



**C. MAHENDRA  
EXPORTS LTD.**

## Annual Report 2010-11



C. MAHENDRA EXPORTS LTD.

Tower 'C', Office No. CC -6011, Bharat Diamond Bourse,  
Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.  
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Buy Polished Diamonds

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

[www.cmahendra.net](http://www.cmahendra.net)



## **Vision**

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To have expertise in what we do, to make and fulfill commitments, to adapt with changes, to meet the needs of all our customers and to create desire for diamonds.

## **Mission**

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Accelerate our progress to become the No. 1 diamond company with the help and support of modern technology and our unified strong and tirelessly working team of employees and Directors. To be an acknowledged one-stop shop that we and all our stakeholders can be proud of.

## Message from the Chairman



Dear Members,

It is my privilege to address for the first time about C. Mahendra Exports Limited, since it became a listed company.

C. Mahendra Exports is one of the Sightholder since 1991 of Diamond trading Company (DTC), which is the world's largest distributor of rough diamonds.

Mr. Champak Mehta and my self established C. Mahendra Exports in 1974. In course of time the firm started manufacturing activities at Surat and marketing offices inside and outside India at important diamond marketing centres. The manufacturing and sale of diamond studded jewellery in India and outside India was a step in vertical expansion.

The Company started the activities related to its Green Energy Division, by setting up Wind farm businesses at Sangli, Maharashtra in 2006 and Kutch, Gujarat in 2007. The growth of this activity continues.

During Financial year 2010-11, the Company had an Initial Public Offer (IPO) of 15,000,000 (One Crore Fifty Lacs) equity shares of Rs. 10 each for cash at a price of Rs. 110 each aggregating to Rs. 1650 million. The issue had a very positive response.

Pursuant to public issue, the Company has been listed with the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd w.e. f. 20<sup>th</sup> January, 2011.

Mr. Champak Mehta, the Managing director and my self are providing all inputs for the growth of the company based on our business experience more than 30 years each to ensure that the company growth continue to satisfy the stakeholders.

I express my gratitude to all our stakeholders, who have expressed trust and confidence in us and extended their constant support. I am also grateful to the Board of directors, members, banks and employees of the company for their exemplary contribution and support at all levels.

With best wishes,  
Sincerely

Mahendra C. Shah  
Chairman

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## Corporate Information:

### BOARD OF DIRECTORS:

Mr. Mahendra Chandulal Shah:	Chairman
Mr. Champak Kirtilal Mehta:	Managing Director
Mr. Sandeep Mahendra Shah:	Director
Mr. Kailashchandra Chowdhary	Independent Director
Mr. Shailesh Shankarlal Vaidya	Independent Director
Mr. Vittalul Sooru Hegde	Independent Director

### CHIEF FINANCIAL OFFICER (CFO):

Mr. Babulal V. Virvadia	Chief Financial Officer (CFO)
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### BANKERS:

Bank of Baroda	State Bank of India
Bank of India	State Bank of Mysore
Corporation Bank	State Bank of Bikaner and Jaipur
Punjab National Bank	State Bank of Patiala
Central Bank of India	State Bank of Travancore
Canara Bank	HDFC Bank Limited
Indian Bank	

### COMPANY SECRETARY & COMPLIANCE OFFICER:

Mr. Ashish Kumar Shrivastava,  
Company Secretary & Compliance Officer

### STATUTORY AUDITORS

**M/s. Suresh Surana & Associates**  
Chartered Accountants,  
310, Ahura Centre,  
82, Mahakali Caves Road,  
Andheri (East), Mumbai – 400 093.

### REGISTERED & CORPORATE OFFICE

**C. Mahendra Exports Limited**  
Tower 'C', Office No. CC-6011,  
Bharat Diamond Bourse,  
Bandra Kurla Complex,  
Bandra (East), Mumbai – 400 051.  
Tel: +91-22-2675 4555 Fax: +91-22-2675 4560  
Email: [bkc@cmahendra.com](mailto:bkc@cmahendra.com), website: [www.cmahendra.com](http://www.cmahendra.com)

### REGISTRAR & SHARE TRANSFER AGENT

**Link Intime India Private Limited**  
C-13, Pannalal Silk Mills Compound,  
L.B. S. Marg, Bhandup (W),  
Mumbai – 400 078  
Phone: 2596 3838, Fax: 2594 6979

## Company's Profile:

C.Mahendra Exports Ltd., a renowned and trusted name since 1974, is one of the leading diamantaire and jewellery Company with a wide spread around the world. C. Mahendra Exports is one of the Sightholder of Diamond trading Company (DTC), which is the world's largest and most effective distributor of rough diamonds.

The pioneers of the Company, Mr. Mahendra Shah and Mr. Champak Mehta incorporated the business from the scratch in 1974. The flagship company of our CM Group, C.Mahendra Exports was formed in the year 1978 to carry on the business of manufacturing and trading of diamonds.

In the year 1991 looking at our marketing skills and envious position in the core diamond manufacturing centre - SURAT, the Diamond Trading Company (DTC), part of the De Beers family of companies, honoured us with the status of DTC SIGHTHOLDER.

With a dream nurtured since 1978 in the Pioneers heart, to cater the diamond industry with consistent supply of polished diamonds, C.Mahendra Exports set up its first state of the art factory for manufacturing cut and polished diamonds in Surat, India in the year 1993.

In 2006, C.Mahendra Exports commissioned the second state of the art manufacturing factory at Varachha Road, Surat, India to manufacture large size polished diamonds. C. Mahendra Exports has employed the latest and most advanced technologies for manufacturing of diamonds. CM Group has a highly skilled pool of human resources with a total strength of around 3000 people.

Today, through high business standards and ethics, impressive business model, combined with highly cordial relations with the Diamond Trading Company (DTC), ALROSA and other direct sources of rough, CM Group has ensured a consistent supply of rough diamonds. C.Mahendra Exports has its main head office in Mumbai from where all the marketing and finance operations are controlled. The entire operation for manufacturing is controlled and managed from the Surat office.

The sales and distribution associates are in 6 countries:

- China - Hong Kong
- Thailand - Bangkok
- India - Mumbai, Delhi
- UAE - Dubai
- Belgium - Antwerpen
- U.S.A- New York

CM Group is firmly established across the value chain and in all major diamonds and jewellery centres globally. C.Mahendra Exports has its presence in the diamond studded jewellery business. Our branded jewellery is retailed under the brand name "Ciemme" across the world.

Today, C.Mahendra Exports enjoys an envious position in the diamond industry of being one of the top exporters with an unblemished client record. The Company has become listed with the Bombay Stock Exchange Limited and National Stock Exchange (India) Limited since 20<sup>th</sup> January, 2011.

## Notice

Notice is hereby given that the Fifth Annual General Meeting of the members of C. Mahendra Exports Limited scheduled to be held on Friday, 16<sup>th</sup> September, 2011 at 2.30 P.M. at 4<sup>th</sup> Floor, Bhogilal Hargovindas Building, K. Dabash Marg, Kalaghoda, Fort, Mumbai – 400 001 to transact to following businesses:

### Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2011, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Mahendra C. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Champak K. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s Suresh Surana and Associates, Chartered Accountants, 310, Ahura Centre, 82, Mahakali Caves Road, Andheri (East), Mumbai – 400 093. as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this connection to consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** M/s. Suresh Surana & Associates, Firm Reg. No. 121750W, Chartered Accountants, 310, Ahura Centre, 82, Mahakali Caves Road, Andheri (East), Mumbai, 400 093, be and are hereby re-appointed as the statutory auditors of the Company, to hold the office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed to between the Statutory Auditors and the Board.”

### Special Business:

5. **Re-appointment of Mr. Kanu C. Shah as a President (Public Relations):-**

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

**“RESOLVED THAT** pursuant to the provisions of section 314(1B), and all other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors hereby accords its consent, subject to approval of the Central Government and the Company, to the re-appointment of Mr. Kanu C. Shah, a relative (within the meaning of section 6 read with schedule 1A of the Act) of Mr. Mahendra C. Shah, Executive Chairman of the Company, to hold and continue to hold an office or place of profit as the President (Public Relations) of the Company, with effect from April 01, 2011, for a period of 5 years on a salary of Rs. 3,60,000/- per month which shall be inclusive of such perquisites, allowances, benefits, amenities and facilities (including accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund benefits applicable to other employees occupying similar post or posts within the same salary scale or grade), more specifically set out in the table herein below, with authority to the Board of Directors to sanction at its discretion, and with the approval of the Central Government, where necessary, such increments as it may deem fit and proper to promote him to any higher grade or grades at its discretion, together with the allowances and benefits as may be applicable to the grade or grades for the time being, and to give increments within that grade or grades as it may deem fit and proper.

**FURTHER RESOLVED THAT** remuneration payable to Mr. Kanu C. Shah as aforesaid will be subject to such modification(s) as the Central Government may suggest or require, which the Directors are hereby authorised to accept on behalf of the Company and which may be acceptable to Mr. Kanu C. Shah and are not less favorable to the Company.

**FURTHER RESOLVED THAT** Mr. Mahendra C. Shah, Director of the Company, be and is hereby, authorised to file the necessary forms/papers/ returns with the Registrar of Companies, Maharashtra and to do all acts, deeds and things as may be considered necessary or desirable to give effect to the above resolution.”

**6. Re-appointment of Mr. Pravin K. Mehta as a President (Administration):-**

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

**“RESOLVED THAT** pursuant to the provisions of section 314(1B), and all other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors hereby accords its consent, subject to approval of the Central Government and the Company, to the re-appointment of Mr. Pravin K. Mehta, a relative (within the meaning of section 6 read with schedule 1A of the Act) of Mr. Champak K. Mehta, Managing Director of the Company, to hold and continue to hold an office or place of profit as the President (Administration) of the Company, with effect from May 01, 2011, for a period of 5 years on a salary of Rs. 3,15,000/- per month which shall be inclusive of such perquisites, allowances, benefits, amenities and facilities (including accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund benefits applicable to other employees occupying similar post or posts within the same salary scale or grade), more specifically set out in the table herein below, with authority to the Board of Directors to sanction at its discretion, and with the approval of the Central Government, where necessary, such increments as it may deem fit and proper to promote him to any higher grade or grades at its discretion, together with the allowances and benefits as may be applicable to the grade or grades for the time being, and to give increments within that grade or grades as it may deem fit and proper.

**FURTHER RESOLVED THAT** remuneration payable to Mr. Pravin K. Mehta as aforesaid will be subject to such modification(s) as the Central Government may suggest or require, which the Directors are hereby authorised to accept on behalf of the Company and which may be acceptable to Mr. Pravin K. Mehta and are not less favourable to the Company.

**FURTHER RESOLVED THAT** Mr. Mahendra C. Shah, Director of the Company, be and is hereby, authorised to file the necessary forms/papers/returns with the Registrar of Companies, Maharashtra and to do all acts, deeds and things as may be considered necessary or desirable to give effect to the above resolution.”

**7. Re-appointment of Mr. Pravin C. Shah as a President (Production):-**

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

**“RESOLVED THAT** pursuant to the provisions of section 314(1B), and all other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors hereby accords its consent, subject to approval of the Central Government and the Company, to the re-appointment of Mr. Pravin C. Shah, a relative (within the meaning of section 6 read with schedule 1A of the Act) of Mr. Mahendra C. Shah, Executive Chairman of the Company, to hold and continue to hold an office or place of profit as the President (Production) of the Company, with effect from April 01, 2011, for a period of 5 years on a salary of Rs. 2,87,500/- per month which shall be inclusive of such perquisites, allowances, benefits, amenities and facilities (including accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund benefits applicable to other employees occupying similar post or posts within the same salary scale or grade), more specifically set out in the table herein below, with authority to the Board of Directors to sanction at its discretion, and with the approval of the Central Government, where necessary, such increments as it may deem fit and proper to promote him to any higher grade or grades at its discretion, together with the allowances and benefits as may be applicable to the grade or grades for the time being, and to give increments within that grade or grades as it may deem fit and proper.



**FURTHER RESOLVED THAT** remuneration payable to Mr. Pravin C. Shah as aforesaid will be subject to such modification(s) as the Central Government may suggest or require, which the Directors are hereby authorised to accept on behalf of the Company and which may be acceptable to Mr. Pravin C. Shah and are not less favourable to the Company.

**FURTHER RESOLVED THAT** Mr. Mahendra C. Shah, Director of the Company, be and is hereby, authorised to file the necessary forms/papers/returns with the Registrar of Companies, Maharashtra and to do all acts, deeds and things as may be considered necessary or desirable to give effect to the above resolution.”

**8. Re-appointment of Mr. Suresh K. Mehta as a President (Production):-**

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

“**RESOLVED THAT** pursuant to the provisions of section 314(1B), and all other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors hereby accords its consent, subject to approval of the Central Government and the Company, to the re-appointment of Mr. Suresh K. Mehta, a relative (within the meaning of section 6 read with schedule 1A of the Act) of Mr. Champak K. Mehta, Managing Director of the Company, to hold and continue to hold an office or place of profit as President (Production) of the Company, with effect from April 01, 2011, for a period of 5 years on a salary of Rs. 2,70,000/- per month which shall be inclusive of such perquisites, allowances, benefits, amenities and facilities (including accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund benefits applicable to other employees occupying similar post or posts within the same salary scale or grade), more specifically set out in the table herein below, with authority to the Board of Directors to sanction at its discretion, and with the approval of the Central Government, where necessary, such increments as it may deem

fit and proper to promote him to any higher grade or grades at its discretion, together with the allowances and benefits as may be applicable to the grade or grades for the time being, and to give increments within that grade or grades as it may deem fit and proper.

**FURTHER RESOLVED THAT** remuneration payable to Mr. Suresh K. Mehta as aforesaid will be subject to such modification(s) as the Central Government may suggest or require, which the Directors are hereby authorised to accept on behalf of the Company and which may be acceptable to Mr. Suresh K. Mehta and are not less favourable to the Company.

**FURTHER RESOLVED THAT** Mr. Mahendra C. Shah, Director of the Company, be and is hereby, authorised to file the necessary forms/papers/returns with the Registrar of Companies, Maharashtra and to do all acts, deeds and things as may be considered necessary or desirable to give effect to the above resolution.”

**9. Re-appointment of Mr. Paras C. Mehta as a President (Purchase):-**

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

“**RESOLVED THAT** pursuant to the provisions of section 314(1B), and all other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors hereby accords its consent, subject to approval of the Central Government and the Company, to the re-appointment of Mr. Paras C. Mehta, a relative (within the meaning of section 6 read with schedule 1A of the Act) of Mr. Champak K. Mehta, Managing Director of the Company, to hold and continue to hold an office or place of profit as President (Purchase) of the Company, with effect from April 01, 2011, for a period of 5 years on a salary of Rs. 1,90,000/- per month which shall be inclusive of such perquisites, allowances, benefits, amenities and facilities (including accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund benefits applicable to



other employees occupying similar post or posts within the same salary scale or grade), more specifically set out in the table herein below, with authority to the Board of Directors to sanction at its discretion, and with the approval of the Central Government, where necessary, such increments as it may deem fit and proper to promote him to any higher grade or grades at its discretion, together with the allowances and benefits as may be applicable to the grade or grades for the time being, and to give increments within that grade or grades as it may deem fit and proper.

**FURTHER RESOLVED THAT** remuneration payable to Mr. Paras C. Mehta as aforesaid will be subject to such modification(s) as the Central Government may suggest or require, which the Directors are hereby authorised to accept on behalf of the Company and which may be acceptable to Mr. Paras C. Mehta and are not less favorable to the Company.

**FURTHER RESOLVED THAT** Mr. Mahendra C. Shah, Director of the Company, be and is hereby, authorised to file the necessary forms/papers/returns with the Registrar of Companies, Maharashtra and to do all acts, deeds and things as may be considered necessary or desirable to give effect to the above resolution.”

**10. Change in utilization of IPO Proceeds**

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

“**RESOLVED THAT** pursuant to the provisions of section 61 and other applicable provisions, if any

of the Companies Act, 1956 subject to such other approvals, permissions, sanctions and consents that may be required from any authorities concerned, if any, the consent of the members be and is hereby accorded to the Board of directors to the revision in utilization of the part of the proceeds of the IPO amounting of Rs. 1096.93 million raised by the Company through the Initial Public Offerings of its shares from those objects mentioned in the section “Object of the Issue” in the Prospectus dated 10.01.2011, inter alia to finance setting up of a diamond processing unit at Gujrat Hira Bourse, SEZ, Ichchhapore, Surat amounting of Rs. 360.57 million, to finance setting up of a jewellery manufacturing unit at Mumbai amounting of Rs. 236.36 million and to setting up retail outlets amounting of Rs. 300.00 million, brand building amounting of Rs. 200.00 million and utilize the funds set apart for the aforesaid objects for working capital requirement of the company and investment in our subsidiary company Ciemme Jewels Limited for setting up retail outlets which will be the best interest of the Company.

**FURTHER RESOLVED THAT** directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary, expedient, usual or proper to be in the best interest of the Company.”

**By the order of the Board  
of Directors**

Sd/-

**(Mahendra C. Shah)  
Chairman**

**Date: 13.08.2011  
Place: Mumbai**

**Notes:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER. THE RELEVANT PROXY FORMS, ATTACHED HEREWITH, DULY FILLED IN AND SIGNED MUST BE DEPOSITED IN ORDER TO BE VALID, NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.**
2. **PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.**
3. **AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, RELATING TO THE SPECIAL BUSINESS TO BE TRANSACTED AT THE MEETING IS ANNEXED HERETO.**
4. MEMBERS ARE REQUESTED TO BRING THEIR ATTENDANCE SLIP ALONG WITH THEIR COPY OF ANNUAL REPORT TO THE MEETING.
5. IN CASE OF JOINT HOLDERS ATTENDING THE MEETING, ONLY SUCH JOINT HOLDER WHO IS HIGHER IN ORDER OF NAMES WILL BE ENTITLED TO VOTE.
6. CORPORATE MEMBERS INTENDING TO SEND THEIR AUTHORISED REPRESENTATIVES TO ATTEND THE MEETING ARE REQUESTED TO SEND TO THE COMPANY A CERTIFIED COPY OF THE BOARD RESOLUTION AUTHORISING THEIR REPRESENTATIVES TO ATTEND AND VOTE ON THEIR BEHALF AT THE MEETING.
7. MEMBERS HOLDING SHARES IN ELECTRONIC FORM ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS OR BANK MANDATES TO THEIR DEPOSITORY PARTICIPANTS WITH WHOM THEY ARE MAINTAINING THEIR DEMAT ACCOUNTS. MEMBERS HOLDING PHYSICAL FORM ARE REQUESTED TO ADVISE ANY CHANGE OF ADDRESS IMMEDIATELY TO THE COMPANY / REGISTRARS AND TRANSFER AGENT, M/S LINK INTIME (INDIA) PRIVATE LIMITED.
8. THE SECURITIES AND EXCHNAGE BOARD OF INDIA (SEBI) HAS MANDATED THE SUBMISSION OF PERMANENT ACCOUNT NUMBER (PAN) BY EVERY PARTICIPANT IN SECURITIES MARKET. MEMBERS HOLDING SHARES IN ELECTRONIC FORM ARE THEREFORE, REQUESTED TO SUBMIT THE PAN TO THEIR DP IWH WHOM THEY ARE MAINTAINING THEIR DEMAT ACCOUNTS. MEMBERS HOLDING SHARES IN PHYSICAL FORM CAN SUBMIT THEIR PAN DETAILS TO THE COMPANY /RTA M/S LINK INTIME (INDIA) PVT. LTD.

**Important Intimation to the Members:**

**The Ministry of Corporate Affairs vide Circular No. 18/2011 dated 29.04.2011 has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the companies stating that the Notice with Balance Sheet, Profit and Loss Account, Auditor's Report, Directors Report and explanatory statement etc can be sent by e-mail to its members. To Support this green initiative of the Government, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses with their DPs. Members who hold shares in physical form are requested to send their mail ids to the Company.**

## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

#### Item no. 5

Since public relations is a critical area, requiring full time attention, it is felt by the Board of Directors that Mr. Kanu C. Shah, who has already been handling these activities, should be re-appointed as the in charge of these activities. The Board of Directors therefore recommends the re-appointment of Mr. Kanu C. Shah as the President (Public Relations) of the Company.

Mr. Kanu C. Shah, has been involved in diamond industry for last 25 years and has also been instrumental in establishing good rapport in the Govt./Semi-Govt. bodies. Mr. Kanu C. Shah has been associated with our Company was one of the partners of the partnership concern M/s C. Mahendra Exports, before its conversion into M/s C. Mahendra Exports Limited in 2007. He was earlier appointed as the President (Public Relations) of the Company for a period of 3years from 01.04.2008 to 31.03.2011.

The Board of Directors of the Company have considered and approved the appointment of Mr. Kanu C. Shah as President (Public Relations) of the Company, and recommended the following terms, conditions of reappointment and remuneration:

Designation	President (Public Relations)
Duties and Responsibilities	The duties and responsibilities would inter alia, include but not be limited to the following: a) Overall in-charge of Accounts & Administration at Surat. b) Overall in-charge of the responsibilities related to Public Relations of the entire group.
Term	5 years with effect from April 01, 2011 subject to the approval of members and the Central Government.
Salary and benefits	Rs. 43,20,000 (Rupees Forty Three Lakhs Twenty Thousand) per annum, which amount shall be inclusive of such perquisites and benefits (in the nature of

accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund) applicable to other employees occupying similar post or posts within the same salary scale or grade.

#### Item no. 6

It is felt that by the management that a full time senior executive should be to take care of the finance, accounts and administration related matters of the Company at Mumbai. Since, Mr. Pravin K. Mehta has previously handled this responsibility in a very effective and efficient way, the Board of Directors recommends the re-appointment of Mr. Pravin K. Mehta as the President (Administration) of the Company.

Mr. Pravin K. Mehta is actively associated with the finance, accounts and administration related areas of the group for last 25 years. Mr. Pravin K. Mehta is associated with our Company since its inception and was one of the partners of the partnership concern M/s C. Mahendra Exports, before its conversion into M/s C. Mahendra Exports Limited in 2007. He was earlier appointed as the President (Administration) of the Company for a period of 3 years from 01.04.2008 to 31.03.2011.

The Board of Directors of the Company have considered and approved the re-appointment of Mr. Pravin K. Mehta as the President (Administration) of the Company, and recommended the following terms, conditions of re-appointment and remuneration:

Designation	President (Administration)
Duties and Responsibilities	The duties and responsibilities would inter alia, include but not be limited to the following (a) Overall in-charge of Accounts and Administration at Corporate and Administrative Office at Mumbai. (b) Monitoring the Best Practice Principles of Diamond Industries.
Term	5 years with effect from May 01, 2011 subject to the approval of members and the Central Government.

Salary and benefits Rs. 37,80,000 (Rupees Thirty Seven Lakhs Eighty Thousand) per annum, which amount shall be inclusive of such perquisites and benefits (in the nature of accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund) applicable to other employees occupying similar post or posts within the same salary scale or grade.

