205,545
Furniture & Fixtures	23,090,505	1,974,785	-	25,065,290	16,898,297	1,399,642	-	18,297,939	6,767,351	6,192,208
Office Equipment	12,514,182	1,203,357	-	13,717,539	8,548,102	656,881	-	9,204,983	4,512,556	3,986,080
Computer	22,077,279	3,678,447	-	25,755,726	20,236,921	1,508,136	-	21,745,057	4,010,668	1,840,357
Vehicles	4,331,947	1,439,335	570,475	5,200,808	2,483,035	645,304	399,326	2,729,013	2,471,795	1,848,913
<b>Total</b>	<b>238,333,732</b>	<b>47,429,454</b>	<b>570,475</b>	<b>285,192,711</b>	<b>140,378,265</b>	<b>15,269,373</b>	<b>399,326</b>	<b>155,248,312</b>	<b>129,944,398</b>	<b>98,055,846</b>
<b>B. Capital Work In Progress</b>										
<b>Total</b>	<b>238,333,732</b>	<b>47,429,454</b>	<b>570,475</b>	<b>285,192,711</b>	<b>140,378,265</b>	<b>15,269,373</b>	<b>399,326</b>	<b>155,248,312</b>	<b>130,353,406</b>	<b>112,830,599</b>
Previous Year	220,142,619	19,129,620	938,507	238,333,732	128,971,491	12,025,878	719,483	140,378,265	98,055,846	91,171,128

Amount in ₹





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

Name of the Company	Issued & Subscribed Share capital	Reserves	Total Liabilities	Total Assets	Investment other than Investment in Subsidiary	Turnover	₹ In Lacs			
							Profit (Loss) before Taxation	Provision for Taxation	Profit & (Loss) after Taxation	Proposed Dividend
STS Jewels Inc., USA	259.26	(461.96)	4,947.94	4,745.24	-	7,851.26	489.19	489.19	NIL	
STS Gems Thai Limited, Thailand	587.13	(559.03)	1,588.57	1,596.67	-	685.09	32.35	32.35	NIL	
STS Creations Thai Limited, Thailand	318.73	(318.81)	1.03	0.94	-	-	50.62	50.62	NIL	
STS Gems Limited, Hong Kong	584.33	1,391.42	4,666.07	6,641.81	-	11,085.20	170.58	691.16	NIL	
STS Gems Japan Limited	472.65	(652.85)	81.29	1.09	0.32	-	(4.49)	(4.49)	NIL	
Jewel Gem USA Inc.	6,118.55	(6,892.95)	3,096.93	802.26	-	1,032.82	(400.21)	(400.21)	NIL	
Genoa Jewellers Limited, BVI	17,825.01	(23,489.52)	12,810.00	7,145.49	-	-	1.86	1.86	NIL	
The Jewellery Channel Ltd., United Kingdom	20.72	(8,848.13)	14,491.59	5,664.18	-	17,970.21	396.81	396.81	NIL	
The Jewellery Channel Inc., USA	1,555.56	(10,769.49)	15,712.31	6,498.38	-	37,546.81	4,649.64	4,649.64	NIL	

NOTES :

- All foreign subsidiaries figures are converted into Indian Rupees on standalone basis and all balance sheet items at closing rate and all profit and loss account items at average rate.



## CONSOLIDATED FINANCIAL STATEMENTS

### AUDITORS' REPORT FOR CONSOLIDATED Financial Statements

To,  
The Board of Directors of  
VAIBHAV GEMS LIMITED

- 1) We have audited the attached Consolidated Balance Sheet of Vaibhav Gems Limited (the Company) and its subsidiaries as at 31<sup>st</sup> March 2012 and the Consolidated Statement of Profit and Loss 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 provides reasonable basis for our opinion.
- 3) We further report that :
  - a) We did not audit the financial statement of 5 subsidiaries, whose financial statements reflect total assets of ₹12,985.75 lacs as at March 31, 2012, and total revenue of ₹ 19905.01 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 ₹19307.48 lacs and total revenue of ₹ 57042.51 lacs have been audited by one of the undersigned, viz. B. Khosla & Co.
  - c) We draw attention to Note no. 32 of Notes accompanying financial statements. As explained therein the auditors of two 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) The auditor of one of the subsidiary have made a remark on the loans and advances of USD 7.65 million (₹ 3966.68 lacs at the conversion rate as on the Balance Sheet date), the confirmations of which and the terms and conditions for the same have not been defined.
  - e) Certain other financial information of the subsidiaries, which have not been attested by other auditors, has been compiled 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 judgment 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, 2012.
  - 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  
F. R. No. 103523W

