WINSOME DIAMONDS AND JEWELLERY LIMITED

27th Annual Report

2012-2013

(01/04/2012 to 30/09/2013)

BOARD OF DIRECTORS	**Mr. Madan B. Khurjekar**	Non-Executive Chairman (upto 10th June, 2013)
	Mr. Jatin R. Mehta	Director (upto 9th November, 2012)
	Mr. Lakhpatraj Bhansali	Whole-time Director (upto 8th May, 2012)
	Mr. G. P. Gupta	Director (upto 7th May, 2012)
	Mr. K. N. Bhandari	Director (upto 24th August, 2012)
	Mrs. Shrilekha V. Parikh	Director (upto 29th September, 2012)
	Mr. Sharad B. Bhagwat	Director (upto 14th May, 2013)
	Mr. Dilip P. Tikle	Director (upto 9th June, 2013)
	Mrs. Urvashi Saxena	Director (upto 15th May, 2013)
	Mr. Harady Rathnakar Hegde	Director (upto 30th March, 2013)
	Mr. Ramesh I. Parikh	Director-Finance (upto 28th February, 2014)
	Mr. R. Ravichandran	Director-Operations (upto 6th December, 2013)
	Mr. S. P. Tanwar	Nominee Director (w.e.f. 27th September, 2013)
	Mr. Harish R. Mehta	Director (w.e.f. 16th October, 2013)
	Mr. Jaikumar Kapoor	Director (w.e.f. 10th January, 2014)
	Mr. Harimohan Namdev	Director (w.e.f. 10th January, 2014)

CHIEF FINANCIAL OFFICER — **Mr. Jaikumar Kapoor**

COMPANY SECRETARY — **Mr. Asish Narayan**

AUDITORS — **M/s. R. C. Reshamwala & Co.**
Chartered Accountants

BANKERS
Standard Chartered Bank
Punjab National Bank
Export-Import Bank of India
Canara Bank
State Bank of Hyderabad
Bank of Maharashtra
Oriental Bank of Commerce
Union Bank of India
Central Bank of India
AXIS Bank Limited
Vijaya Bank
Bank of India
State Bank of Mauritius Limited
IDBI Bank Limited

ADMINISTRATIVE OFFICE
906/907/908, 9th Floor, The Plaza
Near Dharam Palace, 55 Gamdevi
Grant Road, Mumbai – 400 007, India

REGISTERED OFFICE
Kesharba Market – 2
Gotalawadi, Katargam
Surat – 395 004, India

REGISTRAR & TRANSFER AGENT
Link Intime India Pvt. Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Road, Bhandup (West)
Mumbai – 400 078, India

NOTICE

NOTICE is hereby given that the Twenty-Seventh Adjourned Annual General Meeting (which was originally held on 27 /12/ 2013) of the Members of Winsome Diamonds and Jewellery Limited will be held on Monday, the 31st day of March, 2014 at Mahida Bhawan, Icchanath, Opp. S.V.R. Engineering College, Dumas Road, Surat 395 007 at 12.30 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1) To receive, consider and adopt the Audited Balance Sheet for the 18 months period ended 30th September, 2013, the Profit and Loss Account for the period ended on that date along with the Schedules and the Reports of the Directors and Auditors thereon.

By Order of the Board of Directors

For **Winsome Diamonds and Jewellery Limited**

Place : Mumbai **Asish Narayan**

Date : 5th March, 2014 **Company Secretary**

NOTES:

1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

2) The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.

3) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.

4) Pursuant to Section 154 of the Companies Act, 1956, and in accordance with Clause 15 and 16 of the listing agreement(s), the Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 27th March, 2014 to Monday, 31st March, 2014 (both days inclusive) for the purpose of Annual General Meeting & to determine the entitlement of shareholders to receive dividend for the 18 months period ended 30th September, 2013.

5) Shareholders seeking information with regard to Accounts are requested to write to the Company at an early date to enable the management to keep the information ready.

6) Shareholders are requested to bring their copy of Annual Report to the Meeting.

7) The Equity Shares of the Company are compulsorily traded in electronic form with effect from 28th August, 2000. The shareholders who have not yet dematerialized their shares are requested to dematerialize their shares by opening DP Account with nearest Depository Participant at the earliest to avail the benefits of dematerialization.

8) In order to provide protection against fraudulent encashment of the warrants, Members holding Share Certificates in physical form are requested to notify any change in their addresses or bank mandates immediately to the Company's Registrar and Transfer Agent, Link Intime India Private Limited, Unit: Winsome Diamonds and Jewellery Limited, C-13 Pannalal Silk Mills Compound, L.B.S. Road, Bhandup (West), Mumbai - 400 078. Phone: (91-22) 25946970. Fax: (91-22) 25946969 / 25962691. E-Mail: rnt.helpdesk@linkintime.co.in, Website: www.linkintime.co.in.

9) Non-Resident Indian Shareholders are requested to inform immediately to Company's Registrar and Transfer Agent, Link Intime India Private Limited:

   a) The change in the Residential status on return to India for permanent settlement.

   b) The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.

10) Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.

11) Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Company's Registrar and Transfer Agent, Link Intime India Private Limited.

12) Shareholders/Investors are requested to make all correspondences in connection with registration of transfer of shares, non-receipt of dividend, annual report, change of address, bank mandate, issue of duplicate, split and consolidated share certificate, dematerialization of shares, rematerialization of shares, transmission, transposition, deletion and other grievances etc., by addressing letters directly to the Company's Registrar and Transfer Agent, Link Intime India Private Limited and a copy to the Company at 906/907/908, 9th Floor, The Plaza, Near Dharam Palace, 55, Gamdevi, Grant Road, Mumbai- 400007 quoting their registered folio number or their client ID number with DP ID number to enable the Company to resolve the Shareholders' grievances smoothly and speedily.

13) Ministry of Corporate Affairs (MCA) has issued Circular Nos. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 propagating "Green Initiative", by allowing paperless compliances by serving documents through electronic mode (e-mail). In view of the above, Company proposes to send all future shareholders' communication like Notices, Company's Annual Reports etc. through electronic mode. This will also ensure prompt receipt of communication and avoid loss in postal transit.

    We intend using shareholder's e-mail id to send various Notices / Correspondences etc. in future. If your e-mail is not registered with your Depository Participant, kindly register the same at the earliest.

    In case you are holding shares in physical mode, please forward your e-mail id to the Company or its Registrars, M/s. Link Intime India Private Limited.

By Order of the Board of Directors

For **Winsome Diamonds and Jewellery Limited**

Place : Mumbai **Asish Narayan**

Date : 5th March, 2014 **Company Secretary**

DIRECTORS' REPORT

To,

The Members

The Directors present the Twenty-Seventh Annual Report together with the Audited Accounts for the 18 months period ended 30th September, 2013.

The Company, during the period under review, witnessed unprecedented crisis culminating in complete suspension of its revenue generating operations, the details whereof along with corrective steps initiated by the Company and present status are briefly enumerated as under -

<u>Background</u>

1.01 The Company, incorporated in 1985, had been engaged in manufacture and exports of cut and polished diamonds and plain and studded gold jewellery and also in imports and local sales of bullion as one of the Nominated Agencies.

<u>Credit Facilities from Consortium of Banks</u>

2.01 The company had been sanctioned, by the Consortium of 14 banks, Fund Based (Export Packing Credit and Post Shipment Credit) and Non Fund Based (Stand-By Letters of Credit and Bank Guarantee) credit limits of Rs.375 crores and Rs.3470 crores respectively and had also been extended in principle approval for 20% thereof as ad-hoc (stand-by) limits to take care of peak / seasonal requirement as also to take care of additional need owing to increase in price of gold and depreciation of rupee vis-à-vis dollar. As at 31.03.2013, the company had availed of additional ad-hoc FB and NFB limit of Rs.45 crores and Rs.490 crores respectively. The Fund Based limits were sanctioned for diamond division whereas Non Fund Based limits were sanctioned for procurement of gold for Jewellery division. Part of Non Fund Based (SBLC) limits were allowed to be used as Fund Based limits by 3 of the 14 consortium banks.

<u>Invocations of SBLCs</u>

3.01 Till March 2013, the company was, inter-alia, engaged in manufacture and export of gold jewellery. For the purpose, it had been procuring gold, usually on loan basis and on unfixed price basis as per industry practice, from overseas bullion banks as also from nominated agencies / banks in India against Stand-By Letters of Credit (SBLCs) of Consortium of Banks which had sanctioned credit facilities to the company.

3.02 As per the extant Foreign Trade Policy, maximum tenor for which gold loans can be availed has been 270 days and accordingly, the member banks of the consortium usually established SBLCs for 270 days. The tenor of gold loan was adequate to take care of manufacturing cycle and trade credit of 180 days that the company usually extended to its overseas customers.

3.03 The company had executed gold loan agreement with the bullion banks from whom it regularly procured gold. These agreements contained a standard enabling provision for recalling of all outstanding gold loans by the bullion banks in the event of (even single) default by the company in discharging its obligations as per the terms of the agreements.

3.04 Owing to delay in receipt of inward remittances from overseas customers against export bills, the company could not arrange for payments which were due in March 2013 to the bullion banks. In view of these events of default, the bullion banks initially invoked SBLCs which had fallen due, but, later, as defaults persisted, invoked all SBLCs, during April 2013, including even those in respect of which gold loans were not due.

3.05 Of the aggregate outstanding SBLCs of Rs.3580.68 crores as at 31.03.2013, SBLCs of Rs.3485.18 crores (excluding SBLCs of Rs.95.50 crores established in favour of State Bank of India) had been invoked by April-end 2013, although SBLCs worth Rs.958.08 crores only were falling due till 30.04.2013 whereas SBLCs of Rs.2527.10 crores had been invoked ahead of the due dates of respective gold loans.

3.06 State Bank of India had invoked SBLCs of Rs.95.50 crores as and when gold loans got matured.

3.07 All invoked SBLCs of Rs.3580.68 crores have been paid by the Consortium banks. As a result of invocation and devolvement of SBLCs, the liabilities had got crystallized in rupee terms and the accounts were overdrawn. With no gold lines from bullion banks and no fresh SBLCs from the consortium banks, the operations had been significantly impacted. Further, as defaults of overseas customers persisted, the company could not repay Export Packing Credit and Post Shipment Advances that it had availed for diamond division. As such, the company had been constrained to suspend its manufacturing operations.

3.08 The company did approach the Honorable Bombay High Court for an Order restraining the Consortium banks from making remittances against invocations of those SBLCs where Gold Loans had not fallen due. However, the Standard Bank PLC, one of the bullion banks (banks from whom the company usually procured gold), obtained an Order from the UK Court that as the jurisdiction as per the Gold Loan Agreement for any legal action is a Court in London, it will be deemed as Contempt of that Court if the company persisted with its application in the Bombay High Court. The company, accordingly, could not pursue its application for a Stay Order.

<u>Overseas Customers</u>

4.01 The company's dealings with overseas customers, till February 2013, have been generally satisfactory and there were no commercial disputes of any sort. Although there were intermittent delays in receipt of moneys towards export bills occasionally in the past, there used to be regular flow of inward remittances and the company did not have any major problem in realization of its export bills.

4.02 **The company's exports of diamonds as well as jewellery had been mainly to wholesalers and on clean credit basis.**

4.03 **Due to negative reports in Diamond Intelligence Brief and other trade and industry journals about the Group (especially, about the company's subsidiaries in USA and Belgium), its exports to USA and Europe almost dried up since May 2012 resulting in concentration of exports to UAE market.**

4.04 **The crisis emerged when inward remittances against export bills from a Group of 13 customers in UAE, represented by Mr. Haytham Obidah as director / shareholder / owner or as introducer, were abruptly suspended since March 2013. The company had been dealing with the group of customers headed by Mr. Haytham for over 5 years.**

4.05 **Total amount due from these 13 customers in UAE is approx. USD 875 million (equivalent to about Rs.4760 crores). As the amounts at stake were very large and as the same were not backed by any tangible security / incoming LCs, the company's recovery efforts in the beginning have been very measured. Immediately after invocations and devolvement of SBLCs, the company's Whole-time Director (Operations) went to Dubai and met Mr. Haytham on 21.03.2013. This was followed by another visit along with Official of Standard Chartered Bank, the Lead Bank of the Consortium, on 18.04.2013.**

4.06 **The promoter and guarantor, Mr. Jatin Mehta and Whole-time Director (Operations) along with senior officials of the Core Group of the Consortium of banks (comprising Punjab National Bank, Central Bank of India, Canara Bank, Standard Chartered Bank and Union Bank of India) visited Dubai and met Mr. Haytham on 23.05.2013. During the visit by the officials of the Core group of the Consortium, Mr. Haytham had reportedly stated that delay in remittances was attributable to liquidity constraints (owing to financial loss incurred in foreign exchange and commodity trading by 3 of those customers) which are sought to be mitigated in due course and that the entire dues shall be paid in full in phased manner with the timeframe extending up to FY 2025-26.**

4.07 **Despite regular follow-up for payments through telephonic talks, e-mails and correspondence, the company, during six month period ended 30.09.2013, received only USD 1,268,118 from those 13 UAE customers as probably they have not been able to mitigate their liquidity constraints fully. The company, therefore, served legal notices, in October 2013, on all the 13 UAE customers as also on Mr. Haytham, through its Advocates and has sought opinion of a reputed legal firm in Dubai as to what legal options are available for recovery of outstanding dues and proposes to initiate legal action in Dubai and / or in India, in case customers do not demonstrate urgency in sending remittances of larger sums.**

Forensic Audits

5.01 **Bankers had appointed M/S. Ernst & Young (EY) for forensic audit and M/S. Kroll Advisory Solutions (KROLL) for investigative audit. The report of EY did not contain any adverse remarks and with regard to certain audit observations, the company had offered satisfactory explanations. While the banks considered company's explanations as satisfactory in respect of most of the audit observations of 'KROLL', in case of a few observations, they desired further clarifications from Mr. Jatin Mehta. The company, however, is informed by the bankers that they have not received any clarifications from Mr. Mehta in this regard.**

Corporate Debt Restructuring

6.01 **The company had submitted its Financial Restructuring Plan to the Corporate Debt Restructuring (CDR) Cell. The Flash Report was filed on 17.06.2013. Although the Empowered Group of CDR had initially expressed certain reservations for admission of Flash Report (at its Meeting held on 24.06.2013), it reconsidered the company's proposal at its subsequent meeting held on 25.07.2013 where although the requisite mandate (support for admission of flash report) from the banks were in place, a view emerged that certain issues were needed to be addressed and execution of legally enforceable Tripartite Agreement between the company, the overseas customers and banks was one of the issues that needed to be addressed. However, UAE customers expressed reservations for execution of Tripartite Agreements as suggested by banks / CDR Cell. The other issues that needed to be addressed were (a) bringing promoters contribution upfront in consonance with RBI guidelines for CDR (b) re-induction of Mr. Jatin Mehta, the promoter and guarantor, on the Board of the Company and (c) explanation by Mr. Jatin Mehta for certain observations contained in the forensic audit reports. As Mr. Jatin Mehta's response on the above was not as per the expectations of the banks, the company's Flash Report has been withdrawn by them.**

Inventory

7.01 **Entire inventory of diamonds and pearls (excluding inventory lying in the company's units located in the SEZs) has been placed in the lockers in PNB and is in the joint custody with PNB since 18.06.2013. The banks arranged for valuation of inventory by Customs approved valuers on 30.09.2013 and as per their report, the total value of inventory was Rs.39.35 crores as against its cost, as per records of the Company, at Rs. 147.24 Crores. Since the valuation was carried out on the basis of examination of only part of the inventory selected on random basis, the company has requested PNB to arrange for valuation of entire inventory. Nonetheless, the value of inventory has been considered on a conservative basis, while drawing accounts for the 18 month period ended 30.09.2013, so as to take cognizance of depletion in the value of inventory of diamonds.**

Board of Directors

8.01 Mr. Jatin Mehta relinquished Managing Directorship of the company to join as President of Su-Raj Diamonds And Jewellery DMCC (UAE), one of the Wholly Owned Subsidiaries of the company, with effect from 19.04.2011, as it was felt at that time that owing to evolving business scenario and resultant opportunities vis-à-vis infrastructure and business profile of the company and its subsidiaries, that was the appropriate time for further growth of business globally and that for the purpose, Mr. Mehta would be required to engage himself comprehensively with overseas operations which would entail extensive travel away from India for execution of business plan. While Mr. Mehta continued as director and Non-Executive Chairman, Mr. Lakhpat Raj Bhansali, with over 35 years of experience in the industry, was appointed as Whole-time Director.

8.02 As part of further consolidation process and restructuring necessitated owing to substantial expansion of capacities by M/S. Su-Raj Diamond Industries Ltd. (SDIL), a group company, Mr. Lakhpat Raj Bhansali resigned from the Board with effect from 09.05.2012 as he was appointed as Whole-time Director of SDIL. Mr. R Ravichandran and Mr. Ramesh I Parikh, employees of the Company, were inducted on the Board and appointed as Whole-time Directors (Operations) and (Finance) respectively.

8.03 Mr. Gian Prakash Gupta and Mr. Kailash Nath Bhandari resigned from the Board with effect from 08.05.2012 and 24.08.2012 respectively. Mrs. Shrilekha V. Parikh, who was liable to retire by rotation, did not offer herself for reappointment at the previous AGM held on 29.09.2012.

8.04 Mr. Jatin Mehta submitted his resignation as Chairman and Director with effect from 09.11.2012 following his decision to reduce Board Commitments owing to unavoidable circumstances. The Board, while respecting his decision, suggested to Mr. Mehta that he could endeavor to keep sharing critical inputs which are vital for it to discharge its functions effectively to which Mr. Mehta agreed. Mr. Madan Khurjekar was, accordingly, appointed as Chairman.

8.05 After invocations and devolvement of SBLCs, all the independent and non-executive directors on the Board, Mr. Rathnakar Hegde, Mr. Shard Bhagwat, Mrs. Urvashi Saxena, Mr. Dilip Tikle and Mr. Madan Khurjekar, resigned during the period 30.03.2013 to 10.06.2013. Accordingly, the company's Board, with effect from 10.06.2013, comprised only 2 Whole-time directors and did not have sufficient number of directors as required by the Companies Act, 1956.

8.06 Mr. Satya Prakash Tanwar, Nominee of PNB and Mr. Harish Mehta have been inducted on the Board with effect from 27.09.2013 and 16.10.2013 respectively.

8.07 Mr. Jaikumar Kapoor and Mr. Harimohan Namdev have been inducted on the Board with effect from 10.01.2014.

8.08 Mr. Ramesh Parikh, Director-Finance, resigned from the Board with effect from 28.02.2014.

Overseas Subsidiaries

9.01 During the period under review, the company disinvested its entire shareholding in its wholly owned subsidiaries in USA, Belgium, Hong Kong & UAE.

Associate Company

10.01 During the period under review, the company invested in additional equity share capital of an associate company, Forever Precious Jewellery & Diamonds Ltd. (FPJDL), wherein the company, consequent upon fresh investment, is holding 49% of its equity. FPJDL has been confronted with similar crisis as faced by the company for the same reasons as aggregate sum of approx. USD 375 million are outstanding from the same group of 13 UAE customers with invocations and devolvement of SBLCs of Rs.1800 crores. Mr. Jatin Mehta has given up directorship of FPJDL in August 2012.

Accounts

11.01 The Company had earlier anticipated that its Debt Restructuring Plan will get implemented under CDR mechanism by September 2013 and accordingly, had extended its financial year by 6 months. As such, the accounts have been prepared for 18 month period commencing 01.04.2012 and ending on 30.09.2013 for which it has received requisite approval from the Registrar of Companies, Ahmedabad, Ministry of Corporate Affairs, Government of India.

11.02 Since the company's Board comprised only 2 Whole-time Directors during 10.06.2013 to 16.10.2013, its operating results for Q5 (Quarter ended 30.06.2013),of the 18 month period ending 30.09.2013, which were published, in August 2013, for the benefit of the shareholders and for ensuring compliance with statutory provisions, were, at that time, not reviewed by the Audit Committee (which did not exit) and therefore were not considered by the Board and were not subjected to limited review by the auditors. The same were reviewed by the Audit Committee and considered by the Board at their meetings held on 27.11.2013.

Present Status

12.01 The company and its directors, including directors who were on the Board when devolvement occurred, have been issued, by Punjab National Bank, Notices wherein it is stated that if entire defaulted amount is not paid within specified time frame, then they will be classified as 'Willful defaulter'.

12.02 The company and its directors, including directors who were on the Board when devolvement occurred, have been issued, by Vijaya Bank, Notice under the SARFAESIA 2002 as part of recovery proceedings.

12.03 Bank of Maharashtra and IDBI Bank Ltd. have issued Notice to the company recalling entire outstanding amount.

12.04 We understand that the company's account has been classified as Non Performing Asset by all the consortium banks.

12.05 As no significant amounts were realized from the overseas customers after second week of March 2013, CRISIL, the Credit Rating Agency, had downgraded rating from A1 to A3 in third week of April 2013 and to A4 in fourth week of April 2013 and further to D in first week of May 2013.

12.06 We understand that banks are seriously contemplating action against Company, Mr. Jatin Mehta and present directors (other than Nominee director) for suspected fraud and diversion of funds. The Board takes this opportunity to assure members that the company and directors have acted bona fide, in good faith and have discharged their duties honestly and sincerely, to the best of their abilities and that if they have been found wanting, it is only because of their inexperience to deal with the complexities and enormity of the crisis. The company and the Board are confident of surpassing the scrutiny of any investigating agencies and confirm that they shall be extending full co-operation in this regard.

12.07 The Board does not have any representation of the Promoter Group. The Whole-time Directors do not have any financial stake and are professional directors and have only contractual relationship with the company as employees.

12.08 The Promoter & Guarantor (and former Chairman and Managing Director), Mr. Jatin Mehta, has contented, in e-mails to one of the whole-time directors of the company as also in communications to Punjab National Bank that he was not involved in day-to-day management of the company since April 2011. The Board respectfully disagrees with his contentions. Though Mr. Jatin Mehta is not formally on the Board of the company, he had been and is involved in its affairs and all key decisions are subject to his informal concurrence.