**Item no. 7**

Keeping in mind the enhanced production range of diamonds, the management is of the opinion that a full time senior executive is essential to handle the Company's overall manufacturing activities at its factories at Surat. Since, Mr. Pravin C. Shah, has previously handled this responsibility in a very effective and efficient way, the Board of Directors recommends the re-appointment of Mr. Pravin C. Shah as the President (Production) of the Company.

Mr. Pravin C. Shah has a vast experience in the Diamond Industry. He has been involved in the diamond manufacturing activities for over 30 years and has introduced the latest production technology to improve quality & yield of finished products. Mr. Pravin C. Shah has been associated with our Company since its inception and was one of the partners of the partnership concern M/s C. Mahendra Exports, before its conversion into M/s C. Mahendra Exports Limited in 2007. He was earlier appointed as the President (Production) of the Company for a period of 3 years from 01.04.2008 to 01.04.2011.

The Board of Directors of the Company have considered and approved the re-appointment of Mr. Pravin C. Shah as the President (Production) of the Company, and recommended the following terms, conditions of re-appointment and remuneration:

Designation	President (Production)
Duties and Responsibilities	The duties and responsibilities would inter alia, include but not be limited to the following:

- a) Active involvement in the procurement of rough diamonds.
- b) Overall in-charge of production activities at the factories of the company at Surat.
- c) Monitoring software development in production activity.
- d) Supervision of entire administration at the factories of the company at Surat.

Term

5 years with effect from April 01, 2011 subject to the approval of members and the Central Government.

Salary and benefits

Rs. 34,50,000 (Rupees Thirty Four Lakhs Fifty Thousand) per annum, which amount shall be inclusive of such perquisites and benefits (in the nature of accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund) applicable to other employees occupying similar post or posts within the same salary scale or grade.

**Item no. 8**

Since the manufacturing activities at the Udhna Factory of the Company require full time monitoring, it was felt that a senior executive should be a head of the said factory. Since this job has been handled by Mr. Suresh K. Mehta in a very capable manner, the Board of Directors now recommends the appointment of Mr. Suresh K. Mehta as President (Production) of the Company.

Mr. Suresh K. Mehta has a grass-root level knowledge

and having thorough knowledge of the production function for last 20 years. Mr. Suresh K. Mehta was one of the partners of the partnership concern M/s C. Mahendra Exports, before its conversion into M/s C. Mahendra Exports Limited in 2007. He was earlier appointed as the President (Production) of the Company for a period of 3 years from 01.04.2008 to 01.04.2011.

The Board of Directors of the Company have considered and approved the re-appointment of Mr. Suresh K. Mehta as President (Production) of the Company, and recommended the following terms, conditions of re-appointment and remuneration:

Designation	President (Production)
Duties and Responsibilities	The duties and responsibilities would inter alia, include but not be limited to the following: a) Overall in-charge of production activities at Udhna Factory. b) Supervision & Control of entire administration of Udhna Factory.
Term	5 years with effect from April 01, 2011 subject to the approval of members and the Central Government.
Salary and benefits	Rs. 32,40,000 (Rupees Thirty Two Lakhs Forty Thousand) per annum, which amount shall be inclusive of such perquisites and benefits (in the nature of accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund) applicable to other employees occupying similar post or posts within the same salary scale or grade.

**Item no. 9**

Since the procurement of rough diamonds is very significant activity for the production, the management feels that a full time senior executive should be there to look after the purchase related activities at Surat. The Board of Directors feels that Mr. Paras C. Mehta has handled this profile in a very smooth manner so far and therefore recommends the re-appointment of Mr. Paras C. Mehta as the President (Purchase) of the Company.

Mr. Paras C. Mehta holds a bachelor's degree in Commerce and has a sound knowledge and experience of transactions related to purchase of rough diamonds and is very active in the Diamond Industry for last 10 years. Mr. Paras C. Mehta was one of the partners of the partnership concern M/s C. Mahendra Exports, before its conversion into M/s C. Mahendra Exports Limited in 2007. He was earlier appointed as the President (Purchase) of the Company for a period of 3 years from 01.04.2008 to 01.04.2011.

The Board of Directors of the Company have considered and approved the re-appointment of Mr. Paras C. Mehta as the President (Purchase) of the Company, and recommended the following terms, conditions of re-appointment and remuneration:

Designation	President (Purchase)
Duties and Responsibilities	The duties and responsibilities would inter alia, include but not be limited to the following: a) Active involvement in the procurement of rough diamonds. b) Overall supervision of the outsourcing of diamond manufacturing jobs at Surat.
Term	5 years with effect from April 01, 2011 subject to the approval of members and the Central Government.
Salary and benefits	Rs. 22,80,000 (Rupees Twenty Two Lakhs Eighty Thousand) per annum,

which amount shall be inclusive of such prerequisites and benefits (in the nature of accommodation, medical facilities, leave travel assistance, personal accident insurance, superannuation fund, retiring gratuity and provident fund) applicable to other employees occupying similar post or posts within the same salary scale or grade.

**Item no. 10**

During Financial year 2010-11, the Company completed an Initial Public Offer (IPO) of 15,000,000 equity shares of Rs. 10 each for cash at a price of Rs. 110 each aggregating to Rs. 1650 million. The premium of Rs. 100 per share, amounting to Rs. 1500 million from the allotment was credited to securities premium account. The share issue expenses of Rs. 93.69 million incurred by the company have been adjusted against the Securities Premium Account. Pursuant to the public issue, shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited with effect from 20.01.2011.

The objects of the issue mentioned in the prospectus dated January 10, 2011 is as follows:

S. No.	Description	Amount Rs. in million
1	Finance setting up of a diamond processing unit at Gujrat Hira Bourse, SEZ, Ichchhapore, Surat	360.57
2	Finance setting up of a jewellery manufacturing unit at Mumbai	236.36
3	Finance setting up retail outlets	300.00
4	Finance brand development expenses	200.00
5	Investment in capital of C. Mahendra BVBA	800.00
6	General corporate purposes	NIL
	<b>Total</b>	<b>1896.93</b>

The means of finance (net of issue expenses) mentioned in the prospectus dated January 10, 2011 is as follows:

S. No.	Description	Amount Rs. in million
1	Net Proceeds	1564.88
2	Internal Accruals	332.05
	<b>Total</b>	<b>1896.93</b>

Utilization of net proceeds of the Initial Public Offer (IPO) till 30.06.2011:

Description	Amount to be financed through the issue proceeds	Funds Utilized upto 30.06.2011
i) Setting up of a diamond processing unit at Gujarat Hira Bourse, SEZ, Ichchhapore, Surat	360.57	—
ii) Setting up of a jewellery manufacturing unit at Mumbai	236.36	—
iii) Setting up retail outlets	300.00	—
iv) Brand development expenses	200.00	—
v) Investment in capital of C. Mahendra BVBA	800.00	455.19
<b>Total</b>	<b>1896.93</b>	<b>455.19</b>
Less: To be utilised form internal accruals	332.05	
<b>Net IPO proceeds to be utilised as per object of the issue</b>	<b>1,564.88</b>	
Issue related expenses	85.12	93.69
Temporary investment in Bank Fixed deposits	—	1101.12
<b>Total</b>	<b>1,650.00</b>	<b>1,650.00</b>

At present, the Company has to avail working capital fund for its present activities from banks at a higher rate of interest as compared to the rate or return the company is fetching out of the investment. If the portion of the fund of IPO, to be used for working capital as stated hereinabove, is utilized as a working capital

requirement of the Company, then the Company can save interest to a great extent. Such use of fund is beneficial to the Company in general and shareholders in particular. This is the utilization of fund for the object other than the object for which the same is raised, and therefore it needs the approval of the shareholders of the Company by Special Resolution.

Thus the revised objects and utilization shall be as follows:

S. No.	Objects as per the Prospectus dated January 10, 2011		S. No.	Revised Objects	
	Description	Amount Rs. in million		Description	Amount Rs. In million
1.	Finance setting up of a diamond processing unit at Gujarat Hira Bourse, SEZ, Ichchhapore, Surat	360.57	1.	Working Capital	696.93
2.	Finance setting up of a jewellery manufacturing unit at Mumbai	236.36			
3.	Finance setting up retail outlets	300.00	2.	Investment in our subsidiary Ciemme Jewels Limited for setting up retail outlets*	300.00
4.	Finance brand development expenses	200.00	3.	Finance brand development expenses	100.00
5.	Investment in capital of C. Mahendra BVBA	800.00	4.	Investment in capital of C. Mahendra BVBA	800.00
6.	General corporate purposes	Nil			
	<b>Total</b>	<b>1,896.93</b>		<b>Total</b>	<b>1,896.93</b>

\* As our subsidiary company Ciemme Jewels Limited is presently having retail outlets and for the convenience of administration purpose, we propose to invest the said amount in our subsidiary company for setting up retail outlets through our subsidiary company as necessary from time to time as per the prospectus.

As stated in the prospectus, the management, in accordance with the policies established by the Board of directors, will have the flexibility in deploying the net proceeds received by us. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposits with banks for the necessary duration and other fixed and variable return instrument.

None of the directors of the Company is concerned or interested in this resolution, except to the extent of their shareholding in the Company.

The Board recommends the members to approve the aforesaid resolution.

**By the order of the Board of Directors**

**Date : 13.08.2011**  
**Place : Mumbai**

Sd/-  
**(Mahendra C. Shah)**  
**Chairman**



## Management Discussion and Analysis Report

### Industry Structure and Developments

Our state-of-the-art Rough Manufacturing Units are situated in Surat, Gujarat, India. Out of 10 diamonds 8 diamonds are cut & polished in India due to economic labour which results in getting the optimum yield at best final competitive price. We employ the most up to date technology possible, i.e. Approximately 1452 Machines.

Ciemme is flagship brand of C. Mahendra Group. Ciemme, India – is currently distributed through more than 150 retail outlets.

The Indian gems and jewellery sector is expected to grow at a compound annual growth rate (CAGR) of around 13 per cent during 2011 – 2013, on the back of increasing government efforts and incentives coupled with private sector initiatives, according to a report ‘Indian Gems and Jewellery Market Forecast to 2013’, by RNCOS.

The diamond industry in India is predicted to remain stable during 2010-11 due to improved prices and steady demand, as per the credit rating agency CRISIL.

On the back of healthy demand from Western markets like the US and Europe, India’s gems and jewellery exports rose by about 22 per cent year-on-year (y-o-y) to US\$ 2.86 billion in January 2011.

In its bid to enhance the market strategy, a gems and jewellery special economic zone (SEZ) sprawling over 40 acres with an investment of US\$ 441.1 million is being planned to be set up by Gold Souk, the jewellery mall developer. The company plans to have residential apartments named Gold Souk City, apart from having gems and jewellery manufacturers from Thailand and Dubai who will open their units in India.

The US and European markets constitute about 60 per cent of India’s gems and jewellery exports. Indian exporters are also exploring other new markets including South America and East Asia in order to reduce their dependency on the West.

#### a) Diamonds

India is the largest diamond cutting and polishing centre in the world, accounting for about 95 percent share of the global market by number of pieces. The country is also the third largest consumer of polished diamonds.

Surat is India’s diamond processing hub, contributing over 80 per cent of the country’s diamond processing industry with annual revenue of around US\$ 13.03 billion.

The diamond jewellery industry grew 30 per cent in calendar year 2010, as consumers are attracted towards using items as both luxury fashion and investment. The industry is set to continue its growth momentum this year. During calendar year 2011, it is poised for 20 per cent growth.

#### b) Retail Sector of the Indian gems and jewellery market

The Indian gems and jewellery market continues to be dominated by the unorganized sector. There are over 2.5 million jewellery shops in India and most of them are family run. However, with the Indian consumer becoming more aware and quality conscious, branded jewellery is becoming very popular and the market for branded jewellery is likely to be worth in the forthcoming years with an increasing number of jewellery houses entering the branded jewellery sector, retail of jewellery is becoming organized. A booming market has in recent years attracted a large number of players to the Indian gems and jewellery retail sector.

#### c) Exports

Gems and jewellery exports from India, the largest supplier, rose by 39 per cent in the April 2010-January 2011 period, according to the Gem & Jewellery Export Promotion Council. Shipments increased to US\$ 30.6 billion from US\$ 22 billion a year earlier, the trade group said on its website, citing provisional estimates. Exports in January 2011 gained 22 per cent to US\$ 2.9 billion.

Exports of cut and polished diamonds saw the maximum growth of 23.44 per cent year-on-year in January 2011, followed by gold jewellery (15.38 per cent) and coloured gemstones (3.8 per cent), as per the GJEPC data.

During the April 2010-January 2011, period, exports of precious items increased by 38.81 percent to US\$ 30.59 billion in comparison to the same period last fiscal.

#### d) Government Initiatives

In order to open a new avenue for the bullion trader community with improved trading practices and increased delivery centres, the recent strategic tie-up between Bombay Bullion Association (BBA) and Indian Commodity Exchange Ltd (ICEX) has

opened an avenue to harness the huge investment potential lying with the small and the unorganized players. It further offers membership to all the BBA members. It jointly deepens the markets in order to encourage wider participation, by providing multiple delivery centres across the country by leveraging on MMTC's and BBA's pan-India network. BBA will be an important stake holder in exchange's efforts in strengthening the delivery infrastructure and also in launching customised contracts suited to requirements of Indian markets. In a move to boost the industry, the government has formulated new rules for faster clearance of import and export consignments of specific goods including jewellery and gems.

Furthermore, the government has incorporated some other measures like providing interest subvention of two per cent to labour intensive export sectors and duty drawback facilities, in order to promote gems and jewellery export.

**e) The Road Ahead**

The Gems and Jewellery Export Promotion Council has initiated IIS Signature to promote India as the preferred source for jewellery and eventually build brand 'India'. Signature was conceptualised to showcase India's ability to produce quality jewellery that will match the lifestyle trends world over.

European diamond certifying agency, EGL (European Gemological Laboratory) is setting up a diamond certifying laboratory in Ahmedabad, the sixth for the company in India. EGL has laid out ambitious plans to expand its presence in the country in 2011. The global diamond certification agency has so far five laboratories located in New Delhi, Kolkata, Bengaluru and Mumbai.

Further, the All India Gems & Jewellery Trade Federation (GJF) recently held the first of its kind leadership summit for the jewellery industry in an effort to corporatise the ways of working and streamlining policies.

**Segment-wise Performance**

The Company has only one business segment viz. Gems and Jewellery, which is being considered as the primary segment.

The financial information about business segment is not applicable since segment results / revenue / assets of the wind mill business are not more than 10 percent of the combined business results / revenue / assets.

Details of segment-wise performance included in the segmental reporting being a part of notes on accounts as annexure of the Annual Report.

**Opportunities, Threats and Outlook**

The future of the industry is quite promising. More and more buyers across the world are turning to India as their preferred source for quality jewellery. All India Gem and Jewellery Trade Federation (GJF) are targeting growth from US \$ 16.79 billion to US \$ 26.23 billion by the year 2012.

The Gems and Jewellery Export Promotion Council (GJEPC) is looking at exploring new markets, such as Latin American countries. The industry also plans to make India a trading centre for cut and polished diamonds, and is closely working with the Government of India in this regard. The long term prospects looks good with jewellery exports expected to touch US \$16 billion in 2010 according to industry estimates.

The Gem and Jewellery Export Promotion Council is a representative body of trade. The following initiatives have been taken by the council in order to enhance competitiveness such as:

- Preparation of a medium term exports strategy for various sectors including gems and jewellery by the Ministry of Commerce.
- Exploring the possibility of direct procurement of rough diamonds from mining countries
- Promotion of Indian diamonds and jewellery abroad through advertisements, publicity and participation in international fairs, buyer-seller meets and direct approach to market retailers.
- Market study through experts in the field to identify new markets.
- Promotion of export of 'hallmark' jewellery from India to assure foreign customers of quality and purity of jewellery made in India.

The Indian economy is for the recovery path. Exports have been expanding since October 2009, a trend that is expected to continue. The industrial sector recovery is increasingly becoming broad-based and is expected to take firmer hold going forward on the back of rising domestic and external demand.

### Risk Factors

While the indicative projections of growth and inflation for 2010-11 may appear reassuring, the following major downside risks to growth and upside risks to inflation need to be recognised:

First, uncertainty persists about the pace and shape of global recovery. Fiscal stimulus measures played a major role in the recovery process in many countries by compensating for the fall in private demand. Private demand in major advanced economies continues to be weak due to high unemployment rates, weak income growth and tight credit conditions. There is a risk that once the impact of public spending wanes, the recovery process will be stalled. Therefore, the prospects of sustaining the recovery hinge strongly on the revival of private consumption and investment. While recovery in India is expected to be driven predominantly by domestic demand, significant trade, financial and sentiment linkages indicate that a sluggish and uncertain global environment can adversely impact the Indian economy.

Second, if the global recovery does gain momentum, commodity and energy prices, which have been on the rise during the last one year, may harden further. Increase in global commodity prices could, therefore, add to inflationary pressures.

Third, from the perspective of both domestic demand and inflation management, the 2010 south-west monsoon is a critical factor. The current assessment of softening of domestic inflation around mid-2010 is contingent on a normal monsoon and moderation in food prices. Any unfavourable pattern in spatial and temporal distribution of rainfall could exacerbate food inflation. In the current context, an unfavourable monsoon could also impose a fiscal burden and dampen rural consumer and investment demand.

Our exchange rate policy is not guided by a fixed or pre-announced target or band. Our policy has been to retain the flexibility to intervene in the market to manage excessive volatility and disruptions to the macroeconomic situation. Recent experience has underscored the issue of large and often volatile capital flows influencing exchange rate movements against the grain of economic fundamentals and current account balances. There is, therefore, a need to be vigilant against the build-up of sharp and volatile exchange rate movements and its potentially harmful impact on the real economy.

### Internal control systems and their adequacy

The Company has strong internal control systems which have been found adequate by the management of the company. The audit committee reviews the internal control system / procedure periodically to ensure its adequacy and effectiveness.

### Financial Performance

(Rs in Million)

Particulars	For the F. Y. ended 31st March, 2011	For the F. Y. ended 31st March, 2010
Turnover	18432.73	15646.76
PBT (Profit before Tax)	538.96	253.04
Net Profit	572.05	211.48
Basic and diluted earnings per share in Rs.	11.70	4.70

### Financial Review

#### Sales

C. Mahendra Exports Ltd. consolidated results of operations for the year ended March 31, 2011 includes business and operations of the various subsidiaries/joint ventures. The company has increased overall net sales growth for the year ended March 31, 2011 of Rs. 2785.97 million (17.80%) compared to last year.

#### Income & Expenditure

The company has recorded a total income of Rs 19,970.75 million (Previous year Rs 16321.03 million) for the F. Y. ended 2010-11. The company has recorded a total expenditure of Rs. 19431.79 million (Previous Year Rs. 16067.99 million) for the year ended March 31, 2011.

#### Depreciation & Amortization

For the year ended March 31, 2011 the company has incurred depreciation charges of Rs 88.66 million (Previous Year Rs 90.53 million) primarily due to expansion of business as well as consolidation of the existing business.

#### Interest

For the year ended March 31, 2011, the company has incurred interest costs of Rs. 26.60 million (Previous Year



Rs. 39.65 million) paid to banks/financial institutions towards fixed loans and Rs. 586.97 (Previous Year Rs. 645.52 million) towards others.

**Net profit before taxes**

Due to the reasons discussed above, the company has recorded a net profit before taxes of Rs. 538.96 million (Previous Year Rs. 253.05 million) for the year ended March 31, 2011.

**Net profit**

The company recorded a Net Profit for the year ended March 31, 2011 of Rs. 572.05 million (Previous Year Rs. 211.48 million) showing growth of 170.50% compared to previous year. The Company recorded basic and diluted earnings Rs. 11.70 per share (Previous Year Rs. 4.70 per share).

**Share Capital**

At present, the company has two classes of share i.e. Equity Share of face value of Rs.10/- each and 6% Redeemable Preference shares of face value of Rs. 10/-

each. As on 31st March, 2011, the issued, subscribed and paid up capital was Rs. 72,50,00,000 includes Rs. 60,00,00,000 equity share capital divided into 6,00,00,000 equity shares of Rs.10/- each and Rs. 12,50,00,000 Preference share capital divided into 1,25,00,000 6% Redeemable Preference shares of Rs. 10/- each.

**Material developments in Human Resources, including number of people employed**

Total number of employees on the pay rolls of the Company as on 31st March, 2011 was Nine Hundred and One (901).

**Material financial and commercial transactions, where the management has personal interest, which may have a potential conflict with the interest of the company at large**

Details of all material financial and commercial transactions are included in the related party disclosures being a part of notes on accounts as annexure of the Annual Report.

## Directors' Report

To,

The Members,

Your Directors are pleased to present the 5<sup>th</sup> Annual Report and the audited annual accounts for the financial year ended 31<sup>st</sup> March, 2011.

### Financial Results

The financial performance of the Company, for the year ended 31<sup>st</sup> March, 2011 is summarized below:

(Rs in Million)

Particulars	For the F. Y. ended 31 <sup>st</sup> March, 2011	For the F. Y. ended 31 <sup>st</sup> March, 2010
Income from Operation:		
Net Sales	18,432.73	15,646.76
Other Income	104.70	11.92
<b>Profit before Tax</b>	<b>538.96</b>	<b>253.05</b>
<b>Less: Current Tax</b>	<b>(77.00)</b>	<b>(47.00)</b>
Mat Credit Entitlement	18.00	3.30
Deferred Tax	92.44	2.46
Wealth Tax	(0.35)	(0.33)
<b>Profit after Tax</b>	<b>572.05</b>	<b>211.48</b>
<b>Less: Prior period income tax adjustment</b>	<b>(0.33)</b>	
<b>Add: Profit brought forward</b>	<b>691.97</b>	<b>630.48</b>
<b>Amount Available for Appropriation</b>	<b>1,263.99</b>	<b>841.97</b>
<b>Appropriation:</b>		
Utilized for bonus shares issued during the year	-	150.00
Balance Carried to Balance Sheet	1,263.99	691.97
	<b>1,263.99</b>	<b>841.97</b>

### Review of Operations:

During the year under review, the Company has earned of Rs. 18,432.73 million net sales as against Rs. 15,646.76 million during the previous financial year showing growth of 17.81% compared to previous year. The net profit for the year under review has been Rs. 572.05 million as

against Rs. 211.48 million during the previous financial year showing growth of 170.50% compared to previous year.

Your Directors are continuously looking for avenues for future growth of the Company.

### Background of C. Mahendra Group

The C. M. Group was established in 1974 when C. MAHENDRA EXPORTS was founded in Mumbai, India by Mr. MAHENDRA SHAH and Mr. CHAMPAK MEHTA as a business partnership.

The conversion of C. Mahendra Exports in 2007 into a limited company, after more than 30 years as a 'partnership', continues the modernization of the company, and is a reflection of change towards achieving our strategic goals and international expansion plans.

The primary motivation and benefits of these changes are:

- 1) Increased corporate stability and transparency;
- 2) Increased global acceptance;
- 3) Increased financial opportunities;
- 4) Introduction of professionalism in our organization

Our new corporate status provides an even stronger foundation for the C. M. Group, with increased financial flexibility, to achieve its corporate vision and mission:

- Vision – To make and fulfil our commitments, to adapt with change and to meet the needs of all our customers – To be an acknowledged 'one stop shop' that we can all be proud of.
- Mission – Accelerate our progress to become No. 1 Diamond Company, with the help and support of modern technology and our strong and hardworking team of employees and partners.