**Chetan Desai**  
Partner  
M. No. 17000  
Mumbai, May 29<sup>th</sup>, 2012

For B. Khosla & Co.  
Chartered Accountants  
F. R. No. 000205C

**Sandeep Mundra**  
Partner  
M. No. 075482  
Jaipur, May 29<sup>th</sup>, 2012





**Consolidated Balance Sheet as at 31st March, 2012**

Particulars	Note	Year Ended 31st March, 2012 (₹)	Year Ended 31st March, 2011 (₹)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	756,984,730	756,984,730
Reserves and Surplus	3	1,896,459,317	1,293,854,958
Money received against share warrants		-	-
		<b>2,653,444,047</b>	<b>2,050,839,688</b>
<b>Share application money pending allotment</b>			
		-	-
<b>Non Current Liabilities</b>			
Long-Term Borrowings	4	655,193,591	1,027,142,987
Deferred Tax Liability (Net)		-	-
Other Long Term Liabilities		-	-
Long-Term Provisions	5	14,505,691	14,846,343
		<b>669,699,282</b>	<b>1,041,989,330</b>
<b>Current Liabilities</b>			
Short-Term Borrowings	6	943,418,369	864,654,813
Trade Payables	7	460,917,371	233,709,619
Other Current Liabilities	8	414,644,773	290,237,707
Short-Term Provisions	9	2,411,215	1,072,965
		<b>1,821,391,728</b>	<b>1,389,675,104</b>
<b>Total</b>		<b>5,144,535,057</b>	<b>4,482,504,122</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	10	208,196,653	195,342,191
Intangible Assets	10	1,818,192,921	1,835,036,963
Capital Work-In-Progress	10	409,008	14,774,753
Intangible Assets under development		-	-
Non-Current Investments	11	175,030	143,520
Deferred Tax Assets (Net)	12	2,609,260	3,866,567
Long-Term Loans and Advances	13	15,067,305	4,366,992
Other non-current assets		-	-
		<b>2,044,650,177</b>	<b>2,053,530,986</b>
<b>Current Assets</b>			
Current Investments	14	130,742,892	171,702,864
Inventories	15	1,717,890,086	1,478,825,476
Trade Receivables	16	374,600,880	233,914,950
Cash and Bank Balances	17	186,791,593	201,070,402
Short-Term Loans and Advances	18	689,030,714	342,412,282
Other Current Assets	19	828,715	1,047,162
		<b>3,099,884,880</b>	<b>2,428,973,136</b>
<b>Total</b>		<b>5,144,535,057</b>	<b>4,482,504,122</b>
<b>Significant Accounting Policies</b>	1		
<b>Notes to Accounts</b>	2 to 37		

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**  
Chartered Accountants  
F. R. No.: 103523W

For **B. KHOSLA & CO.**  
Chartered Accountants  
F. R. No.: 000205C

**RAHIMULLAH**  
Managing Director

**CHETAN DESAI**  
Partner  
M. No.: 17000

**SANDEEP MUNDRA**  
Partner  
M. No.: 075482

**BRAHM PRAKASH**  
Company Secretary

**NIRMAL KUMAR BARDIYA**  
Director

Jaipur, 29<sup>th</sup> May, 2012

**Consolidated Profit and Loss Statement for the Year Ended 31st March, 2012**

Particulars	Note	Year Ended 31st March, 2012 (₹)	Year Ended 31st March, 2011 (₹)
<b>REVENUE</b>			
Revenue From Operations	20	6,464,960,477	5,258,263,144
Other Income	21	283,199,529	116,715,588
<b>Total</b>		<b>6,748,160,006</b>	<b>5,374,978,732</b>
<b>EXPENSES</b>			
Cost of Materials Consumed	22	1,252,688,297	1,232,109,711
Purchases of Stock-In-Trade	23	1,199,405,745	920,085,630
Decrease/(Increase) of Stock-In-Trade	24	(172,125,388)	(85,662,296)
Employees Benefit Expenses	25	904,621,264	675,667,190
Financial Costs	26	144,358,931	145,420,561
Depreciation and Amortization Expense	10	90,830,072	81,065,465
Other Expenses	27	2,540,466,773	1,982,242,963
<b>Total</b>		<b>5,960,245,694</b>	<b>4,950,929,224</b>
<b>Profit Before Exceptional Items and Tax</b>		<b>787,914,312</b>	<b>424,049,508</b>
Exceptional Items (refer Note No. 33)		100,539,144	(6,933,351)
<b>Profit Before Tax</b>		<b>687,375,168</b>	<b>430,982,859</b>
<b>Tax Expense:</b>			
(1) Current Tax		1,014,140	607,640
(2) Earlier Years Tax		21,526	456,501
(3) Deferred Tax Charges/(Credits)		1,257,307	(1,086,460)
		<b>2,292,973</b>	<b>(22,319)</b>
<b>Profit for the Year</b>		<b>685,082,195</b>	<b>431,005,178</b>
<b>Earnings Per equity Share of Rs.10 Each (Refer Note No.34)</b>			
<b>Basic (Rs.)</b>		21.47	13.46
<b>Diluted (Rs.)</b>		21.38	13.46
<b>Significant Accounting Policies</b>	1		
<b>Notes to Accounts</b>	2 to 37		