12.09 The Board, finding itself wanting with regard to competence, experience and resources vis-à-vis the extent, magnitude and gravity of the crisis that the company is in, has requested Mr. Jatin Mehta to immediately extend his consent for being re-inducted on the Board of the Company not only in deference to the suggestions of the Banks but also owing to compelling circumstances and to take note of the fact that he would need to urgently lend active support in terms of required resources and information / clarification / explanations to the bankers so as to clear misunderstanding or doubts which seem to have arisen owing to allegations implied in the bank's communications based on certain forensic / investigative audit reports which will help raise comfort level of the Banks and of the company personnel and also in terms of his commitment and active involvement for resolving all outstanding issues and formulation of definitive and credible plan of action for restructuring of company's operations and its debt obligations and most importantly, to take further steps for the recovery of dues from the defaulting overseas customers in UAE considering that he (Mr. Jatin Mehta) had been interacting with Mr. Haytham and had business relations with him for a number of years. It was also conveyed to Mr. Mehta that the Board feels that left to itself, it will not, in the absence of his direct and active involvement, be in a position to discharge its functions effectively and therefore, it shall be of paramount importance for him to join the Board without any further loss of time in the larger interest of the company. The Board has also accorded its consent for the Company Secretary approaching, in the absence of direct and active involvement of Mr. Jatin Mehta as requested for, Shareholders and / or Company Law Board for taking such steps as they may deem appropriate in the given circumstances.

FINANCIAL RESULTS

(Rs. in Crore)

Particulars	18 Months Period Ended 30th September, 2013	Financial Year Ended 31st March, 2012
Total Income	**7130.71**	5546.67
Profit before Interest and Depreciation	**(70.90)**	211.79
Less: Finance Charges (Net)	**345.50**	83.44
Depreciation	**11.73**	8.06
Profit before Tax	**(428.13)**	120.29
Provision for Tax	**(1.85)**	24.54
Profit after Tax	**(426.28)**	95.75
Add : Balance in Statement of Profit and Loss		
Brought Forward	**348.51**	257.24
Profit Available for Appropriation	**(77.77)**	352.99
Proposed Dividend	**-**	-
Corporate Tax on Proposed Dividend	**-**	-
Transfer to General Reserve	**-**	2.98
Transfer to General Reserve -		
Foreign Exchange/Metal Price Fluctuation	**-**	1.50
Balance Carried Forward	**(77.77)**	348.51
Total	**(77.77)**	352.99

Management Comments on Auditor's observations

- **The independent internal auditor agreed to carry the audit for latter half of the year in the month of April, 2013 and was to submit report subsequently. The company was having liquidity constraints and to save on costs, decided to conduct the audit internally. The same will be carried out with retrospective effect. (Refer Note No. 7 of Annexure to the Auditors' Report).**

- **The Company has not paid service Tax amounting to Rs. 3,44,786. The same shall be paid before March 2014. It unfortunately got delayed due to liquidity constraints and delays in expected refunds from the Service Tax Dept. and Income Tax Dept of much larger sums. (Refer Note No. 9A of Annexure to the Auditors' Report).**
- **We have written to Standard Chartered Bank, Mumbai to kindly request their counter parts in the UAE to release the guarantee or issue a no dues letter as, we understand, all their dues have since been settled. (Refer Note No. 15 of Annexure to the Auditors' Report).**
- **Overseas customers have confirmed the balances due from them. As the group of overseas customers have claimed to have suffered heavy losses, they are unable to pay in time and have sought very long period to meet their obligations. As a result of this short term funds have got blocked for long term. (Refer Note No. 17 of Annexure to the Auditors' Report).**

1. ***Basis for Qualified Opinion***

In accordance with Accounting Standard - 11 (Standard on The Effects of Changes in Foreign Exchange Rates), the Company is required to value its monetary assets and liabilities viz foreign currency trade receivables and trade payables at the foreign exchange rate prevailing on the date of the balance sheet. The Company has not carried out such valuations. Accordingly the exchange gain for the period is understated, loss for the period is overstated by Rs. 636,04,74,798 (net), trade receivables are understated by Rs. 643,26,50,421 and trade payables are understated by Rs. 7,21,75,623 (Refer Note No. 8 (b), 16(b) and Note 22(c)).

- **Export receivables had been restated based on exchange rate as at 31.03.2013. In view of persistent defaults by overseas customers in clearing outstanding dues, the same have been carried forward at the same rate (based on exchange rate as at 31.03.2013) while drawing up accounts for the quarter ended 30.06.2013 and also while drawing up accounts for the period under review as it is deemed expedient not to take cognizance of depreciation in rupee vis-à-vis US dollar on notional basis when outstanding amounts are likely to be realized over uncertain period of time. Had it been restated on the basis of exchange rate as at 30.09.2013, the export receivables would have been higher by Rs. 643,26,50,421/-, Trade payables would have been higher by Rs.7,21,75,623/- and profit would have been higher by or loss would have been lower by Rs. 636,04,74,798 (net).**

2. ***Basis for Disclaimer of Opinion***

A. *In respect of Trade Receivables amounting to Rs. 4,759,24,33,182, the auditors have not received any confirmations of balances. The management has obtained confirmations of balances from the respective parties. There have been defaults on the payment obligations by the debtors on the due date. Various attempts have been made by the management and lenders for recovery however such attempts have not resulted into any significant collections or getting commitment from the parties regarding schedule of payments which are acceptable to the management / lenders, In view of the above we are unable to comment on the realisability of the debts and any provision to be made for unreliability in the carrying amounts of these balances and the consequential impact, on the financial statements. (Refer Note 16 and 19 to the financial statements)*

- **Overseas customers have confirmed the balances due from them in their debt confirmation letter. As the group of overseas customers have claimed to have suffered heavy losses, they are unable to pay in time and have sought very long period to meet their obligations which is not acceptable to the company and the banks. Accordingly legal action at Dubai is being contemplated.**

B. *The Company has made long term investments in Forever Precious Jewellery and Diamonds Ltd.(Forever) amounting to Rs. 1,411,710,802, thereby resulting in it holding a 49 % stake in the equity of that company. The said investments continue to be valued at cost. As stated in Note No. 14 B, in the view of the management, provision for diminution in value of investments as per the requirements of Accounting Standard -13 (Accounting for Investments) is not considered necessary and hence not made. In the absence of availability of audited financial statements of 'Forever', we are unable to comment on the carrying costs of such investments and the provision for diminution in their value as on 30th September 2013. We are unable to comment on the impact on the financial statements of provision for diminution in value of investments.*

- **The Company is of the opinion that with the goodwill, reputation, brand image and retail network of over 125 outlets across the country that FPJDL had developed has potential to re-establish its financial viability in the long term once it is able to mitigate current crisis through initiatives from Promoter-Guarantor or other strategic investor and therefore, it will probably be little premature to consider depletion in the value of investment at present and accordingly, the same have been carried at cost without considering any provision in this regard.**

C. *As mentioned in Note No 1 regarding preparation of accounts on a Going Concern basis and the reasons stated therein and Note No. 31 of the financial statements detailing the developments that have happened during the period under audit, the Company's operating results have been materially affected due to various factors including non availability of finance in view of the consortium bankers recalling the financial facilities granted. These events cast significant doubts on the ability of the Company to continue as a going concern* *since the volumes of business have also drastically dropped in the last 6 months. The appropriateness of the going concern assumption is dependent on the Company's ability to raise adequate finance from alternate means and/or recoveries from overseas debtors to meet its short term and long term obligations as well as to establish consistent business operations. In absence of any convincing audit evidences, no positive steps taken by the management, non recovery of trade receivables on due date, non payment of liabilities including statutory dues, financial difficulties faced by the company due to recalling of bank finance facilities and in view of multiple uncertainities stated above, we are unable to determine the possible effects on the financial statements. We are also unable to conclude on the ability of the company to carry on as a going concern.*

The Company's presumptions and assumptions are as under :

- **The promoter-guarantor, Mr. Jatin Mehta, is professionally expected eventually to lend tangible support by joining the Board, bringing funds for resumption of operations, arranging for funds to initiate legal actions against defaulting customers and with his active involvement and commitment in any exercise of revival / restructuring of the company's business.**
- **Investigations / substantive proceedings / audits that might be carried out overseas either through expert to be appointed through Court in Dubai or by any other agencies will endorse / substantiate claims of overseas customers about genuineness of (a) transactions so far as they relate to exports by the company and (b) loss incurred in commodity and currency transactions.**
- **The defaulting UAE customers will eventually pay off their entire dues over a reasonable span of time.**

3. ***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, specifically relating to the multiple uncertainties created due to factors such as non recovery of trade receivables on due dates, non payments of liabilities including statutory dues, financial difficulties faced by the Company due to recalling of bank finance we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

The Company's presumptions and assumptions are as under :

- **The promoter-guarantor, Mr. Jatin Mehta, is professionally expected eventually to lend tangible support by joining the Board, bringing funds for resumption of operations, arranging for funds to initiate legal actions against defaulting customers and with his active involvement and commitment in any exercise of revival / restructuring of the company's business.**
- **Investigations / substantive proceedings / audits that might be carried out overseas either through expert to be appointed through Court in Dubai or by any other agencies will endorse / substantiate claims of overseas customers about genuineness of (a) transactions so far as they relate to exports by the company and (b) loss incurred in commodity and currency transactions.**
- **The defaulting UAE customers will eventually pay off their entire dues over a reasonable span of time.**

4. **Emphasis of Matter**

In accordance with Accounting Standard – 9 (Revenue Recognition), In terms of the EXIM policy for Gold Loans and as per the consistent practice followed by the Company in the past, it is required to raise revised invoices on its customers on account of the final settlement of its liability of gold loan. As stated in Note No. 16(c), in view of the uncertainty involved of ultimate realization of such amounts, the company has not raised the revised invoices amounting to Rs. 119,35,00,046. (Refer Note No. 16 c and Note 22 c).

- **The company was importing gold on loan basis and on unfixed price basis and likewise, the exports of jewellery were also on unfixed price basis as per FTP / EXIM policy. Accordingly, both the export invoices and the invoices for imports of gold used to be revised upon final settlement of liability in respect of gold loan. Considering facts and circumstances of the case, when export receivables are overdue and are expected to be realised over a long period, revised invoices have not been raised in view of uncertainty about realisation of additional revenue. If the invoices were to be revised, the export receivables would have been higher by Rs.119,35,00,046/- based on exchange rate as at 30.09.2013.**

DIVIDEND AND APPROPRIATIONS

The Company is facing acute financial crisis and therefore, your Board have not recommended any dividend for the 18 months period ended 30th September, 2013.

OPERATIONS

Total income from Operations, during the 18 month period, increased to Rs.7130.71 crores from Rs.5546.67 crores during FY 2011-12. Profit before Interest and Depreciation during 12 month period ended 31.03.2013 were Rs. (62.36) crores vis-à-vis Rs.211.79 crores for FY 2011-12. However, due to virtual closure of revenue generating activities during six month period ended 30.09.2013, the Profit before Interest and Depreciation for 18 month period were Rs.(70.90) crores.

DIRECTORS

None of the Directors of the Company are liable to retire by rotation during the ensuing Annual General Meeting.

APPOINTMENT OF COST ACCOUNTANT

M/s. Gangan & Co., Cost Accountants, Mumbai have been appointed to submit the Compliance Report along with the

requisite annexure duly certified by them for the 18 months period ended 30th September, 2013 as required under rule 2 of the Companies (Cost Accounting Record) Rules, 2011 to the Central Government within the time prescribed under above referred rules.

FIXED DEPOSITS

The Company has not accepted any deposit, within the meaning of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 2013 made thereunder.

COMMUNITY DEVELOPMENT AND SOCIAL WELFARE

The Company contributed for social welfare that strives to uplift and empower humanity.

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

None of the employees of the Company were in receipt of remuneration in excess of the limits as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 including Companies (Particulars of Employees) Amendment Rules, 2011 and Companies (Amendment) Act, 1988.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors state that -

- **in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;**
- **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 18 months period ended 30th September, 2013 and of the profit of the Company for that financial year;**
- **that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and**
- **the Directors have prepared the Annual Accounts on a going concern basis.**

In view of the foregoing, the Board perceives the following as impediments so far as going concern status of the company and the accompanying financial statements as reflecting the true and fair view of the statement of affairs and the loss and the cash-flows of the company

- The promoter-guarantor has not responded to the Board's communication with regard to (a) rejoining Board (b) formulating credible action plan for revival of the company's operations.
- The promoter-guarantor has not indicated as to how one proposes to provide for / reimburse the expenses for initiating legal action in Dubai against the defaulting customers.
- The promoter-guarantor is wrongfully attempting to distance himself from the KYC / due diligence / trade references / selection of customers who have been defaulting, which, however, were always his decisions and prerogatives.
- The promoter-guarantor has not been updating the company about steps, if any, that he has been taking for recovery of dues.
- The promoter-guarantor has not indicated timeframe for bringing funds for recommencing company's revenue generating / manufacturing activities.
- As claimed by the banks, the promoter-guarantor and the overseas customers have failed to provide satisfactory explanations in respect of certain observations contained in the report of investigative auditors appointed by the banks.
- The concerned employees are not available for ascertaining reasons for wide variation in the valuation of stock of diamonds held in joint custody with PNB.
- Defaulting UAE customers have not been honoring assurances held out to the representatives of the core group of consortium of banks in Dubai on 23.05.2013 with regard to timeframe for clearance of overdue amounts.
- Inward remittances of less than USD 2.5 million during last 11 months (01.04.2013 to 28.02.2014) are miniscule vis-à-vis outstanding dues as also compared to amounts agreed to be remitted during the FY 2013-14.
- The overseas customers have not responded to Legal Notices served on them by the Company's advocates in October 2013.
- The Board / management is precariously placed and is not in a position to provide the much needed comfort that the auditors need for expressing positive opinion.
- The present crisis, its nature and extent, call for initiation and implementation of strong mitigating factors, however, the board / management, does not have experience and resources to deal with the same and is at the mercy of Mr. Haytham and is dependent on active involvement and commitment of Mr. Mehta.
- The company is incurring cash loss and is finding it difficult to discharge its statutory obligations in time.
- 8 out of 14 member banks of the Consortium have issued Notices recalling advances whereas 5 banks have issued Notices for Willful Default and a few of them have stated that the company's replies to their notices were not convincing.

However, the Board feels that it can still take a pragmatic view and consider the status of the company as 'going concern' and the accompanying financial statements as reflecting the true and fair view of the statement of affairs and the loss and the cash-flows of the company on the presumptions and assumptions that -

- The promoter-guarantor, Mr. Jatin Mehta, will eventually lend tangible support by joining the Board, bringing funds for resumption of operations, arranging for funds to initiate legal actions against defaulting customers and with his active involvement and commitment in any exercise of revival / restructuring of the company's business.

- Investigations / substantive proceedings / audits that might be carried out overseas either through expert to be appointed through Court in Dubai or by any other agencies will endorse / substantiate claims of overseas customers about genuineness of (a) transactions so far as they relate to exports by the company and (b) loss incurred in commodity and currency transactions.
- The defaulting UAE customers will eventually pay off their entire dues over a reasonable span of time.

While the Board does concede that the above presumptions and assumptions are based entirely on its professional expectations and are not backed by visible intent and demonstrable actions on part of overseas customers and Mr. Mehta, it is of the opinion that in the larger interest of all stakeholders, it has but one option to take risk of relying on above optimistic presumptions and assumptions for the present.

Accordingly, the financial statements comprising Balance Sheet, Statement of Profit and Loss & Cash-flow Statement are, accordingly, to be construed only as financial / monetary abstracts of the books of accounts wherein entries have been recorded in respect of transactions on the basis of relevant documents. The Board, it may be appreciated, is not in a position to hold out any assurance for action / inaction of Mr. Mehta and the defaulting overseas customers and its impact on realisability of overdue export receivables and going concern status.

AUDITORS

M/s. R.C. Reshamwala & Co., Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. The Audit Committee and Board of Directors recommend their re-appointment.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

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 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

INDUSTRIAL RELATIONS

Industrial relations at all levels during the year were satisfactory. The Board wishes to place on record its sincere appreciation of the efforts put in by all the Company's employees in achievement of results.

LISTING

The Equity Shares of the Company are listed at BSE Limited and National Stock Exchange of India Limited. The Company has paid the Annual Listing fee to each of the above Stock Exchanges.

INTERNAL CONTROL SYSTEM

The Company's internal control systems, governed by time proven practices are supplemented by well-established audit process that assists management in identifying issues and associated risks and ensures that all assets are safeguarded and protected against any loss.

Internal audit, an independent appraisal function, examines and evaluates the adequacy and effectiveness of the internal control system, appraises periodically about activities and audit findings to the Audit Committee, statutory auditors and the management.

BOARD COMMITTEES

During the 18 months period ended 30th September, 2013, subsequent to resignations of all Independent Directors during 30.03.2013 to 10.06.2013, Audit Committee and Shareholders' Grievance Committee were not in place with effect from 11.06.2013. These Committees were reconstituted on 16.10.2013 consequent upon appointment of independent directors.

a) Audit Committee

As aforesaid, there was no Audit Committee of Directors as on 30th September, 2013. However the Audit Committee was reconstituted, after the Balance Sheet date w.e.f 16.10.2013, comprising of the following Directors:

1. **Mr. Harish Mehta, Chairman**
2. **Mr. Satya Prakash Tanwar, Member**
3. **Mr. Ramesh I. Parikh, Member**

b) Shareholder/Investor Grievances Committee

As aforesaid, there was no Shareholders' Grievance Committee of Directors as on 30th September, 2013. However the Shareholders' Grievance Committee was reconstituted, after the Balance Sheet date w.e.f 16.10.2013, comprising of the following Directors:

1. **Mr. Harish Mehta, Chairman**
2. **Mr. Satya Prakash Tanwar, Member**

CORPORATE GOVERNANCE

The Company has been in compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, save and except those conditions which could not be complied with owing to lack of proper composition of Board of directors.

Report on Corporate Governance, Management Discussion and Analysis and Auditor's Report on compliance with the Corporate Governance requirements have been included in this Annual Report in separate sections.

ACKNOWLEDGEMENTS

The Board of Directors wishes to thank Government of India, bankers, customers, suppliers, shareholders, other business associates and employees of the Company for the continued co-operation and unstinted support extended to the Company.

On behalf of the Board of Directors

Jaikumar Kapoor
Director

Harish R. Mehta
Director

Mumbai
Date: 5th March, 2014

ANNEXURE TO THE DIRECTORS' REPORT

Particulars Required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

The particulars regarding conservation of energy are not applicable to the Company as the Diamond Industry is not covered under the schedule prescribed by the said Rules.

B. TECHNOLOGY ABSORPTION

The particulars regarding absorption of technology is given below as per Form B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Research and Development (R & D) :

(1) Specific areas in which R & D is carried out by the Company

Manufacture of jewellery as per international standards is an area in which general research and development work pertaining to the manufacturing process is carried out by the Company.

(2) Benefits derived as a result of the above R & D

Improvement in productivity and cost reduction.

(3) Future Plan of Action

Will be formulated at appropriate time.

(4) Expenditure on R & D:

(a) Capital	)	
(b) Recurring	)	
(c) Total	)	Included in the
(d) Total R & D expenditure as a percentage of total turnover	)	manufacturing cost.

Technology absorption, adaptation and innovation:

(1) Efforts in brief, made towards technology absorption, adaptation and innovation

The Company is monitoring the technological up-gradation taking place internationally in the field of diamond and jewellery manufacturing and the same are being reviewed for implementation.

(2) Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

1) Product improvement
2) Cost reduction
3) Import substitution in respect of main consumables

(3) In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

(a) Technology Imported	}	
(b) Year of Import	}	
(c) Has technology been fully absorbed ?	}	
(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action	}	Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company's main line of business is the manufacture and export of cut and polished diamonds and jewellery.

Total Foreign Exchange Earned	₹ 6883.92 Crore
Total Foreign Exchange Used	₹ 6539.74 Crore

The foreign exchange used includes the remittances made for raw materials which are under process and foreign exchange earned includes bills to be realised.

On behalf of the Board of Directors

Jaikumar Kapoor
Director

Harish R. Mehta
Director

Mumbai
Date: 5th March, 2014

CORPORATE GOVERNANCE

Corporate Governance practices are guided by culture, conscience and mindset of an organization and are based on principles of transparency and accountability with an aim to build confidence of its various stakeholders. The Company's philosophy on Corporate Governance is based on preserving core values and ethical business conduct.

BOARD OF DIRECTORS

Composition of the Board

As on 30th September, 2013, the Board of Directors comprised of Three members, of which Mr. Satya Prakash Tanwar is a Nominee Director who is regarded as an Independent Director. Mr. R. Ravichandran and Mr. Ramesh I. Parikh were appointed as Whole-Time Directors designated as Director-Operations and Director-Finance respectively. As on 30th September, 2013, the Board had insufficient number of Independent Directors. Mr. Harish Mehta joined the Board as an Independent Director on 16.10.2013 which is within the permissible time limit allowed for replacement of an Independent Director as envisaged in Sub-Clause (iv) Clause 49(1C) of the Listing Agreement.

Board Meetings

The Board meets at least once in every quarter to review the quarterly results and other items of the Agenda and, if necessary, additional meetings are held.

Fourteen Board Meetings were held during the 18 months period ended 30th September, 2013. These were held on 9th May, 2012, 4th August, 2012, 14th August, 2012, 27th August, 2012, 9th November, 2012, 8th February, 2013, 20th March, 2013, 9th April, 2013, 8th May, 2013, 15th May, 2013, 28th May, 2013, 14th June, 2013, 12th August, 2013 and 7th September, 2013.

The following table gives attendance of the Directors in the Board Meetings along with the attendance in the Annual General Meeting held on 29th September, 2012:

Name of Director	Appointment / Cessation, if any, during the period		Category	Number of Board Meetings held	Number of Board Meetings attended	Attendance at the last A.G.M.
	Date of Appointment	Date of Cessation				
Mr. Jatin R. Mehta	-	09.11.2012	Non-Executive Chairman	4	1	No
Mr. Lakhpatraj Bhansali	-	08.05.2012	Executive Director	Nil	Nil	No
Mr. G. P. Gupta	-	07.05.2012	Non-Executive & Independent Director	Nil	Nil	No
Mr. K. N. Bhandari	-	24.08.2012	Non-Executive & Independent Director	3	1	No
Mrs. Shrilekha V. Parikh	-	29.09.2012	Non-Executive & Independent Director	4	3	No
Mr. Madan B. Khurjekar@	-	10.06.2013	Non-Executive & Independent Director	11	11	Yes
Mr. Sharad B. Bhagwat	-	14.05.2013	Non-Executive & Independent Director	9	9	No
Mr. Dilip P. Tikle	-	09.06.2013	Non-Executive & Independent Director	11	11	No
Mrs. Urvashi Saxena	-	15.05.2013	Non-Executive & Independent Director	9	7	No
Mr. Harady Rathnakar Hegde	-	30.03.2013	Non-Executive & Independent Director	7	3	No
Mr. R. Ravichandran	09.05.2012	06.12.2013	Executive Director	14	14	No
Mr. Ramesh I. Parikh	09.05.2012	28.02.2014	Executive Director	14	13	Yes
Mr. S. P. Tanwar #	27.09.2013	-	Nominee & Independent Director	Nil	Nil	No
Mr. Harish Mehta	16.10.2013	-	Non-Executive & Independent Director	NA	NA	NA
Mr. Jaikumar Kapoor	10.01.2014	-	Executive Director	NA	NA	NA
Mr. Harimohan Namdev	10.01.2014	-	Non-Executive & Independent Director	NA	NA	NA

@ Appointed as Non Executive Chairman with effect from 09.11.2012
# Appointed as an Nominee Director with effect from 27.09.2013

Directorships and Committee positions held by the Directors

In accordance with Clause 49 of the Listing Agreement, none of the Directors is a member in more than ten Committees or is acting as a chairman of more than five committees across companies in which he is Director. For the purpose of considering the limits of the committees, only the chairmanship and membership of the Audit Committee and Shareholders Grievances Committee are considered.