Corporate reputation and brand – One of C. Mahendra's core strengths is its strong corporate reputation, recognized throughout the world as a significant player in the international diamond industry. Our uniform corporate identity and a consistent brand logo, supports this reputation and is extensively promoted throughout the industry with an advertising campaign. C. M. Group currently has two trademarks protecting its products:

- C. M. Group – which protects our loose polished diamonds.
- Ciemme – which is the trademark brand covering our jewellery production.

The C. M. Group trademark has high awareness level in the industry and is instantly associated with all C. Mahendra companies. The existence of this common trademark across all our companies, irrespective of geographic location, provides our customers, new and old, with an immediate point of contact where they know the C. Mahendra traditions of respect and partnership awaits.

Similarly, our Ciemme trademark has quickly established amongst consumers worldwide – a high profile brand with striking colours which draws their attention and readily identifies our products setting them apart from other jewellery products. Equally amongst the retailing community the Ciemme brand is becoming increasingly well known and recognised – as well as being sought after at trade shows by retailers.

C. Mahendra has achieved many milestones, during its almost 35 years history. A brief overview of the company's main accomplishments since incorporation is indication of our adaptability to the rapidly changing industry environment and available opportunities.

Selected in 1991 as a DTC SIGHTHOLDER – first ever Sightholder based in Surat, India, ensuring steady availability of rough diamonds of high quality at competitive cost.

Overseas sales office network – established overseas sales offices in the major diamond trading centres – a visionary strategy. The first such overseas office was established in Hong Kong in 1989 and thereafter other strategic centres have been added to the network.

Diamond exchanges membership

The C. M. Group is active member of the international diamond community. We are member of well known industry organizations around the globe. Presently, our memberships are held through our local operations in India, China, Hong Kong, USA & Belgium.

Recently, we have applied to the Ministry of Mineral Energy and Water Resources, GABRONE, BOTSWANA for a Diamond Dealers License.

### Principal Activities

Diamond Manufacturing Facilities -

The Company set up its first factory for diamond production at Udhana, in 1993. The Company Established second diamond cutting and polishing factory in Varachha in 2006 (100 % EOU)

Green Energy Division (Wind Energy) -

The Company started the activities related to its Green Energy Division, by setting up Wind farm businesses at Sangli, Maharashtra in 2006 and Kutch, Gujarat in 2007.

Your company has invested Rs. 68 crores in the Green Energy in the state of Maharashtra and Gujarat. In the year 2005-06, the Company has installed eight Wind Turbine Generators (WTGs) each of 1.25 MW, total having 10 MW in the state of Maharashtra for sale of energy to MSEDCL. Further, in the year 2007-08, company has installed two Wind Turbine Generators (WTGs) each of 1.50 MW, total having 3.00 MW in the state of Gujarat for the captive consumption (Wheeling) for its units at, Udhana & Varachha in Surat.

During the year 2010-11, the company has electric power generated from windmills:

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Kwh	Rs.	Kwh	Rs.
Power generated	20,735,412	—	26,599,464	—
Captive consumption	1,812,219	—	1,601,546	—
Power sold	18,923,193	77,357,265	24,997,918	84,738,307

### Group for Interse Transfer of Shares

As required under Clause 3(1)(e) of The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting "Group" (within the meaning as defined in the Monopolies & Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are given in Annexure – I forms part of this Report.

### Subsidiary Companies

As required under Section 212 of the Companies Act, 1956, the Audited Statements of Accounts of subsidiary companies:

- 1) C. Mahendra International Limited
- 2) C. Mahendra BVBA, Antwerp (Belgium)
- 3) C. Mahendra DMCC Dubai United Arab Emirates.

Auditors' Reports thereon for the year ended March 31, 2011 are annexed.

### Consolidated Financial Statements

In accordance with the Accounting Standard 21, issued by The Institute of Chartered Accountants of India, your Directors have pleasure in attaching the Consolidated Financial Statements for the year ended March 31, 2011.

### Finance

The Company is availing Working Capital requirements from the Consortium of 13 Bankers and has obtained adequate finance during the year under review. The debt is secured by immovable properties, current assets and others.

### Dividend

With a view to strengthen the financials and looking to the expansion plans for the Company and the Company wants more fund for the requirement of working capital in the initial years, the Board of directors propose to transfer the entire surplus amount to the Balance Sheet and accordingly not to declare the dividend in the current year. Hence, there is no proposed Dividend for this financial year.

### Directors

There is no change in the Board of directors during the year.

### Insurance

The Properties and Assets of the Company are adequately insured.

### Particulars of Employees

The Company has no employees of the specified categories under section 217 (2A) of the companies act, 1956 read with companies (particulars of employees) rules, 1975 as amended upto date.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure II to this report.

### Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 Directors based on the representations received from the Operating Management, confirm:

- (i) That in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2011 the applicable accounting standards had been followed.
- (ii) That the directors had selected such accounting policies and applied them Consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the company for the year.
- (iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) That the directors had prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2011 on a going concern basis.

### Disclosures under Section 217(1)(d) of the Companies Act, 1956

Except as disclosed elsewhere in this report, there have been no material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year of the Company and date of this report.

### Transfer to Reserves in terms of Section 217 (1)(b) of the Companies Act, 1956

For the financial year ended 31<sup>st</sup> March, 2011 the Company had not transfer any sum to Reserves. Therefore, your Company proposes to transfer the entire amount of profit to Profit and Loss Accounts of the Company.



### **Statutory Auditors**

The Auditors M/s Suresh Surana & Associates, Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment on such remuneration as may be mutually agreed to between the Statutory Auditors and the Board.

### **Auditors' observations**

The observations of the auditors in their report are self-explanatory; there are two qualification remarks by Statutory Auditors:

- i. Accounting Standard (AS)-2 Valuation of Inventories for reasons mentioned in note 3 of schedule 15. The impact of which on the profit for the year, reserves and surplus and inventories as at 31st March, 2011 could not be ascertained;
- ii. Accounting Standard (AS)-10 "Accounting for fixed Assets" and (AS)-6 "Depreciation" for reason mentioned in note 4 of schedule 15. The impact of which on the profit for year, reserves and surplus and fixed assets (gross block, accumulated depreciation and net block) as at 31st March, 2011 could not be ascertained.

In the opinion of the Directors, are as follows for their qualification remarks.

In respect of the Stock of finished goods (Polished Diamonds), the cost is based on the technical estimates by the management. In view of the nature of variation in the value of individual diamonds, the differentials in their costs, it is not practical to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the multiple grades, it is not practical to use specific cost.

### **Acknowledgement**

Your directors would like to place on record their deep sense of gratitude to the Shareholders, Banks, Financial Institutions, valued customers and business associates, and various other government/semi-government agencies for all the guidance, co-operation, support and encouragement extended by them to the company.

Your directors would also like to take this opportunity to gratefully appreciate the hard work and dedicated efforts put in by the employees and look forward to their continued contribution in future endeavors of the company.

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

**Date : 13.08.2011  
Place : Mumbai**

**Sd/-  
(Mahendra C. Shah)  
Chairman**



**Annexure to Directors Report for the year ended 31<sup>st</sup> March, 2011**

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

**Annexure – I**

Group coming within the definition of “Group” as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969)	28.	Mr. Jignesh M. Shah
	29.	Mrs. Hemali J. Shah
	30.	Miss Simran J. Shah
Serial No.	31.	Master Shaurya J. Shah
	32.	Master Suparshva J. Shah
1. Allright Trading Private Limited	33.	Mrs. Krupa S. Shah
2. Ashesha Trading Private Limited	34.	Miss Vanshika S. Shah
3. Polo Developers Private Limited	35.	Miss Kavya S. Shah
4. C. Mahendra Infrapower Limited (Erstwhile C. Mahendra Capital Private Limited)	36.	Miss Natasha S. Shah
5. C. Mahendra International Limited	37.	Mr. Pravin C. Shah
6. C. Mahendra Jewels Private Limited	38.	Mrs. Ramila P. Shah
7. Ciemme Jewels Limited	39.	Mr. Kanu C. Shah
8. Best Shine Limited	40.	Mr. Alka K. Shah
9. CM Infojewels Private Limited	41.	Mrs. Kokila N. Virvadia
10. Infojewels (India) Private Limited	42.	Mr. Nitin S. Virvadia
11. KPM Realty Private Limited (Erstwhile C. Mahendra Diamond Manufacturing Private Limited)	43.	Mrs. Manju C. Sanghvi
12. C. Mahendra Commodities Private Limited	44.	Mr. Chinubhai V. Sanghvi
13. C. Mahendra Trading (Partnership Firm)	45.	Mrs. Dipika C. Mehta
14. C. Mahendra BVBA	46.	Mr. Paras C. Mehta
15. C. Mahendra DMCC	47.	Mrs. Pinky P. Mehta
16. C. Mahendra (USA) Inc.	48.	Miss Adya P. Mehta
17. C. Mahendra Exports (H.K.) Limited	49.	Master Krushang P. Mehta
18. C. Mahendra (NY) LLC	50.	Late Mr. Kirtilal C. Mehta
19. Ciemme (NY) LLC	51.	Mrs. Vimlaben K. Mehta
20. International Gems & Jewellery FZE	52.	Mr. Prakash K. Mehta
21. AL DASPA Gems & Jewellery FZE	53.	Mr. Hansa P. Mehta
22. Mrs. Rasila M. Shah	54.	Mr. Pravin K. Mehta
23. Mr. Vikram M. Shah	55.	Mr. Nayana P. Mehta
24. Mrs. Reshma V. Shah	56.	Mr. Suresh K. Mehta
25. Miss Heer V. Shah	57.	Mr. Sadhna S. Mehta
26. Miss Yashvi V. Shah	58.	Mrs. Kanchan P. Desai
27. Miss Rushvi V. Shah	59.	Late Mr. Pravinchandra Desai
	60.	Mrs. Sharmishtha P. Sanghvi
	61.	Mr. Prakash B. Sanghvi

**Annexure – II****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 Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988.

**Technology Absorption**

The research and development team of the Company has done various types of researches in the diamond industry. The Company has been instrumental in developing and introducing several widely acclaimed jewellery designs. The Company has also developed several new systems, procedures and techniques in jewellery manufacturing.

**Foreign Exchange Earnings and Outgo**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gain / loss arising on account of differences in foreign exchange rates on settlement / translation of monetary assets and liabilities are recognized in the Profit and Loss Account. Non-monetary foreign currency items are carried at cost.

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

Any profit or loss arising on settlement or cancellation of other derivative contracts (swaps and currency options) is recognized as income/expense for the year. The derivative contracts outstanding at the year-end, are marked to its current market value and gain/ loss on such contracts, is recognized in the profit and loss account.

**Earnings in foreign currency**

Particulars	Current Year	Previous Year
	2010-11	2009-10
	Rs.	Rs.
F.O.B. value of exports	14,076,749,142	12,969,986,449
Other income	691,534	936,445

**Expenditure in foreign currency (on remittance / payment basis)**

Polished diamonds	3,426,579,718	1,439,836,019
Rough diamonds	5,506,835,764	3,116,565,733
Gold	615,972,184	—
Capital goods	2,666,016	3,088,317
Consumables, stores and spares	10,071,731	4,202,927

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

Place : MUMBAI  
Date : 13.08.2011

Sd/-  
(Mahendra C. Shah)  
Chairman

## Corporate Governance Report

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchange)

### 1. Company's Philosophy on Corporate Governance

The Company is committed to the prudent business practices, policies and compliance with the laws and regulations leading to effectual control and management of the organization resulting in augmentation of intrinsic values of the people associated with it.

### 2. Composition of Board of Directors

The Board has an optimum combination of Executive and Non-Executive Directors, and is in conformity with the requirement of the Clause 49 of the Listing Agreement entered into with the stock exchanges in which the Company's Equity Shares are listed.

The Board of Directors as on 31 March 2011 comprised of six members - three Non-Executive and three Executive Directors. Mr. Mahendra C. Shah, Mr. Champak K. Mehta and Mr. Sandeep M. Shah are Executive Directors. The Executive and Non-Executive Directors are competent and knowledgeable personalities in their respective fields. All the Non-Executive Directors are Independent Directors.

The Independent Directors take part in the proceedings of the Board and Committee meeting which enables qualitative decision making. They receive sitting fees for attending the meeting and do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its directors, management, subsidiaries or associates.

Details of Board meetings attended by Directors, attendance at the last AGM, number of other Directorships/Committee membership held by them during the year 2010-11 are tabulated below:

Details of Board meetings attended by Directors, attendance at the last AGM, number of other Directorships/Committee membership held by them during the year 2010-11 are tabulated below:

Sr. No	Directors	Category of Directorship	Whether Attended Last AGM held on 16 Sept. 2010	No. of Board Meetings attended during the 2010-11	No. of Directorship in other public companies*	No. of Committee position in other public companies**	
						Member Chairman	
1.	Mr. Mahendra Chandulal Shah	Executive	Yes	8	2	-	-
2.	Mr. Champak Kirtilal Mehta	Executive	Yes	8	2	-	-
3.	Mr. Sandeep Mahendra Shah	Executive	Yes	8	2	-	-
4.	Mr. Kailashchandra Chowdhary	Independent Non-executive	Yes	6	1	-	1
5.	Mr. Vittala Sooru Hegde	Independent Non-executive	No	8	-	-	-
6.	Mr. Shailesh Shankarlal Vaidya	Independent Non-executive	No	8	11	5	2

\* Excludes directorships held in Foreign, Private Limited and Section 25 Companies.

\*\* Represent chairmanships/memberships of Audit Committee and Shareholders'/ Investors' Grievance Committee.

Details of Board Meetings and General Meetings held during the year:

S. No.	Board Meetings/ General Meetings	Date of Board Meetings	Date of General Meetings
1	Board Meeting	20.05.2010	
2	Board Meeting	06.07.2010	
3	Board Meeting	08.10.2010	
4	Board Meeting	20.12.2010	
5	Board Meeting	21.12.2010	
6	Board Meeting	08.01.2011	
7	Board Meeting	10.01.2011	
8	Board Meeting	28.03.2011	
9	Annual General Meeting		16.09.2010
10	Extra-ordinary General Meeting		28.12.2010
	<b>Total No. of Meetings held</b>	<b>8 (Eight)</b>	<b>2(Two)</b>

None of the directors on the Board is a member of more than 10 committees and chairman of more than 5 committees (as per Clause 49 of the Listing Agreement), across all the companies in which he is director.

There was no change in the Board of directors during the F. Y. 2010-11.

### 3. Audit Committee

The Audit Committee was constituted with all independent directors.

The functions of Audit Committee include:

1. Oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of engagement and payment to statutory auditors for any other non-audit

services rendered by the statutory auditors.

4. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
5. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

**Composition of Audit Committee and details of meetings attended by Directors are given below:**

Name	Category	No. of Meetings	
		Held	Attended
Mr. Kailashchandra Chowdhary	Independent Director (Chairman)	4	3
Mr. Shailesh Shankarlal Vaidya	Independent Director (Member)	4	4
Mr. Vittala Sooru Hegde	Independent Director (Member)	4	4

#### Date of Audit Committee Meetings

20.05.2010
06.07.2010
08.09.2010
08.01.2011

### 4. Remuneration Committee

The Remuneration Committee consisting the following directors:

1. Mr. Kailashchandra Chowdhary (Chairman)
2. Mr. Vittala Sooru Hegde (Member)
3. Mr. Shailesh Shankarlal Vaidya (Member)

During the year 2010-11, the remuneration committee meeting was held on 21 December 2010.

**Remuneration to Executive Directors and their Shareholding:**

Name of Directors	Remuneration in Rs. (Inclusive of allowances and perquisites)	Shareholding	
		No. of Shares	Percentage
Mr. Mahendra C. Shah	43,20,000 per annum	9039131	15.0652
Mr. Champak K. Mehta	42,00,000 per annum	4910869	8.1848
Mr. Sandeep M. Shah	26,40,000 per annum	3443478	5.7391

**Remuneration to Non-Executive Directors and their Shareholding:**

Apart from the sitting fees that are paid to non-executive directors for attending the Board/Committee meetings no other fees or commission were paid during the year.

Name of Directors	Remuneration paid during the year in Rs. (Sitting Fees)		Shareholding	
	Board Meetings	Committee Meetings	No. of Shares	Percentage
Mr. Kailashchandra Chowdhary	60,000	8,000	-	-
Mr. Vittala Sooru Hegde	80,000	12,000	-	-
Mr. Shailesh Shankarlal Vaidya	80,000	10,000	-	-

- All decisions relating to the remuneration of directors are taken by the Remuneration Committee in accordance, with the approval received from Board as well as the members of the company.

**5. Shareholders/Investors Grievances Committee**

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

The Shareholders/Investors Grievances Committee consisting following members:

1. Mr. Vittala Sooru Hegde (Chairman)
2. Mr. Mahendra C. Shah (Member)
3. Mr. Champak K. Mehta (Member)

During the F. Y. 2010-11 the committee meeting was held on 5<sup>th</sup> March, 2011.

**Status of Shareholders'/Investors' Complaints:**

Particulars	No. of complaints
No. of Complaints pending as on 1 <sup>st</sup> April 2010	Nil
No. of Complaints received, attended and resolved during period of 1 <sup>st</sup> April 2010 to 31 <sup>st</sup> March 2011	9
No. of Complaints pending as on 31 <sup>st</sup> March 2011	Nil

### Type and details of investors Complaints:

Out of Nine Complaints, six complaints were received from SEBI regarding non receipt of refund of amount invested in IPO by the Investors and information of transfer of shares from demat drop case.

Remaining three complaints were received from investors directly through RTA of the company regarding non-receipt of refund of amount invested in IPO by the Investors and correction /revalidation of refund order.

All complaints have been resolved at the end of the quarter as well as year ended 31<sup>st</sup> March, 2011. There were no pending complaints.

### 6. Compliance Officer

Mr. Ashish Kumar Shrivastava, Company Secretary is designated as the Compliance Officer for complying with the requirements of the Listing Agreement with the Stock Exchanges in India.

### 7. Information on General Body Meetings

#### i) Annual General Meetings:

The last three Annual General Meetings (AGMs) of the Company were held at the following dates, time and venue.

Financial Year	AGM No.	Location	Day and Date	Time	Special Resolutions approved at the AGM
2009-10	4 <sup>th</sup>	1204, Panchratna, 12 <sup>th</sup> Floor, Opera House, Mumbai – 400 004.	Thursday, 16 <sup>th</sup> September, 2010	4.00 P.M.	NIL
2008-09	3 <sup>rd</sup>	1204, Panchratna, 12 <sup>th</sup> Floor, Opera House, Mumbai – 400 004.	Friday, 14 <sup>th</sup> August, 2009	1.00 P. M.	NIL
2007-08	2 <sup>nd</sup>	1204, Panchratna, 12 <sup>th</sup> Floor, Opera House, Mumbai – 400 004.	Thursday, 30 <sup>th</sup> September, 2008	11.00 A. M.	NIL

#### ii) Extra Ordinary General Meetings:

During the financial year 2010-11 one Extra-Ordinary General Meeting was held at the following date, time and venue.

Financial Year	Location	Day and Date	Time the AGM	Special Resolutions approved at
2010-11	1204, Panchratna, 12 <sup>th</sup> Floor, Opera House, Mumbai – 400 004.	Wednesday, 28 <sup>th</sup> December, 2010	11.00 A. M.	<ol style="list-style-type: none"> <li>1. Re-appointment of Mr. Mahendra C. Shah as the Executive Chairman of the Company.</li> <li>2. Re-appointment of Mr. Champak K. Mehta as the Managing Director of the Company.</li> <li>3. Re-appointment of Mr. Sandeep M. Shah as the Executive Director of the Company.</li> </ol>

**iii) Special Resolution passed through Postal Ballot**

No Postal Ballot was conducted during the financial year 2010-11.

None of the resolutions proposed for the ensuring Annual General Meeting need to be passed by Postal Ballot.

**8. Code of Conduct**

As provided under Clause 49 of the Listing Agreement and in line with the Company's objective of following the best Corporate Governance Standards the Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The code has been circulated to all the members of the Board and Senior Management and the same had been put on the Company's website [www.cmahendra.com](http://www.cmahendra.com). The Board Members and the Senior Management personnel have affirmed their compliance with the Code of Conduct for the year ended March 31, 2011.

**9. Disclosures**

**i) Related Party Transactions**

The Related Party Transactions which have potential conflict with the interest of the Company at large with related parties are disclosed separately as Annexure in the Notes to Accounts in the Annual Report.

**ii) Auditors Comments**

In preparation of the financial statements, treatment different from that prescribed in Accounting Standards have been followed in respect of Accounting Standard (AS)-2 'Valuation of Inventories' for reasons mentioned in note 3 of Schedule '15' of the financial statements and Accounting Standard (AS)-10 "Accounting for Fixed Assets" and (AS)-6 "Depreciation" for reason mentioned in note 4 of Schedule '15' of the financial statements.

**iii) No Penalties or Strictures**

No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other Statutory Authority on any matter related to capital markets during last three years.

The Company has complied mandatory requirements of Corporate Governance under clause 49 of the Listing Agreements with the Stock Exchanges.

**10. Means of communication**

Since listing of the Company's equity share on Stock Exchange from 20 January 2011, the quarterly and annual results of the Company are published in 'The Business Standard', and 'Nav Shakti'.

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

All important information relating to Company and its performance including the financial results and shareholding pattern are available on the Company's website [www.cmahendra.com](http://www.cmahendra.com).

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

The Company has registered with SCORES (SEBI Complaints Redress Systems) for attending, receiving and resolving investor complaints.

**11. Proceeds from Public Issues**

Details of utilization of funds received through IPO:

(Rs. in millions)

	Description	Amount to be financed through the issue proceeds	Funds Utilised upto 31/03/2011
i)	Setting up of a diamond processing unit at Gujarat Hira Bourse, SEZ, Ichchhapore, Surat	360.57	—
ii)	Setting up of a jewellery manufacturing unit at Mumbai	236.36	—
iii)	Setting up retail outlets	300.00	—
iv)	Brand development expenses	200.00	—
v)	Investment in capital of C. Mahendra BVBA	800.00	229.94
	<b>Total</b>	<b>1896.93</b>	<b>229.94</b>
	Less: To be utilised form internal accruals	332.05	
	Net IPO proceeds to be utilised as per object of the issue	<b>1,564.88</b>	
	Issue related expenses	85.12	93.69
	Temporary investment in Bank Fixed deposits	—	1,326.37
	<b>Total</b>	<b>1,650.00</b>	<b>1,650.00</b>

**12. A) Compliance with other mandatory requirements**

**a) Management Discussion and Analysis**

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

**b) Subsidiaries**

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

**c) Secretarial Audit for reconciliation of capital**

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

**d) CEO/CFO Certification**

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

**12 B) Compliance with non- mandatory requirements**

**a) Board**

The Board has an executive Chairman. There is no fixed tenure for the independent directors on the Board. The Independent directors on the Board hold requisite qualifications and experience which enables them



to make effective contribution to the Company in their capacity as an Independent director, which is very useful to the Company.