As per our attached report of even date

For and on behalf of the Board

For **HARIBHAKTI & CO.**  
Chartered Accountants  
F. R. No.: 103523W

For **B. KHOSLA & CO.**  
Chartered Accountants  
F. R. No.: 000205C

**RAHIMULLAH**  
Managing Director

**CHETAN DESAI**  
Partner  
M. No.: 17000

**SANDEEP MUNDRA**  
Partner  
M. No.: 075482

**BRAHM PRAKASH**  
Company Secretary

**NIRMAL KUMAR BARDIYA**  
Director

Jaipur, 29<sup>th</sup> May, 2012



**Consolidated Cash Flow Statement for the Year ended 31st March, 2012**

Particulars	Year Ended 31st March, 2012 (₹)	Year Ended 31st March, 2011 (₹)
<b>A. Cash Flow from Operating Activities</b>		
Net Profit / (Loss) before tax	687,375,169	424,049,509
Adjustment for :		
Depreciation	90,830,072	81,065,465
Deferred Tax	(1,257,307)	
Employee compensation Expenses	3,145	(424,325)
Profit on sales of Investment	14,251,892	
Loss/(Profit) on sale of Fixed Assets	2,837,006	3,825,451
Gratuity Expenses	2,544,626	6,264,540
Interest and Dividend earned	(21,360,217)	(2,845,614)
Interest paid on borrowings	127,605,262	130,877,933
<b>Operating Profit before working Capital Changes</b>	<b>902,829,648</b>	<b>642,812,959</b>
Adjustment for :		
Trade and other Receivables	(496,528,921)	(119,563,043)
Trade payables, Provisions, Other Current Liabilities	350,067,790	(72,472,661)
Stock- in - Trade	(239,064,610)	87,888,554
<b>Cash generated from Operations</b>	<b>517,303,907</b>	<b>538,665,809</b>
Direct Taxes paid	(1,014,140)	(607,640)
Earlier Year Tax	(21,526)	(456,501)
<b>Net Cash from operating activities</b>	<b>516,268,241</b>	<b>537,601,668</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(75,311,753)	(59,179,648)
Sales/(Purchases) of Shares/Mutual Fund	40,928,462	(40,024,953)
Profit/(Loss) on sale of investment	(14,251,892)	-
Interest and Dividend received	21,360,217	1,604,081
<b>Net Cash used in Investing Activities</b>	<b>(27,274,966)</b>	<b>(97,600,520)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from /(Repayment of ) Long Term Borrowings	(371,949,396)	(25,614,164)
Proceeds from /(Repayment of ) Short Term Borrowings	78,763,556	18,883,221
Deposits	23,429,406	10,505,808
Foreign Currency Translation Reserve - Unrealised	(82,480,980)	(236,304,265)
Dividend and Tax on Dividend paid		-
Interest Paid on Borrowings	(127,605,262)	(130,877,933)
<b>Net Cash used in Financing Activities</b>	<b>(479,842,676)</b>	<b>(363,407,333)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents ( A+B+C)</b>	<b>9,150,597</b>	<b>76,593,813</b>
Opening Balance of Cash and Cash Equivalents	177,640,996	101,047,183
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>186,791,593</b>	<b>177,640,996</b>
<b>Cash and Cash Equivalents comprises</b>		
Cash, cheques and drafts in hand	2,690,680	2,821,123
Balance with bank in current accounts	133,218,022	100,003,976
Balance with bank in deposit accounts	50,882,891	74,815,897
	<b>186,791,593</b>	<b>177,640,996</b>

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  
F. R. No.: 103523W

For **B. KHOSLA & CO.**  
Chartered Accountants  
F. R. No.: 000205C

**RAHIMULLAH**  
Managing Director

**CHETAN DESAI**  
Partner  
M. No.: 17000

**SANDEEP MUNDRA**  
Partner  
M. No.: 075482

**BRAHM PRAKASH**  
Company Secretary

**NIRMAL KUMAR BARDIYA**  
Director

Jaipur, 29<sup>th</sup> May, 2012

**Note No.1 Significant Accounting Policies for Consolidated Accounts****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
<b>Direct Subsidiaries</b>			
Genoa Jewelers Limited	British Virgin Islands	100%	31st March
Jewel Gem USA Inc.	USA	100%	31st March
STS Creations Thal Limited	Thailand	100%	31st March
STS Gems Japan Limited	Japan	100%	31st March
STS Gems Limited	Hong Kong	100%	31st March
STS Gems Thai Limited	Thailand	100%	31st March
STS Jewels Inc.	USA	100%	31st March
<b>Step-down Subsidiaries</b>			
The Jewelry Channel Limited UK	United Kingdom	100%	31st March
The Jewelry Channel Inc.	USA	100%	31st March

\* Subsidiaries closed down / gone through dissolution, therefore not considered for consolidation during the year.

- (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, 2012 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.

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*For and on behalf of the Board*

Jaipur, 29<sup>th</sup> May, 2012

**BRAHM PRAKASH**  
*Company Secretary*

**NIRMAL KUMAR BARDIYA**  
*Director*

**RAHIMULLAH**  
*Managing Director*



Notes Accompanying to the financial statement for the year ended March 31, 2012

Note No.	Particulars	As at 31st March, 2012		As at 31st March, 2011	
<b>2</b>	<b>Share Capital</b>				
<b>a</b>	The details of Authorised, Issued, Subscribed and paid up capital are as under :-				
	<b>Share Capital</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
	<b>Authorised</b>				
	41,000,000 Equity Shares of Rs. 10/- each	41,000,000	410,000,000	41,000,000	410,000,000
	4,500,000 Unclassified Shares of Rs 100/- each	4,500,000	450,000,000	4,500,000	450,000,000
	<b>Issued, Subscribed and Paid up</b>				
	31,698,473 Equity Shares of Rs. 10/- each	31,698,473	316,984,730	31,698,473	316,984,730
	4,400,000 1% Redeemable Preference Shares of Rs 100/- each	4,400,000	440,000,000	4,400,000	440,000,000
			<b>756,984,730</b>		<b>756,984,730</b>
<b>b</b>	The Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year is as under :-				
	<b>Particulars</b>	<b>Equity Shares</b>	<b>Preference Shares</b>	<b>Equity Shares</b>	<b>Preference Shares</b>
	Shares outstanding at the beginning of the year	31,698,473	4,400,000	31,698,473	4,400,000
	Shares issued during the year	-	-	-	-
	Shares bought back during the year	-	-	-	-
	Shares outstanding at the end of the year	31,698,473	4,400,000	31,698,473	4,400,000
<b>c</b>	The company has one class of equity shares having par value of Rs.10 per share. Each shareholder is eligible for one vote per share held except those held as underlying for GDR. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.				
<b>d</b>	Company has issued 44,00,000 non Convertible 1% Redeemable Preference share in the year 2006-07. These 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.				
<b>e</b>	The details of shareholders holding more than 5% equity shares and preference shares as at reporting date are as under :-				
	<b>Name</b>	<b>No. of Shares held</b>	<b>% of Holding</b>	<b>No. of Shares held</b>	<b>% of Holding</b>
	<b>Equity Shares</b>				
	Brett Plastics Pvt. Ltd.	2,554,332	8.06	2,554,332	8.06
	Nalanda India Fund Limited	4,110,600	12.97	4,110,600	12.97
	FID Funds (Mauritius) Limited	2,324,324	7.33	2,324,324	7.33
	Surawell Pacific Ltd #	3,175,000	10.02	3,175,000	10.02
	Heartiford Ltd #	2,400,000	7.57	2,400,000	7.57
	Accelstar Investment Ltd #	3,175,000	10.02	3,175,000	10.02
	<b>Preference Shares</b>				
	Reengus Exim Pvt. Ltd.	1,086,000	24.68	1,086,000	24.68
	Brett Plastics Pvt. Ltd.	2,879,000	65.43	2,879,000	65.43
	STP Exim Pvt. Ltd.	225,000	5.11	2,25,000	5.11
	# Held through global depository receipts. The beneficiaries details are based on the information provided by management.				
<b>f</b>	<b>Employee Stock Option Scheme:</b>				
	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 years from the date of vesting.				
	The details of the Grant under the aforesaid schemes are as under:-				