The Directorships and Committee positions held by the Directors in various other companies as on 30th September, 2013 are given below:

Name of Director	Category	Number of Directorship in Other Companies	Number of Committee positions held in other Companies	
			Chairman	Member
Mr. R. Ravichandran	Director-Operations	Nil	Nil	Nil
Mr. Ramesh I. Parikh	Director-Finance	Nil	Nil	Nil
Mr. S. P. Tanwar	Nominee Director	1	Nil	Nil

Conduct of the Board Meetings

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

The Agenda of the meeting is circulated in advance to the Board Members backed by background information to enable them to take appropriate decisions. The Board is kept informed of all major events/items and approvals taken wherever necessary.

The regular information placed before the Board, inter-alia, includes:

- Quarterly results for the Company.
- Minutes of the meetings of the audit committee and other committees of the Board.
- Materially important show cause, demand, prosecution notices and penalty notices, if any.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

Remuneration paid to Directors

Details of remuneration paid to Directors for the 18 months period ended 30th September, 2013.

(₹)

Sr. No.	Name of the Director	Risk Management Committee Meeting Sitting Fees	Board Meeting Sitting Fees	Audit Committee Sitting Fees	Salary Perquisites Super-annuation/ Commission/ ESOP	Total
1.	Mr. Jatin R. Mehta	Nil	15,000	Nil	Nil	15,000
2.	Mr. Lakhpatraj Bhansali	Nil	Nil	Nil	3,77,419	3,77,419
3.	Mr. G. P. Gupta	15,000	Nil	Nil	Nil	15,000
4.	Mr. K. N. Bhandari	Nil	15,000	Nil	Nil	15,000
5.	Mrs. Shrilekha V. Parikh	Nil	45,000	30,000	Nil	75,000
6.	Mr. Madan B. Khurjekar	15,000	1,65,000	90,000	Nil	2,70,000
7.	Mr. Sharad B. Bhagwat	15,000	1,20,000	75,000	Nil	2,25,000
8.	Mr. Dilip P. Tikle	15,000	1,65,000	45,000	Nil	2,25,000
9.	Mrs. Urvashi Saxena	Nil	1,05,000	Nil	Nil	1,05,000
10.	Mr. Harady Rathnakar Hegde	Nil	45,000	Nil	Nil	45,000
11.	Mr. R. Ravichandran	Nil	Nil	Nil	31,32,148	31,32,148
12.	Mr. Ramesh I. Parikh	Nil	Nil	Nil	29,29,839	29,29,839
13.	Mr. S. P. Tanwar	Nil	Nil	Nil	Nil	Nil
	Total					**7,429,406**

Code of Conduct

A code of conduct for all Board members and senior management of the Company has been prepared. The code of conduct is available on the website of the Company www.winsomejewellery.com All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A signed declaration to this effect is enclosed at the end of this report.

Risk Management

As almost entire turnover of the company comprised exports and most of its procurement of raw materials were through imports, the company had Risk Management Policy primarily relating to Forward / Derivative Contracts and Hedging operations. These transactions and policy were reviewed periodically. Since March 2013, the operations have come to a halt and company does not have any underlying transactions requiring hedging. Apart from above, the company does not have elaborate risk management policy in relation to other commercial and operational risks.

COMMITTEES OF THE BOARD

During the 18 months period ended 30th September, 2013, subsequent to the cessation of all Independent Directors with effect from 11th June, 2013, Audit Committee and Shareholders' Grievance Committee could not be reconstituted due to insufficient number of Independent Directors on the Board. Therefore, as on 30th September, 2013, there was no committee of the Board of Directors. However the Company, after the Balance Sheet date, reconstituted both the Committees with effect from 16.10.2013 after proper composition of the Board of Directors. The decisions relating to the constitution of committees, appointment of members and fixing of terms of service for committee members are taken by the Board of Directors. During the period under review, Unaudited Financial Results for the Quarter Ended 30th June, 2013 could not be placed before the Audit Committee (as it was not existing) as required under clause 49 of the Listing Agreement. Accordingly, the said accounts were not considered by Board and limited review was not carried out by the auditors. However the Unaudited Financial Results for the said Quarter were published in the Newspapers for the benefit of the shareholders and also intimated to the Stock Exchanges as per clause 41 of the Listing Agreement for statutory compliance. The Board, comprising of only 2 wholetime directors at that time, directed that the said accounts be placed before the Audit Committee as and when it gets properly constituted and then submitted to the Board for its consideration and for limited review by auditors.

Composition of the said committees, number of meetings held and attendance during the time when there were proper Audit Committee and Shareholders' Grievance Committee during the period of 18 months ended on 30th September, 2013 is as follows:

a) Audit Committee

As aforesaid, there was no Audit Committee of Directors as on 30th September, 2013. However the Audit Committee was reconstituted, after the Balance Sheet date w.e.f 16.10.2013, comprising of the following Directors:

1. Mr. Harish Mehta, Chairman
2. Mr. Satya Prakash Tanwar, Member
3. Mr. Ramesh I. Parikh, Member

However consequent to the resignation of Mr. Ramesh I. Parikh, Director - Finance the Audit Committee was reconstituted on 01.03.2014 replacing him with Mr. Jaikumar Kapoor.

Six Audit Committee Meetings were held during the 18 months ended on 30th September, 2013. These were held on 9th May, 2012, 14th August, 2012, 27th August, 2012, 9th November, 2012, 8th February, 2013 and 15th May, 2013. The following table gives attendance of the Members in the Audit Committee Meeting:

Name of Members	Status	No. of Meetings Attended
Mr. Madan B. Khurjekar (ceased w.e.f. 10th June, 2013)	Non-Executive & Independent Director	6
Mrs. Shrilekha Parikh (ceased w.e.f. 29th September, 2012)	Non-Executive & Independent Director	2
Mr. Sharad B. Bhagwat (ceased w.e.f. 14th May, 2013)	Non-Executive & Independent Director	5
Mr. Dilip Tikle (ceased w.e.f 9th June, 2013)	Non-Executive & Independent Director	3

The statutory auditors, internal auditors are permanent invitees to the audit committee. The Company Secretary acts as secretary of the committee. Members of the Audit Committee including the Chairman have accounting and financial management expertise. The erstwhile Chairman of the Audit Committee, Mr. Madan Khurjekar attended the Annual General Meeting (AGM) held on 29th September, 2012 to answer shareholder's queries.

The Committee acts as a link between the management, statutory and internal auditors and Board of Directors to oversee the financial reporting process. The terms of reference, role and scope of Audit Committee are in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges read with section 292A of the Companies Act, 1956, which, inter-alia, includes the following:

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

b) **Shareholder/Investor Grievances Committee**

As aforesaid, there was no Shareholders' Grievance Committee of Directors as on 30th September, 2013. However the Shareholders' Grievance Committee was reconstituted, after the Balance Sheet date w.e.f 16.10.2013, comprising of the following Directors:

1. Mr. Harish Mehta, Chairman
2. Mr. Satya Prakash Tanwar, Member

The Shareholders/Investors Grievances Committee looks into redressing investor's grievances like transfer of shares, non-receipt of shares, non-receipt of dividends, non-receipt of annual report, etc.

Name and designation of the compliance officer: Mr. Asish Narayan, Company Secretary.

During the period , the Committee met five times, details of which are as under:

Sr. No.	Date	Committee strength	No. of members present
1	09/05/2012	3	2
2	14/08/2012	3	2
3	09/11/2012	3	2
4	08/02/2013	3	3
5	15/05/2013	2	2

MANAGEMENT

Management Discussion and Analysis

Management Discussion and Analysis report forms part of the Annual Report and has been detailed separately in the report.

DISCLOSURES

a) The particulars of transactions between the Company and its related parties as required by Accounting Standard (AS)-18 issued by the Institute of Chartered Accountants of India are set out in point 32 of Notes to financial statements as at and for the 18 months period ended 30th September, 2013 of the Annual Report.

b) In preparation of financial statement, the Company has followed the applicable Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956. The significant accounting policies which are consistently applied are set out in the annexure to the Notes to the Accounts.

c) The Company has not made any fresh capital issue during the period under review.

d) During the last three years, there were no strictures or penalties imposed on the Company either by SEBI or Stock Exchanges or any statutory authority for non-compliance of any matter related to capital market.

e) The Company has instituted a code of conduct for prevention of Insider Trading meant for Director(s) and Senior Management people . The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of Winsome Diamonds and Jewellery Limited, and cautioning them of the consequences of violations.

f) The Company has adopted and complied with all the mandatory requirements under Clause 49 of the Listing Agreement and there is no case of violation or infringement of the same during the period.

g) A qualified practicing Company Secretary carried out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held in electronic mode with NSDL and CDSL.

h) The certification of the financial statements and the cash flow statement for the period is enclosed at the end of the report.

SHAREHOLDERS

Appointment / Re-appointment of Directors

The brief particular of Mr. Harish Mehta who is seeking re-appointment in the ensuing Annual General Meeting are set out as under:

Mr. Harish Mehta was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 16th October, 2013.

Mr. Harish Mehta is a Non-Executive Director of the Company. He is a Graduate and has passed LLB as well as CAIIB. Mr. Mehta was Sr. Manager of Central Bank of India and worked as Internal Auditor for 5 Years. Post retirement, he has been working as Auditor for Corporate Branches of nationalized banks like Punjab National Bank, Oriental Bank of Commerce and Central Bank of India. Presently, he is working as an Auditor of Bank of India, Large Corporate Branch, Ahmedabad.

Communication with shareholders

Winsome Diamonds and Jewellery Limited has its own web-site **www.winsomejewellery.com** and all important information relating to the Company, including results, press releases, etc. are posted on web-site. The results of the Company are published in leading newspapers like Business Standard / The Financial Express /Gandhinagar Western Times.

Investor Grievances

The Company has constituted a Shareholders/Investors Grievances Committee for redressing shareholders' complaints, as mentioned earlier in this report. Grievance redressal division/ compliance officer's e-mail ID as per clause 47(f) of Listing Agreement, exclusively for the purpose of registering complaints by investors:cs@winsomejewellery.com

Compliance

Certificate from the Auditors of the Company, M/s. R.C. Reshamwala & Company, Chartered Accountants, confirming the status of compliance with the conditions of corporate governance, as stipulated under Clause 49 of Listing Agreement, is annexed to the Directors Report forming part of the Annual Report.

General Body Meetings

Year	Location	Date	Time
2009-2010	Mahida Bhavan Icchanath Opp. S.V.R. Engineering College, Dumas Road, Surat 395007	30th September, 2010 *	11.30 a.m.
2010-2011		30th September, 2011** 18th January, 2012***	11.30 a.m.
2011-2012		22nd June, 2012**** 29th September, 2012	12.30 p.m. 12.30 p.m.

* The following Special Resolutions were passed at the Annual General Meeting held on 30th September, 2010:

(i) Preferential issue of equity shares to Foreign Institutional Investors (FIIs).

(ii) Preferential issue of convertible warrants to Promoters Group.

(iii) Increase of limit of investment for Foreign Institutional Investors (FIIs) to 65%.

**The following Special Resolutions were passed at the Annual General Meeting held on 30th September, 2011:

(i) Payment of Commission to Mr. Jatin R. Mehta as Chairman of the Company @ 0.50% of the Net Profit.

(ii) Increase of limit of investment for Non Resident of Indians (NRIs) upto an aggregate 24%.

(iii) Increase of Authorised Share Capital of the Company and Alteration of Article 4 of the Articles of Association.

*** A Special Resolution under Section 81(1A) of the Companies Act, 1956 for Preferential Issue of Equity Shares was passed at the Extra Ordinary General Meeting held on 18th January, 2012.

**** The following Special Resolutions were passed at the Extra-Ordinary General Meeting held on 22nd June, 2012:

(i) Change of Name of the Company

(ii) Payment of Commission to Mr. Jatin R. Mehta as Chairman of the Company upto 0.50% of the Net Profit.

The following resolutions were passed by the Members through postal ballot during the 18 months ended 30th September, 2013:

(i) Ordinary Resolution under section 192A, 293(1)(a) of the Companies Act, 1956 for sale of Unit at Kochi, Kerala.

(ii) Ordinary Resolution under section 192A, 293(1)(a) of the Companies Act, 1956 for creation of further mortgage and/or charge and hypothecation to provide security under Section 293(1)(a) of the Companies Act, 1956 in favour of consortium of Banks.

General Shareholder Information:

Annual General Meeting:

Day, Date, time and venue
Monday, 31st March, 2014, 12.30 p.m.
Mahida Bhavan, Icchanath, Opp. S.V.R. Engineering College, Dumas Road, Surat - 395 007.

Financial Calendar (tentative)

Financial year:
1st October, 2013 to 31st March, 2014

Results for the quarter ending 31st December, 2013

Second week of February, 2014

Results for the quarter ending 31st March, 2014

Second week of May, 2014

Date of Book Closure Period

27th March, 2014 to 31st March, 2014.

Listing of Equity Shares on Stock Exchanges and Payment of Listing Fees

BSE Limited Scrip Code: 507892

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 023

National Stock Exchange of India Limited Symbol: WINSOMEDJ
Exchange Plaza, C-1, Block-G Series : EQ
Bandra-Kurla Complex
Bandra (East) Mumbai 400 051

The Annual Listing Fees for the financial year 2012-2013 has been paid by the Company to the stock exchanges.

DEMAT SEGMENT ISIN : INE664A01015

Market Price Data :

The price of the Company's Equity Shares-High, Low during each month in the last financial year:

MONTH	BSE (in ₹ per share)		NSE (in ₹ per share)		Indices : Sensex	
	High	Low	High	Low	High	Low
April, 2012	47.85	40.4	51.80	40.30	17664.1	17010.16
May, 2012	45.9	37.5	45.00	37.70	17432.33	15809.71
June, 2012	39.6	35.5	39.80	35.70	17448.48	15748.98
July, 2012	42.35	32.3	42.50	34.25	17631.19	16598.48
August, 2012	36.85	25.05	38.90	24.80	17972.54	17026.97
September, 2012	33.5	21.00	33.80	24.75	18869.94	17250.8
October, 2012	37.35	30.55	37.45	29.50	19137.29	18393.42
November, 2012	35.35	30.05	35.40	27.00	19372.7	18255.69
December, 2012	33.8	30.1	33.60	30.40	19612.18	19149.03
January, 2013	42.8	32.3	42.75	32.10	20203.66	19508.93
February, 2013	34.9	24	34.90	24.10	19966.69	18793.97
March, 2013	29.00	21.75	28.60	21.10	19754.66	18568.43
April, 2013	27.75	14.90	27.95	15.00	19622.68	18144.22
May, 2013	17.50	8.20	18.20	8.15	20443.62	19451.26
June, 2013	8.15	6.65	8.10	6.70	19860.19	18467.16
July, 2013	8.24	5.27	7.95	5.40	20351.06	19126.82
August, 2013	6.40	5.20	6.40	5.20	19569.2	17448.71
September, 2013	6.72	5.60	6.60	5.55	20739.69	18166.17

Registrar and Transfer Agent:

Link Intime India Pvt. Limited
Unit: Winsome Diamonds and Jewellery Limited
C-13, Pannalal Silk Mills Compound, L.B.S. Road
Bhandup (West), Mumbai 400 078.
Phone : (91-22) 25946970.
Fax : (91-22) 2594 6969 / 2596 2691.
E-Mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

Share Transfer System

Shareholders/Investors are requested to send the share transfer related documents directly to the Company's Registrar & Transfer Agent, **Link Intime India Pvt. Limited** whose address is given above. Shareholder's/Investor's Grievance Committee is authorized to approve the registration of transfer of shares in the physical segment. All share transfer is completed within statutory time limit from the date of receipt, provided documents meet the stipulated requirement of statutory provisions in all respects.

Company's Registered Office Address:

Winsome Diamonds and Jewellery Limited
Kesharba Market – 2, Gotalawadi
Katargam, Surat – 395 004
Gujarat State, India.
Phone: 0261-2535055 Fax: 0261-2533435

Investor's Service Cell:

Winsome Diamonds and Jewellery Limited
906/907/908, 9th Floor, The Plaza
Near Dharam Palace, 55, Gamdevi
Grant Road, Mumbai-400007
Phone: (022) 49200300; Fax (022) 49200333
E-mail: cs@winsomejewellery.com

Dematerlisation of Shares and Liquidity

The Equity Shares of the Company are compulsorily traded in electronic form with effect from 28th August, 2000. The shareholders who have not yet dematerialized their shares are requested to dematerialize the same by opening DP Account with nearest Depository Participants at the earliest to avail the benefits of dematerialisation.

The total number of shares dematerialized as on 30th September, 2013 are 10,33,52,252 shares representing 96.95% of Share Capital. The Equity Shares of the Company are frequently traded at BSE Limited and National Stock Exchange of India Limited (BSE & NSE).

Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity : **NIL**

Location of Factories:

- 143-D Bommasandra Industrial Area, Hosur Road, Hebbagodi, Bangalore – 562 158.
- Plot No.1 and 1A, Tivim Industrial Estate, Karaswada, Mapusa, Goa – 403 526.
- Kesharba Market-2, Gotalawadi, Katargam, Surat – 395 004.
- Plot No. 17/SDF, 4th Floor, Cochin Special Economic Zone, Kakkanad, Kochi – 682 037, Kerala.
- Unit No.46, 2nd Floor, SDF-III, MEPZ-SEZ, Tambaram, Chennai – 600045.
- Manikanchan Special Economic Zone, Plot No. 1, Block-CN, Sector-5, Salt Lake City, Kolkata - 700 091.
- E-7, Marudhara Industrial Estate, IInd Phase Basni, Jodhpur-342 005.

Shareholding Pattern as on 30th September, 2013

CATEGORY	NO. OF SHARES HELD	% OF SHAREHOLDING
A. Promoter's Holding		
1. Promoters		
i) Indian Promoters:	2,13,210	0.20
a. Individuals	2,66,58,385	25.01
b. Bodies Corporate	-	-
ii) Foreign Promoters		
2. Persons acting in Concert	-	-
Sub Total	**2,68,71,595**	**25.21**
B. Non–Promoters Holding		
3. Institutional Investor		
a. Mutual Funds and UTI	36,500	0.03
b. Banks, Financial Institutions (Central / State Government Institutions/ Non-Government Institutions)	39,493	0.04
c. Insurance Companies	-	-
d. Foreign Bank	100	0.00
e. FIIs	6,22,89,709	58.43
Sub Total	**6,23,65,802**	**58.50**
4. Others		
a. Private Corporate Bodies	14,53,356	1.36
b. Indian Public	1,52,95,995	14.35
c. NRIs	6,21,146	0.58
d. Any Other (Non-executive Directors and their Relatives)	0	0.00
Sub Total	**1,73,70,497**	**16.29**
GRAND TOTAL	**10,66,07,894**	**100.00**

Distribution of Shareholding as on 30th September, 2013

Shareholding of nominal value of ₹	No. of Shareholders	% to Total	Total Amount (₹)	% to Total
Up to 5,000	41,657	88.81	62473430	5.86
5,001 to 10,000	2,968	6.32	22881000	2.15
10,001 to 20,000	1,213	2.59	18211940	1.71
20,001 to 30,000	367	0.79	9261710	0.87
30,001 to 40,000	174	0.37	6308110	0.59
40,001 to 50,000	131	0.28	6155020	0.58
50,001 to 1,00,000	230	0.49	16588580	1.55
1,00,001 and above	163	0.35	924199150	86.69
Total	**46,903**	**100.00**	**1066078940**	**100.00**

On behalf of the Board of Directors

Jaikumar Kapoor
Director

Harish R. Mehta
Director

Mumbai
Date: 5th March, 2014

CERTIFICATION BY CHIEF FINANCIAL OFFICER OF THE COMPANY

(As required by Clause 49 of the Listing Agreement(s) entered into with the Stock Exchanges)

To

The Shareholders and the Board of Directors

Winsome Diamonds and Jewellery Limited

I,Jaikumar Kapoor, Director and Chief Financial Officer of Winsome Diamonds and Jewellery Limited, to the best of my knowledge and belief, certify that:

1) We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the 18 months period ended 30th September, 2013 and all its schedule and notes on accounts, as well as the Cash Flow Statement.
2) To the best of our knowledge and information:
   a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   b) 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.
3) We also certify, that based on our knowledge and belief there are no transactions entered into by the Company, which are fraudulent, illegal or violative of the Company's Code of Business Conduct and Ethics.
4) The Company's certifying officers are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the Company's internal controls and procedures.
5) The Company's other certifying officers and we have disclosed, based on our most recent evaluation, wherever applicable, to the company's auditors and through them to the Audit Committee of the Company's Board of Directors:
   a) All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
   b) Significant changes in internal control during the year;
   c) Any fraud, which we have become aware of and that involves Management or other employees who have a significant role in the Company's internal control system;
   d) Significant changes in accounting policies during the year.

We further declare that all the Board Members and Senior Management of the Company have affirmed compliance with the Code of Business Conduct and Ethics for the 18 months period ended 30th September, 2013.

Mumbai
5th March, 2014

Jaikumar Kapoor
Director / Chief Financial Officer

Details of other Directorships held:

Sr. No.	Name of the Director	Directorship	Committee Membership	Committee Chairmanship
1	Mr. R. Ravichandran	Nil	Nil	Nil
2	Mr. Ramesh I. Parikh	Nil	Nil	Nil
3	Mr. S. P. Tanwar	Forever Precious Jewellery and Diamonds Limited	Nil	Nil

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL OUTLOOK

The global economic environment remained uncertain with an average growth of around 3%. But nevertheless the same was challenging. There were many reasons for this sluggishness. The growth is projected at around 6% for the current FY 2014 as per the recent economic survey conducted by Ministry of Finance. A general slowdown in the emerging economies like China and India was another major reason for the overall slowdown in the global economy.

Weakening of Indian Rupee to Dollar at the 61+ level is another concern which has left the Government struggling to control the increasing current account deficit.