**b) Remuneration Committee**

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

**c) Shareholders' Right**

The Company publishes its results on its website at [www.cmahendra.com](http://www.cmahendra.com), which is accessible to the public at large.

**13. General shareholders information**

**a) Annual General Meeting Date, Time & Venue**

**Date & Time** : Friday, 16th September, 2011

**Time** : 2.30 P.M.

**Venue** : 4th Floor, Bhogilal Hargovindas Building, K. Dabash Marg, Kalaghoda, Fort, Mumbai – 400 001

**b) Financial Year** : April 1 to March 31.

**c) Dates of Book Closure**

Our register of members and share transfer books will remain closed from 10<sup>th</sup> September, 2011 to 16<sup>th</sup> September, 2011 (both days inclusive) for the purpose of ensuing Annual General Meeting.

**d) Date of Dividend Payment**

With a view to strengthen the financials and looking to the expansion plans for the Company and the Company wants more fund for the requirement of working capital in the

initial years, the Board of directors propose to transfer the entire surplus amount to the Balance Sheet and accordingly not to declare the dividend in the current year. Hence, there is no proposed Dividend for this financial year.

**e) Listing on Stock Exchanges**

Equity Shares:

- i) Bombay Stock Exchange Ltd., Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
- ii) National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

**f) Listing Fees**

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

**g) Demat ISIN**

Demat ISIN number INE378J01013 in NSDL & CDSL.

**h) Market Price Data**

The monthly high & Low Prices of the Company traded at the Bombay Stock Exchange Ltd., Mumbai from Jan, 2011 to March, 2011 are as follows:

The Bombay Stock Exchange Ltd.

Months	High Price in Rs.	Low Price in Rs.
January, 2011	161.45	105.30
February, 2011	220.00	150.40
March, 2011	267.40	197.00

The monthly high & Low Prices of the Company traded at the National Stock Exchange of (India) Limited, Mumbai from Jan, 2011 to March, 2011 are as follows:

The National Stock Exchange of India Ltd.

Months	High Price in Rs.	Low Price in Rs.
January, 2011	162.15	105.00
February, 2011	220.85	150.25
March, 2011	267.60	201.00

**i) Share Transfer System**

The company offers the facility of Transfer-cum-demat facility as SEBI Guidelines. The Share Transfers, which are received in physical form, are processed subject to the documents validity and completeness of documents in all respects.

**j) Shareholding Pattern as on 31<sup>st</sup> March, 2011**

**(1) (a) Statement showing shareholding pattern**

<b>Name of the Company</b>	<b>: C. MAHENDRA EXPORTS LIMITED</b>
<b>Script Code, Name of the scrip, class of security</b>	<b>: BSE- 533304 , NSE- CMAHENDRA ; Equity</b>
<b>Quarter ended</b>	<b>: 31.03.2011</b>

Partly paid-up shares:-	No. of partly paid-up shares	As a % of total no. of partly paid-up shares	As a % of total no. of shares of the company
Held by Promoter / Promoter Group	0	0.0000	0.0000
Held by public	0	0.0000	0.0000
<b>Total</b>	0	0.0000	0.0000
<b>Outstanding convertible securities:-</b>	<b>No. of outstanding securities</b>	<b>As a % of total No. of outstanding convertible securities</b>	<b>As a % of total no. of shares of the company, assuming full conversion of the convertible securities</b>
Held by Promoter / Promoter Group	0	0.0000	0.0000
Held by public	0	0.0000	0.0000
<b>Total</b>	0	0.0000	0.0000
<b>Warrants:-</b>	<b>No. of warrants</b>	<b>As a % of total no. of warrants</b>	<b>As a % of total no. of shares of the company, assuming full conversion of warrants</b>
Held by Promoter / Promoter Group	0	0.0000	0.0000
Held by public	0	0.0000	0.0000
<b>Total</b>	0	0.0000	0.0000

Total paid-up capital of the company assuming full conversion of warrants and convertible securities				Same as present paid up capital as there are no warrants and convertible securities				
Category Code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a percentage (IX) = (VIII)/(IV)*100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
<b>(A)</b>	<b>Promoter and Promoter Group</b>							
<b>1</b>	<b>Indian</b>							
(a)	Individuals/Hindu Undivided Family	5	25757609	0	42.9293	42.9293	0	0.0000
(b)	Central Government/State Government(s)	0	0	0	0.0000	0.0000	0	0.0000
(c)	Bodies Corporate	0	0	0	0.0000	0.0000	0	0.0000
(d)	Financial Institutions / Banks	0	0	0	0.0000	0.0000	0	0.0000
(e)	Any Other (specify)	7	19242391	0	32.0707	32.0707	0	0.0000
	<b>Sub Total (A)(1)</b>	<b>12</b>	<b>45000000</b>	<b>0</b>	<b>75.0000</b>	<b>75.0000</b>	<b>0</b>	<b>0.0000</b>
<b>2</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0.0000	0.0000	0	0.0000
(b)	Bodies Corporate	0	0	0	0.0000	0.0000	0	0.0000
(c)	Institutions	0	0	0	0.0000	0.0000	0	0.0000
(d)	Any Other (specify)	0	0	0	0.0000	0.0000	0	0.0000
	<b>Sub Total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0000</b>	<b>0.0000</b>	<b>0</b>	<b>0.0000</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>12</b>	<b>45000000</b>	<b>0</b>	<b>75.0000</b>	<b>75.0000</b>	<b>0</b>	<b>0.0000</b>
<b>(B)</b>	<b>Public shareholding</b>							
<b>1</b>	<b>Institutions</b>						NA	NA
(a)	Mutual Funds/UTI	0	0	0	0.0000	0.0000	-	-
(b)	Financial Institutions / Banks	0	0	0	0.0000	0.0000	-	-
(c)	Central Government/State Government(s)	0	0	0	0.0000	0.0000	-	-
(d)	Venture Capital Funds	0	0	0	0.0000	0.0000	-	-
(e)	Insurance Companies	0	0	0	0.0000	0.0000	-	-
(f)	Foreign Institutional Investors	5	7500000	7500000	12.5000	12.5000	-	-
(g)	Foreign Venture Capital Investors	0	0	0	0.0000	0.0000	-	-
(h)	Any Other (specify)	0	0	0	0.0000	0.0000	-	-
	<b>Sub Total (B) (1)</b>	<b>5</b>	<b>7500000</b>	<b>7500000</b>	<b>12.5000</b>	<b>12.5000</b>		
	<b>Non-institutions</b>						NA	NA
(a)	Bodies Corporate	195	5351034	5351034	8.9184	8.9184	-	-
(b) (i)	Individuals - shareholders holding nominal share capital up to Rs 1 Lakh	2140	247016	247013	0.4117	0.4117	-	-
(ii)	Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	11	1253738	1253738	2.0896	2.0896	-	-

Category Code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a percentage (IX) = (VIII)/(IV)*100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
i	Non Resident Indians (Repat)	42	9927	9927	0.0165	0.0165	-	-
ii	Non Resident Indians (Non Repat)	12	1111	1111	0.0019	0.0019	-	-
iii	Overseas Bodies Corporates	0	0	0	0.0000	0.0000	-	-
iv	Clearing Member	213	637174	637174	1.0620	1.0620	-	-
v	Directors / Rellatives	0	0	0	0.0000	0.0000	-	-
vi	Trusts	0	0	0	0.0000	0.0000	-	-
	<b>Sub Total (B)(2)</b>	<b>2613</b>	<b>7500000</b>	<b>7499997</b>	<b>12.5000</b>	<b>12.5000</b>	-	-
	<b>Total Public Shareholding Public Group (B)=(B)(1)+(B)(2)</b>	<b>2618</b>	<b>15000000</b>	<b>14999997</b>	<b>25.0000</b>	<b>25.0000</b>	NA	NA
	<b>Total (A)+(B)</b>	<b>2630</b>	<b>60000000</b>	<b>14999997</b>	<b>100.0000</b>	<b>100.0000</b>		
(C)	<b>Shares held by custodians and against which Depository Receipts have been issued</b>							
i	Promoter and Promoter group	0	0	0	0.0000	0.0000	0	0.0000
ii	Public	0	0	0	0.0000	0.0000	0	0.0000
	<b>Sub Total ( C )</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>2630</b>	<b>60000000</b>	<b>14999997</b>	<b>100.0000</b>	<b>100.0000</b>	<b>0.0000</b>	<b>0.0000</b>

(1) (b) Statement of showing shareholding of persons belonging to the category "Promoter and Promoter Group"

Sr. No.	Name of the shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a percentage of grand total (A)+(B)+(C)	Number	As a percentage	As a % of grand total (A)+(B)+(C) of sub clause (I)(a)
(I)	(II)	(III)	(IV)	(V)	(VI) = (V)/(III)*100	(VII)
1	MAHENDRA CHANDULAL SHAH	9039131	15.0652	0	0.0000	0.0000
2	KANUKUMAR CHANDULAL SHAH	5165217	8.6087	0	0.0000	0.0000
3	CHAMPAKLAL KIRTILAL MEHTA	4910869	8.1848	0	0.0000	0.0000
4	PRAKASH KIRTILAL MEHTA	4335652	7.2261	0	0.0000	0.0000
5	PRAVINCHANDRA CHANDULAL SHAH	4304348	7.1739	0	0.0000	0.0000
6	PRAVIN KIRTILAL MEHTA	4059783	6.7663	0	0.0000	0.0000
7	SANDEEP MEAHENDRA SHAH	3443478	5.7391	0	0.0000	0.0000
8	PARAS CHAMPAKLAL MEHTA	3257610	5.4293	0	0.0000	0.0000

Sr. No.	Name of the shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a percentage of grand total (A)+(B)+(C)	Number	As a percentage	As a % of grand total (A)+(B)+(C) of sub clause (I)(a)
(I)	(II)	(III)	(IV)	(V)	(VI) = (V)/(III)*100	(VII)
9	SURESH KIRTILAL MEHTA	3216522	5.3609	0	0.0000	0.0000
10	SAMIR PRAVINCHANDRA SHAH	2367390	3.9456	0	0.0000	0.0000
11	KEVIN PRAKASH MEHTA	469566	0.7826	0	0.0000	0.0000
12	SUKEN PRAVINCHANDRA SHAH	430434	0.7174	0	0.0000	0.0000
	<b>TOTAL</b>	<b>45000000</b>	<b>75.0000</b>	<b>0</b>	<b>0.0000</b>	<b>0.0000</b>

**(1) (c) Statement of showing shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares**

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	ALBERS DIAMOND PVT LTD	2023747	3.3729
2	CRESTA FUND LTD	1810866	3.0181
3	CREDO INDIA THEMATIC FUND LIMITED	1619851	2.6998
4	INVESTMENT PROFESSIONALS LTD A/C IPRO FUNDS LTD	1616073	2.6935
5	ELARA INDIA OPPORTUNITIES FUND LIMITED	1587444	2.6457
6	TAIB SECURITIES MAURITIUS LIMITED	865766	1.4429
7	MAGNIFIQUE GEMS PVT LTD	732209	1.2203
	<b>TOTAL</b>	<b>10255956</b>	<b>17.0932</b>

**(1) (d) Statement showing details of locked in shares**

Sr. No.	Name of the shareholder	Number of Locked in Shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	CHAMPAKLAL KIRTILAL MEHTA	4910869	8.1848
2	KANUKUMAR CHANDULAL SHAH	5165217	8.6087
3	KEVIN PRAKASH MEHTA	469566	0.7826
4	MAHENDRA CHANDULAL SHAH	9039131	15.0652
5	PARAS CHAMPAKLAL MEHTA	3257610	5.4293
6	PRAKASH KIRTILAL MEHTA	4335652	7.2261
7	PRAVIN KIRTILAL MEHTA	4059783	6.7663
8	PRAVINCHANDRA CHANDULAL SHAH	4304348	7.1739
9	SAMIR PRAVINCHANDRA SHAH	2367390	3.9456
10	SANDEEP MEAHENDRA SHAH	3443478	5.7391
11	SUKEN PRAVINCHANDRA SHAH	430434	0.7174
12	SURESH KIRTILAL MEHTA	3216522	5.3609
	<b>TOTAL</b>	<b>45000000</b>	<b>75.0000</b>

**(II) (a) Statement showing details of Depository Receipts (DRs)**

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	NIL	NIL	NIL	NIL
	<b>TOTAL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

**(II) (b) Statement showing holding of Depository Receipts (DRs), where underlying shares held by “Promoter/ Promoter Group” are in excess of 1% of the total number of shares**

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	NIL	NIL	NIL	NIL
	<b>TOTAL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

**k) Registrar and Share Transfer Agent**

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L.B. S. Marg, Bhandup (W),  
Mumbai – 400 078.  
Phone: 2596 3838, Fax: 2594 6979

**l) Registered, Admin Office & Branch Office of the Company**

Registered & Admin Office:  
C. Mahendra Exports Limited  
Tower 'C' Office No: CC-6011,  
Bharat Diamond Bourse,  
Bandra Kurla Complex,  
Bandra (East), Mumbai – 400051.  
bkc@cmahendra.com

**Branch Office:**

C. Mahendra Exports Limited  
26, Kadampali Soc., Near  
Sneh-Milan Garden, Timaliyawad,  
Nanpura, Surat – 395001.  
cmpolished@cmahendra.com

**m) Diamond Manufacturing Factories:**

C. Mahendra Exports Ltd  
Plot No:- 9a/10, Block No. 26,  
Road No 8, M.G Road,  
Udyog Nagar, Udhana,  
Surat – 394210.  
cmpolished@cmahendra.com

C. Mahendra Exports Ltd  
Plot No – 37, Near Umiya  
Mata Chowk, Tprs No – 352/353,  
A.K. Road, Varachha,  
Surat – 395008.  
cmpolished@cmahendra.com



## **Declaration on Compliance of the Company's Code of Conduct**

To,

The members of  
C. Mahendra Exports Ltd.

The Company has framed a specific Code of Conduct for the members of the Board of directors and the senior management personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges to further strengthen corporate governance practices in the company.

All the members of the Board and senior management personnel of the company have affirmed due observance of the said code of conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31<sup>st</sup> March, 2011.

Sd/-

Place: Mumbai  
Date: 13.08.2011

Mahendra C. Shah  
Executive Chairman



### **Auditors' Certificate**

To  
The Members of  
C. Mahendra Exports Ltd.

We have examined the compliance of conditions of Corporate Governance by C. Mahendra Exports Limited for the year ended 31<sup>st</sup> March, 2011, as stipulated in the Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

For Suresh Surana & Associates  
Chartered Accountants.  
Firm Reg. No. 121750W

Sd/-  
(Nirmal Jain)  
Partner  
Membership No. 34709  
Mumbai; Dated: 13.08.2011



To,  
The Board of Directors,  
C. Mahendra Exports Limited  
Tower 'C' Office No: CC-6011,  
Bharat Diamond Bourse,  
Bandra Kurla Complex,  
Bandra (East), Mumbai – 40005

### **Annual Certification**

I the undersigned Mr. Babulal V. Virvadia, Chief Financial Officer of the Company hereby certify that for the financial year ended 31st March, 2011, I have reviewed Annual Accounts, financial statement and other cash flow statement and that to the best of our knowledge and belief:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. 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. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct;
4. I accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of some internal control system of the Company and we have disclosed to the auditors and the Audit Committee the deficiencies, of which we are aware, in the design or operation of the internal control systems and we have taken the steps to rectify these deficiencies, if any.
5. I further certify that there are no significant changes in internal control during the year and there have been no significant changes in accounting policies during the year.

Sd/-

(Babulal V. Virvadia)  
Chief Financial Officer

Date: 13.08.2011

## Auditors' Report

To,

The Members of

### C. MAHENDRA EXPORTS LIMITED

1. We have audited the attached balance sheet of C. Mahendra Exports Limited ("the Company") as at 31 March 2011, the profit and loss account and cash flow statement of the Company for the financial year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, on the basis of such checks of books of account and records of the Company, as we considered necessary and appropriate, and according to information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by

this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 *except;*

- i) *Accounting Standard (AS)-2 'Valuation of Inventories' for reasons mentioned in note 3 of Schedule '15'. The impact of which on the profit for the year, reserves and surplus and inventories as at 31 March 2011 could not be ascertained;*
  - ii) *Accounting Standard (AS)-10 "Accounting for Fixed Assets" and (AS)-6 "Depreciation" for reason mentioned in note 4 of Schedule '15'. The impact of which on the profit for the year, reserves and surplus and fixed assets (gross block, accumulated depreciation and net block) as at 31 March 2011 could not be ascertained.*
- e) On the basis of written representations received from the directors of the Company, as on 31 March 2011 and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
  - f) In our opinion and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 4(d) above, the impact whereof on the profit for the year, reserves and surplus, fixed assets and inventories as at 31 March 2011 could not be ascertained*, the said accounts read together with other notes thereon in Schedule '15', give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i. in the case of balance sheet, of the state of affairs of the Company as at 31 March 2011;
    - ii. in the case of profit and loss account, of the profit for the year ended on that date; and
    - iii. in the case of cash flow statement, of the cash flows for the year ended on that date.

FOR SURESH SURANA & ASSOCIATES

Chartered Accountants

Firm Reg. No.: 121750W

Sd/-

(Nirmal Jain)

PARTNER

Membership No. 34709

Mumbai; Dated: 28.05.2011

## Annexure to the Auditors' Report referred to in

### Paragraph 3 of our Report of even date

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Certain fixed assets have been verified by the management in accordance with a phased program of verification, whereby each asset would be verified at least once in three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As per information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off a substantial part of the fixed assets.
- (ii) (a) According to information and explanations given to us, the inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4(b), 4(c) and 4(d) of the Order are not applicable.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies or firms covered in the register maintained under section 301 of the Companies Act, 1956. In respect of unsecured loans taken from twenty five parties covered in the said register maximum amount involved during the year was Rs. 638,693,490 and the aggregate year-end balance was Rs. 566,697,867.
- (c) According to information and explanations given to us, in our opinion, the rate of interest and other terms and conditions on which loans have been taken are prima facie, not prejudicial to the interest of the Company.
- (d) According to information and explanations given to us, the Company is regular in paying the interest where applicable and there are no fixed repayment schedule for principal amounts.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been so entered in the register required to be maintained under that section.
- (b) According to the information and explanations given to us, in our opinion, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, in our opinion, the Company has not accepted any deposits from the public, to which the directives issued by the Reserve Bank of India and the provisions of section 58A and 5AA of the Act and the rules framed thereunder are applicable.
- (vii) According to the information and explanations given to us, in our opinion, the Company has an internal audit system, which is commensurate with the size of the Company and the nature of its business.

## Annexure to the Auditors' Report referred to in

### Paragraph 3 of our Report of even date

- (viii) As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in the case of any of the activities of the Company.
- (ix) (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it with appropriate authorities. There are no arrears in this respect as at 31/03/2011 for a period of more than six months from the date they become payable.
- (b) According to the information and explanation given to us, there are no dues in respect of wealth tax, income tax, excise duty and cess, which have not been deposited on account of any dispute. The dues of service tax and custom duty as disclosed below have not been deposited by the Company on account of dispute:

Name of the statute	Nature of dues	Amount Rs.	Period to which it relates	Forum where dispute is pending
Custom Act, 1962 Tribunal	Penalty	11,000,000	2007-2008	Appellate
Finance Act, 1994 (Service tax provisions)	Service tax	241,156	2006-2007	High Court
Income Tax Act, 1961	Income tax	446,962	2003-2004	Commissioner of Income Tax

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, in our opinion, the Company has not defaulted in repayment of dues to banks. Interest accrued and due on secured loans of Rs.5,299,453 outstanding as on 31 March 2011 is interest relating to current year debited by banks after the year end. There are no dues to financial institutions and debenture holders.
- (xii) According to the information and explanations given to us, in our opinion, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) According to information and explanations given to us, in our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) In our opinion, according to the information and explanations given to us and based on examination of books of account of the Company, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that as at 31 March 2011 no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) We have verified that the end use of money raised by public issue is as disclosed in the notes to the financial statements.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during course of our audit.