Note No.	Particulars	As at 31st March, 2012 (₹)				As at 31st March, 2011 (₹)	
		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	30.09.10	
	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 01.04.11	36,655	12,000	300,000	195,000	20,000	563,655
	Options granted during the year*	-	-	-	-	-	-
	Options lapsed during the year	7,331	-	-	10,000	-	17,331
	Options granted and outstanding as at the end of the year on 31.03.12	29,324	12,000	300,000	185,000	20,000	546,324

\* 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. 3145 [Previous Year (Rs. 424,325)] has been charged/credited under Employee Cost.

### 3 Reserves & Surplus

#### A. Capital Reserve:

Opening Balance	95,474,890	95,474,890
Add: Transfer During The Year	-	-
	95,474,890	95,474,890
Less : Written back during year	-	-
	95,474,890	95,474,890

#### B. Securities Premium Account :

Opening Balance	5,874,020,191	5,874,020,191
Add: Securities premium credited on share issue	-	-
	5,874,020,191	5,874,020,191
Less: Premium utilised for various reasons	-	-
	5,874,020,191	5,874,020,191

#### C. Employee Stock Option Outstanding

Options granted till date	2,685,290	4,516,157
Add : Compensation for options granted during year	-	-
	2,685,290	4,516,157
Less : Written back during year	356,838	1,830,867
Closing Balance	2,328,452	2,685,290
Less : Deferred Employees Compensation expenses outstanding	142,788	502,771
	2,185,664	2,182,519

#### D. General Reserve:

Opening Balance	79,647,256	79,647,256
Add: Transferred from Profit and Loss Account	-	-
	79,647,256	79,647,256
Less: Transitional Liabilities for Retirement Benefits Plan	-	-
	79,647,256	79,647,256

#### E. Foreign Currency Translation Reserve

Opening Balance	16,197,301	252,501,566
Add : Current year transfer	(82,480,980)	-
	(66,283,679)	252,501,566
Less : Written back during year	-	236,304,265
	(66,283,679)	16,197,301

#### F. Surplus/ (Deficit)

Opening balance	(4,773,667,199)	(5,204,672,378)
Add:		
Net Profit For the current year	685,082,194	431,005,179
Surplus/ (Deficit)	(4,088,585,005)	(4,773,667,199)
	<u>1,896,459,317</u>	<u>1,293,854,958</u>



Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
<b>NON CURRENT LIABILITIES</b>					
<b>4</b>	<b>Long Term Borrowings</b>				
a	The details of Secured or unsecured Long Term Borrowings outstanding as at March 31, 2012 are as under :-				
	<b>Secured:</b>				
	<b>Term Loan from Banks</b>				
	Corporate Loan #	258,020,000		346,300,000	
	Working Capital Term Loan #	359,173,591	617,193,591	660,442,987	1,006,742,987
	<b>Unsecured:</b>				
	<b>Deposits(Inter corporate deposit)</b>				
	From Related parties		38,000,000		20,400,000
			<u>655,193,591</u>		<u>1,027,142,987</u>

# Current maturities are disclosed under other current liabilities

**b Nature of Security**

**A. 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

**B. Working Capital Term Loan**

- (i) Above WCTL Loan is secured by first pari passu charge on block of assets (including Land & Building).

**C. Working Capital Term Loan & Corporate Loan is further secured (on pari passu basis) by :-**

- (i) Pledge of 254,332 equity shares of Rs. 10 each of Vaibhav Gems Limited by Brett Plastic Private Limited.
- (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 worth 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) Assignment of Loan to 2 subsidiaries of Rs.46.05 Crores
- (vi) Personal Guarantee of Mr. Sunil Agarwal, Chairman of the Company & pledge of 28,140 shares in his name.

**c Terms of Repayment of Term Loans**

**A. Corporate Loan**

**IDBI Term Loan** of Rs.40.74 Crore with a moratorium period of 30 months and repayable in equal monthly installment over a period of 60 months commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a. thereafter

**B. Working Capital Term Loan**

**Punjab National Bank** : WCTL of Rs. 36 Crore with a moratorium period of 30 months and repayable in equal monthly 60 instalments commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a. thereafter

**State Bank of Bikaner & Jaipur**: WCTL of Rs. 18 Crore with a moratorium period of 30 months and repayable in equal monthly 60 instalments commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a. thereafter

**Union Bank of India**: WCTL of Rs.18 Crore with a moratorium period of 30 months and repayable in equal monthly 60 instalments commencing July 2011 carrying interest @ 8% p.a. upto June 2011 and @ 10 % p.a. thereafter

**C. Deposits (Inter corporate deposit)**

These deposits are received as a part of Promoters contribution in terms of CDR package and not repayable before the repayment of term loan and working capital term loan.