The RBI is expected to formulate policies which will help to encourage investment activity and pu sh forward the economic growth.

INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian Gem and Jewellery Industry recorded a marginal growth of about 3% in FY 2012-13. The total export in 2012-13 was recorded at Rs. 212,638 crores as against Rs.206,080 crores during 2011-12.

COMPANY'S PERFORMANCE

The Company has recorded a total sale of Rs. 7000 crores in the period Apr. 2012 to Sep 2013 as against Rs.5546 crores in FY 11-12. The PBT for the period Apr 2012 to Sep 2013 is Rs. 84 crores (Loss) as against Rs. 120 crores in the FY 2011-12.

(Rs. In Lacs)

Particulars	2012-13 (18 months)	2011-12	2010-11
Sales	713071	554667	432028
PBT	42812	12029	11821
PAT	185	2454	656
EPS	(40.06)	13.15	17.44

OUTLOOK

Your Company has been going through difficult times in the past 6 months with the devolvement of Letters of Credit issued by company's bankers in favour of suppliers of bullion. The overseas customers to whom the exports were made have incurred heavy losses and hence are unable to clear the outstandings. The company is likely to proceed with filing legal suit against the defaulting customers in the court of law either in India or in Dubai.

OPPORTUNITIES, THREAT, RISKS AND CONCERNS

With the developments as mentioned above and with the company being acknowledged as a non-going concern the relevancy of opportunities, threats, risks and concerns is not applicable.

INTERNAL CONTROLS AND SYSTEMS

The company has internal control system commensurate with its size and nature of business to ensure efficiency of operations, compliance with applicable laws and other statutory regulations as well as with internal controls, protection of resources and assets.

HUMAN RESOURCES

The company considers its employees as most important resources and asset. The company ensures that safe working conditions are provided both in the manufacturing units as well as in the offices of the company. The overall industrial relations in the Company have been cordial.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing Company's objectives, projections, estimates and expectations may be 'Forward Looking Statements' within the meaning of applicable laws and regulations. Actual results could materially differ 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 in overseas markets, changes in government regulations and tax laws and other incidental factors. The Company assumes no responsibility o publicity amend, modify or revise any forward looking statements on the basis of subsequent developments, information and events.

On behalf of the Board of Directors

Jaikumar Kapoor — **Director**

Harish R. Mehta — **Director**

Mumbai
Date: 5th March, 2014

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Winsome Diamonds and Jewellery Limited
(Formerly known as Su-Raj Diamonds and Jewellery Limited)

We have examined the compliance of conditions of Corporate Governance by WINSOME DIAMONDS AND JEWELLERY LIMITED for the Eighteen months period ended on 30th September, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

We have conducted our examination on the basis of the relevant records and documents maintained by the Company and furnished to us for the purpose of review and the information and explanations given to us by the Company during the course of such review.

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

In our opinion and to the best of our information and according to the explanation given to us, we certify that Company has complied with the conditions of Corporate Governance generally as stipulated in the above mentioned Listing Agreement except the following due to insufficient Number of Independent Directors:

1. Since October 16, 2013, the Board comprised of 2 independent and 2 whole time directors. Earlier with effect from June 10, 2013, due to resignation of two independent directors, the board was not properly constituted. Consequently during June 10, 2013 till October 16, 2013 there was no compliance;
2. Composition of the Audit Committee was not proper during the period 10th June, 2013 to 30th September, 2013, as prescribed under Clause 49 (IIA);
3. Composition of the Shareholders' Grievance Committee was not proper during the period 10th June, 2013 to 30th September, 2013, as prescribed under sub clause (iii) of Clause 49 (IVG);
4. Resulting in Non Compliance of the following provisions of Clause 49:
   (a) Audit Committee was not able to meet in August, 2013 to consider the 5th quarter accounts for the period 1st April, 2013 to 30th June, 2013;
   (b) There was no audit committee meeting during the quarter 1st July, 2013 to 30th September, 2013. As such there was no compliance of Clause 49(II)(B) 49 (II)(C) and 49 (II)(D) and 49 (II)(E) during the period.
   (c) Internal Audit has not been carried out of the following branches during October – March, 2013:
      (i) Cochin;
      (ii) Goa; and
      (iii) Bangalore.

(d) Further, there Internal audit has not been carried out for the period 1st April, 2013 to 30th September, 2013.

5. However, Company has properly constituted Board of Directors, Audit Committee and Shareholders' Grievance Committee with effect from 16-10-2013.

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

For R.C. RESHAMWALA & CO.
CHARTERED ACCOUNTANTS
(FRN: 108832W)

RAJNIKANT C. RESHAMWALA
PARTNER
MEMBERSHIP NO. 005502

Place : Mumbai
Dated : 5th March, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of WINSOME DIAMONDS AND JEWELLERY LIMITED (FORMERLY KNOWN AS SU-RAJ DIAMONDS AND JEWELLERY LIMITED)

1. **Report on the Financial Statements**

   We have audited the accompanying financial statements of **Winsome Diamonds And Jewellery Limited (Formerly Known As Su-Raj Diamonds And Jewellery Limited)** ("the Company"), which comprise the Balance Sheet as at **30th September, 2013**, the Statement of Profit and Loss and the Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

2. **Management's Responsibility for the Financial Statements**

   The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company prepared in accordance with the Accounting Standards notified under the Companies Act, 1956 read with the general circular 15/2003 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and other recognised accounting practices and policies. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. **Auditor's Responsibility**

   Our responsibility is to express an opinion on these financial statements based on our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

4. **Basis for Qualified Opinion**

   A. *In accordance with Accounting Standard - 11 (Standard on The Effects of Changes in Foreign Exchange Rates), the Company is required to value its monetary assets and liabilities viz foreign currency trade receivables and trade payables at the foreign exchange rate prevailing on the date of the balance sheet. The Company has not carried out such valuations. Accordingly the exchange gain for the period is understated, loss for the period is overstated by Rs. 636,04,74,798 (net), trade receivables are understated by Rs. 643,26,50,421 and trade payables are understated by Rs. 7,21,75,623 (Refer Note No. 8 (b), 16(b) and Note 22(c)).*

5. **Basis for Disclaimer of Opinion**

   A. *In respect of Trade Receivables amounting to Rs. 4,759,24,33,182, the auditors have not received any confirmations of balances. The management has obtained confirmations of balances from the respective parties. There have been defaults on the payment obligations by the debtors on the due date. Various attempts have been made by the management and lenders for recovery however such attempts have not resulted into any significant collections or getting commitment from the parties regarding schedule of payments which are acceptable to the management / lenders, In view of the above we are unable to comment on the realisability of the debts and any provision to be made for unreliability in the carrying amounts of these balances and the consequential impact, on the financial statements. (Refer Notes 16 and 19 to the financial statements)*

   B. *The Company has made long term investments in Forever Precious Jewellery and Diamonds Ltd.(Forever) amounting to Rs. 1,411,710,802, thereby resulting in it holding a 49 % stake in the equity of that company. The said investments continue to be valued at cost. As stated in Note No. 14 B, in the view of the management, provision for diminution in value of investments as per the requirements of Accounting Standard -13 (Accounting for Investments) is not considered necessary and hence not made. we have been informed that the financial statements of "Forever" are under audit. In the absence of availability of audited financial statements of "Forever", we are unable to comment on the carrying costs of such investments and the provision for diminution in their value as on 30th September, 2013. We are unable to comment on the impact on the financial statements of provision for diminution in value of investments.*

   C. *As mentioned in Note No 1 regarding preparation of accounts on a Going Concern basis and the reasons stated therein and Note No. 31 of the financial statements detailing the developments that have happened during the period under audit, the Company's operating results have been materially affected due to various factors including non availability of finance in view of the consortium bankers recalling the financial facilities granted. These events cast significant doubts on the ability of the Company to continue as a going concern since the volumes of business have also drastically dropped in the last 6 months. The appropriateness of the going concern assumption is dependent on the Company's ability to raise adequate finance from alternate means and/or recoveries from overseas debtors to meet its short term and long term obligations as well as to establish consistent business operations. In absence of any convincing audit evidences, no positive steps taken by the management, non recovery of trade receivables on due date, non payment of liabilities including statutory dues, financial difficulties faced by the company due to recalling of bank finance facilities and in view of multiple uncertainities stated above, we are unable to determine the possible effects on the financial statements. We are also unable to conclude on the ability of the company to carry on as a going concern.*

6. **Disclaimer of Opinion**

   Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, specifically relating to the multiple uncertainties created due to factors such as non *recovery of trade receivables on due dates, non payments of liabilities including statutory dues, financial difficulties faced by the Company due to recalling of bank finance we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.*

7. Emphasis of Matter

In accordance with Accounting Standard – 9 (Revenue Recognition), In terms of the EXIM policy for Gold Loans and as per the consistent practice followed by the Company in the past, it is required to raise revised invoices on its customers on account of the final settlement of its liability of gold loan. As stated in Note No. 16(c), in view of the uncertainty involved of ultimate realization of such amounts, the company has not raised the revised invoices amounting to Rs. 119,35,00,046. (Refer Note No. 16 c and Note 22 c).

8. Report on Other Legal and Regulatory Requirements

1. As required by The Companies (Auditors Report Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. As required by section 227(3) of the Companies Act, 1956 we report that:
   (a) As described in the Basis for Disclosure of Opinion Paragraph, we were unable to obtain all the information and explanations to the best of our knowledge and belief necessary for the purpose of our audit;
   (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   (c) the Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
   (d) Except for the effects of the matter described in the Basis for Qualified / Disclaimer Opinion paragraphs, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, read with the general circular 15/2003 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013
   (e) On the basis of written representations received from the directors as on 30th September, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 30th September, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For R.C. RESHAMWALA & CO.
CHARTERED ACCOUNTANTS
FRN 108832W

RAJNIKANT C. RESHAMWALA
PARTNER
MEMB. NO. 5502

MUMBAI:5th March, 2014

ANNEXURES TO THE AUDITORS' REPORT

(Referred to in para 8 (1) of our auditors report of even date on the accounts for the period ended 30th September, 2013 of **WINSOME DIAMONDS AND JEWELLERY LIMITED (FORMERLY KNOWN AS SU-RAJ DIAMONDS AND JEWELLERY LIMITED).**

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:

1. (a) The Company has maintained proper records, showing full particulars including quantitative details and situation of fixed assets.
   (b) As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification which in our opinion is reasonable considering the size and nature of its business, and no material discrepancies have been noticed on such verification.
   (c) Substantial part of fixed assets has not been disposed off during the period.
2. (a) During the period, in June 2013, the banks have placed the stock of diamonds belonging to the Head Office and the Mumbai Branch office of the Company valued at Rs. 39,35,00,031 in the joint custody. The bank had done a test check valuation as on 30th September, 2013 when officers of the Company were also present of the said stock which has been then forwarded to the company. Confirmation of the stocks lying with the bank has been confirmed by the management on the basis of the letter obtained from the bank. Prior to the above, the management had carried out the physical verification of inventory on regular intervals.
   (b) The procedures of physical verification of inventories followed by the management prior to June 2013 were reasonable and adequate in relation to the size of the Company and the nature of its business.
   (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records prior to June 2013 were not material. Since majority of the inventory is held in the joint custody of the consortium of banks, which was not available for our verification, we have relied on the certificate of the bank and the Company and hence we are unable to comment on the stock of inventory as at the period ended September 30, 2013.
3. (a) As per the information and explanations given to us and the records produced before us for our verification, the Company has not granted unsecured loan to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
   (b) As the company has not given any loans to parties mentioned in Para 3(a) above, the question of determining whether the rate of interest and other terms and conditions of loans taken by the company being prima facie prejudicial to the interest of the company does not arise.
   (c) Similarly the question of repayment of principal amount and interest on such loans does not arise.
   (d) The company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies act, 1956.
   (e) As the company has not taken any loans from parties mentioned in Para 3(d) above, the question of determining whether the rate of interest and other terms and conditions of loans taken by the company being prima facie prejudicial to the interest of the company does not arise.
   (f) Similarly the question of repayment of principal amount and interest on such loans does not arise.
4. In our opinion and according to the explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regards to purchases of inventory, fixed assets and sale of goods and services. During the course of the audit we have not observed any continuing failure to correct major weaknesses in internal control.

5. (a) According to the information and explanations given to us and on the basis of the checks carried out by us, there are no contracts or arrangements referred to in Section 301 of the Act required to be entered in the register maintained under that section.

   (b) As the company has not entered into any contracts or arrangements with the parties mentioned in Para 5(a) above, the question of determining whether the prices are reasonable having regards to prevailing market price does not arise.

6. The Company has not accepted deposits from the public. As such, the question of complying with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58 AA or any other provisions of the Act and rules framed there under does not arise.

7. The Company had an adequate Internal Audit System commensurate with its size and nature of its business till September, 2012. Subsequent to September 2012, except for Mumbai office and Surat office where internal audits have been carried out till March 2013, no internal audits have been carried out. Further from April 2013 to September 2013 there has not been any internal audits carried out.

8. We have reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government of India, under clause (d) of sub-section (1) of Section 209 of the Act, to ascertain whether the prescribed accounts and records have been made and maintained. Prima facie the prescribed accounts and records are being made and maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance dues, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable, have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The details of undisputed amounts due and outstanding for a period exceeding 6 months are as below :

   Service Tax March 2013 Rs. 3,44,786

   (b) According to the information and explanations given to us and the records of the Company as examined by us, there are no disputed dues of income-tax, sales-tax, VAT, service tax, customs duty, excise duty, wealth tax and cess, which have not been deposited.

10. The Company does not have accumulated losses. However, the Company has incurred cash losses in the financial period covered by our audit. The Company has not incurred cash losses in the immediately preceding financial year.

11. The Company has defaulted in payment of loans to banks. The details of such default are as under:

Bank Name	Total Amount Defaulted	Date of Default started
Axis Bank - Term Loan	7,918,400	08/04/2013
Axis Bank	474,155,520	02/04/2013
Bank of India	906,139,200	06/04/2013
Bank of Maharashtra	2,937,920,826	02/04/2013
Canara Bank	6,722,236,193	18/03/2013
Central Bank of India	7,465,886,346	28/03/2013
EXIM Bank	714,743,985	05/04/2013
I D B I Bank	1,147,875,362	06/04/2013
Oriental Bank of Commerce	1,636,021,974	08/04/2013
Punjab National Bank	10,521,187,766	26/03/2013
Standard Chartered Bank	4,061,589,537	25/03/2013
State Bank of Hyderabad	1,277,706,509	08/04/2013
State Bank of Mauritius	463,330,128	18/04/2013
Union Bank of India	2,803,341,974	21/03/2013
Vijaya Bank	1,448,174,130	02/04/2013
TOTAL	42,588,231,950	

The Company does not have any outstanding dues from financial institutions and/or by way of debentures.

12. As informed to us, the company has not granted any loans and advances on the basis of security by way of pledge of any shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

14. In our opinion and according to the explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. The company has only invested in shares of subsidiaries / group companies for which proper records have been maintained. The said investments are held by the Company in its own name.

15. As informed to us, the Company had given guarantees of USD 5.5 mn for credit facilities availed by its overseas subsidiary, Su-Raj Diamonds and Jewellery DMCC, from bank. During the period under audit, the Company has divested its entire equity holding in the said subsidiary. *However the said guarantee has still not been released and the status of the guarantee, is not available with the Company. Thus we are unable to comment on the terms and conditions of the guarantee being prima-facie prejudicial to the interests of the Company.*

16. On the basis of the review of the utilization of funds pertaining to term loans on overall basis and related information as made available to us by the Company, prima facie the term loans taken by the Company were applied for the purpose for which they had been raised.

17. In accordance with the instructions issued by the Institute of Chartered Accountants of India in the Guidance Note on the revised Schedule VI to the Companies Act, 1956 with reference to Current Assess, and according to the information and explanations given to us and on overall examination of the Balance Sheet and Cash Flow of the Company, we report that funds amounting to Rs. 47,445,160,512 raised on short-term basis have been utilized for long term investments.

18. The company has not issued any Preferential Allotment of shares to companies covered under section 301 of the Companies Act, 1956. Therefore, the provision of clause 4(xviii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.

19. The company has not issued any debentures. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.

20. During the period under review, apart from amounts received on calls in arrears, the company has not raised any monies by way of public issues. Hence the question of verification of end use of monies raised in public issue as per the provision of clause 4(xx) of the Companies (Auditor's Report) Order 2003 does not arise.

21. During the course of our examination of the books of accounts carried out in accordance with generally accepted auditing practices, we have not noticed any fraud on or by the company, nor have we been informed by the management of any such cases during the financial period.

For R. C. RESHAMWALA & CO.
CHARTERED ACCOUNTANTS
FRN : 108832 W

RAJNIKANT C. RESHAMWALA
PARTNER
MEMBERSHIP NO. 005502

MUMBAI: 5th March, 2014

AUDITED BALANCE SHEET AS AT 30th SEPTEMBER, 2013

	Note	Current Period ₹	Current Period ₹	Previous Year ₹
I. EQUITY AND LIABILITIES				
(1) Shareholders' Funds				
(a) Share Capital	2	**1,064,709,820**		1,034,709,820
(b) Reserves and Surplus	3	**7,391,465,306**		11,474,204,630
(c) Money received against share warrants	4	**-**		52,500,000
			8,456,175,126	12,561,414,450
(2) Non-Current Liabilities				
(a) Long-Term Borrowings	5	**1,142,927**		9,701,227
(b) Deferred Tax Liabilities (Net)	6a	**39,056,104**		57,584,533
(c) Other Long Term Liabilities	6b	**10,000,000**		-
			50,199,031	67,285,760
(3) Current Liabilities				
(a) Short-Term Borrowings	7	**-**		5,127,447,347
(b) Trade Payables	8	**715,970,063**		28,700,040,487
(c) Other Current Liabilities	9	**41,352,528,352**		54,281,676
(d) Short-Term Provisions	10	**307,518**		12,322,609
			42,068,805,933	33,894,092,119
TOTAL			**50,575,180,090**	46,522,792,329
II. ASSETS				
(1) Non-Current Assets				
(a) Fixed Assets				
(i) Tangible Assets	11	**498,503,499**		638,908,605
(ii) Intangible Assets	12	**1,535,064**		3,445,193
(iii) Capital Work in Progress	13	**-**		6,848,522
(b) Non-Current Investments	14	**1,416,729,554**		916,741,916
(c) Long-term Loans and Advances	15	**46,452,202**		120,523,610
(d) Other Non - Current Assets	16	**47,445,160,512**		-
			49,408,380,831	1,686,467,847
(2) Current Assets				
(a) Current Investments	17	**-**		661,949,050
(b) Inventories	18	**451,563,827**		5,688,364,289
(c) Trade Receivables	19	**1,47,272,670**		35,471,156,612
(d) Cash and Cash Equivalents	20	**308,137,267**		2,689,459,804
(e) Short-Term Loans and Advances	21	**259,825,495**		325,394,727
			1,166,799,259	44,836,324,482
TOTAL			**50,575,180,090**	46,522,792,329
Summary of Significant Accounting Policies	1			
Notes on Financial Statements	2 to 41			

As per our attached report of even date
For R. C. RESHAMWALA & CO.
Chartered Accountants
(FRN 108832 W)
Rajnikant C. Reshamwala
Partner
Membership No. 5502

For and on behalf of the Board

Jaikumar Kapoor Director

Asish Narayan
Company Secretary

Harish R. Mehta Director

Harimohan Namdev Director

Mumbai,
Date : 5th March, 2014

AUDITED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 30th SEPTEMBER, 2013

Particulars		Note	Current Period ₹	Previous Year ₹
REVENUE				
I.	Revenue from Operations	22	**71,307,092,507**	55,466,720,230
II.	Other Non-Operating Income	23	**436,005,851**	518,762,909
III.	**Total Revenue (I+II)**		**71,743,098,358**	55,985,483,139
IV.	**EXPENSES**			
	Cost of Materials Consumed	24	**69,618,523,628**	53,626,688,498
	Purchases of Stock-in-trade		**-**	107,285,737
	Changes in Inventories of Finished goods, Stock-in-trade		**1,886,407,865**	(845,740,054)
	Employee Benefits Expenses	25	**61,501,291**	68,044,681
	Finance Costs	26	**3,454,928,875**	834,386,893
	Depreciation and Amortization Expense	11 & 12	**117,338,947**	80,601,830
	Other Expenses	27	**8,85,665,506**	911,348,730
	Total Expenses		**76,024,366,112**	54,782,616,316
V.	**Profit before Tax (III-IV)**		**(4,281,267,754)**	1,202,866,823
VI.	**Tax Expense of continuing operations:**			
	Current Tax		**-**	240,000,000
	Deferred Tax	6	**(18,528,430)**	5,339,334
			(18,528,430)	245,339,334
VII	**Profit After Tax (PAT) (V-VI)**		**(4,262,739,324)**	957,527,489
VIII	**Earnings per Equity Share**	28		
	Basic & Diluted in Rupees		**(40.06)**	13.15

As per our attached report of even date
For R. C. RESHAMWALA & CO.
Chartered Accountants
(FRN 108832 W)

Rajnikant C. Reshamwala
Partner
Membership No. 5502

Mumbai,
Date : 5th March, 2014

Asish Narayan
Company Secretary

For and on behalf of the Board

Jaikumar Kapoor Director

Harish R. Mehta Director

Harimohan Namdev Director

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30th SEPTEMBER, 2013

		Current Period ₹	Previous Year ₹
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before Tax	**(4,281,267,754)**	1,202,866,823
	Adjustments for :		
	Depreciation	**117,338,947**	80,601,830
	Interest Income	**(274,678,700)**	(502,185,937)
	Finance Cost	**3,454,928,875**	834,386,893
	Dividend Income	**-**	(736,614)
	(Profit)/Loss on Sale of Assets (Net) and Investment	**(110,128,374)**	(892,269)
	Operating Profit before working capital changes	**(1,093,807,006)**	1,614,040,726
	Adjustments for :		
	Trade and Other Receivables	**(11,977,947,319)**	(11,091,385,097)
	Inventories	**5,236,800,462**	(774,316,106)
	Trade Payable including Bank Loan recalled	**13,315,089,250**	8,304,244,447
		5,480,135,387	(1,947,416,030)
	Taxes paid	**(15,174,999)**	(226,894,840)
	Cash generated from operating activities	**5,464,960,388**	(2,174,310,870)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(12,667,555)**	(185,862,384)
	Sale of Fixed Assets	**53,622,542**	2,975,750
	Purchase of Investments	**(642,500,000)**	(29,244,607)
	Sale of Investments	**905,459,609**	-
	Interest Received	**274,678,701**	502,185,937
	Dividend Received	**-**	736,614
	Net cash from investing activities	**578,593,297**	290,791,310
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Share Premium	**135,000,000**	1,654,363,620
	Proceeds from Short Term borrowings	**(5,127,447,347)**	(201,011,407)
	Proceeds from Long Term borrowings	**-**	(14,856,759)
	Proceeds from Share Capital	**22,500,000**	366,636,360
	Interest and Bank charges Paid	**(3,454,928,875)**	(834,386,893)
	Dividend Paid with Tax	**-**	(97,432,818)
	Net cash from financing activities	**(8,424,876,222)**	873,312,103
	Net increase/(decrease) in cash and cash equivalent (A+B+C)	**(2,381,322,537)**	(1,010,207,457)
	Cash and Cash equivalent as at 1st April, 2012 (Opening Balance)	**2,689,459,804**	3,699,667,261
	Cash and Cash equivalent as at 30th September, 2013 (Closing Balance)	**308,137,267**	2,689,459,804

As per our attached report of even date
For R. C. RESHAMWALA & CO.
Chartered Accountants
(FRN 108832 W)

Rajnikant C. Reshamwala
Partner
Membership No. 5502

For and on behalf of the Board

Jaikumar Kapoor Director

Asish Narayan
Company Secretary

Harish R. Mehta Director

Harimohan Namdev Director

Mumbai,
Date : 5th March, 2014

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2013.