FOR SURESH SURANA & ASSOCIATES

Chartered Accountants

Firm Reg. No.: 121750W

Sd/-

(Nirmal Jain)

PARTNER

Membership No.34709

Mumbai; Dated: 28.05.2011



## Balance Sheet As At 31 March 2011

	Schedule	As at 31/03/2011		As at 31/03/2010	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' funds</b>					
Share capital	1	725,000,000		575,000,000	
Reserves and surplus	2	4,745,297,620		2,766,967,071	
			5,470,297,620		3,341,967,071
<b>Loans funds</b>					
Secured loans	3	8,409,815,892		8,217,181,361	
Unsecured loans		566,724,246		622,013,266	
			8,976,540,138		8,839,194,627
Deferred tax liabilities (net)			57,426,839		149,869,298
<b>Total funds employed</b>			<b>14,504,264,597</b>		<b>12,331,030,996</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
(refer note 4 of Schedule '15')	4				
Gross block		1,442,067,274		1,421,053,583	
Less: Depreciation		385,260,721		297,568,953	
Net block		1,056,806,553		1,123,484,630	
Add: Capital work in progress / capital advances		128,121,696		37,542,322	
			1,184,928,249		1,161,026,952
<b>Investments</b>	5		468,430,107		181,832,599
<b>Current assets, loans and advances</b>					
Inventories	6	5,364,843,757		3,946,093,770	
Sundry debtors		9,650,945,855		9,560,008,872	
Cash and bank balances		1,794,209,072		183,935,315	
Other current assets		28,066,780		342,186	
Loans and advances		481,501,521		455,623,340	
<b>Total (A)</b>		<b>17,319,566,985</b>		<b>14,146,003,483</b>	
<b>Current liabilities and provisions</b>					
Current liabilities	7	4,256,885,123		3,019,921,311	
Provisions		211,775,621		137,910,727	
<b>Total (B)</b>		<b>4,468,660,744</b>		<b>3,157,832,038</b>	
<b>Net current assets (A-B)</b>			<b>12,850,906,241</b>		<b>10,988,171,445</b>
<b>Total funds utilised</b>			<b>14,504,264,597</b>		<b>12,331,030,996</b>
Accounting policies and notes forming part of the accounts	15				

As per our report of even date attached

**FOR SURESH SURANA & ASSOCIATES**  
Chartered Accountants

Sd/-  
(Nirmal Jain)  
PARTNER  
Membership No.: 34709  
Mumbai; Dated: 28.05.2011

On behalf of the Board of directors

Sd/-  
Champak K. Mehta  
Managing Director

Sd/-  
Sandeep M. Shah  
Director

Sd/-  
Ashish Kumar Shrivastava  
Company Secretary

Mumbai; Dated: 28.05.2011

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

	Schedule	Current Year 2010-2011		Previous Year 2009-2010	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Sales and income from operations	8	18,432,730,112		15,646,760,826	
Other income	9	104,703,138		11,922,776	
Increase/(decrease) in stocks	10	1,433,313,823		662,347,184	
		<u>19,970,747,073</u>		<u>16,321,030,786</u>	
<b>EXPENDITURE</b>					
Cost of materials	11	18,021,984,576		14,396,020,686	
Employees' remuneration and benefits	12	150,735,996		99,610,543	
Manufacturing and other expenses	13	556,837,968		796,652,950	
Interest expenses	14	613,568,678		685,167,213	
Depreciation and amortisation		88,660,251		90,534,704	
		<u>19,431,787,469</u>		<u>16,067,986,096</u>	
<b>PROFIT / (LOSS)</b>					
<b>Profit before taxation</b>		538,959,604		253,044,690	
Provision for taxation:					
- Current tax		(77,000,000)		(47,000,000)	
- MAT credit entitlement		18,000,000		3,300,000	
- Deferred tax		92,442,459		2,462,496	
- Wealth tax		(350,000)		(325,000)	
		<u>33,092,459</u>		<u>(41,562,504)</u>	
<b>Profit after taxation</b>		572,052,063		211,482,186	
Prior period income tax adjustment		(32,929)		-	
Balance brought forward from previous year		691,967,071		630,484,885	
<b>Surplus available for appropriation</b>		<u>1,263,986,205</u>		<u>841,967,071</u>	
<b>APPROPRIATIONS</b>					
Utilised for bonus share issued during the year		-		150,000,000	
<b>Balance carried to balance sheet</b>		<u>1,263,986,205</u>		<u>691,967,071</u>	
		<u>1,263,986,205</u>		<u>841,967,071</u>	
<b>Basic and diluted earnings per share</b>		11.70		4.70	
<b>Nominal value of equity shares</b>		10.00		10.00	
Accounting policies and notes forming part of the accounts	15				

As per our report of even date attached

On behalf of the Board of directors

**FOR SURESH SURANA & ASSOCIATES**  
Chartered Accountants

Sd/-  
Champak K. Mehta  
Managing Director

Sd/-  
Sandeep M. Shah  
Director

Sd/-  
(Nirmal Jain)  
PARTNER  
Membership No.: 34709  
Mumbai; Dated: 28.05.2011

Sd/-  
Ashish Kumar Shrivastava  
Company Secretary

Mumbai; Dated: 28.05.2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Current Year		Previous Year	
	2010-2011		2009-2010	
	Rs.	Rs.	Rs.	Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>NET PROFIT BEFORE TAX</b>		<b>538,959,604</b>		253,044,690
<b>Adjustments for:</b>				
Depreciation and amortisation	88,660,251		90,534,704	
Interest expenses	613,568,678		685,167,213	
Share of loss from partnership firm C. Mahendra Trading	912		-	
(Profit) / Loss on sale of fixed assets	33,908		-	
Unrealised exchange difference (net)	29,576,522		174,747,312	
Interest income	(41,799,263)		(9,986,140)	
Dividend income	(337,446)		-	
		<u>689,703,562</u>		<u>940,463,089</u>
<b>Operating profit before working capital changes</b>		<b>1,228,663,166</b>		1,193,507,779
<b>Changes in current assets and current liabilities</b>				
Current assets and loans and advances	(120,059,686)		(1,520,117,600)	
Inventories	(1,418,749,987)		(255,117,848)	
Current liabilities and provisions	1,295,927,638		1,588,602,185	
		<u>(242,882,035)</u>		(186,633,263)
<b>Cash generated from / (used in) operations</b>		<b>985,781,131</b>		1,006,874,516
Less: Taxes paid		(81,194,962)		(39,488,685)
<b>Net cash generated from / (used in) operating activities</b>	<b>Total (A)</b>	<u>904,586,169</u>		<u>967,385,831</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets (including CWIP)		(117,143,699)		(34,412,081)
Proceeds from sale of fixed assets		322,001		-
Purchase of Investments		(286,598,420)		-
Loans (granted) / received back (net)		785,223		724,277
Interest received		14,074,669		9,813,826
Dividend received		337,446		-
<b>Net cash generated from / (used in) investing activities</b>	<b>Total (B)</b>	<u>(388,222,780)</u>		<u>(23,873,978)</u>



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011 (Contd.)**

	<b>Current Year</b>		<b>Previous Year</b>	
	<b>2010-2011</b>		<b>2009-2010</b>	
	Rs.	Rs.	Rs.	Rs.
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase / (decrease) in borrowings (net)		176,515,373		(255,810,948)
Proceeds from issue of share capital (Refer note below)		1,650,000,000		90,761,000
Public issue expenses paid		(75,531,495)		-
Interest paid		(657,035,254)		(703,868,617)
<b>Net cash generated from / (used in) financing activities</b>		<u>1,093,948,624</u>		<u>(868,918,565)</u>
<b>Total (C)</b>		<u>1,093,948,624</u>		<u>(868,918,565)</u>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<u>1,610,312,013</u>		<u>74,593,288</u>
<b>Cash and cash equivalents</b>				
- Opening balance		<u>183,935,315</u>		<u>109,341,714</u>
- Closing balance	1,794,209,072		183,935,315	
Unrealised exchange difference at year end (refer Schedule '6' of the financial statements)		<u>38,256</u>		<u>(313)</u>
		<u>1,794,247,328</u>		<u>183,935,002</u>
<b>Net increase as disclosed above</b>		<u>1,610,312,013</u>		<u>74,593,288</u>
[Cash and cash equivalents includes Rs.1,738,402,223 (as at 31/03/2010 Rs.170,788,943) under lien with banks]				

**Note:**

During previous year ended 31 March 2010, the Company has issued 12,500,000 6% Non-Cumulative Redeemable Preference shares of Rs.10 each at Rs.100 each (including Rs.90 premium) by adjusting balance lying in Unsecured loans, as such the same has been treated as non-cash transaction.

Accounting policies and notes forming part of the accounts as per Schedule '15'

As per our report of even date attached

**FOR SURESH SURANA & ASSOCIATES**  
Chartered Accountants

Sd/-  
(Nirmal Jain)  
PARTNER  
Membership No.: 34709  
Mumbai; Dated: 28.05.2011

On behalf of the Board of directors

Sd/-  
Champak K. Mehta  
Managing Director

Sd/-  
Sandeep M. Shah  
Director

Sd/-  
Ashish Kumar Shrivastava  
Company Secretary

Mumbai; Dated: 28.05.2011

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2011

		As at 31/03/2011		As at 31/03/2010
	Rs.	Rs.		Rs.
<b>SCHEDULE '1'</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
62,500,000 Equity shares of Rs.10 each		<b>625,000,000</b>		625,000,000
12,500,000 6% Redeemable Preference shares of Rs.10 each		<b>125,000,000</b>		125,000,000
		<u><b>750,000,000</b></u>		<u>750,000,000</u>
<b>Issued, subscribed and paid up</b>				
60,000,000 (45,000,000) Equity shares of Rs.10 each fully paid up (Out of the above 25,000,000 equity shares were issued to the Partners of erstwhile partnership firm M/s. C. Mahendra Exports on conversion under Part IX of The Companies Act, 1956)  (Out of the above 15,000,000 equity shares are allotted as fully paid up bonus shares by capitalisation of balance in profit and loss account)		<b>600,000,000</b>		450,000,000
12,500,000 6% Redeemable Preference shares of Rs.10 each fully paid up  (6% Redeemable Preference shares shall be redeemable in 3 equal installments commencing from 7th, 8th and 9th year from the date of issue i.e. 27/03/2010)		<b>125,000,000</b>		125,000,000
		<u><b>725,000,000</b></u>		<u>575,000,000</u>
<b>SCHEDULE '2'</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Securities premium account</b>				
Opening balance	<b>2,075,000,000</b>		950,000,000	
Add: Received during the year	<b>1,500,000,000</b>		1,125,000,000	
Less: Issue related expenses (refer note 24 of Sschedule '15')	<u><b>93,688,585</b></u>		<u>-</u>	
		<b>3,481,311,415</b>		2,075,000,000
Profit and loss account		<b>1,263,986,205</b>		691,967,071
		<u><b>4,745,297,620</b></u>		<u>2,766,967,071</u>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2011

	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.	As at 31/03/2010 Rs.
<b>SCHEDULE '3'</b>			
<b>LOANS FUNDS</b>			
<b>SECURED LOANS</b>			
<b>From banks:</b>			
Working capital loans	8,231,978,152	7,923,064,034	
(Secured by hypothecation of whole of the current assets of the Company consisting of stocks, bills receivable, book debts, moveable plant and machinery and other moveables as well as the equitable mortgage of various properties including land and building standing in the name of the Company, directors, relatives and associate companies and lien on fixed deposits with the bank and keyman insurance policies and deposits with Bharat Diamond Bourse and personal guarantee of directors, shareholders and their relatives)			
Term loans	169,669,290	261,875,000	
(Secured by hypothecation of plant and machinery, equitable mortgage of land on which Wind Mill project is erected and personal guarantee of directors, shareholders and their relatives and corporate guarantee of associate companies)			
(Repayable within a year Rs.89,500,000; as at 31/03/2010 Rs.89,500,000)			
Demand loans	-	18,778,956	
(Secured by personal gurantee of directors, shareholders and their relatives)			
Vehicle loan	2,868,997	1,520,582	
(Secured by hypothecation of vehicle)			
Interest accrued and due on the above	5,299,453	11,942,789	
	<b>8,409,815,892</b>	<b>8,217,181,361</b>	
<b>UNSECURED LOANS</b>			
<b>Short term:</b>			
From directors*	150,808,391	186,006,004	
From shareholders*	371,713,776	391,247,569	
From relatives of directors / shareholders	44,202,079	44,759,693	
	<b>566,724,246</b>	<b>622,013,266</b>	
* Interest free			
The above loans have no fixed repayment schedule.			
	<b>8,976,540,138</b>	<b>8,839,194,627</b>	

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2011

### SCHEDULE '4' FIXED ASSETS

Particulars	GROSS BLOCK (Refer note 4 of Schedule '15')			DEPRECIATION AND AMORTISATION (Refer note 4 of Schedule '15')				NET BLOCK		
	As at 01/04/2010 Rs.	Additions 31/03/2011 Rs.	Deductions 31/03/2010 Rs.	As at year Rs.	Upto 31/03/2011 Rs.	For the 31/03/2011 Rs.	Deductions 31/03/2010 Rs.	Upto Rs.	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
	Land - freehold	20,964,601	-	-	20,964,601	-	-	-	-	20,964,601
Leasehold Land	1,690,000	12,000,000	-	13,690,000	218,292	84,500	-	302,792	13,387,208	1,471,708
Building	465,285,293	-	-	465,285,293	81,136,595	24,156,880	-	105,293,475	359,991,818	384,148,698
Plant and machinery	253,526,938	5,563,183	-	259,090,121	90,141,158	23,117,240	-	113,258,398	145,831,723	163,385,780
Windmills	625,092,137	-	-	625,092,137	98,914,135	33,004,866	-	131,919,001	493,173,136	526,178,002
Furniture and fittings	11,576,768	-	-	11,576,768	4,051,993	1,316,211	-	5,368,204	6,208,564	7,524,775
Computer	17,983,544	237,108	-	18,220,652	10,557,089	3,006,545	-	13,563,634	4,657,018	7,426,455
Vehicles #	24,934,302	4,537,792	1,324,392	28,147,702	12,549,691	3,974,009	968,483	15,555,217	12,592,485	12,384,611
<b>Total</b>	<b>1,421,053,583</b>	<b>22,338,083</b>	<b>1,324,392</b>	<b>1,442,067,274</b>	<b>297,568,953</b>	<b>88,660,251</b>	<b>968,483</b>	<b>385,260,721</b>	<b>1,056,806,553</b>	<b>1,123,484,630</b>
Previous Year	1,405,389,031	15,664,552	-	1,421,053,583	207,034,249	90,534,704	-	297,568,953	1,123,484,630	

# Vehicles having gross block of Rs.3,758,426 are not registered in Company's name.

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2011

	As at 31/03/2011		As at 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '5'</b>				
<b>INVESTMENTS (At cost)</b>				
(Trade, Unquoted and Long-term):				
<b>In Subsidiaries:</b>				
112,800 Equity Shares of Rs.10 each fully paid up in C. Mahendra International Limited		20,128,000		20,128,000
166 (87) Equity Shares of EUR 186 each fully paid up in C. Mahendra BVBA		391,642,099		161,704,599
200 (-) Equity Shares of AED 1000 each fully paid up of C. Mahendra DMCC		2,560,920		-
<b>In partnership firm:</b>				
C. Mahendra Trading		99,088		-
<b>In others:</b>				
10 (-) Equity Shares of Rs.5,400,000 each fully paid up of Surat Rough Diamonds Sourcing (India) Limited		54,000,000		-
		<u>468,430,107</u>		<u>181,832,599</u>

In respect of investments in partnership firms by the Company, the details of partners, total capital and share of each partner in profit/(loss) are as under:

Particulars	Share of profit / loss	Capital account balance as at 31/03/2011 Rs.
C. Mahendra Exports Limited	98%	99,088
Kanu Chandulal Shah	1%	205,241
Pravin Kirtilal Mehta	1%	205,241
		<u>509,570</u>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2011

	As at 31/03/2011		As at 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '6'</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
(As taken, valued and certified by the management)				
Raw materials - Rough diamonds and gold	644,497,679		659,580,481	
Finished goods - Polished diamonds (includes goods with custom authority Rs.138,304)	4,718,008,682		3,284,694,859	
Consumables, stores and spares	2,337,396		1,818,430	
		5,364,843,757		3,946,093,770
<b>Sundry Debtors</b>				
(Unsecured, considered good)				
Debts outstanding for period exceeding six months	1,158,173,068		2,419,876,090	
Others debts	8,492,772,787		7,140,132,782	
		9,650,945,855		9,560,008,872
<b>Cash and Bank Balances</b>				
Cash on hand	2,758,902		2,583,768	
Bank balances with schedule banks:				
- in current accounts	34,364,488		10,000,885	
- in EEFC accounts	1,183,459		561,719	
- in fixed / margin money deposit accounts	1,755,902,223		170,788,943	
		1,794,209,072		183,935,315
<b>Other Current Assets</b>				
Interest accrued but not due		28,066,780		342,186
<b>Total (A)</b>		<b>16,838,065,464</b>		<b>13,690,380,143</b>
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good)				
Loans to staff		2,124,171		2,909,394
Advances to suppliers		-		108,696,871
Advances recoverable in cash or in kind or for value to be received		139,621,786		106,257,129
Deposits		58,335,123		49,590,891
MAT credit entitlement		82,579,911		64,579,911
Taxes paid (including fringe benefit tax)		198,840,530		123,589,144
<b>Total (B)</b>		<b>481,501,521</b>		<b>455,623,340</b>
<b>Total (A+B)</b>		<b>17,319,566,985</b>		<b>14,146,003,483</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2011

	As at 31/03/2011		As at 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '7'</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>CURRENT LIABILITIES</b>				
Acceptances	1,190,945,235		483,220,471	
Sundry creditors (refer note 22 of Schedule '15')	3,057,098,773		2,522,736,929	
Advances from customers	145,046		3,528,439	
Interest accrued but not due	1,321,441		5,936,096	
Other liabilities	7,374,628		4,499,376	
		4,256,885,123		3,019,921,311
<b>PROVISIONS</b>				
Provision for gratuity	8,330,983		5,905,442	
Provision for income tax	200,500,000		129,410,647	
Provision for wealth tax	675,000		325,000	
Provision for fringe benefit tax	2,269,638		2,269,638	
		211,775,621		137,910,727
		4,468,660,744		3,157,832,038

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Current Year 2010-2011		Previous Year 2009-2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '8'</b>				
<b>SALES AND INCOME FROM OPERATIONS</b>				
Sales				
- Polished diamonds		14,525,490,497		14,416,574,479
- Rough diamonds		3,157,898,400		1,145,448,040
- Gold medillions		671,983,950		-
Sale of electricity generated from Windmills		77,357,265		84,738,307
		18,432,730,112		15,646,760,826
 <b>SCHEDULE '9'</b>				
<b>OTHER INCOME</b>				
Interest on fixed deposits with banks (TDS Rs.4,172,739; previous year Rs.1,580,652)		41,727,394		9,061,062
Interest on electricity deposit		55,678		179,204
Interest - others		16,191		745,874
Share of loss from partnership firm C. Mahendra Trading		(912)		-
Dividend on investments (short tem)		337,446		-
Exchange rate difference (net)		59,821,480		-
Service tax refund received		1,859,795		873,673
Miscellaneous income		886,066		1,062,963
		104,703,138		11,922,776
 <b>SCHEDULE '10'</b>				
<b>INCREASE / (DECREASE) IN STOCKS</b>				
<b>Finished goods:</b>				
Closing stock - Polished diamonds		4,718,008,682		3,284,694,859
Less: Opening stock - Polished diamonds		3,284,694,859		2,622,347,675
		1,433,313,823		662,347,184
 <b>SCHEDULE '11'</b>				
<b>COST OF MATERIALS</b>				
<b>Raw materials (rough diamonds and gold):</b>				
Opening stock	659,580,481		1,066,820,036	
Add: Purchases	8,962,656,549		5,087,387,444	
	9,622,237,030		6,154,207,480	
Less: Closing stock	644,497,679		659,580,481	
		8,977,739,351		5,494,626,999
<b>Purchase of finished goods - polished diamonds</b>		9,044,245,225		8,901,393,687
		18,021,984,576		14,396,020,686



## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Current Year 2010-2011		Previous Year 2009-2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '12'</b>				
<b>EMPLOYEES' REMUNERATION AND BENEFITS</b>				
Salaries, bonus and allowances (includes remuneration to directors Rs.11,160,000; previous year Rs.11,160,000)		140,932,788		95,482,126
Contribution to provident and other funds		3,448,626		1,952,630
Gratuity		2,906,773		(801,901)
Staff welfare expenses		3,447,809		2,977,688
		150,735,996		99,610,543
<b>SCHEDULE '13'</b>				
<b>MANUFACTURING AND OTHER EXPENSES</b>				
Processing charges		311,995,556		230,724,151
Other manufacturing expenses		5,605,568		2,074,651
Consumables, stores and spares		11,642,785		6,667,043
Import freight, clearing and forwarding charges		575,474		724,160
Power and electricity		4,696,155		3,744,787
Postage and telephone expenses		3,405,859		3,135,963
Printing and stationery		692,890		678,558
Travelling and conveyance expenses		9,466,876		8,944,414
Loss on sale of fixed assets (net)		33,908		-
Legal and professional fees		17,726,192		21,237,978
Bank charges and commission		76,979,339		61,843,870
Rent		846,540		938,000
Rates and taxes		1,903,773		4,118,135
Repairs and maintenance:				
- plant and machinery	12,873,541		15,582,734	
- buildings	790,123		222,843	
- others	2,089,749		653,878	
		15,753,413		16,459,455
Exchange rate difference (net)		-		373,001,479
Insurance charges		3,934,086		4,354,279
Auditor's remuneration:				
- for audit fees	882,400		531,646	
- for tax audit fees	110,300		82,725	
- for taxation matters	735,771		700,407	
- for certification	57,908		73,313	
		1,786,379		1,388,091
Directors sitting fees		250,000		250,000
Selling and distribution expenses		15,295,412		13,715,495
Diamond grading charges		70,873,260		39,558,916
Donations		393,000		390,002
Miscellaneous expenses		2,981,503		2,703,523
		556,837,968		796,652,950
<b>SCHEDULE '14'</b>				
<b>INTEREST EXPENSES</b>				
On fixed loans		26,599,223		39,645,229
On others		586,969,455		645,521,984
		613,568,678		685,167,213

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### SCHEDULE '15'

#### 1. Significant accounting policies:

##### a) Basis of preparation of financial statements

These financial statements are prepared in accordance with the generally accepted accounting principles (GAAP) in India under the historical cost convention (except as disclosed in note no. 4) on the accrual basis. The financial statements have been prepared to comply in all material respects with the Accounting Standards prescribed by the Companies Accounting Standards Rules, 2006 notified by the Central Government, except as disclosed in notes and the relevant provisions of the Companies Act, 1956.

##### b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### c) Fixed assets

Fixed assets are accounted at cost of acquisition (except as mentioned in note no. 4) inclusive of freight, duties, taxes, incidental expenses and borrowing cost.

##### d) Depreciation

The Company has been charging depreciation on written down value method except plant and machinery relating to Windmill at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Depreciation on Windmill is provided on straight line method. Leasehold land is amortised over the lease period.

##### e) Investments

Investments intended to be held for more than one year are classified as long-term investments and other investments are classified as current investments. Long-term investments are valued at cost less provision, if any, for diminution in value, which is other than temporary. Current investments are valued at the lower of cost or market value of each separate investment.

##### f) Inventories

- i. Raw materials - Rough diamonds are valued at lower of cost or net realisable value. The cost is determined by weighted average method on lot wise basis. Rough diamond rejection is valued at estimated realisable value.
- ii. Raw materials – Gold are valued at cost or net realisable value whichever is lower. The cost is ascertained on FIFO basis.
- iii. Finished goods - Polished diamonds are valued at lower of estimated cost as certified by directors or net realisable value.
- iv. Consumables are valued at lower of estimated cost or net realisable value.

##### g) Revenue recognition

- i. Revenue from exports sales is recognised when delivery of goods is physically given to customs authorities. Revenue from domestic sales is recognised when the title of goods passes to the customers, which is generally on delivery.
- ii. Income from sale of wind energy is recognised on its transmission as per terms of agreement.

##### h) Foreign currency transactions

- i. Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gain / loss arising on account of differences in foreign exchange rates on settlement / translation of monetary assets and liabilities are recognised in the Profit and Loss Account. Non-monetary foreign currency items are carried at cost.
- ii. The premium or discount arising at the inception of forward exchange contract is amortised as expenses or income over the life of the contract. Exchange differences on such contracts are recognised in the Profit and Loss Account in the reporting year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the year.
- iii. Any profit or loss arising on settlement or cancellation of other derivative contracts (swaps and currency options) is recognised as income/

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

expense for the year. The derivative contracts outstanding at the year-end, are marked to its current market value and gain/ loss on such contracts, is recognized in the profit and loss account.

### i) Retirement benefits

- i. Retirement benefits in the form of provident fund and pension scheme are accounted on accrual basis.
- ii. Provision for gratuity liability is made on the basis of actuarial valuation at the end of the accounting year.
- iii. Liability for encashment of leave is recognised and charged to the profit and loss account in the year in which it is earned on accrual basis.

### j) Borrowing cost

Borrowing cost directly attributable to acquisition or construction of fixed assets, which necessarily take substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are charged to profit and loss account.

### k) Taxation

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably/virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### l) Accounting for provisions and contingent liabilities

A provision is made when there is a present

obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### m) Earnings per share

The basic earnings per share (EPS) is computed by dividing the Net Profit after tax for the year available for the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. For the purpose of calculating diluted Earnings per Share, Net Profit after tax for the year available for Equity Shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential Equity Shares.

### n) Impairment

At each balance sheet date, the Company determines whether a provision should be made for impairment loss on fixed assets (including intangible assets), by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS)-28 'Impairment of Assets'. Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made. At the balance sheet date there is an indication that previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the assets is reflected at the recoverable amount subject to a minimum of depreciated historical cost.