**5 LONG TERM PROVISIONS**

**Provision For Employee Benefits:**

Provision for Gratuity	11,772,339		11,297,923	
Provision for Leave Encashment	2,733,352	14,505,691	3,548,420	14,846,343
		<u>14,505,691</u>		<u>14,846,343</u>

**6 Short Term Borrowings**

**Secured:**

<b>Loan Repayable on demand from Banks</b>				
Pre-shipment Credit*		401,498,074		315,537,884





Note No.	Particulars	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
	Post-shipment Credit*	217,130,644	269,549,415
	Other Short term Loans & overdraft #	324,789,652	279,567,514
		<b>943,418,369</b>	<b>864,654,813</b>

**a Nature of Security**

**A.\* Working Capital Facilities in India**

- (i) Above loans are secured by hypothecation of Stock-in-trade and Book Debts on pari-passu basis.
- (ii) Further Secured, on pari-passu basis, by :-
  - a. Equitable Mortgage of Land and Buildings situated at K-6A & K-6B, Adarsh Nagar and E-68 & E-69 EPIP, Sitapura, Jaipur
  - b. First charge on block of asset of the company (excluding Land & Building and vehicles)
- (iii) Pledge of 200 common shares with no par value of STS Jewels Inc.
- (iv) Pledge of 87,500 Ordinary Shares of HK \$100 each & assignment of loan worth Rs. 2.42 Crores of STS Gems Limited, HKK.
- (v) 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 ;
- (vi) Personal Guarantee of Mr. Sunil Agarwal, Chairman of the Company & pledge of 28,140 shares in his name.

**B. # Short term loans & overdraft facilities in respect of The Jewellery channel Limited, UK for Rs. 224,453,310 :-**

- (i) Above Loan is secured by first charge on EPG Licence on sky.
- (ii) In respect of overdraft, bank have first charge over the inventory of raw materials, finished goods and receivables and a second ranking charge over all its other assets.
- (iii) In addition to that all debts are secured by Corporate guarantee of the immediate parent company and Corporate guarantee of the ultimate parent company.

**C. # Short term Loans in respect of The STS Gems Ltd, HKK Rs. 100,336,342:-**

- (i) 25% cash margin of credit limit 2m as fixed deposit.

**b. Terms of Repayment of Loans**

**A. Short term loan & overdraft in respect of The Jewellery Channel Ltd., UK**

**Punjab national Bank** : Loan repayable in 30 equal instalments @ £ 20,000 & Overdraft facility of £ 2,400,000 repayable on demand.

**Barclays** : An overdraft facility of £ 100,000 repayable on demand.

**B. Short term loan & overdraft in respect of STS Gems Ltd., HKK**

**Punjab National Bank** : Repayable within 120 days with interest charged @ 5.75%

**7 Trade Payables**

Trade Payables	460,917,371	233,709,619
	<b>460,917,371</b>	<b>233,709,619</b>

**8 Other Current Liabilities**

Other Current Liabilities consists of following :-

**Current Maturity of Long Term Debt:**

- Corporate Loan	81,480,000	61,100,000
- Working Capital Term Loan	96,000,000	124,100,000
Unclaimed Dividend*	209,282	237,138
Employee benefit payables	12,352,405	13,873,298
Statutory Dues (including PF,TDS etc.)	2,497,876	2,705,738
Creditor for Capital goods	7,420,727	-
Other Payables #	214,684,483	149,321,533
	<b>414,644,773</b>	<b>290,237,707</b>

\* Investor Education and Protection Fund to be credited by the amount as and when required.

# (Includes Rs.1,21,73,773 being credit balance in current account with bank)

**9 Short Term Provisions**

**Provision for employee benefits:**

Provision for Gratuity	815,409	834,324
Provision for Leave Encashment	187,791	1,072,965
Provision for Taxation	1,408,015	-
	<b>2,411,215</b>	<b>1,072,965</b>



Note No.	Particulars	As at 31st March, 2012 (₹)		As at 31st March, 2011 (₹)	
		Gross Amount	Diminution in Value of Investment	Net Amount	Net Amount
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
<b>11</b>	<b>NON CURRENT INVESTMENT</b> (Long Term - at Cost less provision for other than temporary diminution)				
					Amount in ₹
<b>A</b>	<b>Other than Trade Investments</b>				
	(i) Unquoted investment in Equity Instrument of Associate (Fully Paid up):				
	360,000 (Previous year - 360,000) Equity Shares of Rs.10 each of VGL Softech Limited Extent of holding 19.78 %	5,207,000	5,207,000	5,207,000	5,207,000
	(ii) Quoted Investment in Equity (Fully Paid up):				
	368 (Previous year - 368) Equity Shares of Rs.10 each of Punjab National Bank	175,030	143,520	-	-
	<b>Total (B)</b>	<b>5,382,030</b>	<b>5,350,520</b>	<b>5,207,000</b>	<b>5,207,000</b>
	<b>Notes:-</b>				
	1. Aggregate amount of Quoted Investment			143,520	143,520
	2. Market value of Quoted Investment			449,015	372,692
	3. Aggregate amount of Non Quoted Investment			5,207,000	5,207,000
	4. Aggregate amount of provision for diminution in value of Investment			5,207,000	5,207,000
<b>12</b>	<b>Deferred Tax Assets (Net)</b>				
	<b>Add: Deferred Tax Assets</b>				
	Provision for Gratuity	3,889,614		3,748,864	
	Provision for Leave Encashment	902,633	4,792,247	1,170,202	4,919,066
	<b>Less: Deferred Tax Liability:</b>				
	Depreciation	2,182,987	2,182,987	1,052,499	1,052,499
			<b>2,609,260</b>		<b>3,866,567</b>
	Net deferred tax charge/(credit) for the year of Rs. 12,57,307 (Previous year Rs. (1,086,460) has been recognized in the Profit and Loss Account for the year.				
<b>13</b>	<b>LONG TERM LOANS AND ADVANCES</b> (Unsecured and considered good unless otherwise stated)				
	Capital Advances		7,857,725		-
	Security Deposits		7,209,580		4,366,992
			<b>15,067,305</b>		<b>4,366,992</b>
	<b>CURRENT ASSETS</b>				
<b>14</b>	<b>CURRENT INVESTMENTS</b>				
	Investment in Mutual Fund #		130,742,892		171,702,864
			<b>130,742,892</b>		<b>171,702,864</b>
	# Through Morgan Stanley Private Wealth Management- Portfolio Investment				
<b>15</b>	<b>INVENTORIES</b> (Cost & Net realizable value whichever is lower) (As taken, valued and certified by the Management)				
	Materials-in-process		705,989,037		639,283,871
	Semi Finished Goods		28,958,991		6,427,000
	Finished Goods		978,574,753		828,981,341
	Stores and Consumables		4,367,305		4,133,264
			<b>1,717,890,086</b>		<b>1,478,825,476</b>
<b>16</b>	<b>TRADE RECEIVABLES</b> (Unsecured and considered good unless otherwise stated)				
	Outstanding for a period exceeding Six Months from the date they are due for payments		-		-
	Others		374,600,880		233,914,950
			<b>374,600,880</b>		<b>233,914,950</b>
<b>17</b>	<b>CASH AND BANK BALANCES</b>				
	<b>Cash &amp; Cash Equivalents</b>				
	Balance with Banks		133,218,022		99,764,658
	Bank Deposits (Non pledged)		-		75,000,000
	Cash on hand		2,479,368		2,821,123
			<b>135,697,390</b>		<b>177,585,781</b>