Note. 1 Summary of Significant Accounting Policies followed by the Company

Basis of preparation of Financial Statements:

These financial statements have been prepared on accrual basis and under historical cost convention and in compliance in all material aspects, with the applicable accounting principles in India, the applicable accounting standards notified under section 211 (3C) and the other relevant provision of the Companies Act, 1956.

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of the product and the time between the acquisition of assets for processing and their realization in cash and cash equivalent, the Company has ascertained its operating cycle to be less than 12 months.

(i) On the basis of management's assumption, it is expected that the company will have adequate cash inflows from proceeds of export realisations to defray, in phased manner, its entire debt obligations. As such, although the inward remittances from overseas customers have not been very encouraging for the present owing to losses as claimed by them. Based essentially on their past track record, documents evidencing receipt of export consignments and confirmation of debts, export receivables are considered as fully realisable and accordingly, amounts payable to banks are considered as fully secured. The Company's total assets are more than total liabilities. The Company is also exploring raising of additional finance from promoter apart from realization of its receivables. The Company is hopeful of increasing production once the cash flow improves. Hence the accounts of the Company are prepared on Going Concern Basis.

1. System of Accounting and Preparation of Financial Statements:

(a) All income and expenditure items are accounted on accrual basis.

(b) Financial statements are based on historical costs. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

2. Use of Estimates:

The preparation of financial statements are in conformity with generally accepted accounting principles which require estimates and assumptions to be made by the management that affects the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between actual results and estimates are recognized in the period in which the results are known /materialized.

3. Fixed Assets:

(a) All fixed assets are valued at cost of acquisition, construction or manufacturing as the case may be, less depreciation.

(b) Exchange differences relating to the acquisition of fixed assets are taken to the Statement of Profit and Loss.

4. Depreciation:

(a) Depreciation is provided as per the "Written Down Value" method at rates provided by Schedule XIV to the Companies Act, 1956. Leasehold Land is amortised over the period of lease.

(b) Depreciation on additions and on sale/disposal of fixed assets is computed pro-rata on day-to-day basis from the date of purchase/put to use and up to the date of sale.

(c) Depreciation on new unit is taken from the date of commissioning of the unit.

(d) Depreciation is also considered on those assets (idle assets) which were not used for whole or part of the year. However for units shut down, no depreciation is charged.

5. Work in Progress:

(a) The cost of fixed assets, acquisition/construction, installations of which are not completed are included under Capital Work-in-Progress and the same are apportioned/transferred to respective fixed assets on installation/completion of the asset/project.

(b) Expenses incurred to set up business premises/factory premises forming part of capital work-in-progress are capitalized under the head Factory Premises.

(c) Similarly, goods which are under production and cannot be termed as finished goods are treated as work-in-progress.

6. Investments:

(a) Current Investments are carried at lower of cost and quoted/fair value.

(b) Long term Investments are stated at cost of acquisition. Provision for diminution in the value of long term investments is made if such diminution is considered other than temporary in nature. Such diminution in the value of Long Term Investments are taken through the Statement of Profit and Loss.

(c) Application monies for investment in shares are classified as an advance till the allotment of shares is completed.

7. **Inventories:**

The Company has complied with AS-2 ``Valuation of Inventories'' issued by the Institute of Chartered Accountants of India, to the extent practicable keeping in mind the peculiar nature of the industry.

(a) Raw Materials are valued "At Cost" or "Net Realisable Value", whichever is lower. Costs means cost of Raw materials as determined on average, weighted average or FIFO basis as applicable, with proportionate value of freight and clearing charges.

(b) Stock on hand as on the last date which is under processing and not yet converted to finished goods is considered to be a part of stock of raw materials and hence is valued as raw materials as in (a) above.

(c) Finished Goods of Polished Diamonds are valued "At Cost" or "Net Realisable Value", whichever is lower. Cost includes cost of raw materials on weighted average cost basis, labour cost and proportionately allocated other costs related to converting them into finished goods which are technically evaluated keeping in view the wide variety and grades of diamonds.

(d) Finished Goods of Jewellery are valued "At Cost" or "Net Realisable Value", whichever is lower. Cost includes cost of raw materials, labour cost and proportionately allocated other costs related to converting them incto finished goods.

(e) Goods procured for trading (Gold, Studded and Plain Jewellery and Diamonds) are valued "At Cost" or "Net Realisable Value", whichever is lower.

(f) Stores and Spares are valued "At Cost".

(g) Closing stock of Goods at Bullion Trading Division are valued "At Cost" or "Net Realisable Value", whichever is lower.

8. **Foreign Exchange Transactions:**

(a) Transactions in foreign currency are accounted at the exchange rate/average rate prevailing on the date of transaction. Exchange fluctuations between the transaction date and the settlement date in respect of revenue transactions are recognized in the Statement of Profit and Loss.

(b) Monetary Assets and Liabilities denominated in Foreign Currency are translated at year end exchange rates and the Profit/Loss so determined are recognized in the Statement of Profit and Loss for the year.

(c) All foreign exchange derivative transactions are fair valued, wherever applicable, as at the year-end in consonance with (i) Accounting standards notified Under Section 211 of the Companies Act, 1956 (ii) Applicable guidelines issued by RBI and the Institute of Chartered Accountants of India in this regard (iii) Principle of Prudence which requires recognition of expected losses and non recognition of unrealized gains, wherever applicable, and (iv) Risk Management Policy relating to derivative transaction of the Company as approved by the Board with a clause which Allows using Cost Reduction Structures and relevant disclosures as prescribed by ICAI Press Release dated 02.12.2005 are made in the notes.

(d) The Company has adopted AS – 11 of the Institute of Chartered Accountants of Inida, in relation to its foreign exchange transactions including derivatives and options.

(i) As per the Provisions of the AS - 11 of the Institute of Chartered Accountants of India, the profit/loss on cancellation or renewal of derivative instruments such as forward contract and option contract undertaken to hedge exchange fluctuation/ price risks are recognised as income/expenses in the Statement of Profit and Loss for the year.

(ii) Option contract open at the year end are recognized at year end rate and the Mark to Market difference, wherever applicable, is taken to the Statement of Profit and Loss.

(iii) Premium or discount at the inception of forward exchange contract is amortized as expenses or income over the life of contract.

9. **Employees Retirement Benefits:**

(a) Defined Contribution Plans:

The Company has Defined Contribution Plan for post employment benefit in the form of provident fund for eligible employees which is administered by Regional Provident Fund Commissioner. Provident fund is classified as Defined Contribution Plan as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Statement of Profit and Loss as and when incurred.

(b) Defined Benefit Plans:

The Company has Defined Benefit Plan for post employment benefit in the form of Gratuity for eligible employees which are administered through a Group Gratuity Policy with Life Insurance Corporation of India (LIC). The liability for the above Defined Benefit Plan is provided on the basis of an actuarial valuation as carried out by LIC. The actuarial method used for measuring the liability is the Projected Unit Credit Method.

(c) Termination benefits are recognized as an expense as and when incurred.

(d) The Company has made provision for leave encashment dues as on the last date of the year.

10. Taxation:

(a) Provisions for taxation is made after considering various relief's admissible under the provisions of the Income Tax Act, 1961.

(b) Disputed amounts of tax are considered in contingent liabilities.

(c) The Company has implemented `Accounting Standard 22'-"Accounting of Taxes on Income", issued by the Institute of Chartered Accountants of India, which is mandatory in nature. The Company has recognized Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits that originate in one period and are capable of reversal in one or more subsequent periods.

11. Borrowing Cost:

Borrowing Costs that are attributable to the acquisition/construction of fixed assets are capitalized as part of the cost of the respective assets. Other borrowing costs are recognized as expenses in the year in which they are incurred.

12. Impairment of Fixed Assets:

Considering AS-28-Impairment of Assets as specified by the Institute of Chartered Accountants of India, the Company at the end of each year determines whether there are any Assets that require a provision for impairment loss. Impairment loss is charged to the Statement of Profit and Loss in the year in which, an asset is identified as impaired, when the Carrying Rate of the asset exceeds its recoverable value. The impairment loss booked in prior accounting periods is reversed if there is a upward change in the estimate of recoverable account.

13. Provisions, Contingent Assets and Contingent Liabilities:

Provisions involving substantial degree of estimation in quantum are recognized when, there is and present, as a result of past events likely obligation with a high probability of an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent Liabilities, if material, are disclosed in the notes to the accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30th SEPTEMBER 2013

Note 2. SHARE CAPITAL

(A) Authorised, Issued, Subscribed and Paid-up Share Capital and Par Value Per Share

	No. of Shares	Current Period	No. of Shares	Previous Year
AUTHORISED SHARE CAPITAL				
Equity Shares of Rs.10/- each	**150,000,000**	**1,500,000,000**	150,000,000	1,500,000,000
ISSUED SHARE CAPITAL				
Equity Shares of Rs.10/- each	**106,607,894**	**1,066,078,940**	103,607,894	1,036,078,940
SUBSCRIBED & PAID-UP SHARE CAPITAL				
Equity Shares of Rs.10/- each	**106,607,894**	**1,066,078,940**	103,607,894	1,036,078,940
Less : Calls unpaid by Shareholders other than directors		**1,369,120**		1,369,120
TOTAL		**1,064,709,820**		1,034,709,820

NOTES :

1) Of the above Paid-up Capital, Rs. NIL (Rs.3636 lacs) represents NIL (36,363,636) Equity Shares of Rs.10/- each fully paid up, issued to FIIs on Preferential basis during the period (year).

2) Of the above Paid-up Capital, Rs. 300 Lacs (Rs.40 Lacs) represents 3,000,000 (400,000) Equity Shares of Rs. 10/- each fully paid-up, issued upon conversion of 3,000,000 (400,000) Optionally Fully Convertible Share Warrants (OFCWs) into Equity Shares of Rs. 10/- each fully paid up at a premium of Rs. 60/- per share to the Promoter Group Company, viz. Kohinoor Diamonds P. Ltd., out of 3,400,000 Share warrants issued on 14.10.2010.

(B) Reconciliation of number of Equity Shares outstanding at the beginning and at the end of the period

	Current Period No. of Shares	Previous Year No. of Shares
No. of Shares outstanding as at the beginning of the period / year	**103,607,894**	66,844,258
Add :		
- Shares allotted during the period / year as fully paid-up upon Conversion of Warrants	**3,000,000**	400,000
- Shares allotted during the period / year as fully paid-up for cash	**-**	36,363,636
No. of Shares outstanding as at the end of the period / year	**106,607,894**	103,607,894

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed, if any, by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Payment of dividend is also made in foreign currencies to shareholders outside India.

In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the no. of equity shares held by the shareholders.

(C) Shares in the Company held by each shareholder holding more than 5% shares

	Current Period		Previous Year	
SHAREHOLDERS	No. of Shares	% of Holding	No. of Shares	% of Holding
1) Passage To India Master Fund Limited	**10,181,818**	**9.55%**	10,181,818	9.83%
2) Sparrow Asia Diversified Opportunities Fund	**10,018,182**	**9.40%**	10,018,182	9.67%
3) Davos International Fund	**8,545,454**	**8.02%**	8,545,454	8.25%
4) Leman Diversified Fund	**7,898,182**	**7.41%**	7,898,182	7.62%
5) Prime India Investment Fund Limited	**5,700,000**	**5.35%**	5,700,000	5.50%
6) Bridge India Fund	**7,332,839**	**6.88%**	-	-
7) Kohinoor Diamonds Private Limited	**14,138,996**	**13.26%**	-	-
8) SJR Commodities and Consultancies Private Limited	**-**	**-**	6,283,350	6.06%
TOTAL	**63,815,471**	**59.87%**	48,626,986	46.93%

(D) Details of securities convertible into equity / preference shares

	No. of Warrants	Current Period	No. of Warrants	Previous Year
WARRANTS CONVERTIBLE INTO EQUITY SHARES	-	-	3,000,000	52,500,000

TERMS OF ISSUE

1) The warrants were issued on 14th October 2010.
2) An Amount of Rs. 17.50 per warrant i.e. 25% of the price fixed for preferential allotment of shares of Rs. 70/- has been received by the Company at the time of issue and allotment of warrants.
3) The warrants holders have right to apply for and be allotted one equity share of Rs. 10/- each fully paid up against each warrant held upon payment of balance 75 % i.e. Rs. 52.50 per warrant.
4) The warrant holders are entitled to exercise the option to apply for shares within 18 months from the date of allotment of the warrants i.e. on or before 13.04.2012
5) The equity shares allotted pursuant to exercise of option attached to warrants will be locked-in for a period of 3 years from the date of allotment of shares.
6) The equity shares when allotted will rank pari-passu in all respects with existing equity shares of the company including dividend.
7) If the warrant holders do not exercise option to apply for equity shares by paying up the balance 75%, the amount paid at the time of issue and allotment of warrants shall stand forfeited.

NOTES

1) The Company had raised Rs. 595 lacs in October 2010 consequent upon issue of 3,400,000 warrants to one of the promoter group companies. viz. Kohinoor Diamonds Pvt. Ltd.
2) Kohinoor Diamonds Pvt. Ltd. exercised option in respect of 3,000,000 (400,000) warrants by paying up Rs. 1575 lacs (Rs.210 Lacs) and were allotted 3,000,000 (400,000) equity shares of Rs. 10/- each fully paid up on 13.04.2012 (01.02.2012).

Note 3. RESERVES AND SURPLUS

			Current Period ₹	Previous Year ₹
1)	**CAPITAL RESERVE**			
	As per last Balance Sheet		**50,341,338**	50,341,338
2)	**SECURITIES PREMIUM ACCOUNT**			
	As per last Balance Sheet	**4,544,538,450**		2,884,174,830
	Add :			
	- Premium received in respect of Equity Shares issued on preferential basis during the year			1,636,363,620
	- Premium received in respect of Equity Shares issued upon conversion of Warrants	**180,000,000**		24,000,000
		4,724,538,450		4,544,538,450
	Less : Allotment / Call Money in Arrears other than Directors			
	- As per Last Balance Sheet	**5,712,831**		5,727,516
	- Less : Received during the year	**-**		14,685
		5,712,831		5,712,831
			4,718,825,619	4,538,825,619
3)	**GENERAL RESERVE**			
	As per last Balance Sheet	**2,850,000,000**		2,820,157,690
	Add : Amount transferred from Statement of Profit & Loss	**-**		29,842,310
		2,850,000,000		2,850,000,000
			2,850,000,000	2,850,000,000

		Current Period ₹	Previous Year ₹
Note 3. RESERVES AND SURPLUS *(Contd.)*			
4) **GENERAL RESERVE - FOREIGN EXCHANGE / METAL PRICE FLUCTUATION**			
As per last Balance Sheet	**550,000,000**		535,000,000
Add : Amount transferred from Statement of Profit & Loss	**-**		15,000,000
		550,000,000	550,000,000
5) **SURPLUS IN THE STATEMENT OF PROFIT & LOSS**			
- As per last Balance Sheet	**3,485,037,673**		2,572,352,494
- Add : Net Profit after Tax transferred from Statement of Profit & Loss	**(4,262,739,324)**		957,527,489
	(7,77,701,651)		3,529,879,983
- Less : Appropriations Transfers to			
- General Reserves	**-**		29,842,310
- General Reserves - Foreign Exchange / Metal Price Fluctuation	**-**		15,000,000
	-		44,842,310
- Balance as at the close of the year		**(7,77,701,651)**	3,485,037,673
TOTAL		**7,391,465,306**	11,474,204,630
Note 4. Monies received against share warrants			
Monies received against share warrants		**-**	52,500,000
The Company had allotted 34,00,000 Optionally Fully Convertible Warrants (OFCWs) on 14.10.2010 to Kohinoor Diamonds P. Ltd. (KDPL), a Promoter Group Company, at issue price of Rs. 70 per instrument. An amount equivalent to 25% of the issue price had been paid at the time of allotment of OFCWs whereas balance 75% was payable at the time of exercise of option at any time within a period of 18 months from the date of allotment of OFCDs (i.e. on or before 13.04.2012). KDPL exercised option in respect of 400000 OFCWs by paying up Rs.21,000,000 , being balance 75% of issue price, during FY 2011-12 and was allotted equivalent no. 400,000 equity shares of Rs.10/- each fully paid on 01.02.2012. Accordingly, as at the end of the previous year, (i.e. on 31.03.2012), amount paid on allotment of balance 3000000 OFCWs had been retained as 'Monies received against Share Warrants'.Upon KDPL exercising option, during current accounting period, in respect of balance 3000000 OFCWs by paying up Rs.157,500,000, being balance 75% of issue price, the said Moneis received against share warrants' at the time of their allotment stood fully adjusted on 13.04.2012 on allotment of equivalent no. of equity shares fully paid-up.			
TOTAL		**-**	52,500,000
Note 5. LONG-TERM BORROWINGS			
(A) TERM LOANS (SECURED)			
{Excluding Amounts due in next 12 months (Current Maturities of Long Term Debts) which is shown under Other Current Liabilities}			
(I) From Banks			
1) **Axis bank for installation of Wind Mill**		**-**	7,918,400
Secured by Hypothecation of Wind Mill and is further secured by collateral security of Mortgage of Leasehold rights in respect of Property where Wind Mill is erected. The term loan was repayable in 36 monthly installments ending in September 2013. Rate of Interest - 12.50% p.a. & Tenure of the loan - 4 years.			

	Current Period ₹	Previous Year ₹
Note 5. LONG-TERM BORROWINGS *(Contd.)*		
2) **ICICI Bank Ltd.**	**1,142,927**	1,662,694
Secured by Hypothecation of Vehicles acquired (AX-2115)		
The term loan is repayable in 17 Equated monthly installments and ending in February 2016.		
Rate of Interest is 10.32% p.a. Tenure of the loan is 5 year.		
(II) From Others		
1) **Kotak Mahindra Prime Ltd.**	**-**	29,831
Secured by Hypothecation of vehicles acquired (AR-4971)		
The term loan was repayable in 1 Equated Monthly Installments ending in April 2013.		
Rate of Interest - 9.497% p.a. & Tenure of the loan - 3 years.		
2) **Kotak Mahindra Prime Ltd.**	**-**	90,302
Secured by Hypothecation of vehicles acquired (AR-6861) ending in June 2013.		
The term loan is repayable in 3 Equated Monthly Installments		
Rate of Interest - 8.979% p.a.		
TOTAL	**1,142,927**	9,701,227

NOTE :

There were minor delays for few days during the period in repayment of instalments of Loan and Interest to ICICI Bank for vehicle loan availed of by the Company. As at the end of the period there are no delays in repaytments of car loans.

Note 6.

OTHER LONG TERM LIABILITIES

	Current Period ₹	Previous Year ₹
(A) DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liabilities		
- On account of Depreciation difference	**39,056,104**	57,584,533
Deferred Tax Liabilities (Net)	**39,056,104**	57,584,533

NOTES :

The Company has implemented `Accounting Standard 22' - "Accounting of Taxes on Income", issued by The Institute of Chartered Accountants of India, which is mandatory in nature. The Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits that originate in one period and are capable of reversal in one or more subsequent periods.

As a result, the Deferred Tax Assets for the period aggregating to Rs.18,528,429 (Deferred Tax Liability of Rs.5,339,334) has been recognised in the Statement of Profit and Loss for the period.