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### 2. Commitments and contingent liabilities not provided for:

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	41,236,265	42,140,081
b) Guarantee given to banks in respect of credit facilities sanctioned to subsidiary Company (USD 50 lacs)	223,500,000	225,950,000
c) Bond executed in favour of The President of India towards manufacture of goods for exports	461,740,000	10,000,000
d) Bond executed in favour of The President of India towards provisional release of seized goods	30,622,000	30,622,000
e) Disputed penalty under Customs Act	11,000,000	11,000,000
f) Disputed service tax liability	241,156	241,156
g) Disputed income tax liability	446,962	446,962

### 3. Valuation of inventories

In respect of the stock of finished goods (polished diamonds), cost is based on technical estimate by the management. In view of the nature of variation in the value of individual diamonds, the differentials in their costs, it is not practical to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the multiple grades, it is not practical to use specific cost. The basis of computing cost used on consistent basis, to avoid distortion in valuation, is to that extent a deviation from that prescribed by Accounting Standard (AS)-2 'Valuation of Inventories'. The impact on profit for the year, reserves and surplus and inventories as at 31 March 2011, due to the above deviations is not ascertainable.

4. The Company was incorporated on 4 January 2007 as C. Mahendra Exports Private Limited pursuant to conversion of the partnership firm M/s. C. Mahendra Exports under Part IX of The Companies Act, 1956. Thereafter on 14 March 2007 it was converted into C. Mahendra Exports Ltd.

Prior to its conversion, the partnership firm had revalued certain class of its fixed assets as at 1 April 2006 on the basis of valuation done by an approved valuer. The net difference between the written down value ('WDV') as per books and revalued value was Rs.306,549,580, which had been added to the WDV of the fixed assets as at 1 April 2006 with corresponding credit to Partners Current Capital Account, which was not in accordance with Accounting Standard (AS)-10 "Accounting for Fixed Assets".

On conversion into company, the written down value of fixed assets as on 3 January 2007 have been carried forward in the books of the Company as cost. Also the Company has not disclosed the details of revaluation in its financial statements and depreciation relating to the revalued amount is being charged to the profit and loss account. This is not in accordance with Accounting Standard (AS)-10 "Accounting for Fixed Assets" and (AS)-6 "Depreciation".

The Impact of the above on the profit for the year, reserves and surplus, fixed assets gross value, accumulated depreciation as at 31 March 2011 is not ascertained.

5. The arrears of dividend on 12,500,000 6% Redeemable Preference shares of Rs.10 each as on 31/03/2011 is Rs.7,602,740 (as at 31/03/2010 Rs.102,740), which include dividend for the year Rs.7,500,000 (previous year Rs.102,740).
6. Details of investments in mutual fund purchased and sold during the year ended 31 March 2011 are as under:

Particulars	Units Purchased and sold	Purchase cost Rs.
Reliance Liquid Fund - Treasury Plan - Retail Option - Daily Dividend Option	2,440,496.496	37,200,000
Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend Option	5,625,547.837	86,000,000

7. Amount due from subsidiaries included in sundry debtors are as follows:

Particulars	As at . 31/03/2011 Rs	As at 31/03/201 Rs.
C. Mahendra BVBA	—	363,400,247
C. Mahendra Exports (H.K.) Ltd.	1,010,321,682	901,948,660
C. Mahendra (NY) LLC	597,178,489	2,224,794,958
Ciemme Jewels Ltd.	330,808,837	379,512,014
Ciemme (NY) LLC	—	3,856,762

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

8. Amount due from subsidiaries included in loans and advances are as follows:

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
Ciemme Jewels Ltd.(Maximum balance outstanding during the year Rs. 636,094 previous year Rs.564,094)	439,667	564,094
C. Mahendra International Ltd. (Maximum balance outstanding during the year Rs.15,177; previous year Rs.15,177)	15,177	15,177
C. Mahendra BVBA(Maximum balance outstanding during the year Rs.48,542,489; previous year Rs.48,542,489)	—	48,542,489

9. Amount due to subsidiaries included in sundry creditors are as follows:

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
C. Mahendra BVBA	548,483,752	433,040,225
C. Mahendra Exports (H.K.) Ltd.	71,250,610	42,141,257
C. Mahendra (NY) LLC	—	59,511,073
C. Mahendra DMCC	447,387,381	—

10. Quantitative details (As certified by the Management)

a) **Licensed Capacity:** Not applicable

b) **Installed Capacity:**

- i. Manufacturing of polished diamonds: 240,000 pieces (based on technical estimate of the management)
- ii. Electricity generation from windmills: 13,000 KW

c) **Opening Stock, Production, Purchases, Turnover and Closing Stock**

i. **Finished goods - Polished diamonds:**

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Carats	Rs.	Carats	Rs.
Opening stock	222,060.30	3,284,694,859	81,417.03	2,622,347,675
Production	315,998.20	—	292,933.05	—
Purchases	640,102.63	9,044,245,225	945,664.44	8,901,393,687
Sales	895,377.02	14,525,490,497	1,097,954.22	14,416,574,479
Closing stock	282,784.11	4,718,008,682	222,060.30	3,284,694,859
Excess/(shortage)	—	—	—	—

ii. **Finished goods – Gold medillions:**

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Grams	Rs.	Grams	Rs.
Opening stock	—	—	—	—
Production	299,856.71	—	—	—
Purchases	—	—	—	—
Sales	299,856.71	671,983,950	—	—
Closing stock	—	—	—	—
Excess/(shortage)	—	—	—	—

## SCHEDULEs FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### iii. Electric power generated from windmills:

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Kwh	Rs.	Kwh	Rs.
Power generated	20,735,412	—	26,599,464	—
Captive consumption	1,812,219	—	1,601,546	—
Power sold	18,923,193	77,357,265	24,997,918	84,738,307

### iv. Raw materials

#### (a) Rough diamonds:

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Carats	Rs.	Carats	Rs.
Opening stock	1,002,492.69	659,580,481	1,698,091.84	1,066,820,036
Purchases	3,219,655.02	8,346,684,365	2,761,387.63	5,087,387,444
Sales	2,683,747.03	3,157,898,400	2,564,178.51	1,145,448,040
Closing stock	596,169.00	644,255,028	1,002,492.69	659,580,481
Consumption	942,231.68	5,204,111,418	892,808.27	4,349,178,959
Excess/(shortage)	—	—	—	—

#### (b) Gold:

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Grams	Rs.	Grams	Rs.
Opening stock	—	—	—	—
Purchases	300,000.00	615,972,184	—	—
Sales	—	—	—	—
Closing stock	118.30	242,651	—	—
Consumption	299,881.70	615,729,533	—	—
Excess/(shortage)	—	—	—	—

Note: The consumption of rough diamonds and gold shown above has been arrived at on the basis of opening stock plus purchases as reduced by sales, closing stock and adjusted for shortages or gains. Profit/loss, if any, on sale of raw materials gets adjusted in the consumption.

### d) Value of imported and indigenous consumption

(as determined by management and relied upon by the auditors)

#### i. Raw materials (Rough diamonds and Gold):

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Rs.	%	Rs.	%
Imported	5,402,310,524	92.83	3,326,572,798	76.49
Indigenous	417,530,427	7.17	1,022,606,161	23.51
Total	5,819,840,951	100.00	4,349,178,959	100.00

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### ii. Consumables, stores and spares consumption:

Particulars	Current Year 2010-2011		Previous Year 2009-2010	
	Rs.	%	Rs.	%
Imported	9,186,672	78.90	5,036,093	75.54
Indigenous	2,456,113	21.10	1,630,950	24.46
<b>Total</b>	<b>11,642,785</b>	<b>100.00</b>	<b>6,667,043</b>	<b>100.00</b>

11. In the opinion of the Directors, current assets, loans, advances and deposits are approximately of the value stated, if realised in the ordinary course of business. Amounts receivable and payable from same party are netted off for presentation in the financial statements.

### 12. C.I.F. value of imports

	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
Polished diamonds	3,426,579,718	1,439,836,019
Rough diamonds	5,506,835,764	3,116,565,733
Gold	615,972,184	—
Capital goods	2,666,016	3,088,317
Consumables, stores and spares	10,071,731	4,202,927

### 13. Expenditure in foreign currency (on remittance / payment basis)

	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
DTC VAS fees	12,211,856	14,366,819
Foreign travelling expenses	2,368,297	2,230,671
Consultancy fees	370,727	—
Diamond grading charges	896,269	27,740
Others	489,689	159,546

### 14. Earnings in foreign currency

	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
F.O.B. value of exports	14,076,749,142	12,969,986,449
Other income	691,534	936,445

15. Disclosures in respect of defined benefit plans (gratuity - unfunded) as required under (AS)-15 "Employee Benefits are as under:

#### i) Principal assumption used in determining gratuity:

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
Discount rate at the beginning of the year	8.5%	8.5%
Expected rate of increase in compensation level	8%	8%
Current service cost	6,977,283	3,362,100
Benefit paid	(481,232)	—
Present value of obligation at end of year	8,330,983	5,905,442

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

**ii) Change in the present value of the benefit obligations:**

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
Projected benefit obligations, as at beginning of the year	5,905,442	6,707,343
Service cost	6,977,283	3,362,100
Interest cost	633,998	774,269
Actuarial (gain) / loss on obligation	(4,704,508)	(4,938,270)
Benefit paid	(481,232)	—
Projected benefit obligation end of the year	8,330,983	5,905,442

**iii) Amount Recognised in Balance Sheet:**

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
Present value of obligation at the beginning year	8,330,983	5,905,442
Present value of assets	—	—
Liability recognised in balance sheet	8,330,983	5,905,442

**iv) Expenses recognised in statement of profit and loss:**

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
Current service cost	6,977,283	3,362,100
Interest cost	633,998	774,269
Expected return on plan assets	—	—
Net actuarial gain	(4,704,508)	(4,938,270)
Net periodic cost	2,906,773	(801,901)

**v) Movement in net liability recognised in balance sheet:**

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
Opening net liability	5,905,442	6,707,343
Expenses as above	2,906,773	(801,901)
Contribution paid	(481,232)	—
Closing net liability	8,330,983	5,905,442

**16. Related party disclosures**

**i. Related party relationships:**

a) Subsidiaries (where control exist)	: C. Mahendra International Limited C. Mahendra BVBA Ciemme Jewels Limited Ciemme BVBA (upto 01/10/2009) C. Mahendra Exports (H.K.) Ltd. C. Mahendra (NY) LLC Ciemme (LA) Inc. (upto 01/04/2010) Ciemme (NY) LLCC. Mahendra (USA) Inc.
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## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

		Best Shine Limited (w.e.f.31/03/2010) International Gems & Jewellery FZE (w.e.f. 31/03/2010) Al Daspa Gems & Jewellery FZE (w.e.f. 31/03/2010) C. Mahendra DMCC (w.e.f. 13/06/2010) C. Mahendra Trading (w.e.f. 07/03/2011)
b) Key managerial personnel	:	Mahendra C. Shah Champak K. Mehta Sandeep M. Shah
c) Relative of key management personnel	:	Moghiben C. Shah Dipika C. Mehta Rasilaben M. Shah Vikram M. Shah Vimlaben K. Mehta Hansa P. Mehta Hemali J. Shah Nayna P. Mehta Jignesh M. Shah Kanu C. Shah Prakash K. Mehta Suresh K. Mehta Paras C. Mehta Alka K. Shah Krupa S. Shah Sadhna S.Mehta Pravin K. Mehta Pravin C. Shah
d) Enterprises in which key management personnel have significant influence	:	Champak K. Mehta (HUF) Mahendra C. Shah (HUF) Polo Developers Private Limited Ashesha Trading Private Limited
e) Enterprises in which relative of key management personnel have significant influence	:	C. K. Shah (HUF) Kanu C. Shah (HUF) Pravin C. Shah (HUF) Allright Trading Private Limited

Notes:

- i. The related party relationships have been determined on the basis of the requirements of the Accounting Standard (AS) - 18 'Related Party Disclosures' and the same have been relied upon by the auditors.
- ii. The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year, except where control exist, in which case the relationships have been mentioned irrespective of transactions with the related party.

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### ii. Transactions with related parties:

a) Details of related party transactions are as follows:

Particulars	Subsidiaries	Related Parties Key management personnel	Relative of key management personnel	Enterprises in which Key management personnel have significant influence	Enterprises in which relative of Key management Personnel have significant influence	Total
Sale of polished diamonds	2,908,681,065 (2,851,971,346)	— (—)	— (—)	— (—)	— (—)	2,908,681,065 (2,851,971,346)
Sale of rough diamond	677,195,454 (482,050,579)	— (—)	— (—)	— (—)	— (—)	677,195,454 (482,050,579)
Purchases of polished diamonds	1,181,908,096 (723,777,380)	— (—)	— (—)	— (—)	— (—)	1,181,908,096 (723,777,380)
Purchases of rough diamonds	2,821,838,840 (1,415,804,738)	— (—)	— (—)	— (—)	— (—)	2,821,838,840 (1,415,804,738)
Rent expense	— (—)	— (—)	— (—)	480,000 (480,000)	240,000 (240,000)	720,000 (720,000)
Interest expenses	— (—)	— (—)	1,060,975 (1,049,642)	4,269 (3,917)	5,509 (5,053)	1,070,753 (1,040,672)
Reimbursement of expenses received	677,252 (386,244)	— (—)	— (—)	— (—)	— (—)	677,252 (386,244)
Reimbursement of expenses made	— (2,100,000)	— (—)	— (—)	— (—)	— (—)	— (2,100,000)
Investment in subsidiary	232,598,420 (—)	— (—)	— (—)	— (—)	— (—)	232,598,420 (—)
Salary, bonus and allowance	— (—)	11,160,000 (11,160,000)	17,070,000 (6,270,000)	— (—)	— (—)	28,230,000 (17,430,000)
Loans taken	— (—)	177,174,888 (176,924,022)	8,911,517 (31,467,639)	— (—)	— (—)	196,086,405 (208,391,661)
Loans repaid	— (—)	212,372,501 (121,628,221)	39,945,309 (128,438,976)	— (—)	— (—)	252,317,810 (250,065,197)
Share of loss from partnership firm	912 (—)	— (—)	— (—)	— (—)	— (—)	912 (—)
Preference shares issued	— (—)	— (483,152,000)	— (676,087,000)	— (—)	— (—)	— (1,159,239,000)
Balance receivable as at year end	1,938,862,940 (3,922,634,401)	— (—)	— (—)	— (—)	— (—)	1,938,862,940 (3,922,634,401)
Balance payable as at year end	1,067,121,743 (534,692,555)	150,808,391 (187,468,382)	415,771,066 (437,910,244)	51,702 (47,433)	66,708 (61,199)	1,633,819,610 (1,160,179,813)

Note: Figures in the bracket are in respect of previous year.

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

- b) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type during the year is as under:

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
<b>Sale of polished diamonds</b>		
C. Mahendra Exports (H.K.) Ltd.	2,573,054,727	1,427,166,460
C. Mahendra (NY) LLC	—	1,159,922,843
Ciemme Jewels Ltd.	313,925,643	—
<b>Sale of rough diamonds</b>		
C. Mahendra BVBA	660,748,624	482,050,579
<b>Purchases of polished diamonds</b>		
C. Mahendra Exports (H.K.) Ltd.	204,952,215	222,670,226
C. Mahendra (NY) LLC	181,346,279	452,148,169
C. Mahendra DMCC	685,895,828	—
<b>Purchases of rough diamonds</b>		
C. Mahendra BVBA	2,772,136,821	1,415,804,738
<b>Investment in subsidiary</b>		
C. Mahendra BVBA	229,937,500	—
<b>Lease rent paid</b>		
All Right Trading Pvt. Ltd.	240,000	240,000
Ashesha Trading Pvt. Ltd.	240,000	240,000
Polo Developers Pvt. Ltd.	240,000	240,000
<b>Interest paid</b>		
Alka K. Shah	327,242	318,598
Hemali J. Shah	200,367	208,119
Nayana P. Mehta	373,539	364,360
<b>Reimbursement of expenses received</b>		
C. Mahendra International Ltd.	237,585	—
Ciemme Jewels Ltd.	439,667	367,667
<b>Reimbursement of expenses made</b>		
Ciemme Jewels Ltd.	—	2,100,000
<b>Salary, bonus and allowances</b>		
Champak K. Mehta	4,200,000	4,200,000
Mahendra C. Shah	4,320,000	4,320,000
Sandeep M. Shah	—	2,640,000
Kanu C. Shah	4,320,000	4,320,000
Suresh K. Mehta	3,240,000	—
Pravin C. Shah	3,450,000	—
Pravin K. Mehta	3,780,000	—

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
<b>Loans taken</b>		
Champak K. Mehta	86,251,059	71,363,848
Mahendra C. Shah	85,299,848	105,060,174
<b>Loan repaid</b>		
Mahendra C. Shah	109,575,305	59,296,150
Champak K. Mehta	96,943,630	57,271,071
Pravin C. Shah	—	83,650,336
<b>Share of loss from partnership firm</b>		
C. Mahendra Trading	912	—
<b>Preference shares issued</b>		
Champak K. Mehta	—	136,413,000
Kanu C. Shah	—	143,478,000
Mahendra C. Shah	—	251,087,000
Prakash K. Mehta	—	120,435,000
Pravin C. Shah	—	119,565,000
<b>Balance receivable</b>		
C. Mahendra Exports (H.K.) Ltd.	1,010,321,682	901,948,660
C. Mahendra (NY) LLC	597,178,489	2,224,794,958
C. Mahendra BVBA	—	411,942,736
Ciemme Jewels Limited	331,248,504	—
<b>Balance payable</b>		
Champak K. Mehta	—	117,472,311
Prakash K. Mehta	219,960,111	227,837,669
C. Mahendra BVBA	548,483,752	433,040,225
C Mahendra DMCC	447,387,381	—

For credit facilities and term loan of Rs.840.98 Crores as at 31/03/2011 (Rs.821.72 Crores as at 31/03/2010) from bank, the directors / shareholders and their relatives have jointly given guarantees to the bank.

The Company has given corporate guarantee to the bank towards working capital facilities sanctioned to subsidiary Company C. Mahendra BVBA [(outstanding as at 31/03/2011 Rs.22.35 Crores) and (outstanding as at 31/03/2010 Rs.22.59 Crores)].

### 17. Segmental reporting

The Company has only one business segment viz. Gems and Jewellery, which is being considered as the primary segment.

The financial information about business segment is not applicable since segment results / revenue / assets of the wind mill business are not more than 10 percent of the combined business results / revenue / assets.

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

The information regarding the secondary segment, i.e. 'geographical segments' is given below:

(Amount in Rs.)

Sr. No.	Particulars	Geographical segments		
		Outside India	Within India	Total
<b>1.</b>	<b>Segment revenue</b>			
	Sales and income from operations	<b>14,086,277,991</b> (12,975,209,654)	<b>4,346,452,121</b> (2,671,551,172)	<b>18,432,730,112</b> (15,646,760,826)
<b>2.</b>	<b>Carrying amount of assets by geographical location of assets</b>			
	Segment assets	<b>8,466,399,234</b> (8,678,334,173)	<b>10,225,105,666</b> (6,622,359,806)	<b>18,691,504,900</b> (15,300,693,979)
<b>3.</b>	Additions to fixed assets and intangible assets	— (—)	<b>22,338,083</b> (15,664,552)	<b>22,338,083</b> (15,664,552)

Notes:

- Secondary segments identified are as per the requirements of Accounting Standard (AS) -17 'Segment Reporting', taking into account the organisation structure as well as the differing risks and returns.
- The segment revenue and total assets includes the revenue and assets respectively, which are identifiable with each segment and amounts allocated to the segments on a reasonable basis.

### 18. Deferred tax

Major components of recognised deferred tax assets and liabilities of the Company arising on account of timing differences are as below:

Particulars	As at 31/03/2011		As at 31/03/2010	
	Deferred tax assets Rs.	Deferred tax liabilities Rs.	Deferred tax assets Rs.	Deferred tax liabilities Rs.
Depreciation	—	<b>60,194,184</b>	—	152,028,659
Provision for gratuity	<b>2,767,345</b>	—	2,007,260	—
Preliminary expenses	--	--	152,101	--
Total	2,767,345	60,194,184	2,159,361	152,028,659
Deferred tax assets/(liabilities) (Net)		(57,426,839)		(149,869,298)

Deferred tax assets/liabilities (net) in respect of unit eligible to claim deduction under Section 80-IA / 10A of the Income Tax Act, 1961, subject to fulfilments of conditions in this regard, has been recognised only to the extent the same will not reverse within the tax holiday period as determined by the management.

- The Company is required to comply with the transfer pricing regulations under Section 92-92F of the Income Tax-Act, 1961. The management is of the opinion that its international transactions are at arms length and that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### 20. Derivative instruments

- i. Foreign currency exposures as at year end not hedged are as follows:

Particulars	As at 31/03/2011		As at 31/03/2010	
	USD	Equivalent * Rs.	USD	Equivalent * Rs.
Debtors	188,201,626	8,403,202,585	217,931,812	9,837,441,982
Bank balances	26,505	1,183,459	12,444	561,719
Working capital loans	55,550,039	2,483,086,764	88,397,224	3,994,670,548
Creditors	48,998,847	2,190,248,450	37,122,051	1,677,545,480
Acceptances	26,643,070	1,190,945,235	10,693,084	483,220,471
Advance from customers	—	—	71,443	3,224,915
Advance to suppliers	786	35,095	3,522,229	158,993,410
	EURO	Equivalent * Rs.	EURO	Equivalent * Rs.
Creditors	—	—	2,604	157,712

\*As at year end rate

- ii. Derivative instruments – currency swap outstanding as at year end are as follows:

Currency	Type	Foreign currency	As at 31/03/2011 Amount	As at 31/03/2010 Amount
EUR/USD	Sell	EURO	10,000,000	—
EUR/USD	Buy	EURO	—	26,000,000
GBP/USD	Buy	GBP	—	7,000,000
USD/JPY	Sell	USD	—	7,000,000

### 21. Earnings per share

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
Net profit after tax (Rs.)	572,052,063	211,482,186
Less: Dividend on preference shares including dividend distribution tax (Rs.)	8,745,656	120,201
Amount available for equity shareholders (Rs.)	563,306,407	211,361,985
Weighted average number of equity shares outstanding during the year (including bonus shares) (Nos.)	48,164,384	45,000,000
Basic and Diluted earnings per share (Rs.)	11.70	4.70
Nominal value of share (Rs.)	10.00	10.00

22. The Company has not received any information from its suppliers regarding their registration under the 'Micro, Small and Medium Enterprises Development Act, 2006'. Hence interest if any payable as required under Act has not been provided and the information required to be given in accordance with Section 22 of the said Act, is not ascertainable and hence, not disclosed.
23. The Company has entered into agreements for obtaining office premises on rent which are in nature of operating leases. The period of lease range from 11 months to 60 months and are cancellable in nature. Amount paid / payable in respect of such leases are charged to profit and loss account on accrual basis.

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

24. During the year, the Company completed an Initial Public Offer (IPO) of 15,000,000 equity shares of Rs.10 each for cash at a price of Rs.110 each aggregating to Rs.1,650,000,000. The premium of Rs.100 per share, amounting to Rs.1,500,000,000 from the allotment was credited to Securities premium account. The share issue expenses of Rs.93,688,585 incurred by the Company has been adjusted against the Security premium account.