Note No.	Particulars	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
	<b>Other Bank Balances</b>		
	Unpaid Dividend account	211,312	239,318
	Bank Deposits (Pledged)	50,882,891	23,245,303
		<b>51,094,203</b>	<b>23,484,621</b>
		<b>186,791,593</b>	<b>201,070,402</b>
<b>18</b>	<b>SHORT TERM LOANS AND ADVANCES</b> (Unsecured and considered good unless otherwise stated)		
	Advance To Staff	1,366,402	2,679,977
	Advance To Suppliers	11,844,693	8,418,381
	Loans & Advances #	396,668,565	161,142,523
	Prepaid Expenses	142,884,549	49,515,846
	Balances with Tax Authorities	11,056,163	28,345,095
	Others (includes short term Security Deposits)	125,210,342	92,310,460
		<b>689,030,714</b>	<b>342,412,282</b>
	# Being loan given to third parties, the confirmations of which and the terms & conditions for the same have not been defined.		
<b>19</b>	<b>OTHER CURRENT ASSETS</b>		
	Interest Accrued on Bank FDR	828,714	1,047,161
		<b>828,714</b>	<b>1,047,161</b>
<b>20</b>	<b>REVENUE FROM OPERATIONS</b>		
	Sale of Products:		
	Sales	6,460,246,614	5,255,381,598
	Other Operating revenue (Commission)	4,713,863	2,881,546
		<b>6,464,960,477</b>	<b>5,258,263,144</b>
<b>21</b>	<b>OTHER INCOME</b>		
	Interest	19,608,703	2,845,614
	Dividend Received	1,751,514	1,045,449
	Liability No Longer required	14,318,480	3,134,304
	Miscellaneous Income	84,803,181	109,690,221
	Exchange Fluctuation (Net)	162,717,651	-
		<b>283,199,529</b>	<b>116,715,588</b>
<b>22</b>	<b>COST OF MATERIAL CONSUMED</b>		
	<b>Materials Consumed</b>		
	Opening Material-in-process	639,283,871	813,678,086
	Add: Purchases	1,319,393,463	1,057,715,496
		<b>1,958,677,334</b>	<b>1,871,393,582</b>
	Less: Closing Material-in-process	705,989,037	639,283,871
		<b>1,252,688,297</b>	<b>1,232,109,711</b>
<b>23</b>	<b>PURCHASES OF STOCK-IN-TRADE</b>		
	Purchases of Finished Goods	1,199,405,745	920,085,630
		<b>1,199,405,745</b>	<b>920,085,630</b>
<b>24</b>	<b>CHANGES IN STOCK-IN-TRADE</b>		
	Decrease/(Increase) of Stock-in-Trade consists of		
	<b>Finished Goods:</b>		
	Opening Stocks		
	Semi Finished Goods	6,427,000	3,753,078
	Finished Goods	828,981,353	745,992,979
		<b>835,408,353</b>	<b>749,746,057</b>
	Less: Closing Stocks		
	Semi Finished Goods	28,958,991	6,427,000
	Finished Goods	978,574,750	828,981,353
		<b>1,007,533,741</b>	<b>835,408,353</b>
		<b>(172,125,388)</b>	<b>(85,662,296)</b>
<b>25</b>	<b>EMPLOYEES BENEFIT EXPENSE</b>		
	Salaries, Wages, Bonus etc.	774,274,809	581,837,259
	Contributions to Provident and Other Funds	112,195,164	81,962,151
	Staff Welfare Expenses	11,599,897	8,308,193
	Employee Compensation Expenses under ESOS (Refer Note No.2)	3,145	(424,325)
	Recruitment and Training	6,548,249	3,983,912
		<b>904,621,264</b>	<b>675,667,190</b>