	Current Period ₹	Previous Year ₹
(B) OTHER LONG TERM LIABILITIES		
Trade/Security Deposits Received against Plant and Machinery leased to Su-Raj Jewellery (I) Pvt. Ltd.	**10,000,000**	-
	10,000,000	**-**

Note 7. SHORT-TERM BORROWINGS

FROM BANKS - SECURED - REPAYABLE ON DEMAND

	Current Period ₹	Previous Year ₹
I EXPORT PACKING CREDIT & POST SHIPMENT CREDIT FACILITIES EXTENDED BY CONSORTIUM OF BANKS		
- Outstanding against Regular and Ad-hoc Fund Based limits	**-**	3,419,056,752
- Outstanding in respect of Fund Based credits availed of upon inter-changeability from Non Fund Based limits	**-**	1,684,519,827

	Current Period ₹	Previous Year ₹
Note 7. SHORT-TERM BORROWINGS *(Contd.)*		
The Company had been sanctioned Regular Fund Based Working Capital Credit Limits (Export Packing Credit and Post Shipment Credit) of Rs. 375,00,00,000 (Previous year Rs. 375,00,00,000) and Non-Fund Based Working Capital Credit Limits (Stand-By Letters of Credit and Bank Guarantees) of Rs. 3470,00,00,000 (Previous year Rs. 3470,00,00,000).	-	5,103,576,579
The Company had also been granted, in principle, approval for additional, need based, Ad-hoc limits to the extent of 20% of the Regular FB and NFB limits.		
The Company had also been granted partial Inter-changeability between FB and NFB limits.		
The Non-Fund Based Limits - Stand-By Letters of Credit (SBLCs) were normally availed of for facilitating procurement of gold for manufacture of jewellery and amounts payable to the suppliers under SBLCs were shown as 'TRADE PAYABLE - Secured Sundry Creditors for Purchases'.		
The above Fund Based and Non Fund Based Working Capital Credit facilities from the Consortium of Banks were secured by		
(A) Hypothecation of		
(1) Inventory and Book Debts (both present and future) of the Company		
(2) Plant and Machinery and Fixtures and Fittings (fastened to earth or otherwise) of the Company at factory units of Bangalore, Cochin, Goa, Jodhpur, Kolkata (Manikanchan SEZ) and Surat of the Company.		
(3) Plant and Machinery and Fixtures and Fittings (fastened to earth or otherwise) of the Company installed at Valsad unit of the company in the property owned by Bombay Diamonds Co. P. Ltd.		
(4) Plant and Machinery and Fixtures and Fittings (fastened to earth or otherwise) of Forever Diamonds P. Ltd. at its Jodhpur unit.		
(B) Equitable Mortgage by way of deposit of title deeds of Immovable Properties comprising Land (or leasehold rights in respect thereof) and other structures thereon at		
(1) Bangalore, Goa, Jodhpur, Kolkata and Surat factory units of the Company		
(2) Office Premises at Gamdevi in Mumbai of the Company		
(3) Valsad unit of Bombay Diamonds Co. P. Ltd.		
(4) Jodhpur factory unit of Forever Diamonds P. Ltd.		
(5) Surat factory unit of Kohinoor Diamonds P. Ltd.		
(C) Term Deposits held under lien as Cash Margin for Non Fund Based limits		
(D) Term Deposits held under lien as cash collateral		
(E) Corporate Guarantees of		
(1) Bombay Diamonds Co. P. Ltd.		
(2) Forever Diamonds P. Ltd.		
(3) Kohinoor Diamonds P. Ltd.		
(F) Personal Guarantee of Mr. Jatin Mehta, Promoter		
II BUYERS' CREDIT FACILITIES FROM BANKS		
(Secured by Letters of Undertaking issued by Banks in India)	-	1,655,589,715
(Secured by Letters of Undertaking issued by Banks in India)		
Less: 100% Covered by Term Deposits with Banks as per contra - Refer note 20	-	1,631,718,947
	-	23,870,768
(Term Deposits pledged with the Banks Rs. NIL as at 30/09/2013 & Rs.1,631,718,947 as at 31/03/2012 for securing Letters of Undertaking in respect of Buyers' Credit facilities)		
TOTAL	-	5,127,447,347

NOTES :

The Fund Based (EPC/PSC) limits were generally availed for Diamond division whereas Non fund Based (SBLC/BG) limits were utilised for facilitating procurement of gold for manufacture of jewellery. The company procured gold on loan basis. As per the extant FTP & RBI Guidelines, the maximum tenor for which gold loan can be availed of is 270 days. Accordingly, SBLCs had validity of 270 days. This was adequate to cover manufacturing cycle of around 90 days and credit of 180 days that the company extended to its overseas customers.

Owing to delay in receipt of inward remittances from overseas customers against export bills, the company could not arrange for payments for liquidating gold loans which were due in March 2013. In view of these events of default, the bullion banks initially invoked SBLCs which had fallen due but later, as defaults persisted, invoked all SBLCs including even those in respect of which gold loans were not due (save and except State Bank of India which invoked SBLCs only when gold loans fell due for payments), as the Gold Loan Agreements executed by the company with Bullion Banks provided cross default clause entitling them to recall all outstanding gold loans even in case of single event of default. All invoked SBLCs were paid by the Consortium Banks.

Further owing to continuing defaults by overseas customers and overdrawn accounts, the company could not repay Export Packing Credits and Post Shipment Advances on due dates.

As a result of invocation and devolvement of SBLCs and defaults in clearance of EPC/PSC, the liabilities have got crystallized in rupee terms and the accounts are overdrawn. With no gold lines from bullion banks and no fresh SBLCs or FB credits from consortium banks, the operations have been materially affected after March 2013.

The company had approached Corporate Debt Restructuring (CDR) Cell with requisite support from the lenders (banks). However, as the Promoter and overseas customers failed to comply with conditions stipulated by the Empowered Group of CDR Cell, the company's proposal was rejected.

Axis Bank, Bank of Maharashtra, Canara Bank, Central Bank of India, Expoer-Import Bank of India, IDBI Bank Ltd., Punjab National Bank and Vijaya Bank have issued Notice for recalling their advance. Standard Chartered Bank, the Lead Bank of the Consortium, has issued Notice under section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002.

Accordingly, the outstanding amounts upon devolvement of SBLCS and crystalisation of EPC and PSC have been shown as Other Current Liabilities (Please refer Note No.9)

		Current Period ₹	Previous Year ₹
Note 8. TRADE PAYABLES			
SECURED			
Trade Payables			
Secured by Stand-By-Letter of Credit arranged through consortium of Banks		**-**	27,505,493,245
UNSECURED			
Trade Payables		**715,970,063**	1,194,547,242
TOTAL		**715,970,063**	28,700,040,487
a) Refer Note 31			
b) As stated in the Note, Export Receivables and Overseas Trade Payables had been restated based on exchange rate as at 31.03.2013 (as at the end of the FY 2012-13). In view of persistent defaults by overseas customers in clearing outstanding dues, the same have been carried forward at the same rate (based on exchange rate as at 31.03.2013) as it is deemed expedient not to take cognizance of depreciation in rupee vis-à-vis US dollar on notional basis when outstanding amounts are expected to be realized over an uncertain period of time. Since the company does not have any other cashflows to arrange for remittances to overseas trade creditors and expects to defray these liabilities out of realisation of export receivables, the same also have not been restated based on exchange rate as at the date of balance sheet but have been carried forward based on exchange rate as at 31.03.2013. Had it been restated on the basis of exchange rate as at 30.09.2013, the amount payable would have been higher by Rs. 7,21,75,623/-.			
Note 9. OTHER CURRENT LIABILITIES			
A AMOUNTS PAYABLE TO BANKS			
(Overdue and in respect of which Notice under section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 has since been issued)			
I IN RESPECT OF CRYSTALISED EXPORT PACKING CREDIT & POST SHIPMENT CREDIT			
- Outstanding against Regular and Ad-hoc Fund Based limits	4,362,923,251		
- Outstanding in respect of Fund Based credits availed of upon inter-changeability from Non Fund Based limits	1,844,657,912		
		6,207,581,163	-

		Current Period ₹	Previous Year ₹
Note 9. OTHER CURRENT LIABILITIES *(Contd.)*			
II DEVOLVED LETTER OF CREDITS			
Devolved Letters of Credit	21,974,963,801		
Overdrawn Current Accounts	12,830,609,006	**34,805,572,807**	-
The Company had been sanctioned Regular Fund Based Working Capital Credit Limits (Export Packing Credit and Post Shipment Credit) of Rs. 375,00,00,000 (Previous year Rs. 375,00,00,000) and Non-Fund Based Working Capital Credit Limits (Stand-By Letters of Credit and Bank Guarantees) of Rs. 3470,00,00,000 (Previous year Rs. 3470,00,00,000).			
The Company had also been granted, in principle, approval for additional, need based, Ad-hoc limits to the extent of 20% of the Regular FB and NFB limits.			
The Company had also been granted partial Inter-changeability between FB and NFB limits.			
The above amounts payable to Consortium of banks are secured by			
(A) Hypothecation of			
(1) Inventory and Book Debts (both present and future) of the Company			
(2) Plant and Machinery and Fixtures and Fittings (fastened to earth or otherwise) of the Company at factory units of Bangalore, Cochin, Goa, Jodhpur, Kolkata (Manikanchan SEZ) and Surat of the Company			
(3) Plant and Machinery and Fixtures and Fittings (fastened to earth or otherwise) of the Company installed at Valsad unit of the company in the property owned by Bombay Diamonds Co. P. Ltd.			
(4) Plant and Machinery and Fixtures and Fittings (fastened to earth or otherwise) of Forever Diamonds P. Ltd. at its Jodhpur unit.			
(B) Equitable Mortgage by way of deposit of title deeds of Immovable Properties comprising Land (or leasehold rights in respect thereof) and other structures thereon at			
(1) Bangalore, Goa, Jodhpur, Kolkata and Surat factory units of the Company			
(2) Office Premises at Gamdevi in Mumbai of the Company			
(3) Valsad unit of Bombay Diamonds Co. P. Ltd.			
(4) Jodhpur factory unit of Forever Diamonds P. Ltd.			
(5) Surat factory unit of Kohinoor Diamonds P. Ltd.			
(C) Term Deposits held under lien as Cash Margin for Non Fund Based limits to the extent not adjusted against devolved / crystalised amounts by a few banks			
(D) Corporate Guarantees of			
(1) Bombay Diamonds Co. P. Ltd.			
(2) Forever Diamonds P. Ltd.			
(3) Kohinoor Diamonds P. Ltd.			
(E) Personal Guarantee of Mr. Jatin Mehta, Promoter			
Term Deposits earlier held under lien as Cash Collateral by the lead bank have since been shared by member banks and adjusted against outstanding amounts			
B AMOUNTS PAYABLE TO OTHERS			
Unsecured - Short term advance		**318,372,875**	-
C OTHER CURRENT LIABILITIES			
Current maturities of long term debt		**266,558**	16,988,867
Overdue instalments of long term debt		**8,561,724**	
Interest accrued and due on borrowings		**-**	9,056,218
Creditors for Capital Expenditure		**-**	284,488
Unpaid/Unclaimed dividends		**9,125,366**	10,913,350
Sales Tax / VAT payable / Service Tax Payable		**1,324,774**	15,195,648
Other payables		**1,723,085**	1,843,105
TOTAL		**41,352,528,352**	54,281,676

NOTES :

A1 The Fund Based (EPC/PSC) limits were generally availed for Diamond division whereas Non fund Based (SBLC/BG) limits were utilised for facilitating procurement of gold for manufacture of jewellery. The company procured gold on loan basis. As per the extant FTP & RBI Guidelines, the maximum tenor for which gold loan can be availed of is 270 days. Accordingly, SBLCs had validity of 270 days. This was adequate to cover manufacturing cycle of around 90 days and credit of 180 days that the company extended to its overseas customers.

A2 Owing to delay in receipt of inward remittances from overseas customers against export bills, the company could not arrange for payments for liquidating gold loans which were due in March 2013. In view of these events of default, the bullion banks initially invoked SBLCs which had fallen due but later, as defaults persisted, invoked all SBLCs including even those in respect of which gold loans were not due (save and except State Bank of India which invoked SBLCs only when gold loans fell due for payments), as the Gold Loan Agreements executed by the company with Bullion Banks provided cross default clause entitling them to recall all outstanding gold loans even in case of single event of default. All invoked SBLCs were paid by the Consortium Banks.

A3 Further owing to continuing defaults by overseas customers and overdrawn accounts, the company could not repay Export Packing Credits and Post Shipment Advances on due dates.

A4 As a result of invocation and devolvement of SBLCs and defaults in clearance of EPC/PSC, the liabilities have got crystallized in rupee terms and the accounts are overdrawn. With no gold lines from bullion banks and no fresh SBLCs or FB credits from consortium banks, the operations have been materially affected after March 2013.

A5 The company had approached Corporate Debt Restructuring (CDR) Cell with requisite support from the lenders (banks). However, as the Promoter and overseas customers failed to comply with conditions stipulated by the Empowered Group of CDR Cell, the company's proposal was rejected.

A6 Axis Bank, Bank of Maharashtra, Canara Bank, Central Bank of India, Expoer-Import Bank of India, IDBI Bank Ltd., Punjab National Bank and Vijaya Bank have issued Notice for recalling their advance. Standard Chartered Bank, the Lead Bank of the Consortium, has issued Notice under section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002.

A7 On the basis of management's assumption, it is expected that the company will have adequate cash inflows from proceeds of export realisations to defray, in phased manner, its entire debt obligations. As such, although the inward remittances from overseas customers have not been very encouraging for the present owing to losses sustained by them, based essentially on their past track record, documents evidencing receipt of export consignments at their end and confirmation of debts, export receivables are considered as fully realisable and accordingly, amounts payable to banks are considered as fully secured.

B As the Company had not declared any dividend for the FY 2011-2012, the question of appropriating any amounts out of the same towards arrears of call or allotment monies in respect of shares which were not fully paid-up just did not arise. During FY 2011-2012, the Company had not appropriated any amount out of dividend payable for FY 2010-2011 in respect of shares which were not fully paid up against arrears of call / allotment monies due from the shareholders.

C There are no amounts of unclaimed dividend due and outstanding to be credited to Investor Education and Protection Fund. During the period, the Company transferred unclaimed dividend in respect of FY 2004-2005 amounting to Rs.1,787,984 (During the previous year Rs.1,298,181 for FY 2003-2004) to Investor Education and Protection Fund.

D The Overdue instalments of long term debt comprise outstanding amount in respect of Axis Bank Term Loan for Wind Mill which was payable during the period under review. The Company has defaulted in making payments to Axis Bank in respect of Principal Rs.7,918,400/- and Interest Rs. 643,324/- due there on. The default is continuing as on the date of balance sheet.

	Current Period ₹	Previous Year ₹
Note 10. SHORT-TERM PROVISIONS		
Provision for Employee Benefits	**307,518**	836,221
Provisions for income-tax (Net of Advance Tax)	**-**	11,486,388
Total	**307,518**	12,322,609

11 FIXED ASSETS - TANGIBLE

Reconciliation of the gross carrying amounts and net carrying amounts at the beginning and at the end of the year 30th September, 2013

Description	Gross Carrying Amount				Accumulated Depreciation				Net carrying Amount	
	As at 31st March, 2012 ₹	Additionas / adjustments during the period ₹	Deductions during the period ₹	As at 3oth Sept. 2013 ₹	As at 31st March, 2012 ₹	Provided during the period ₹	Deductions during the period ₹	As at 3oth Sept. 2013 ₹	As at 3oth Sept. 2013	As at 31st March, 2012
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	13 = (1)- (5)-(9)	14 = (4)- (8)-(12)
01. Land									₹	₹
Owned	-	-	-	-	-	-	-	-	-	-
Leased	7,260,099	-		7,260,099	424,476	50,149		474,625	6,785,474	6,835,623
02. Buildings										
Owned										
Factory Premises	165,684,183	5,433,107		171,117,290	84,141,136	12,654,296		96,795,432	74,321,858	81,543,047
Office Premises	165,693,557		17,762,529	147,931,028	50,022,634	8,061,822	3,518,288	54,566,168	93,364,860	115,670,923
Leased								-	-	-
03. Plant & Equipment										
Owned	580,151,446	1,291,931	26,110,517	555,332,860	283,468,532	58,356,676	8,049,794	333,775,414	221,557,446	296,682,914
Leased				-	-			-		
04. Furniture & Fixtures										
Owned	48,083,399	1,769,781	2,618,983	47,234,197	31,672,969	4,591,823	1,735,942	34,528,850	12,705,347	16,410,430
Leased										
05. Electrifcla Intallation										
Owned	56,820,752	1,888,114	545,510	58,163,356	32,360,074	5,322,460	258,202	37,424,332	20,739,024	24,460,678
Leased										
06. Equipments										
Owned	29,840,419	902,852	3,648,901	27,094,370	15,481,876	3,771,889	3,081,437	16,172,328	10,922,042	14,358,543
Leased										
07. Air Conditioners										
Owned	20,537,596	4,984,434	896,072	24,625,958	11,635,017	2,675,629	581,710	13,728,936	10,897,022	8,902,579
Leased										
08. Vehicles										
Owned	11,490,651	210,000	1,124,407	10,576,244	4,633,843	2,593,571	734,534	6,492,880	4,083,364	6,856,808
Leased										
09. Office Equipments										
Owned	33,106,234	252,092	1,243,510	32,114,816	28,311,519	2,853,943	1,207,282	29,958,180	2,156,636	4,794,715
Leased										
10. Mould and Dies										
Owned	23,167,081	2,530,486	23,003,451	2,694,116	12,629,720	2,308,337	13,294,326	1,643,731	1,050,385	10,537,361
Leased										
11. Wind Mill										
Owned	92,583,137	-		92,583,137	40,728,153	11,934,943	-	52,663,096	39,920,041	51,854,984
Leased										
Total	1,234,418,554	19,262,797	76,953,880	1,176,727,471	595,509,949	115,175,538	32,461,515	678,223,972	498,503,499	638,908,605

12 FIXED ASSETS - INTANGIBLE

	Gross Carrying Amount				Accumulated Depreciation				Net carrying	
Description	As at 31st March 2012	Additional adjustment during the period	Deductions during the period	As at 30th September 2013	As at 31st March 2012	Provided during the period	Deductions during the period	As at 30th September 2013	As at 30th September 2013	As at 31st March 2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	13 = (1)-(5)-(9)	14 = (4)-(8)-(12)
1. Goodwill										
2. Brands/Trade Marks										
3. Computer Software Acquired	5,429,937	253,280		5,683,217	1,984,744	2,163,409	-	4,148,153	1,535,064	3,445,193
Total	5,429,937	253,280	-	5,683,217	1,984,744	2,163,409	-	4,148,153	1,535,064	3,445,193
GRAND TOTAL	**1,239,848,491**	**19,516,077**	**76,953,880**	**1,182,410,688**	**597,494,693**	**117,338,947**	**32,461,515**	**682,372,125**	**500,038,563**	642,353,798

13 FIXED ASSETS - CAPITAL WORK IN PROGRESS

	As At 30/09/2013 ₹	As At 31/3/2012 ₹
Factory Premises	-	1,855,922
Plant & Machineries	-	-
Furniture & Fixtures	-	7,373
Electrical Installation	-	869,781
Silver Masters	-	-
Air Conditioners	-	4,115,446
TOTAL	-	6,848,522

Notes :

1) The above schedule of assets does not reflect assets sold out of CWIP which have not been capitalised and not forming a part of the above Block of assets.
2) Impairment of Fixed Assets :
   a) Please refere note no. 13 in Accounting Policy.
   b) The Company has taken into consideration the Provisions of Accounting Standard 28 - Impairment of Assets
      The Company does not have any assets, which would require impairment and provisions.
3) Of the total WDV of Fixed Assets, Rs.9,999,629 represent WDV of Fixed Assets of Engineering division at Jodhpur which had discontinued operations during FY 2005-06.
   The Company had provided for impairment of these assets during FY 2007-08 & 2008-09. No further provision for impairment is considered necessary
   The Company has not been providing depreciation in respect of these assets
4) Of the above, following assets are given on lease to various Companies as on 30th September 2013.

	W D V	
	Current period ₹	Previous year ₹
1. Land	**1,371,727**	1,371,727
2. Air Conditioners	**1,755,525**	101,688
3. Computers	**478,710**	239,416
4. Electrical Installations	**2,953,138**	2,545,845
5. Equipments	**6,323,730**	1,977,454
6. Factory Premises	**18,609,205**	12,893,444
7. Office Premises	**7,794,179**	-
8. Furniture & Fixtures	**4,135,199**	591,808
9. Plant & Machinery	**136,811,978**	6,251,489
10. Mould and Dies	**489,851**	-
TOTAL	**180,723,242**	25,972,871

			Current Period ₹	Previous Year ₹
Note 14. NON-CURRENT INVESTMENTS				
(A) Trade Investments				
In Equity of Subsidiary Companies - Unquoted, fully paid up (at Cost)				
Nil	(Previous Year : 7,300) Equity Shares of AED 1000 each of Su-Raj Diamonds and Jewellery DMCC, fully paid-up		-	96,721,065
(B) Other Investments				
(i) In Equity of Associate Companies Unquoted, fully paid up (at Cost)				
Nil	(Previous Year : 2,000,000) Equity Shares of Rs. 10 each of Su-Raj Diamond Dealers Limited, fully paid-up		-	20,000,000
39,200,000	(Previous Year : 26,350,000) Equity Shares of Rs. 10 each of Forever Precious Jewellery & Diamonds Ltd., fully paid-up		**1,411,710,802**	769,210,802
2,434,700	(Previous Year : 2,434,700) Equity Shares of Rs. 10 each of Revah Corporation Ltd., fully paid-up	**24,347,000**		
	Less: Diminution in the value of Investments	**24,346,999**	**1**	24,347,000
(ii) In Equity of Other Companies Unquoted, fully paid up (at Cost)				
17,500	(Previous year : 17,500) Equity Shares of Rs. 100 each of Peakok Jewellery Ltd., fully paid-up		**5,012,750**	5,012,750
576,250	(Previous year : 576,250) Equity Shares of Rs. 10 each of Carbon Accessories Ltd., fully paid-up	**1,444,299**		
	Less: Diminution in the value of Investments	**1,444,298**	**1**	1,444,299
(iii) Investments in Government or Trust Securities				
2	(Previous Year : 2) Indira Vikas Patra of Rs. 500 each		**1,000**	1,000
1	(Previous Year :1) National Savings Certificates of Rs.5000		**5,000**	5,000
TOTAL			**1,416,729,554**	916,741,916

A1 During the period under review, the Company divested its entire shareholding in all its 4 Overseas Subsidiaries, including Su-Raj Diamonds and Jewellery DMCC.

A2 The Board had consented for disinvestment of shareholding in Su-Raj Diamonds and Jewellery DMCC at its Meeting held on 09.05.2012.

A3 As the Board had consented for disinvestment in other 3 subsidiaries earlier, at its Meeting held on 14.02.2012, the investment in the same were classified as Current Investment as at 31.03.2012.

B1 During the period under review, the company increased its investment in Forever Precious Jewellery And Diamonds Ltd. (FPJDL) by subscribing to 12850000 equity shares of Rs.10/- each fully paid up issued at a price of Rs.50/- per share. Consequent upon fresh investment, the company holds 49% of total paid-up equity share capital of FPJDL.

B2 FPJDL's operations including its retail Jewellery /Gold business have been totally suspended.

B3 The Company is of the opinion that with the goodwill, reputation, brand image and retail network of over 125 outlets across the country that FPJDL had developed has potential to re-establish its financial viability in the long term once it is able to mitigate current crisis through initiatives from Promoter-Guarantor and therefore, it will probably be little premature to consider depletion in the value of investment at present and accordingly, the same have been carried at cost without considering any provision in this regard.

C1 The Company has accounted for diminution in the value of long term investments in group concern.

	Current Period ₹	Previous Year ₹
Note 15. LONG-TERM LOANS AND ADVANCES		
Unsecured, Considered good		
Capital Advances	744,090	9,309,955
Security Deposits	11,909,561	12,728,163
Loans and Advances to Related Parties (Refer Note No. 33)	899,074	858,549
Other Loans and Advances	371,962	86,094,727
Advance Income Tax /TDS (Net of Provision for Taxation)	32,527,515	3,151,534
Fixed Deposit with Bank (Maturity after 12 months)	-	8,380,683
TOTAL	**46,452,202**	120,523,610

	Current Period ₹	Previous Year ₹
Note 16. OTHER NON-CURRENT ASSETS		
Long Term Trade Receivables		
Unsecured, Considered good	**47,445,160,512**	-
TOTAL	**47,445,160,512**	-

(a) Please refer Note 31.