Note No.	Particulars	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
<b>26</b>	<b>FINANCE COST</b>		
	Interest	127,605,262	130,877,933
	Finance Charges	16,753,669	14,542,628
		<b>144,358,931</b>	<b>145,420,561</b>
<b>27</b>	<b>OTHER EXPENSES</b>		
	<b>a. MANUFACTURING EXPENSES</b>		
	Job Work Charges	57,895,009	40,102,492
	Stores and Consumables	33,068,158	20,174,945
	Power and Fuel	12,740,140	10,336,201
	Freight, taxes and duties	134,987,909	5,784,513
	Repairs and Maintenance	6,039,543	106,409,284
	Other Manufacturing Expenses	104,674,255	117,440,883
		<b>349,405,014</b>	<b>300,248,318</b>
	<b>b. ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
	Rent, Rates and Taxes	51,609,853	41,569,983
	Insurance	20,135,223	16,883,339
	Travelling and Conveyance	32,931,886	23,902,444
	Legal and Professional	29,209,485	21,734,651
	Postage and Telephone	37,855,427	32,070,900
	Printing and Stationery	10,363,854	13,712,425
	Repair Expenses	8,505,287	7,620,125
	Advertisement and Business Promotion	71,877,589	37,950,094
	Discounts, Brokerage and Commission	14,198,551	2,269,256
	Packing and Forwarding	56,520,296	44,442,114
	Misc. Expenses	103,020,898	78,535,283
	Donation	1,480,969	2,592,643
	Auditors' Remuneration	4,910,044	4,015,700
	Directors' Remuneration	4,200,000	4,200,000
	Directors' Sitting Fees	500,000	350,000
	Loss On Sale of Investments	14,251,892	-
	Loss on Sale of Assets	2,837,006	3,825,451
	Exchange Fluctuation (Net)	-	58,955,919
	Bad Debts	7,492,076	6,275,689
	<b>TV Channel Expenses</b>		
	Content & Broadcasting	1,268,128,985	922,839,879
	Call handling & Collection Charges	162,627,120	132,953,784
	Packing & Distribution Charges	257,726,202	196,495,658
	Information Technology Expenses	30,679,116	28,799,308
		<b>2,191,061,759</b>	<b>1,681,994,645</b>
	<b>Total Other Expenses</b>	<b>2,540,466,773</b>	<b>1,982,242,963</b>
<b>28</b>	<b>Provisions &amp; Contingent Liabilities</b>		
	<b>1(a). Capital Commitment:</b>		
	Estimated amount of contracts remaining to be Executed and not provided for	Nil	10,80,625
	<b>1(b). Contingent Liabilities:</b>		
	Guarantees given by bank on behalf of the Company	90,799,200	80,930,000
	Guarantees given to bank & others by the Company	1,460,538,292	305,090,000
	<b>Disputed Tax Matters</b>		
	Income Tax	NIL	3,093,942
	<b>Dividend on Cumulative Preference Share*</b>	22,000,000	17,600,000
	(*Arrears pertaining to 2007-08, 2008-09, 2009-10, 2010-11 & 2011-12)		
<b>29</b>	<b>Lease Commitments</b>		
	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:		
	<b>Year</b>	<b>2011-12</b>	<b>2010-11</b>
	Not later than one year	111,182,995	36,088,242
	Later than one year & not later than five years	15,665,901	201,068,133
	Later than five years	300,008,506	
<b>30</b>	Company has issued 44,00,000 non Convertible 1% Redeemable Preference share in the year 2006-07. These 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.		





Note No.	Particulars	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
31	<b>Related Party Disclosures:</b>		
A.	<b>List of related parties with whom transactions have taken place and relationships:</b>		
	<b>Enterprises in which Key management personnels are interested :</b>		
	1. VGL Softech Limited	2. Surawell Pacific Limited	3 Brett Plastic Pvt. Limited
	4. Shivram Properties Private Limited	5. Emerald Creation Inc.	6. Anubhav Gems (P) Ltd.
	7. Amrin Gems Export	8. Stone Age Limited	
	<b>Key Management Personnel (KMP):</b>		
	1. Mr. Rahimullah – Managing Director	2. Mr. Sunil Agarwal – Chairman	
	<b>Relative of Key Management Personnel</b>		
	1. Mr. Asifullah;	2. Mr. Arifullah,	3. Mr. Inamullah,
	4. Mr. Rizwanullah;	5. Mr. Imranullah	
B.	<b>Related Party Transactions</b>		

Nature of Transactions	Key Managerial Person		Relative of Key Managerial Person		Enterprises over which significant influence exercised by Key Managerial Person	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
(i) Transactions During the year						
a. Sales of Goods	3,422,135		570,294		39,720,541	25,812,825
b. Purchases of Goods					17,265,298	6,806,322
c. Advance Given						
d. Purchase of Fixed Assets						
e. Expenses			235,999	393,120		420,000
f. Guarantee						
g. Remuneration	4,200,000	4,200,000	1,731,180	2,060,800		
(ii) Balances as at 31.03.12						
a. Amount Receivable	3,477,863				1,439,039	
b. Amount Payable						
c. Loan Receivable					5,207,000	5,207,000
d. Investment						
e. Guarantee						

32 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.

33 The details of exceptional items are as under:

Particulars	2011-12	2010-11
Write back of losses of subsidiaries closed and not considered for consolidation	(409,290,727)	-
Write off of investments/ debts in closed down subsidiaries	509,829,871	
Reverse of excess provision for doubtful debts		(6,933,350)
<b>Total</b>	<b>100,539,144</b>	<b>(6,933,350)</b>

34 **Earning Per Share (EPS)**

a. Profit after Tax (Rs.)	685,082,196	431,005,186
b. Dividend on Preference Shares (Rs.)	4,400,000	4,400,000
c. Profit attributable to Equity Shareholders for Basic and Diluted EPS (Rs.) (a-b)	680,682,196	426,605,186
d. i) Weighted average number of Equity Shares outstanding during the year for Basic EPS	31,698,473	31,698,473
ii) No of Stock Option Outstanding	546,324	554,724
iii) No of Dilutive Potential Equity Shares		
e. Weighted average number of Equity Shares outstanding during the year for Diluted EPS (d(i)+d(iii))	31,698,473	31,698,473
f. <b>Basic Earning Per Share</b>	21.47	13.46
g. <b>Diluted Earning Per Share</b>	21.38	13.46



Note No.	Particulars	As at 31st March, 2012 (₹)	As at 31st March, 2011 (₹)
<b>35</b>	<b>SEGMENT INFORMATION :</b>		
<b>1</b>	<b>Segment Revenue</b>		
	a. Wholesale	37,716	53,581
	b. Retail	55,517	44,089
	Total	93,233	97,669
	Less: Inter Segment revenue	28,583	45,116
	Net Sales/ Income from Operation	64,650	52,554
<b>2</b>	<b>Segment Results</b>		
	a. Wholesale	2,333	2,887
	b. Retail	5,166	3,418
	Total	7,499	6,305
(i)	Interest Income	196	28
(ii)	Interest expense	(1,444)	(1,504)
(iii)	Exchange gain/(Loss) Unallocated	1,627	(590)
	Total Profit before Tax	7,879	4,241
<b>3</b>	<b>Capital Employed</b>		
	a. Wholesale	21,290	19,121
	b. Retail	5,240	3,129
	Total	26,530	22,250

## 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.
  - 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.
- 36 In the opinion of the Board, all assets other than fixed assets and non current investments have a value on realisation in the ordinary course of business at least equal to the amount stated.
- 37 As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act, 1956 is applicable to the Financial Statements for the financial year commencing on or after 1st April, 2011. Accordingly, the financial statements for the year ended March 31, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to confirm to the requirements of Revised Schedule VI.





**NON CURRENT ASSETS**  
Note 10 Fixed Assets

Amount in ₹

NAME OF ASSETS	GROSS BLOCK						ACCUMULATED DEPRECIATION						NET BLOCK	
	As at 01.04.2011	Addition	(Disposals)	Currency Realignment	As at 31.03.2012	Up to 31.3.2011	For the Year	Adjustments Due to Revaluations	Currency Realignment	Up to 31.03.2012	As at 31.03.2012	As at 31.3.2011		
<b>A. Tangible Assets</b>														
Freehold Land	4,894,909	-	-	-	4,894,909	-	-	-	-	-	4,894,909	4,894,909		
Leasehold Land	15,426,717	50,311	-	-	15,477,028	761,616	152,767	-	-	914,383	14,562,645	14,065,101		
Leasehold Improvement	109,189,437	11,230,243	-	-	136,042,373	81,285,337	27,003,838	-	11,848,175	119,817,431	16,124,942	27,904,100		
Building	70,389,537	12,814,506	19,008,843	2,411,077	66,606,277	29,758,890	3,771,150	2,980,636	382,358	30,922,762	35,683,515	40,630,647		
Plant & Machinery	165,448,005	31,438,872	-	11,423,352	208,310,229	110,050,040	21,426,722	8,075	7,976,630	139,944,817	68,365,412	54,897,965		
Electric Installation	16,996,804	2,799,678	-	-	19,796,482	9,791,269	1,321,706	-	-	11,112,969	8,683,517	7,205,545		
Furniture & Fixtures	56,517,094	10,057,022	-	4,881,801	71,435,918	36,369,120	6,105,380	-	3,250,600	47,695,100	23,740,817	18,127,374		
Office Equipment	14,236,592	1,751,698	1,100,820	253,276	15,142,746	9,408,211	952,869	249,611	88,904	10,200,374	4,942,373	4,830,381		
Computer	133,209,202	13,107,938	-	15,975,074	162,292,714	112,878,584	7,344,570	389,366	13,349,646	133,173,434	29,119,280	20,330,818		
Vehicles	7,437,722	1,439,335	570,475	389,863	8,696,475	5,582,772	645,304	-	389,155	6,817,231	2,078,244	1,854,951		
<b>Total</b>	<b>593,728,020</b>	<b>84,689,603</b>	<b>20,686,138</b>	<b>50,957,666</b>	<b>708,695,151</b>	<b>398,355,829</b>	<b>68,724,304</b>	<b>3,647,188</b>	<b>37,035,470</b>	<b>500,488,488</b>	<b>208,196,653</b>	<b>195,342,182</b>		
<b>B. Intangible Assets</b>														
Goodwill on Consolidation	1,797,929,503	-	-	-	1,797,929,503	-	-	-	-	-	1,797,929,503	1,797,929,503		
Broadcast Rights	50,081,243	-	-	8,235,019	66,316,762	20,873,782	22,105,768	-	2,873,939	48,053,344	20,263,418	37,107,460		
<b>Total</b>	<b>1,856,010,746</b>	<b>-</b>	<b>-</b>	<b>8,235,019</b>	<b>1,864,246,265</b>	<b>20,873,782</b>	<b>22,105,768</b>	<b>-</b>	<b>2,873,939</b>	<b>48,053,344</b>	<b>1,818,192,921</b>	<b>1,835,036,963</b>		
<b>C. Capital Work In Progress</b>														
Capital Work In Progress	-	-	-	-	-	-	-	-	-	-	409,008	14,774,753		
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409,008</b>	<b>14,774,753</b>		
<b>Grand Total (A+B+C)</b>	<b>2,449,738,765</b>	<b>84,689,603</b>	<b>20,686,138</b>	<b>59,193,185</b>	<b>2,572,947,418</b>	<b>419,359,611</b>	<b>90,830,872</b>	<b>3,647,188</b>	<b>40,059,408</b>	<b>546,551,842</b>	<b>2,026,798,582</b>	<b>2,045,153,908</b>		
Previous Year	2,404,877,869	49,873,820	11,115,063	6,103,069	2,440,738,765	337,050,441	81,065,485	5,468,925	6,768,372	419,359,611	2,045,153,908	2,067,668,429		



# 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 Third 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 ..... 2012

**Note:**

1. The Proxy Form signed across revenue stamp should reach the Registered Office of the Company at least 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 Third Annual General Meeting of the Company on Saturday , the 29<sup>th</sup> day of September, 2012 at 11 a.m. at Corporate office of the Company at E-69, EPIP, Sitapura, Jaipur -302022.

.....  
Name of the Shareholder  
(in block letters)

.....  
Signatures

.....  
Name of the Proxy  
(in block letters)

.....  
Signatures

**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, 2605077 Fax: 91-141-2601020

Corporate Office:

E-69, EPIP, Sitapura, Jaipur-302 022  
Tel.: 91-141-2770648 Fax: 91-1471-2770510