(b) Export receivables had been restated based on exchange rate as at 31.03.2013. In view of persistent defaults by certain overseas customers in clearing outstanding dues, the same have been carried forward at the same rate (based on exchange rate as at 31.03.2013) while drawing up accounts for the quarter ended 30.06.2013 and also while drawing up accounts for the period under review as it is deemed expedient not to take cognizance of depreciation in rupee vis-à-vis US dollar on notional basis when outstanding amounts are expected to be realized over an uncertain period of time. Had it been restated on the basis of exchange rate as at 30.09.2013, the export receivables (including the receivables considered as Trade Receivable in Note No. 19) would have been higher by Rs. 643,26,50,421/-.

(c) The Company was importing gold on loan basis and on unfixed price basis and likewise, the exports of jewellery were also on unfixed price basis as per FTP / EXIM policy. Accordingly, both the export invoices and the invoices for imports of gold used to be revised upon final settlement of liability in respect of gold loan. Considering facts and circumstances of the case, when export receivables are overdue and are expected to be realised over a long period, revised invoices have not been raised in view of uncertainty about realisation of additional revenue. If the invoices were to be revised, the export receivables would have been higher by Rs.119,35,00,046/- based on exchange rate as at 30.09.2013.

		Current Period ₹	Previous Year ₹
Note 17. CURRENT INVESTMENTS			
(i) In Equity of Subsidiary Companies -			
Unquoted, fully paid up (at Cost)			
Nil	(Previous Year : 30,088) Equity Shares of EURO 248 each of Su-Raj Diamonds N. V. fully paid-up *	-	378,530,800
Nil	(Previous Year : 30) Equity Shares of US$ 100,000 each of Su-Raj Diamonds and Jewelry USA Inc., fully paid-up *	-	163,433,250
Nil	(Previous Year : 23,400,000) Equity Shares of 1 HK$ each of Su-Raj Diamond (H.K.) Ltd., fully paid-up *	-	119,985,000
TOTAL		-	661,949,050

During the period under review, the Company divested its entire shareholding in all its 4 Overseas Subsidiaries, including Su-Raj Diamonds and Jewellery DMCC.

The Board had consented for disinvestment of shareholding in Su-Raj Diamonds and Jewellery DMCC at its Meeting held on 09.05.2012.

As the Board had consented for disinvestment in other 3 subsidiaries earlier, at its Meeting held on 14.02.2012, the investment in the same were classified as Current Investment as at 31.03.2012.

Note 18. INVENTORIES	Current Period ₹	Previous Year ₹
(as certified by Management)		
(a) Raw Materials	**44,301,340**	3,390,224,581
(b) Finished Goods	**403,349,858**	2,289,757,723
(c) Stores and spares	**3,912,629**	8,381,985
TOTAL	**451,563,827**	5,688,364,289

NOTES

a) As stated by the Management, entire inventory of diamonds and pearls at Surat & Mumbai which, though hypothecated in favour of consortium, was in Company's possession has been placed in the lockers in PNB and is in the joint custody with PNB since 18.06.2013. The banks got inventory valued on 30.09.2013 and the total value of inventory, as per valuation report, was Rs.393,500,031.

b) The valuation carried out by the valuers appointed by the bank was based on sample basis selected randomly. As such, the Company has requested the banks to have a fresh valuation of entire inventory. The value of inventory has been adjusted, while drawing accounts for the 18 month period ended 30.09.2013, so as to take cognizance of valuation done by the registered valuer, keeping in view the requirement of AS -2 - Valuation of Inventories, issued by the ICAI.

c) Though the Company has requested for fresh valuation, the value of stock of Diamonds and pearls as intimated by banks has been adopted, without prejudice and on conservative basis, for the purpose of compilation of the financial statements.

		Current Period ₹	Previous Year ₹
Note 19. TRADE RECEIVABLES			
Outstanding for more than six months from the date they became due for payment			
(Unsecured, considered good)		**-**	-
Others			
(Unsecured, considered good)		**147,272,670**	35,471,156,612
TOTAL		**147,272,670**	35,471,156,612
Note 20. CASH AND CASH EQUIVALENTS			
(A) Cash and cash equivalents			
(i) Balance with Banks			
(a) In Current Account		**241,968,903**	685,590,400
(b) In EEFC account		**120,165**	3,010,670
(ii) Cheques on hand		**-**	1,027,688
(iii) Cash on Hand		**510,886**	1,211,886
		242,599,954	690,840,644
(B) Other Bank Balance			
(i) Earmarked Bank balances			
Unpaid dividend bank account		**9,874,320**	11,662,305
(ii) Bank Fixed Deposits held as margin money or as security against:			
(i) Borrowings	-		1,631,718,947
Less : Buyers Credit facilities fully secured by deposits pledged with the Banks as per contra Refer Note 7	-		1,631,718,947
		-	-
(ii) Guarantees		**-**	16,063,812
(iii) Letters of Credit		**55,662,993**	1,970,893,043
		65,537,313	1,998,619,160
TOTAL		**308,137,267**	2,689,459,804
Notes:			
1) Balances with Banks in Deposits includes deposits amounting to Rs. Nil (As at 31/03/2012 Rs.10,341,422) which have an original maturity of more than 12 months.			
Note 21. SHORT-TERM LOANS AND ADVANCES			
Unsecured, considered good			
Loans and advances to Related Parties		**-**	197,904,958
Security Deposits		**-**	3,542,450
I T / F B T Refund Receivables		**1,431,858**	27,119,229
VAT Refund Receivables		**2,938,397**	966,857
Advances for Purchases /Labour		**-**	64,533,395
Others		**255,455,240**	31,327,838
TOTAL		**259,825,495**	325,394,727
In the opinion of the Directors :			
The Current Assets, Loans and Advances are approximately of the value stated, if realized in the ordinary course of business.			

		Current Period ₹	Previous Year ₹
Note 22 REVENUE FROM OPERATION			
Sales		**69,183,795,181**	55,290,746,876
Other Operating Income			
Net gain / loss on foreign currency transactions / translation (other than adjusted as finance costs)		**1,987,113,288**	-
Labour Charges received		**134,358,676**	134,237,370
Surplus in Bullion Trading			-
Sales of Bullion	**1,755,450,891**		11,149,612,249
Less: Cost of Bullion Sales	**1,755,450,891**		11,111,212,940
		-	38,399,309
Sale of Scrap		**1,825,362**	3,336,675
		71,307,092,507	55,466,720,230
Sales of Manufactured Goods			
Diamonds		**4,898,600,524**	8,921,646,273
Jewellery		**64,151,167,987**	46,260,731,196
Others		**134,026,670**	-
Sales of Traded Goods			
Diamonds		**-**	108,369,407
		69,183,795,181	55,290,746,876

a) All export receivables were restated on the basis of exchange rate as at 31.03.2013. In view of persistent defaults by overseas customers in clearing outstanding dues, it is deemed expedient not to take cognisance of depreciation of rupee vis-à-vis dollar since last restatement, especially as the outstanding amounts are expected to be realised in phased manner over an uncertain period of time. Accordingly, export receivables have been carried forward on the basis of exchange rate as at 31.03.2013 and have not been restated on the bais of exchange rate as at the end of the accounting period i.e. 30.09.2013.

b) Likewise, Trade Payables in respect of Imports have been carried forward on the basis of exchange rate as at 31.03.2013 and have not been restated on the basis of exchange rate as at the end of the accounting period i.e. 30.09.2013 as the same are expected to be paid off out of realisations from export receivables.

c) Had the export receivables and import payables been restated on the basis of exchange rate as at 30.09.2013, Net gain / (loss) on Foreign Currency Transactions / Translations would have been higher by Rs. 636,04,74,798/-.

d) If the Jewellery export invoices were to be revised based on Import price fixation as explained in Note no. 16 c, the export of the Company would have been higher by Rs.119,35,00,046/- based on exchange rate as at 30.09.2013.

	Current Period ₹	Previous Year ₹
Note 23 OTHER NON OPERATING INCOME		
Rentals from property	**8,373,513**	848,000
Interest Received from Banks	**274,678,700**	502,185,937
Interest Received from Others	**185,433**	89,408
Profit on Sale of Investments	**126,789,494**	-
Profit on Sale of Assets	**9,130,177**	892,269
Miscellaneous Income	**16,848,534**	14,010,681
Dividends	**-**	736,614
TOTAL	**436,005,851**	518,762,909

	Current Period ₹	Previous Year ₹
Note 24. COST OF MATERIAL CONSUMED		
Opening Stock	**3,390,224,581**	3,461,667,298
Add : Purchases	**66,272,600,387**	53,555,245,782
	69,662,824,968	57,016,913,080
Less : Closing Stock	**44,301,340**	3,390,224,581
Cost of Material Consumed	**69,618,523,628**	53,626,688,498
Material Consumed Comprises of		
Rough / Semi processed Diamonds	**6,720,771,385**	7,834,278,371
Gold	**62,859,766,210**	45,770,361,416
Others	**37,986,033**	22,048,712
	69,618,523,628	53,626,688,499
PURCHASE OF TRADED GOODS		
Gold / Jewellery	**-**	57,016
Diamonds	**-**	107,228,721
	-	107,285,737
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE		
Inventories at the beginning of the year		
Finished Goods	**2,289,757,723**	1,444,017,669
	2,289,757,723	1,444,017,669
Inventories at the end of the year		
Finished Goods	**403,349,858**	2,289,757,723
	403,349,858	2,289,757,723
Net (increase) / decrease	**1,886,407,865**	(845,740,054)
Note 25. EMPLOYEE BENEFITS EXPENSES		
Salaries and Wages, Bonus, Gratuity and Allowances	**48,475,472**	56,982,385
Contribution to PF, ESIC and Gratuity Fund	**2,438,251**	1,857,775
Remuneration to whole time Directors	**6,439,406**	3,720,000
Staff Welfare Expenses	**4,148,162**	5,484,521
Total	**61,501,291**	68,044,680

The Accounting Standard – AS 15 (revised 2005) on Employee Benefits issued by the Institute of Chartered Accountants of India has been adopted by the Company.

The details as provided by the Insurance Company for the year ended 31st March, 2013 are reproduced here below. The details for the period ended 30th September 2013 is not provided by the Insurance Company.

a) Defined Contribution Plan:

The Company has recognized Rs.1,388,606 (Rs.1,324,120) towards contribution made to Employees Provident and family Pension Fund.

b) Defined Benefit Plan:

Note 25. EMPLOYEE BENEFITS EXPENSES *(Contd.)*

Sr. No.	Particulars		As on 31st March,2013	As on 31st March, 2012
1	Assumption			
	(a)	Discount Rate	**8%**	8%
	(b)	Salary Escalation	**4%**	4%
2	Change in the Present Value of Obligation		**₹**	₹
	(a)	Present Value of Obligation as at beginning of year	**2,631,826**	2,525,209
	(b)	Interest Cost	**210,546**	202,017
	(c)	Past Service Cost	**Nil**	Nil
	(d)	Current Service Cost	**459,785**	481,979
	(e)	Curtailment Cost/(Credit)	**Nil**	Nil
	(f)	Settlement Cost/(Credit)	**Nil**	Nil
	(g)	Benefits Paid	**1,421,485**	(584,744)
	(h)	Actuarial Gain/(Loss) on obligation	**690,100**	7,365
	(i)	Present Value of Obligation as at 30th September, 2013	**2,570,772**	2,631,826
3	Change in the Fair Value of Plan Assets			
	(a)	Fair Value of Plan Assets as at 1st April, 2012	**3,359,700**	3,201,583
	(b)	Expected Return on Plan Assets	**246,495**	268,089
	(c)	Employer's Contributions	**Nil**	474,772
	(d)	Benefits Paid	**1,421,485**	(584,744)
	(e)	Actuarial Gain/(Loss) on Plan Assets	**Nil**	Nil
	(f)	Fair Value of Plan Assets as at 31st March, 2013	**2,184,710**	3,359,700
4	Table showing Fair Value of Plan Assets			
	(a)	Fair value of Plan Assets at beginning of year	**3,359,700**	3,201,583
	(b)	Actual return on Plan Assets	**246,495**	268,089
	(c)	Contributions	**-**	474,772
	(d)	Benefits Paid	**(1,421,485)**	(584,744)
	(e)	Fair Value of Plan assets at the end of the Period	**2,184,710**	3,359,700
	(f)	Funded Status	**386,062**	727,874
	(g)	Excess of Actual over Estimated Return on Plan Assets (Actual Rate of Return = Estimated Rate of Return as ARD falls on 31st March)	**Nil**	Nil
5	Actuarial Gain/Loss recognized			
	(a)	Actuarial (Gain) / Loss for the year-Obligation	**(690,100)**	(7,365.00)
	(b)	Actuarial (Gain) / Loss for the year-Plan Assets	**Nil**	Nil
	(c)	Total (Gain) / Loss for the year – Obligation	**690,100**	7,365.00
	(d)	Actuarial (Gain) / Loss recognized in the year	**690,100**	7,365.00
6	The amounts to be recognized in the Balance Sheet and Statement of Profit and Loss			
	(a)	Present Value of Obligations as at the end of year	**2,570,772**	2,631,826.00
	(b)	Fair value of Plan Assets as at the end of the year	**2,184,710**	3,359,700.00
	(c)	Funded Status	**386,062**	727,874.00
	(d)	Net Assets/(Liability) recognized in Balance Sheet	**(386,062)**	(727,874.00)
7	Expenses recognized in Statement of Profit and Loss :			
	(a)	Current Service cost	**459,785**	481,979.00
	(b)	Interest Cost	**210,546**	202,017.00
	(c)	Expected Return on Plan Assets	**(246,495)**	(268,089.00)
	(d)	Net Actuarial (Gain)/Loss recognized in the year	**690,100**	7,365.00
	(e)	Expenses recognized in Statement of Profit & Loss	**1,113,936**	423,272.00

Note : The estimate of future salary increases considered in actuarial valuation taking into account inflation, seniority, promotion and other relevant factors.

	Current Period ₹	Previous Year ₹
Note 26. FINANCE COSTS		
Interest Expense	**2,164,283,123**	311,758,299
Bank Charges and other Borrowing costs	**288,047,715**	237,342,234
Net loss on Foreign Currency Transactions and Translations	**1,002,598,037**	285,286,359
Total	**3,454,928,875**	834,386,893

The advances to the Company have been classified as NPA by the banks. Accordingly, a few banks have not been charging interest since account turned NPA whereas some of the banks have reversed interest charged earlier while a few have still been charging interest albiet at much higher rate. The Company has, as a matter of prudence and to account for all probable liabilites, has considered a rate of Interest at 12.50% p.a. based on average rate for the rupee export fiance, for the purpose of providing for Interest expenses for the period. Accordingly, the Company would need to provide Rs.799,701,656 as interest where the banks have not debited Interest whereas there has been excess provision to the extent of Rs.460,889,564 where banks have debited interest at higher rates. The Company has, accordingly, made additional provision of Rs.338,812,092 so as to recognise interest at 12.5% p.a. on entire outstanding amount.

		Current Period ₹	Previous Year ₹
Note 27. OTHER EXPENSES			
MANUFACTURING EXPENSES			
Labour Charges /Assortment Charges	**296,416,412**		168,461,124
Power and Fuel consumed	**13,197,073**		14,282,705
Stores, spares and packing materials consumed	**17,988,441**		20,013,789
Repairs - Plant and Machinery	**4,315,471**		5,026,691
Repairs - Factory Buildings	**1,706,026**		5,347,704
Repairs - Others	**8,342,478**		7,104,963
Packing Material	**588,182**		431,131
Lease Rent	**2,645,361**		4,401,891
		345,199,444	225,069,998
Directors' fees		**990,000**	765,000
Insurance		**39,749,105**	29,320,537
Rates and Taxes (including wealth tax)		**3,223,073**	3,349,440
Donation - Others		**1,015,001**	22,007,800
Freight & Forwarding Charges		**13,059,320**	14,236,334
Payments to statutory auditors			
as auditors	**1,200,000**		1,200,000
for tax audit	**150,000**		150,000
for certification	**389,500**		388,000
for Company law matters	**80,000**		75,000
reimbursement of expenses (out of pocket expenses)	**249,611**		175,749
		2,069,111	1,988,749
Legal, professional and consultancy charges		**22,255,693**	23,897,929
Advertisement, Publicity and Sale Promotion		**3,023,970**	2,371,089
Net gain/loss on foreign currency transactions/ translation (other than reflected in finance costs / other income)		**384,169,730**	547,429,671
Diminution in the Value of Long Term Investments		**25,791,297**	-
Miscellaneous Expenses		**45,119,762**	40,912,183
TOTAL		**885,665,506**	911,348,730

		Current Period ₹	Previous Year ₹
Notes :			
1 Rates and Taxes include Rs.7,03,136 (Previous year Rs. 25,00,000) towards stamp duty.			
2 Insurance charges include Rs. 2,52,09,483 Premium reimbursed to banks for ECGC. (Previous year Rs. 2,49,00,000)			
3 The Company has various operating leases for factory premises and office facilities that are renewable on a periodic basis and can be terminated at the option of either party. Rental expenses for operational leases recognized in the statement of Profit and Loss for the period are Rs.26,45,361/- (Rs.44,01,891).			
Minimum future lease rentals payable are :			
(a) Payable within one year		**571,244**	3,200,000
(b) Payable within one year and five years		**1,924,976**	1,600,000
(c) Payable after five years		**1,000,000**	1,000,000
Minimum future lease rentals receivable in respect of assets given on operating lease in the form of Plant and Machinery after 01/10/2002 and Building after 01/08/2001 are :			
(a) Receivable within one year		**9,357,584**	700,000
(b) Receivable within one year and five years		**14,100,535**	800,000
(c) Receivable after five years		**23,450,513**	Nil
4 Prior Period Expenses			
The expenses includes Expenses for the prior period			
Rent		**17,735**	90,000
Bank Interest		**669,818**	390,414
Professional Fees		**-**	1,526,990
Misc		**305,029**	192,552
Stores & Spares		**1,005,541**	-
Staff Welfare Expenses		**3,000**	-
		2,001,123	2,199,956
Note 28. Earnings per share:			
Profit computation for both Basic and Diluted earnings per share of Rs.10 each			
Net profit as per Statement of Profit and Loss		**(4,262,739,324)**	957,527,489
Weighted Average No. of Equity Shares			
Shares at the beginning of the period	A	**103,607,894**	66,844,258
Shares allotted during the period	B	**3,000,000**	36,763,636
Date of allotment		**13.04.2012**	01.02.2012
Effective No. of shares (allotted during the period)			
For calculation of EPS on the basis of No. of days	C	**2,928,832**	6,127,273
Total Shares for calculation of EPS (A+C)	D	**106,536,726**	72,971,531
Less: Shares which are partly paid –			
to the extent of 50%	E	**273,824**	274,024
50% thereof	F	**136,912**	137,012
Weighted Average No. of Equity Shares for EPS (D-F)		**106,399,814**	72,834,519
Total Shares as at the close of the year (A+B)		**106,607,894**	103,607,894
Earning per Share (in Rs.)		**(40.06)**	13.15

	Current Period ₹	Previous Year ₹
Note 29. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)		
(A) Contingent Liabilities		
(a) EPCG Benefits	**35,414,184**	75,222,000
(Custom Duties payable if Export obligation not met)		
(b) Guarantees	**298,705,000**	992,200,000
	334,119,184	1,067,422,000
(B) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	**-**	5,405,000
TOTAL [(A) + (B)]	**334,119,184**	1,072,827,000

The Company does not envisage any liability in respect of income tax as net gain on account of restatement of export receivables and overseas trade payable (Refer Note 16b and 8b) and due to revision of export invoices (Refer Note 16c) is likely to get offset by additional interest provision if Company were to pay interest at applicable rates including penal interest on compounding basis (Refer Note 26).

The Company has extended Corporate Guarantee for USD 5.5 million-Rs.298,705,000 during the period under review to Standard Chartered Bank, London as additional collateral security for business transactions of Su-Raj Diamonds And Jewellery DMCC (SDJDMCC) (erstwhile subsidiary of the Company). We understand that SDJDMCC has fully squared up all transactions and no liability is expected in respect of guarantee. However, SCB is yet to discharge the guarantee and hence the same has been considered as contingent liability for the present. The Company has divested its entire holding in SDJDMCC during January 2013.

The Company has implemented the Provisions of Accounting Standard 29 – Provisions, Contingent Liabilities and Contingent Assets. The Company has recognised the above as Contingent liabilities and as such no provision is considered necessary. The Company does not have any Contingent Assets which require provision.

Note 30. During the year under review the Company has entered into transactions in relation to dereivative instruments. As certified by the management, the transactions were entered into for hedging based on underlying exposure and in accordance with Risk Management Policy of the Company and relevant guidelines issued by RBI. As disclosed by the Company, transactions outstanding on the balance sheet date which may entail loss in subsequent period were in respect of Forward Contracts for hedging foreign exchange exposure in relation to receivable and payable numbering to Nil (68) amounting to Rs. Nil (Rs.2847,50,00,000). Option Contracts numbering to Nil (49) amounting to Rs. Nil (Rs.364,33,00,000) are also outstanding as on the Balance Sheet date

Note 31. Background

The Company, incorporated in 1985, had been engaged in manufacture and export of cut and polished diamonds and plain and studded gold jewellery and also in imports and local sale of bullion as one of the Nominated Agencies.

Credit Facilities from Consortium of Banks

The Company had been sanctioned, by the Consortium of 14 banks, Fund Based (Export Packing Credit and Post Shipment Credit) and Non Fund Based (Stand-By Letters of Credit and Bank Guarantee) credit limits of Rs.375,00,00,000 and Rs.3470,00,00,000 respectively and had also been extended in principle approval for 20% thereof as ad-hoc (stand-by) limits to take care of peak / seasonal requirement as also to take care of additional need owing to increase in price of gold and depreciation of rupee vis-à-vis dollar. As at 31.03.2013, the Company had availed of additional ad-hoc FB and NFB limit of Rs.45,00,00,000 and Rs.490,00,00,000 respectively. The Fund Based limits were sanctioned for diamond division whereas Non Fund Based limits were sanctioned for procurement of gold for Jewellery division. Part of Non Fund Based (SBLC) limits were allowed to be used as Fund Based limits by 3 of the 14 consortium banks.

Invocations of SBLCs

Till March 2013, the Company was, inter-alia, engaged in manufacture and export of gold jewellery. For the purpose, it had been procuring gold, usually on loan basis and on unfixed price basis as per industry practice, from overseas bullion banks as also from nominated agencies / banks in India against Stand-By Letters of Credit (SBLCs) of Consortium of Banks which had sanctioned credit facilities to the Company.

As per the extant Foreign Trade Policy, maximum tenor for which gold loans can be availed has been 270 days and accordingly, the member banks of the consortium usually established SBLCs for 270 days. The tenor of gold loan was adequate to take care of manufacturing cycle and trade credit of 180 days that the Company usually extended to its overseas customers.

The Company had executed gold loan agreement with the bullion banks from whom it regularly procured gold. These agreements contained an enabling provision for recalling of all outstanding gold loans by the bullion banks in the event of (even single) default by the Company in discharging its obligations as per the terms of the agreements.

Owing to delay in receipt of inward remittances from overseas customers against export bills, the Company could not arrange for payments which were due in March 2013 to the bullion banks. In view of these events of default, the bullion banks initially invoked SBLCs which had fallen due, but, later, as defaults persisted, invoked all SBLCs, in April 2013, including even those in respect of which gold loans were not due.

Of the aggregate outstanding SBLCs of Rs.3580,68,00,000 as at 31.03.2013, SBLCs of Rs.3485,18,00,000 (excluding SBLCs of Rs.95,50,00,000 established in favour of State Bank of India) had been invoked by April-end 2013, although SBLCs worth Rs.958,08,00,000 only were falling due till 30.04.2013 whereas SBLCs of Rs.2527,10,00,000 had been invoked ahead of the due dates of respective gold loans. State Bank of India had invoked SBLCs of Rs.95,50,00,000 as and when gold loans got matured.

All invoked SBLCs of Rs.3580,68,00,000 have been paid by the Consortium banks. Of the total invocations and amounts paid there against, Rs.2587,60,00,000 crores were against SBLCs which had fallen due as on the date of the balance sheet, whereas the balance Rs.993,08,00,000 are against SBLCs which would not have fallen due for payment as on the date of Balance Sheet, if not so invoked.

As a result of invocation and devolvement of SBLCs, the liabilities had got crystallized in rupee terms and the accounts were overdrawn. With no gold lines from bullion banks and no fresh SBLCs from the consortium banks, the operations had been significantly impacted and the Company has been constrained to suspend its manufacturing operations.

The Company did approach the Honorable Bombay High Court for an Order restraining the Consortium banks from making remittances against invocations of those SBLCs where Gold Loans had not fallen due. However, the Standard Bank, one of the bullion banks, obtained an order from UK Court that as the jurisdiction as per Gold Loan Agreement for any legal action is Court in London, it will be deemed Contempt of that Court if the Company persisted with its application in the Bombay High Court. The Company, accordingly, did not pursue its application.

Overseas Customers

The Company's dealings with overseas customers, till March 2013, have been generally satisfactory and there were no commercial disputes of any sort. Although there were intermittent delays in receipt of moneys towards export bills occasionally in the past, there used to be regular flow of inward remittances and the Company did not have any major problem in realization of its export bills. However, inward remittances from the group of 13 customers in UAE were abruptly dried up.

Total amount due from overseas customers in UAE is approx. USD 875 million. As the amounts at stake were very large and as the same were not backed by any tangible security / LCs, the Company's recovery efforts in the beginning have been very measured. Immediately after invocations and devolvement of SBLCs, the Company's Whole-time Director (Operations) went to Dubai and met Mr. Haytham, director / shareholder / owner of a few of defaulting UAE customers and also representing the other out of total of 13 defaulting customers (as they were introduced by him) on 21.03.2013. This was followed by another visit along with Official of Standard Chartered Bank, the Lead Bank of the Consortium, on 18.04.2013.

The Company had served formal legal notices, in the last week of April 2013, to all the 13 customers for payment of all export bills which had fallen due for payment as per the agreed credit terms by that time (08.04.2013). Although over dues were not cleared, all the customers did issue formal acknowledgement of debt for the outstanding amount in third week of May 2013.

The main promoter and guarantor, Mr. Jatin Mehta and Whole-time Director (Operations) along with the senior officials of the Core Group of the Consortium (comprising Punjab National Bank, Central Bank of India, Canara Bank, Standard Chartered Bank and Union Bank of India) met Mr. Haytham on 23.05.2013. During the visit by the officials of the Core group of the Consortium, Mr. Haytham had reportedly stated that delay in remittances was attributable to liquidity constraints (owing to financial loss incurred in foreign exchange and commodity trading) which are sought to be mitigated in due course and that the entire dues shall be paid in full in phased manner with the timeframe extending up to FY 2025-26. He produced copy of the Report of their Auditors for the extent of loss suffered by 3 of those customers. Mr. Haytham also assured the bankers that he would endeavour to arrange for remittances of USD 75 to 100 million every year for clearance of dues of the Company as well as of Forever Precious Jewellery And Diamonds Ltd. (FPJDL), another Company in the Group (the Company holds 49% of the equity share capital of FPJDL).

Despite regular follow-up for payments through telephonic talks, e-mails and formal communications, the Company, during six month period ended 30.09.2013, received only USD 1,268,118 from those 13 UAE customers as probably they have not been able to mitigate their liquidity constraints fully.

The Company, therefore, served legal notices, in October 2013, on all the 13 UAE customers as also on Mr.Haytham, through its Advocates, M/S. Economic Laws Practice, asking them for payment of the entire outstanding amount and has sought opinion of a reputed legal firm in Dubai as to what legal options are available for recovery of outstanding dues. The Company proposes to initiate legal action in Dubai and / or Summary suit in India, in case customers do not demonstrate urgency in sending remittances of larger sums.

As no significant amounts were realized from the overseas customers after second week of March 2013, CRISIL, the Credit Rating Agency, had downgraded rating from A1 to A3 in third week of April 2013 and to A4 in fourth week of April 2013 and further to D in first week of May 2013.

Board of Directors

Mr. Jatin Mehta relinquished Managing Directorship of the Company to join as President of Su-Raj Diamonds And Jewellery DMCC (UAE), one of the Wholly Owned Subsidiaries of the Company, with effect from 19.04.2011, as it was felt at that time that owing to evolving business scenario and resultant opportunities vis-à-vis infrastructure and business profile of the Company and its subsidiaries, that was the appropriate time for further growth of business globally and that, for the purpose, Mr. Mehta would be required to engage himself comprehensively with overseas operations which would entail extensive travel away from India for execution of business plan. While Mr. Mehta continued as director and Non-Executive Chairman, Mr. Lakhpat Raj Bhansali, with over 35 years of experience in the industry, was appointed as Whole-time Director.

As part of further consolidation process and restructuring necessitated owing to substantial expansion of capacities by M/S. Su-Raj Diamond Industries Ltd. (SDIL), a group Company, Mr. Lakhpat Raj Bhansali resigned from the Board with effect from 09.05.2012 as he was appointed as Whole-time Director of SDIL. Mr. R Ravichandran and Mr. Ramesh I Parikh, employees of the Company, were inducted on the Board and appointed as Whole-time Directors (Operations) and (Finance) respectively.

Subsequently, Mr. Jatin Mehta submitted his resignation as Chairman and Director with effect from 09.11.2012 following his decision to reduce Board Commitments owing to unavoidable circumstances. The Board, while respecting his decision, suggested Mr. Mehta that he could endeavor to keep sharing critical inputs which are vital for it to discharge its functions effectively. Mr. Madan Khurjekar was, accordingly, appointed as Chairman.

After invocations and devolvement of SBLCs, all the independent directors on the Board, Mr. Rathnakar Hegde, Mr. Shard Bhagwat, Mrs. Urvashi Saxena, Mr. Dilip Tikle and Mr. Madan Khurjekar, resigned during the period 30.03.2013 to 10.06.2013. Accordingly, the Company's Board, with effect from 10.06.2013, comprised only 2 Whole-time directors and did not have sufficient number of directors as required by the Companies Act, 1956. Mr. Satya Prakash Tanwar, Nominee of PNB and Mr. Harish Mehta have been inducted on the Board with effect from 16.10.2013. Mr. Jaikumar Kapoor and Mr. Harimohan Namdev have been inducted on the Board with effect from 10.01.2014. Mr. Ramesh Parikh, Director-Finance, resigned from the Board with effect from 28.02.2014.

Forensic Audits

Bankers had appointed M/S. Ernst & Young (EY) for forensic audit and M/S. Kroll Advisory Solutions (Kroll) for investigative audit. The report of EY did not contain any adverse remarks and with regard to certain observations, the Company had offered satisfactory explanations. While the banks considered Company's explanations as satisfactory in respect of most of the observations of 'Kroll', in case of a few observations, they considered explanations provided by the Company as not totally satisfactory and desired further clarifications from Mr. Jatin Mehta. The Company is informed that the banks have not received any clarifications from Mr. Mehta in this regard.

Corporate Debt Restructuring

The Company had submitted Financial Restructuring Plan to the CDR Cell. The Flash Report was filed on 17.06.2013. Although the Empowered Group of CDR (EG-CDR) had initially expressed certain reservations for admission of Flash Report (at its Meeting held on 24.06.2013), it reconsidered the Company's proposal at its subsequent meeting held on 25.07.2013 where although the requisite no. of lenders (consortium banks) had conveyed their mandate (support for admission of flash report), a view emerged that certain issues were needed to be addressed and execution of legally enforceable tripartite agreement for repayment of debt between the Company, the overseas customers (debtors) and lenders (banks) was one of the issues that needed to be addressed. However, the UAE customers expressed reservations for execution of Tripartite Agreements as suggested by banks / CDR Cell. The other issues that needed to be addressed were (a) bringing promoters contribution upfront in consonance with RBI guidelines for CDR (b) re-induction of Mr. Jatin Mehta, the promoter and guarantor, on the Board of the Company and (d) explanation by Mr. Jatin Mehta for certain observations contained in the forensic audit reports. As Mr. Jatin Mehta's response on the above was not as per the expectations of the banks, the Company's Flash Report stands dismissed.

Export Receivables and Creditors for Imports

Entire outstanding export receivables of Rs. 47,534,403,307 as at 30.09.2013 represent debts outstanding for over 180 days.

Export receivables had been restated based on exchange rate as at 31.03.2013 (the end of the FY 2012-13). However, in view of persistent defaults by overseas customers in clearing outstanding dues, the same were carried forward at the same rate in the accounts for the quarter ended 30.06.2013 and, likewise, have been carried forward at the same rate (based on exchange rate as at 31.03.2013) as it is deemed expedient not to take cognizance of depreciation in rupee vis-à-vis US dollar on notional basis when outstanding amounts are expected to be realized over an uncertain period of time. Likewise, overseas trade creditors have also carried forward based on exchange rate as at 31.03.2013 (when they were last restated) as these are unsecured and are expected to be paid off out of realizations from overseas customers.

In accordance with Accounting Standard – 9 (Revenue Recognition), in terms of the EXIM policy for Gold Loans and as per the consistent practice followed by the Company in the past, it is required to raise revised invoices on its customers on account of the final settlement of its liability of gold loan. However the Company has not raised such revised invoices and hence not accounted for the same in the financial statements in view of the uncertainties of realisation of revenue as the overseas customers have defaulted in their payments.

Inventory

Entire inventory of diamonds and pearls lying at Surat and Mumbai has been placed in the lockers in PNB and is in the joint custody with PNB since 18.06.2013. The banks arranged for valuation of inventory by Customs approved valuers on 30.09.2013 and as per their report, the total value of inventory was Rs.39,35,00,031. (In this context, it may be stated that with negative reports about the Group continuing at regular intervals in diamond trade journals, the Company did not procure any diamonds – rough / semi-processed diamonds after September 2012 and polished diamonds after December 2012 and on the other hand, it endeavored, as part of damage control exercise, to export as much inventory as possible at best available prices. As such, the inventory that the Company had, as at the end of the FY 2012-13, mainly comprised of relatively lower grade of diamonds and / or residual quantity of different lots and as such, their realizable value could have been lower than their cost as per the inventory register based on weighted average cost basis.) Since the valuation was carried out on the basis of examination of only part of the inventory selected on random basis, the Company has requested PNB to arrange for valuation of entire inventory. Nonetheless, the value of inventory has been adjusted, while drawing accounts for the 18 month period ended 30.09.2013, so as to take cognizance of depletion in the value of inventory of diamonds.

Overseas Subsidiaries

During the year, the Company disinvested its entire shareholding in its wholly owned subsidiaries in USA, Belgium, Hong Kong & UAE and part of the sale proceeds were utilized for investing in additional equity share capital of Forever Precious Jewellery & Diamonds Ltd.

Accounts

The Company had earlier anticipated that its Debt Restructuring Plan will get implemented under CDR mechanism by September 2013 and accordingly, had extended its financial year by 6 months. As such, the accounts have been prepared for 18 month period commencing 01.04.2012 and ending on 30.09.2013 for which it has received requisite approval from the Registrar of Companies, Ministry of Corporate Affairs.

Since the Company's Board comprised only 2 Whole-time Directors during 10.06.2013 to 16.10.2013, its operating results for Q5, quarter ended 30.06.2013, which were published, in August 2013, for the information of the shareholders and for ensuring compliance with statutory provisions, were, at that time, not reviewed by the Audit Committee (which did not exit) and therefore were not considered by the Board and were not subjected to limited review by the auditors. The same were reviewed by Audit Committee upon its constitution and then considered by the Board.

Figures of the previous year have been re-grouped or re-classified wherever necessary, to correspond with those of the current period's / year's classification for disclosure as per the revised format set out in clause 41 which corresponds to the revised Schedule VI of the Companies Act, 1956.

Present Status

The Company and its directors including directors who were on the Board when devolvement occurred have been issued, by Punjab National Bank, notices wherein it is stated that if entire defaulted amount is not paid within specified time frame then they will be classifying us as 'Willful defaulters'. Vijaya Bank, Bank of Maharashtra and IDBI Bank Ltd. have issued Notices for recalling of outstanding loans/ advances. As on date, the Company's account has been classified as Non Performing Asset by all the consortium banks.

We have been given to understand by the banks that the Promoter & Guarantor, Mr. Jatin Mehta, has claimed that he was not involved in day-to-day management of the Company since April 2011, the said contention, however, is untrue. Though Mr. Jatin Mehta is not formally on the Board of the Company, he had been and is at the helm of the affairs.

The Company's presumptions and assumptions are as under :

- The promoter-guarantor, Mr. Jatin Mehta, is professionally expected eventually to lend tangible support by joining the Board, bringing funds for resumption of operations, arranging for funds to initiate legal actions against defaulting customers and with his active involvement and commitment in any exercise of revival / restructuring of the company's business.
- Investigations / substantive proceedings / audits that might be carried out overseas either through expert to be appointed through Court in Dubai or by any other agencies will endorse / substantiate claims of overseas customers about genuineness of (a) transactions so far as they relate to exports by the company and (b) loss incurred in commodity and currency transactions.
- The defaulting UAE customers will eventually pay off their entire dues over a reasonable span of time.

Note 32. As the Diamond Segment revenue is less than 10% of total revenue, the Company has not reported segment reporting as per the provisions of Accounting Standard 17- "Segment Reporting" issued by the Institute of Chartered Accountants of India.

Note 33. As per the provisions of Accounting Standard 18 - "Related Party Transactions" issued by the Institute of Chartered Accountants of India, the details of Related Party Transactions based on disclosure certificate issued by the Directors, is as mentioned herein below:

i) **List of Related Parties :**	**Particulars**
Subsidiaries	Su-Raj Diamonds N. V. (upto 01.04.2012) Su-Raj Diamonds & Jewelry USA, Inc. (upto 01.04.2012) Su-Raj Diamonds and Jewellery DMCC (upto 31.01.2013) Su-Raj Diamond (H.K.) Limited (upto 01.04.2012)
Associates	Forever Precious Jewellery and Diamonds Limited Su-Raj Diamond Dealers Limited (upto 31.05.2012) Revah Corporation Limited
Key Management Personnel	Mr. Ravichandran (w.e.f. 09.05.2012 upto 16.12.2013) Mr. Ramesh Parikh (w.e.f. 09.05.2012 upto 28.02.2014)

3 A. Transactions for the year ended 30.09.2013

		Subsidiaries	Associates	Key Management Personnel	Total
1.	Purchases	Nil (48,395,871)	2,641,422 (18,505,366)	Nil (Nil)	2,641,422 (66,901,237)
2.	Sales	Nil (206,974,469)	3,560,411 (3720,895,891)	Nil (Nil)	3,560,411 (3927,870,360)
3.	Labour Charges received	Nil (Nil)	14,805,620 (34,892,878)	Nil (Nil)	14,805,620 (34,892,878)
4.	Fixed Asset Purchase	Nil (Nil)	210,000 (Nil)	Nil (Nil)	210,000 (Nil)
5.	Loan Received	Nil (Nil)	318,372,875 (Nil)	Nil (Nil)	318,372,875 (Nil)
6.	Rent Received	Nil (Nil)	360,750 (Nil)	Nil (Nil)	360,750 (Nil)
7.	Equity Contribution	Nil (29,328,000)	642,500,000 (Nil)	Nil (Nil)	642,500,000 (29,328,000)
8.	Directors Remuneration	Nil (Nil)	Nil (Nil)	6,439,406 (Nil)	6,439,406 (Nil)
B.	**Outstanding as on 30.09.2013**				
1.	Debtors	Nil (14,434,700)	Nil (Nil)	Nil (Nil)	Nil (14,434,700)
2.	Creditors	Nil (88,498,225)	Nil (Nil)	Nil (Nil)	Nil (88,498,225)
3.	Loans and Advances	Nil (Nil)	888,074 (847,549)	Nil (Nil)	888,074 (847,549)
4.	Loans	Nil (Nil)	318,055,655 (Nil)	Nil (Nil)	318,055,655 (Nil)

Note 34. The Engineering Division at Jodhpur has closed its operation. During the period it has incurred a loss of Rs. Nil (Rs. Nil). The carrying value of the total assets to be disposed off at Jodhpur is Rs. 10,063,880 (Rs. 10,063,880) as at the Balance Sheet date.

Note 35. Additional information required under Para 4-D of Part-II of Schedule VI to the Companies Act, 1956 as certified by a Director is as follows :

			Current Period ₹	Previous Year ₹
a)	Value of Imports on CIF basis			
	Raw Materials		**60,616,286,498**	56,779,168,132
	Stores and Spares		**728,170**	6,222,795
	Capital Goods		**-**	67,803,674
			60,617,014,668	56,853,194,601
b)	Expenditure in foreign currency on account of			
	Travelling Expenses		**393,069**	405,165
	Repairs and Maintenance		**-**	121,879
	Legal & Professional Charges		**-**	336,000
			393,069	863,044
c)	i)	Break-up of the value of Raw Materials Consumed :		Percentage
		Imported	**65,397,432,582** **(47,285,026,890)**	94 (87)
		Indigenous	**4,221,091,046** **(6,341,661,609)**	6 (13)
			69,618,523,628 **(53,626,688,499)**	100 (100)
	ii)	Break-up of Stores and Spares Consumed :		
		Imported	**1,728,954** **(9,183,597)**	10 (46)
		Indigenous	**16,259,487** **(10,830,192)**	90 (54)
			17,988,441 **(20,013,789)**	100 (100)
d)	Remittance of dividend in foreign currency :			
	No. of Non-Resident Shareholders		**NA**	227
	No. of shares held by them		**NA**	147,090
	Dividend Year		**NA**	2010-2011
	Dividend Amount (Rs. in Lacs)		**NA**	183,862
e)	Earning in Foreign Exchange :			
	i)	Export of Goods on F.O.B. basis	**68,829,931,622**	54,941,206,440
	ii)	Recovery of Freight and Insurance	**9,352,160**	10,908,497
			68,839,283,782	54,952,114,937

Note 36. The Company has disinvested from all the Subsidiaries viz. Su-Raj Diamonds NV (Belgium), Su-Raj Diamonds & Jewelry USA Inc. (USA), Su-Raj Diamond (HK) Ltd. (Hongkong) and Su-Raj Diamonds & Jewellery DMCC (UAE) during the FY 2012-13 for aggregate consideration of Rs.885,459,609 against investment of Rs. 758,670,115.

Note 37. The Company has received Confirmations as on 31st March 2013 from those overseas customers who have defaulted in payments. Creditors and other debtor's confirmation are yet to be received. Email by the Auditors to the Sundry Debtors and Creditors of the Company to confirm the balances as well as the transactions as on 30th September, 2013 had been sent. However the said debtors and creditors have not confirmed the same to the Auditors. Similarly letters have been sent by the Auditors to all banks asking for independent confirmations of the amounts outstanding and due to the Banks. The said confirmations have not been received by the Auditors from majority of the Banks.

Note 38. The provision for depreciation and for all known liabilities are adequate and not in excess of the amounts reasonably necessary.

Note 39. As per the information available with the Company and certified by them, total outstanding due to Small Enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 at the end of the year is Rs. Nil (Nil).

Note 40. Figures in brackets in notes 1 to 39 pertain to previous year, which is not comparable, as the current period figures are for 18 months.

Note 41. Previous Year's figures have been re-arranged, re-grouped or re-classified wherever necessary.

As per our attached report of even date
For R. C. RESHAMWALA & CO.
Chartered Accountants
(FRN 108832 W)

Rajnikant C. Reshamwala
Partner
Membership No. 5502

Mumbai,
Date : 5th March, 2014

For and on behalf of the Board

Jaikumar Kapoor Director

Asish Narayan
Company Secretary

Harish R. Mehta Director

Harimohan Namdev Director

WINSOME DIAMONDS AND JEWELLERY LIMITED

Registered Office: Kesharba Market-2, Gotalawadi, Katargam, Surat 395 004

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

Shares Held____________________________________

Regd.Folio No.__________________________ DP ID No._________________________ Client ID No.______________________

(Name in BLOCK letters)____

I hereby record my presence at the 27th ANNUAL GENERAL MEETING of the Company held at Mahida Bhawan, Icchanath, Opp. S.V.R. Engineering College, Dumas Road, Surat 395 007 on Monday, the 31st March, 2014 at 12.30 p.m.

____

Member's/Proxy's Signature

NOTE:

Members/Proxy holder are requested to bring their copy of the Annual Report with them at the Meeting.

-- CUT HERE --

WINSOME DIAMONDS AND JEWELLERY LIMITED

Registered Office: Kesharba Market-2, Gotalawadi, Katargam, Surat 395 004

PROXY FORM

Shares Held__________________________________

Regd.Folio No.__________________________ DP ID No._________________________ Client ID No.______________________

(Name in BLOCK letters)____

I/We____ of _______________________________being a Member/Members of the above-named Company, hereby appoint____

of____ in the district of _______________________________________ or failing him ____________________________________of_______________________in the district of_______________________

as my/our proxy to vote for me/us and on my/our behalf at the 27th ANNUAL GENERAL MEETING of the Company to be held on Monday, the 31st March, 2014 at 12.30 p.m. or at any adjournment thereof.

Signed this _________ day of ________________ 2014.

Affix One Rupee Revenue Stamp

Note: The Proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

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