Pursuant to the public issue, shares of the Company are listed on National Stock Exchange and Bombay Stock Exchange effective from 20 January 2011.

25. Utilisation of fund received through initial public offer (IPO):

(Rs. in million)

Description	Amount to be financed through the issue proceeds	Funds Utilised upto 31/03/2011
Setting up of a diamond processing unit at Gujarat Hira Bourse, SEZ, Ichchhapore, Surat	360.57	—
Setting up of a jewellery manufacturing unit at Mumbai	236.36	—
Setting up retail outlets	300.00	—
Brand development expenses	200.00	—
Investment in capital of C. Mahendra BVBA	800.00	229.94
<b>Total</b>	<b>1896.93</b>	<b>229.94</b>
Less: To be utilised from internal accruals	332.05	
Net IPO proceeds to be utilised as per object of the issue	1,564.88	
Issue related expenses	85.12	93.69
Temporary investment in Bank Fixed deposits	--	1,326.37
<b>Total</b>	<b>1,650.00</b>	<b>1,650.00</b>

26. Previous year figures have been regrouped or rearranged, wherever considered necessary. Figures in bracket are in respect of previous year.

Signatures to schedules '1' to '15'

As per our report of even date attached  
**FOR SURESH SURANA & ASSOCIATES**  
 Chartered Accountants

Sd/-  
 (Nirmal Jain)  
 PARTNER  
 Membership No.: 34709  
 Mumbai; Dated: 28.05.2011

On behalf of the Board of directors

Sd/-  
 Champak K. Mehta  
 Managing Director

Sd/-  
 Sandeep M. Shah  
 Director

Sd/-  
 Ashish Kumar Shrivastava  
 Company Secretary

Mumbai; Dated: 28.05.2011

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per GSR No. 388(E) [F No. 3/24/94-CLV] dated 15/05/1995)

### I. Registration Details

Registration No.	:	166717	State Code: 11
Balance Sheet Date	:	31/03/2011	

### II. Capital raised during the year : (Amount in Rs. Thousands)

Public Issue (Net of allotment money in arrears) (including share premium)	:	1,650,000
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

### III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)

Total Liabilities	:	18,972,925
Total Assets	:	18,972,925

#### Sources of Funds

Paid-up Capital	:	725,000
Reserves & Surplus	:	4,745,297
Secured Loans	:	8,409,816
Unsecured Loans	:	566,724
Deferred tax liabilities (net)	:	57,427

#### Application of Funds

Net Fixed Assets (including capital work-in-progress / capital advances)	:	1,184,928
InvestmentsNet	:	468,430
Current Assets	:	12,850,906

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

Turnover	:	18,537,433
Total Expenditure (Net of increase/decrease in stocks)	:	17,998,473
Profit before tax	:	538,960
Profit after tax	:	572,053
Basic / diluted earnings per share in Rs.	:	11.70

(Face value Rs. 10)

Dividend rate (%)	:	—
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### V. Generic Names of Three Principal Products / Services of the Company : (As per monetary terms)

i. Item Code No. (ITC Code)	:	710239.01
Product Description	:	Cut and polished diamonds
ii. Item Code No.(ITC Code)	:	710231.00
Product Description	:	Rough diamonds
iii. Item Code No.(ITC Code)	:	710812.00
Product Description	:	Gold



**C MAHENDRA INTERNATIONAL LIMITED.****C. MAHENDRA EXPORTS LIMITED****Statement pursuant to Section 212 of the Companies Act 1956 relating to Company's interest in Subsidiary Companies**

Sr No.	Name of Subsidiary Company	C. Mahendra International Limited	C. Mahendra BVBA	C. Mahendra DMCC
1	Financial year of subsidiary	31.03.2011	31.03.2011	31.03.2011
2	Date on which they became subsidiary Company	11.11.2003	25.03.2008	14.06.2010
3	a) Number of shares held by C. Mahendra Exports Limited together with its nominees in the subsidiaries at the end of financial year of the subsidiary companies	1,12,800 Equity Shares of the face value of Rs. 10/- each paid up	79 Equity Shares of the face value of Euro 186 each paid up	200 Equity Shares of the face value of AED 1000 each
	b) Extent of interest of the holding company at the end of the financial year of the subsidiary companies	100%	100%	100%
4	The net aggregate of amount of the subsidiary companies profit/(loss) so far as it concerns the members of the holding company			
	a) Not dealt with in the holding company's accounts			
	1) For the financial year ended on 31.03.2011	Rs. 79084	Euro 212.127,04	AED 1,295,580
	2) For the financial year ended on 31.03.2010	Rs. 1,07,342	Euro 172.498,92	—
	B) Dealt with in holding co's a/c			
	1) For the financial year ended on 31.03.2010	Nil	Nil	Nil
	2) For the financial year ended on 31.03.2009	Nil	Nil	Nil

**On behalf of the Board of Directors of C. Mahendra Exports Limited**

**Sd/-  
Champak K. Mehta  
Managing Director**

**Sd/-  
Sandeep M. Shah  
Director**

**Sd/-  
Ashish Kumar Shrivastava  
Company Secretary**

## **Auditors' Report - On Consolidated Financial Statements of C. Mahendra Exports Limited And Its Subsidiaries**

To,

The Board of Directors

C. Mahendra Exports Limited

1. We have audited the attached consolidated balance sheet of C. Mahendra Exports Limited ('the Company') and its subsidiaries (collectively referred as 'the Group'), as at 31 March 2011, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflects total assets of Rs.8,974,593,723 as at 31 March 2011, total revenue of Rs.23,552,295,420 and cash outflows amounting to Rs.185,726,772 for the year ended on that date.  
The financial statements and other financial information of the subsidiaries except C. Mahendra Trading have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of other auditors.  
The financial statements of C. Mahendra Trading are as certified by its partner, which reflect total assets of Rs.509,570 as at 31 March 2011, total revenue of Rs.Nil and cash inflows amounting to Rs.509,570 for the year ended on the date.
4. We report that the consolidated financial statements have been prepared by the C. Mahendra Exports Limited's management in accordance with the requirements of Accounting Standard (AS)-21, "Consolidated Financial Statements".
5. Further attention is drawn to the following:
  - i) *The adjustments for unrealised profit pertaining to unsold inventories out of sales*

*made within the Group during the year ended 31 March 2010 and 31 March 2011 of Rs.90,806,611 and Rs.37,929,891 respectively, are as estimated by the management. In the absence of adequate basis to independently confirm the amounts of such adjustments, the same have been relied upon by us;*

- ii) *The financial statement do not comply with:*
  - a) *Accounting Standard (AS)-2 'Valuation of Inventories' for reasons mentioned in note 4 of Schedule '16'. The impact of which on the profit for the year, reserves and surplus and inventories as at 31 March 2011 could not be ascertained;*
  - b) *Accounting Standard (AS)-10 'Accounting for Fixed Assets' and Accounting Standard (AS)-6 'Depreciation Accounting' for reasons mentioned in note 5 of Schedule '16'. The impact of which on the profit for the year, reserves and surplus and fixed assets (gross block, accumulated depreciation and net block) as at 31 March 2011 could not be ascertained;*
6. On the basis of information and explanation given to us and on consideration of the reports of other auditors on separate financial statements of subsidiaries, in our opinion, *subject to our comments in paragraphs 5 above*, the consolidated financial statements read together with significant accounting policies and other notes thereon in Schedule '16' give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i. in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2011;
  - ii. in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date; and
  - iii. in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

**FOR SURESH SURANA & ASSOCIATES**

Chartered Accountants

Firm Reg. No.: 121750W

Sd/-

**Nirmal Jain**

Partner

Membership No. 34709

Mumbai

Dated: 28.05.2011

## Consolidated Balance Sheet As At 31 March 2011

	Schedule	As at 31/03/2011		As at 31/03/2010	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' funds</b>					
Shares capital	1	725,000,000		575,000,000	
Reserves and surplus	2	<u>6,192,958,589</u>		<u>3,219,964,241</u>	
			<b>6,917,958,589</b>		<b>3,794,964,241</b>
<b>Minority interest</b>					
			<b>17,588,664</b>		<b>26,084,271</b>
<b>Loan funds</b>					
Secured loans	3	9,289,312,223		9,316,395,089	
Unsecured loans	4	<u>1,840,012,496</u>		<u>1,388,762,968</u>	
			<b>11,129,324,719</b>		<b>10,705,158,057</b>
<b>Deferred tax liabilities (Net)</b> (refer note 12(a) of Schedule '16')					
			<b>57,759,861</b>		<b>150,192,492</b>
<b>Total funds employed</b>			<u><b>18,122,631,833</b></u>		<u><b>14,676,399,061</b></u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
(refer note 5 of Schedule '16')	5				
Gross block		1,726,975,227		1,675,076,969	
Less: Depreciation		<u>495,468,251</u>		<u>393,474,728</u>	
Net block		1,231,506,976		1,281,602,241	
Add: Capital work-in-progress / advances		<u>128,121,696</u>		<u>37,542,322</u>	
			<b>1,359,628,672</b>		<b>1,319,144,563</b>
<b>Investments</b>					
	6		<b>54,000,000</b>		<b>-</b>
<b>Deferred tax assets (net)</b> (refer note 12(b) of Schedule '16')					
			<b>10,525,000</b>		<b>13,349,100</b>
<b>Current assets, loans and advances</b>					
	7				
Inventories		7,882,959,023		6,614,764,729	
Sundry debtors		11,886,623,382		10,801,032,783	
Cash and bank balances		1,889,704,454		465,157,469	
Other current assets		28,961,580		779,156	
Loans and advances		<u>862,409,683</u>		<u>754,156,121</u>	
<b>Total (A)</b>		<u><b>22,550,658,122</b></u>		<u><b>18,635,890,258</b></u>	
<b>Less: Current liabilities and provisions</b>					
	8				
Current liabilities		5,603,914,877		5,118,370,030	
Provisions		248,265,084		173,614,830	
<b>Total (B)</b>		<b>5,852,179,961</b>		<b>5,291,984,860</b>	
<b>Net current assets (A - B)</b>			<u><b>16,698,478,161</b></u>		<u><b>13,343,905,398</b></u>
<b>Total funds utilised</b>			<u><b>18,122,631,833</b></u>		<u><b>14,676,399,061</b></u>
Accounting policies and notes forming part of the accounts	16				

As per our report of even date attached  
**FOR SURESH SURANA & ASSOCIATES**  
Chartered Accountants

Sd/-  
(Nirmal Jain)  
PARTNER  
Membership No.: 34709  
Mumbai; Dated: 28.05.2011

On behalf of the Board of directors

Sd/-  
Champak K. Mehta  
Managing Director

Sd/-  
Sandeep M. Shah  
Director

Sd/-  
Ashish Kumar Shrivastava  
Company Secretary

Mumbai; Dated: 28.05.2011



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Schedule	Current Year 2010-2011		Previous Year 2009-2010	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Sales and income from operations	9		33,661,205,405		18,528,196,619
Other income	10		108,600,950		19,628,044
Increase / (decrease) in stocks	11		<u>1,647,556,882</u>		<u>105,130,455</u>
			<u>35,417,363,237</u>		<u>18,652,955,118</u>
<b>EXPENDITURE</b>					
Cost of materials	12		32,028,799,960		16,361,995,781
Employees' remuneration and benefits	13		242,522,098		201,713,616
Manufacturing and other expenses	14		788,504,127		1,110,076,176
Interest	15		695,287,887		769,424,499
Depreciation and amortisation			<u>105,302,480</u>		<u>109,719,162</u>
			<u>33,860,416,552</u>		<u>18,552,929,234</u>
<b>PROFIT / (LOSS)</b>					
<b>Profit before tax and minority interest</b>			1,556,946,685		100,025,884
Provision for taxation:					
Current tax		(91,081,978)		(61,096,775)	
MAT credit entitlement		<u>18,000,000</u>		<u>3,300,000</u>	
			(73,081,978)		(57,796,775)
Deferred tax			89,735,931		444,830
Wealth tax			<u>(350,000)</u>		<u>(325,000)</u>
<b>Profit before minority interest</b>			<u>1,573,250,638</u>		<u>42,348,939</u>
Minority interest (profit)/loss			<u>105,851</u>		<u>1,735,601</u>
<b>Profit after minority interest</b>			1,573,356,489		44,084,540
Prior year tax adjustments			667,878		-
Balance brought forward from previous year			<u>1,055,277,772</u>		<u>1,171,639,771</u>
<b>Balance available for appropriation</b>			2,629,302,139		1,215,724,311
<b>APPROPRIATIONS</b>					
Transferred to general reserve		12,738,243		9,919,667	
Transferred to statutory reserve		676,668		526,872	
Utilised for bonus share issued during the year		-		<u>150,000,000</u>	
			<u>13,414,911</u>		<u>160,446,539</u>
<b>Balance carried to balance sheet</b>			<u>2,615,887,228</u>		<u>1,055,277,772</u>
Basic and diluted earnings per share		32.48			0.98
Face value of equity shares		10.00			10.00
Accounting policies and notes forming part of the accounts	16				

As per our report of even date attached

On behalf of the Board of directors

**FOR SURESH SURANA & ASSOCIATES**  
Chartered Accountants

Sd/-  
Champak K. Mehta  
Managing Director

Sd/-  
Sandeep M. Shah  
Director

Sd/-  
(Nirmal Jain)  
PARTNER  
Membership No.: 34709  
Mumbai; Dated: 28.05.2011

Sd/-  
Ashish Kumar Shrivastava  
Company Secretary

Mumbai; Dated: 28.05.2011

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

	As at	As at		
	31/03/2011	31/03/2010		
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '1'</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
62,500,000 Equity shares of Rs.10 each	625,000,000		625,000,000	
12,500,000 6% Redeemable Preference shares of Rs.10 each	125,000,000		125,000,000	
	750,000,000		750,000,000	
<b>Issued, subscribed and paid up</b>				
60,000,000 (45,000,000) Equity shares of Rs.10 each fully paid up (Out of the above 25,000,000 equity shares were issued to the Partners of erstwhile partnership firm M/s. C. Mahendra Exports on conversion under Part IX of The Companies Act, 1956)  (Out of the above 15,000,000 equity shares are allotted as fully paid up bonus shares by capitalisation of balance in profit and loss account)	600,000,000		450,000,000	
12,500,000 6% Redeemable Preference shares of Rs.10 each fully paid up  (6% Redeemable Preference shares shall be redeemable in 3 equal installments commencing from 7th, 8th and 9th year from the date of issue i.e. 27/03/2010)	125,000,000		125,000,000	
	725,000,000		575,000,000	
<b>SCHEDULE '2'</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Securities premium account</b>				
Security premium account (net off issue related expenses adjusted Rs.93,688,585)	3,481,311,415		2,075,000,000	
Capital reserve arising on consolidation	127,160,116		125,290,458	
General reserve	58,430,166		45,691,923	
Capital redemption reserve	376,000		376,000	
Statutory reserve	2,317,776		1,641,108	
Translation reserve	(92,524,112)		(83,313,020)	
Surplus of profit and loss account	2,615,887,228		1,055,277,772	
	6,192,958,589		3,219,964,241	

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

	As at 31/03/2011 Rs.	Rs.	As at 31/03/2010 Rs.	Rs.
<b>SCHEDULE '3'</b>				
<b>Loans and advances from banks:</b>				
Working capital loans (Secured by hypothecation of whole of the current assets of the Company consisting of stocks, bills receivable, book debts, movable plant & machinery and other movables as well as the equitable mortgage of various properties including land & building standing in the name of the Company, directors, relatives and associate companies and lien of fixed deposits with the banks, keyman insurance policies and deposits with Bharat Diamond Bourse and personal guarantee of directors, shareholders and their relatives)	9,028,485,091		8,944,324,932	
Gold loan (refer note 7 of Schedule '16') (Secured by hypothecation of stocks, collateral securities of property, personal guarantee of directors of the subsidiary entity and group concern and bank guarantee)	82,989,392		77,952,830	
Interest accrued and due on the above	3,457,866		10,196,817	
Term loans (Secured by hypothecation of plant and machinery, equitable mortgage of land on which Wind Mill project is erected and personal guarantee of directors, shareholders and their relatives and corporate guarantee of associate companies)	169,669,290		261,875,000	
Interest accrued and due on the above	1,841,587		1,745,972	
Demand loans (Secured by personal guarantee of directors, shareholders and their relatives)	-		18,778,956	
Vehicle loan (Secured by hypothecation of vehicle)	2,868,997		1,520,582	
	9,289,312,223		9,316,395,089	
<b>SCHEDULE '4'</b>				
<b>UNSECURED LOANS</b>				
<b>Short term loans from:</b>				
From directors / shareholders *	1,220,683,018		1,270,559,086	
From relatives of directors / shareholders	44,202,079		44,759,693	
From others	575,127,399		73,444,189	
*The loans are interest free				
The above loans have no fixed repayment schedule	1,840,012,496		1,388,762,968	

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

### SCHEDULE '4' FIXED ASSETS

Particulars	GROSS BLOCK (Refer note 5 of Schedule '16')				DEPRECIATION AND AMORTISATION (Refer note 5 of Schedule '16')				NET BLOCK					
	As at 01/04/2010	Translation reserve	Additions on disposal	Deductions 31/03/2011	Adjustments 31/03/2010 of subsidiary	As at reserve	Upto the year	Translation on disposal	For 31/03/2011	Deductions 31/03/2011	Adjustments 31/03/2010 of subsidiary	Upto 31/03/2011	As at 31/03/2011	As at 31/03/2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Leasold land	18,538,681	-	14,000,000	-	-	32,538,681	1,945,622	-	394,643	-	-	2,340,265	30,218,416	16,613,059
Land and buildings	594,898,896	1,919,779	19,384,866	345,455	-	615,858,086	103,575,619	257,757	27,521,983	-	-	131,355,359	484,502,727	491,323,277
Plant and machinery	311,405,672	864,855	12,833,193	-	446,028	324,657,692	119,768,616	444,703	28,916,351	-	446,028	148,683,642	175,974,050	191,637,056
Windmills	625,092,137	-	-	-	-	625,092,137	98,914,135	-	33,004,866	-	-	131,919,001	493,173,136	526,178,002
Furniture and fixtures	60,494,088	(154,573)	4,011,856	154,398	536,760	63,660,213	33,812,364	(101,876)	5,882,269	99,144	505,116	38,988,497	24,671,716	26,681,724
Computers	25,732,720	14,206	743,432	46,000	-	26,444,358	15,935,877	13,518	4,085,494	41,433	-	19,993,456	6,450,902	9,796,843
Vehicles #	26,990,546	-	6,447,467	1,324,392	-	32,113,621	13,230,006	-	4,437,365	968,483	-	16,698,888	15,414,733	13,760,540
Leasehold improvement	11,904,229	(34,509)	469,763	4,901,811	847,233	6,590,439	6,292,489	(678)	1,059,509	1,503,991	358,186	5,489,143	1,101,296	5,611,740
<b>Total</b>	<b>1,675,076,969</b>	<b>2,609,758</b>	<b>57,890,577</b>	<b>6,772,056</b>	<b>1,830,021</b>	<b>1,726,975,227</b>	<b>393,474,728</b>	<b>613,424</b>	<b>105,302,480</b>	<b>2,613,051</b>	<b>1,309,330</b>	<b>495,468,251</b>	<b>1,231,506,976</b>	<b>1,281,602,241</b>
Previous Year	1,666,188,516	(16,042,145)	27,119,233	1,795,853	392,782	1,675,076,969	288,641,686	(4,469,036)	109,719,162	85,481	331,603	393,474,728	1,281,602,241	

# Includes vehicles having gross block of Rs.5,101,908 (as at 31/03/2010 Rs.3,758,426) are not registered in Company's name.



## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

	As at 31/03/2011		As at 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '6'</b>				
<b>INVESTMENTS (At Cost)</b>				
(Trade, Unquoted and Long-term):				
<b>In others:</b>				
10 (-) Equity Shares of Rs.5,400,000 each fully paid up of Surat Rough Diamonds Sourcing (India) Limited		54,000,000		-
		<u>54,000,000</u>		<u>-</u>
<b>SCHEDULE '7'</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
Raw materials		1,258,814,579		1,566,232,574
Finished / traded goods:				
- polished diamonds		5,878,433,075		4,377,610,907
- jewellery		741,370,796		667,144,013
Consumables, stores and spares		4,340,573		3,777,235
		<u>7,882,959,023</u>		<u>6,614,764,729</u>
<b>Sundry debtors</b>				
(Unsecured)				
Considered good		11,868,419,705		10,801,032,783
Considered doubtful		28,850,833		9,632,727
		<u>11,897,270,538</u>		<u>10,810,665,510</u>
Less: Provision for doubtful debts		10,647,156		9,632,727
		<u>11,886,623,382</u>		<u>10,801,032,783</u>
<b>Cash and bank balances</b>				
Cash balance on hand		9,488,744		10,355,641
Bank balances		109,437,485		75,129,129
Fixed deposit / margin money accounts		1,770,778,225		379,672,699
		<u>1,889,704,454</u>		<u>465,157,469</u>
<b>Other current assets</b>				
Interest accrued but not due on fixed deposit / margin money accounts		28,961,580		779,156
<b>Total 'A'</b>		<u>21,688,248,439</u>		<u>17,881,734,137</u>
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good)				
Loans to staff		4,839,769		4,676,166
Loans to others		167,827,765		90,795,303
Receivable from M/s. C. Mahendra Infojewels (erstwhile subsidiary enterprise)		60,530,545		135,530,545
Advances recoverable in cash or in kind or for value to be received		246,785,919		243,657,240
Deposits		65,661,186		57,971,791
MAT credit entitlement		82,579,911		64,579,911
Taxes paid		231,643,315		153,392,164
Fringe benefit tax paid		2,541,273		3,553,001
<b>Total 'B'</b>		<u>862,409,683</u>		<u>754,156,121</u>
<b>Total (A+B)</b>		<u>22,550,658,122</u>		<u>18,635,890,258</u>



## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

	As at 31/03/2011		As at 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '8'</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>CURRENT LIABILITIES</b>				
Acceptances	1,190,945,235		483,220,471	
Sundry creditors	4,290,466,423		4,606,217,137	
Advance received from customers	91,195,326		16,552,839	
Deposits	907,980		1,084,708	
Interest accrued but not due	1,321,441		5,936,096	
Other liabilities	29,078,472		5,358,779	
	5,603,914,877		5,118,370,030	
<b>PROVISIONS</b>				
Provision for gratuity	9,277,116		6,924,641	
Provision for income tax	235,693,772		162,713,539	
Provision for wealth tax	675,000		325,000	
Provision for fringe benefit tax	2,619,196		3,651,650	
	248,265,084		173,614,830	
	5,852,179,961		5,291,984,860	

## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Current Year 2010-2011		Previous Year 2009-2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '9'</b>				
<b>SALES AND INCOME FROM OPERATIONS</b>				
Sales of polished diamonds		27,865,127,819		15,433,111,355
Sales of rough diamonds		4,351,424,098		2,374,820,812
Sales of diamond jewellery		694,204,973		635,526,145
Sales of gold		673,091,250		-
Sale of electricity generated from windmills		77,357,265		84,738,307
		33,661,205,405		18,528,196,619
<b>SCHEDULE '10'</b>				
<b>OTHER INCOME</b>				
Interest on fixed deposits with banks		42,736,006		11,535,281
Interest income - others		16,699,836		3,842,363
Profit on disposal of investment in subsidiary		2,227,653		2,018,185
Service tax refund		1,859,795		873,673
Dividend on investments (short term)		337,446		-
Exchange rate difference (net)		35,934,995		-
Bad debts recovered		6,841,955		-
Miscellaneous income		1,963,264		1,358,542
		108,600,950		19,628,044
<b>SCHEDULE '11'</b>				
<b>INCREASE / (DECREASE) IN STOCKS</b>				
Closing stock:				
- finished goods of polished diamonds	5,878,433,075		4,377,610,907	
- finished goods of jewellery	741,370,796		667,144,013	
		6,619,803,871		5,044,754,920
Add:				
Adjustments on disposal of subsidiary		-		20,195,405
Less:				
Opening stock:				
- finished goods of polished diamonds	4,377,610,907		4,343,960,218	
- finished goods of jewellery	667,144,013		615,859,652	
	5,044,754,920		4,959,819,870	
Less:				
Adjustments on disposal of subsidiary	72,507,931		-	
		4,972,246,989		4,959,819,870
		1,647,556,882		105,130,455
<b>SCHEDULE '12'</b>				
<b>COST OF MATERIALS</b>				
<b>Raw materials (rough diamonds and gold):</b>				
Opening stock	1,566,232,574		1,807,166,393	
Add: Purchases	10,658,331,275		7,005,942,047	
	12,224,563,849		8,813,108,440	
Less: Closing stock	1,258,814,579		1,566,232,574	
		10,965,749,270		7,246,875,866
b) Purchase of finished goods / traded goods:				
- Polished diamonds	20,999,692,935		9,076,785,050	
- Jewellery	63,357,755		38,334,865	
		21,063,050,690		9,115,119,915
		32,028,799,960		16,361,995,781

## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Current Year 2010-2011		Previous Year 2009-2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE '13'</b>				
<b>EMPLOYEES' REMUNERATION AND BENEFITS</b>				
Salaries, bonus and allowances		223,450,630		186,809,776
Contribution to provident and other funds		7,520,434		5,933,334
Gratuity		3,428,214		(1,088,924)
Staff welfare expenses		8,122,820		10,059,430
		<u>242,522,098</u>		<u>201,713,616</u>
<b>SCHEDULE '14'</b>				
<b>MANUFACTURING AND OTHER EXPENSES</b>				
Processing charges		320,585,863		238,835,950
Other manufacturing expenses		6,991,841		3,696,652
Stores, spares and tools consumption		19,633,370		13,372,209
Imports freight, clearing and forwarding charges		38,550,369		19,959,534
Power and electricity		9,559,654		8,420,383
Postage and telephone		8,950,301		8,860,212
Printing and stationery		2,484,408		1,982,462
Travelling and conveyance		19,634,897		19,178,463
Legal and professional fees		33,939,039		35,042,534
Auditor's remuneration		2,484,806		1,773,645
Bank charges and commission		89,410,312		71,901,376
Rent, rates and taxes		31,378,518		23,983,303
Repairs and maintenance:				
- To plant and machinery	13,279,653		16,281,561	
- To buildings	938,803		337,471	
- To others	<u>4,296,057</u>		<u>3,755,918</u>	
		18,514,513		20,374,950
Exchange difference (net)		-		503,063,883
Insurance charges		11,620,027		13,852,461
Loss on sale of fixed assets (net)		3,460,750		47,784
Bad debts		14,937,255		26,266,522
Provision for doubtful debts		1,122,375		1,832,252
Selling and distribution expenses		65,809,403		50,342,098
Diamond grading charges		70,873,260		39,558,916
Donations		797,321		402,710
Miscellaneous expenses		17,765,845		7,327,877
		<u>788,504,127</u>		<u>1,110,076,176</u>
<b>SCHEDULE '15'</b>				
<b>INTEREST EXPENSES</b>				
On fixed loans		34,294,817		42,720,494
On others		660,993,070		726,704,005
		<u>695,287,887</u>		<u>769,424,499</u>

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

### SCHEDULE '16'

#### a) Basis of preparation of financial statements

C. Mahendra Exports Limited is one of the leading Diamond and Jewellery manufacturer and exporter. The Group's principal operations are located in India with marketing operations in USA, Belgium, Hong Kong and UAE.

#### 1. Significant accounting policies:

##### a) Basis of preparation of consolidated financial statements:

The consolidated financial statements include the financial statements of C. Mahendra Exports Limited, the parent (hereinafter referred to as 'the Company') and its subsidiary entities (collectively referred to as 'the Group').

These consolidated financial statements have been prepared and presented under the historical cost convention except as disclosed in note 5 herein below on the accrual basis of accounting, in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards (AS)-21 'Consolidated Financial Statements'. The consolidated financial statements are presented in Indian rupees.

##### b) Principles of consolidation:

1. The consolidated financial statements have been prepared on the following basis:

- i) The financial statements of the Company and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the group. The amounts shown in respect of reserves comprise of the share of the Company in post acquisition increase in the relevant reserves of the group entities.

Transactions relating to profit and loss account of the acquired entities have been included in the consolidated profit and loss account from the effective date of acquisition.

- ii) The excess of the cost to the parent of its investment in the subsidiary entities over its share of the equity in the subsidiary entities at the dates on which the investments are made is recognised in the financial statements as 'Goodwill'. The excess of parent's share of equity in consolidated subsidiary entities as on the date of investments in excess of the cost of investment is recognised in the consolidated financial statements as 'Capital Reserve' and shown under the head 'Reserves and Surplus'.
- iii) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent Company for its separate financial statements.
- iv) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances, except for those specified hereinafter.
- v) Minority interest in the net assets of consolidated subsidiary entities consists of:
  - a) the amount of equity attributable to minorities shareholders at the date on which investments in subsidiary are made; and
  - b) the minorities' share of movements in equity since the dates the parent subsidiary relationship came into existence.

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

2. The subsidiaries considered in the consolidated financial statements are:

Name of the subsidiaries	Country of incorporation/ constitution	Extent of holding % as at year end*	Reporting currency	Effective date of becoming subsidiary
C. Mahendra International Ltd.	India	100.00 (100.00)	Indian Rupees	11/11/2003
Ciemme Jewels Ltd. (100% share capital held by C. Mahendra International Ltd.)	India	100.00 (100.00)	Indian Rupees	04/12/2003
Ciemme BVBA.(a wholly owned subsidiary of Ciemme Jewels Ltd.)	Belgium	— (—)	Euro	Since incorporation (upto 30/09/2009)
C. Mahendra BVBA.(54.0373% shares in capital held by C. Mahendra Exports Limited and 45.9627% shares in capital held by C. Mahendra International Ltd.)	Belgium	100.00 (100.00)	Euro	14/05/2004
Ciemme (LA) Inc.(a wholly owned subsidiary of C. Mahendra International Ltd.)	USA 03/2010)	— (100.00)	US Dollars	11/11/2003 (upto 31/03/2010)
C. Mahendra Exports (H.K.) Ltd. (a wholly owned subsidiary of C. Mahendra International Ltd.)	Hong Kong	100.00 (100.00)	HK Dollars	Since incorporation
C. Mahendra (USA) Inc.(a wholly owned subsidiary of C. Mahendra International Ltd.)	USA	100.00 (100.00)	US Dollars	Since incorporation
C. Mahendra (NY) LLC. (99% shares in profit/loss held by C. Mahendra (USA) Inc.)	USA	99.00 (99.00)	US Dollars	Since incorporation
Ciemme (NY) LLC. (99% shares in profit/loss held by C. Mahendra (USA) Inc.)	USA	99.00 (99.00)	US Dollars	Since incorporation
Best Shine Limited (a wholly owned subsidiary of C. Mahendra BVBA.)	Hong Kong	100.00 (100.00)	HK Dollars	31/03/2010
International Gems & Jewellery FZE (a wholly owned subsidiary of Best Shine Limited)	UAE	100.00 (100.00)	US Dollars	31/03/2010
Al Daspa Gems & Jewellery FZE (a wholly owned subsidiary of C. Mahendra Exports (H.K.) Ltd.)	UAE	100.00 (100.00)	US Dollars	31/03/2010
C. Mahendra DMCC	UAE	100.00 (—)	Arab Emirates Dirhams	Since incorporation
C. Mahendra Trading	India (—)	98.00 Rupees	Indian incorporation	Since

\* Figures in bracket are in respect of previous year.

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

### e) Use of estimates:

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

### d) Fixed assets:

Fixed assets are accounted at cost of acquisition (except as mentioned in note no. 5) inclusive of freight, duties, taxes, incidental expenses and borrowing cost and are stated at written down value.

### e) Depreciation and amortisation:

Depreciation on assets is provided on 'Written-down Value Method' (except in the case of subsidiaries, Ciemme (LA) Inc. (ceased to subsidiary from 01/04/2010), Ciemme BVBA (ceased to subsidiary during the previous year), C. Mahendra BVBA, C. Mahendra Exports (H.K.) Ltd. and C. Mahendra (USA) Inc.), at the rates based on the estimated useful life of the respective assets, as determined by the management or on the basis of minimum depreciation rates as prescribed under the respective domestic laws of the Company. Depreciation in respect of Ciemme (LA) Inc., Ciemme BVBA, C. Mahendra BVBA, C. Mahendra Exports (H.K.) Ltd. and C. Mahendra (USA) Inc. is provided on straight-line method at rates based on the estimated useful life of respective assets.

Depreciation on Windmill is provided on straight-line method and Leasehold land is amortised over the lease period.

### f) Investments:

Investments intended to be held for more than one year are classified as long-term investments and other investments are classified as current investments. Long-term investments are valued at cost less provision, if any, for diminution in value, which is other than temporary. Current investments are valued at the lower of cost or market value of each separate investment.

### g) Inventories:

i. Raw materials - Rough diamonds are valued at lower of cost or net realisable value. The cost

is determined by weighted average method on lot wise basis. Rough diamond rejection is valued at estimated realisable value

- ii. Raw materials (gold, findings, alloys and precious / semi-precious stones) are valued at cost or net realisable value whichever is lower. The cost is ascertained on average / FIFO basis.
- iii. Polished diamonds are valued at lower of estimated cost as certified by Directors / Partners or net realisable value.
- iv. Finished goods – Jewellery is valued at lower of cost or realisable value.
- v. Consumables are valued at lower of estimated cost or net realisable value. Cost is as certified by the management. Tools and spares are charged to profit and loss account in the year of purchase.

### h) Revenue recognition:

Revenue from exports sales is recognised when the goods are delivered to the customs authorities. Revenue from local sales is recognised when the significant risk and rewards associated with the ownership of goods are transferred to the customer.

Income from sale of wind energy is recognised on its transmission as per terms of agreement.

### i) Foreign currency transactions:

- i. Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the balance sheet. Gain / loss arising on account of differences in foreign exchange rates on settlement / translation of monetary assets and liabilities are recognised in the profit and loss account. Non-monetary foreign currency items are carried at cost.
- ii. In respect of forward contracts, other than forward contracts in respect of firm commitments and highly probable forecast transactions, the premium or discount arising at the inception of forward exchange contract is amortised as expenses or income over the life of the contract. Exchange differences on such contracts are recognised in the Profit and Loss Account in the reporting year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of such a forward

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

exchange contract is recognised as income or as expense for the year.

- iii. Any profit or loss arising on settlement or cancellation of other derivative contracts (forward contracts in respect of firm commitments and highly probable forecast transactions, swaps and currency options) is recognised as income or expense for the year. The derivative contracts outstanding at the year-end, are marked to its current market value and gain/ loss on such contracts, is recognized in the profit and loss account.
- iv. Indian Rupee is the reporting currency of the Company and its Indian subsidiaries. However, the functional currency of foreign subsidiaries is their local currency as disclosed above. The translation of functional currency of foreign subsidiaries into Indian Rupees is performed for assets and liabilities (except for capital, opening reserves and surplus), using the exchange rate as at the balance sheet date and for revenues, cost and expenses using yearly average exchange rates. Resultant currency translation exchange gain / loss is disclosed as "Translation Reserve" in reserves and surplus. Contingent liabilities are translated at the closing rate.

### g) Retirement benefits:

- i. Retirement benefits in the form of provident fund and pension scheme are accounted on accrual basis.
- ii. Provision for gratuity liability is made on the basis of actuarial valuation at the end of the accounting year.
- iii. Liability for encashment of leave is recognised and charged to the profit and loss account in the year in which it is earned on accrual basis.

### h) Borrowing costs:

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are charged to profit and loss account.

### i) Income-tax:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year

timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably/virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### j) Accounting for provisions and contingent liabilities:

A provision is made when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### k) Impairment:

At each balance sheet date, the Group determines whether a provision should be made for impairment loss on fixed assets (including intangible assets), by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS) - 28 'Impairment of Assets'. Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made. At the balance sheet date there is an indication that previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the assets is reflected at the recoverable amount subject to a minimum of depreciated historical cost.

### l) Earnings per share:

The basic earnings per share (EPS) is computed by

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

dividing the Net Profit after tax for the year available for the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. For the purpose of calculating diluted Earnings per Share, Net Profit after tax for the year available for Equity Shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential Equity Shares.

### 2. Commitments and contingent liabilities not provided for:

Particulars	As at	As at
	31/03/2011	31/03/2010
	Rs.	Rs.
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	41,236,265	42,140,081
b) Guarantee given by banks on behalf of the company to the President of India (Custom authorities)	47,000	47,000
c) Bond executed in favour of The President of India towards manufacture of goods for exports	461,740,000	10,000,000
d) Bond executed in favour of The President of India towards provisional release of seized goods	30,622,000	30,622,000
e) Bond executed in favour of President of India (Custom authorities) for imports under EPCG scheme	138,700	138,700
f) Disputed penalty under Customs Act	11,000,000	11,000,000
g) Disputed service tax liability	241,156	241,156
h) Disputed income tax liability	446,962	446,962

3. The arrears of dividend on 12,500,000 6% Redeemable Preference shares of Rs.10 each as on 31/03/2011 is Rs.7,602,740 (as at 31/03/2010 Rs.102,740), which include dividend for the year Rs.7,500,000 (previous year Rs.102,740).

### 4. Valuation of inventories:

In case of Ciemme Jewels Ltd. a subsidiary, finished goods (jewellery) cost is based on management estimate.

In respect of the stock of finished goods (polished diamonds), cost is based on technical estimate by the management. In view of the nature of variation in the value of individual diamonds, the differentials in their

costs, it is not practical to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the multiple grades, it is not practical to use specific cost. For similar reasons, inventory of traded goods (polished diamonds) is valued at net realisable value. This basis of computing cost is used on consistent basis, to avoid distortion in valuation.

In respect of consumable stores cost is determined on estimated basis instead of on FIFO basis or weighted average.

The method followed for computing cost as mentioned above is not strictly in compliance with the requirements of Accounting Standard (AS)-2 'Valuation of Inventories'.

The impact on profit for the year, reserves and surplus and inventories as at 31 March 2011, if any, due to the above deviations is not ascertainable.

### 5. Fixed assets:

The Company was incorporated on 4 January 2007 as C. Mahendra Exports Private Limited pursuant to conversion of the partnership firm C. Mahendra Exports under Part IX of The Companies Act, 1956. Thereafter on 14 March 2007, it was converted into C. Mahendra Exports Ltd.

Prior to its conversion, the partnership firm had revalued certain class of its fixed assets as at 1 April 2006 on the basis of valuation done by an approved valuer. The net difference between the written down value ('WDV') as per books and revalued value was Rs.306,549,580, which had been added to the WDV of the fixed assets as at 1 April 2006 with corresponding credit to Partners Current Capital Account, which was not in accordance with Accounting Standard (AS)-10 "Accounting for Fixed Assets".

The written down value of fixed assets as on 3 January 2007 on conversion into Company have been carried forward in the books of the Company as cost. Also the Company has not disclosed the details of revaluation in the financial statements and depreciation relating to the revalued amount is being charged to the profit and loss account.

During 2004, Ciemme Jewels Ltd. a subsidiary company had acquired land (on lease) along with factory building for a consolidated consideration of Rs.184.62 Lacs. Ciemme Jewels Ltd. has apportioned this consideration (along with stamp duty and incidental charges incurred) on land and building based on the estimates of the directors but not supported by valuation by independent valuer.



## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

The above treatments are not in accordance with Accounting Standard (AS)-10 'Accounting for Fixed Assets' and (AS)-6 'Depreciation'. The Impact of the above on the profit for the year, reserves and surplus, fixed assets gross value, accumulated depreciation and net written down value as at 31 March 2011 could not be ascertained.

### 6. Difference in accounting policy for depreciation:

Depreciation on fixed assets relating to the subsidiaries, Ciemme (LA) Inc. (ceased to subsidiary from 01/04/2010), Ciemme BVBA (ceased to subsidiary during the previous year), C. Mahendra BVBA, C. Mahendra Exports (H.K.) Ltd. and C. Mahendra (USA) Inc. has been provided on straight line method at the rate and in the manner to write off the assets over a period of its useful life as estimated by management as against the written down value method followed by the Company. Depreciation for the year includes Rs.7,775,203 (previous year Rs.11,047,764), calculated on such basis. The impact of difference in the accounting policy has not been ascertained. The net block of such assets as at 31 March 2011 included in the consolidated financial statements is Rs.71,370,942 (as at 31 March 2010 Rs.80,265,641).

7. Ciemme Jewels Ltd. subsidiary entity, have taken Gold Loan from Banks under Gold Loan Scheme of the bank for jewellery manufacturers and exporters. As on 31 March 2011 Gold Loan weighing 40 Kgs and valued at Rs.82,989,392 (as on 31 March 2010 Gold Loan weighing 48 Kgs and valued at Rs.77,952,830) is booked as purchase and accordingly consumption, sales and closing stock is determined under matching concept of accounting. The difference on account of value added tax and rate difference is accounted at the time of actual crystallisation of liability with bank on due date and commercial invoice received by the entities. The difference on account of value added tax and rate difference will be accounted in the year when actual payment is made in view of uncertainty in gold rate and taxes mentioned above.

### 9. Related party disclosure:

#### i. Related party relationships:

- |   |   |   |
|---|---|---|
| a) Key managerial personnel             | : | Mahendra C. Shah<br>Champak K. Mehta<br>Sandeep M. Shah   |
| b) Relative of key management personnel | : | Moghiben C. Shah<br>Dipika C. Mehta<br>Rasilaben M. Shah<br>Vikram M. Shah<br>Vimlaben K. Mehta<br>Hansa P. Mehta<br>Hemali J. Shah |

### 8. Segmental information:

The Group has only one business segment viz. gems and jewellery, which is being considered as the primary segment.

The disclosure as to secondary segment, i.e. 'geographical segments' is given below:

Sr. No.	Particulars	(Amount in Rs.)		
		Geographical segments		Total
		Outside India	Within India	
<b>1. Segment revenue</b>				
Sales and income from operations	28,941,843,952 (15,459,847,675)	4,719,361,453 (3,068,348,944)		33,661,205,405 (18,528,196,619)
<b>2. Carrying amount of assets by geographical location of assets</b>				
Segment assets	12,593,039,774 (12,173,735,828)	11,054,482,521 (7,559,773,917)		23,647,522,295 (19,733,509,745)
<b>3. Additions to fixed assets and intangible assets</b>				
	19,943,341 (3,209,837)	37,947,236 (23,909,396)		57,890,577 (27,119,233)

#### Notes:

- Secondary segments identified are as per the requirements of Accounting Standard (AS)-17 'Segment Reporting', taking into account the organisation structure as well as the differing risks and returns.
- The segment revenue and total assets includes the revenue and assets respectively, which are identifiable with each segment and amounts allocated to the segments on a reasonable basis.
- Figures in bracket are in respect of previous year

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Nayna P. Mehta Jignesh M. Shah Kanu C. Shah Prakash K. Mehta Suresh K. Mehta Paras C. Mehta Alka K. Shah Krupa S. Shah Sadhana S. Mehta Pravin K. Mehta Pravin C. Shah
c) Enterprises in which key management personnel have significant influence	: Champak K. Mehta (HUF) Mahendra C. Shah (HUF) Polo Developers Pvt. Ltd. Ashesha Trading Pvt. Ltd.
d) Enterprise in which relatives of key management personnel have significant influence	: C. K. Shah (HUF) Kanu C. Shah (HUF) Pravin C. Shah (HUF) Allright Trading Private Ltd.
	KPM Holdings LLC.
	Vijisan Holdings LLC. KPM Dimon LLC.

**Notes:**

1. The related party relationships have been determined by the management on the basis of the requirements of the Accounting Standard (AS)-18 'Related Party Disclosures' and the same have been relied upon by the auditors.
2. The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year except where control exists.

**ii. Transactions with related parties:**

(a) Details of related party transactions are as follows:

Particulars	Related Parties				(Amount in Rs.)
	Key management personnel	Relative of key management personnel	Enterprises in which Key management Personnel have significant influence	Enterprises in which relative of Key management Personnel have significant influence	Total
Sale of diamond studded Jewellery	— (15,759)	— (41,054)	— (—)	— (—)	— (56,813)
Sale of polished diamonds	— (—)	— (—)	— (—)	177,290,490 (—)	177,290,490 (—)
Purchase of polished diamonds	— (—)	— (—)	— (—)	613,292,233 (—)	613,292,233 (—)
Rent expense	— (—)	6,269,519 (6,765,201)	480,000 (480,000)	240,000 (240,000)	6,989,519 (7,485,201)
Salary bonus and allowance	11,160,000 (11,160,000)	27,282,315 (17,439,384)	— (—)	— (—)	38,442,315 (28,599,384)

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Interest expense	—	1,060,975	4,269	5,509	1,070,753
	(—)	(1,040,672)	(3,917)	(5,053)	(1,049,642)
Loans taken	365,336,888	21,247,058	—	—	386,583,946
	(216,484,022)	(35,703,989)	(—)	(—)	(252,188,011)
Loans repaid	399,087,265	183,364,422	—	—	582,451,687
	(319,328,221)	(282,585,402)	(—)	(—)	(601,913,623)
Loans given	—	—	—	16,135,892	16,135,892
	(—)	(—)	(—)	(70,986,439)	(70,986,439)
Sale of investments in subsidiary	—	9,147,653	—	—	9,147,653
	(—)	(—)	(—)	(—)	(—)
Preference shares issued	—	—	—	—	—
	(483,152,000)	(676,087,000)	(—)	(—)	(1,159,239,000)
Purchase of shares	—	—	—	—	—
	(—)	(642,784)	(—)	(—)	(642,784)
Balance receivable as at year end	—	—	7,780	82,026,295	82,034,075
	(13,759)	(—)	(—)	(66,694,305)	(66,708,064)
Balance payable as at year end	568,228,767	696,511,541	51,702	600,067,336	(1,318,792,771)
	(603,441,522)	(715,242,617)	(47,433)	(61,199)	1,864,859,346

Figures in bracket are in respect of previous year.

- (b) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type during the year are as under:

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
<b>Particulars</b>	<b>Current YearRs.</b>	<b>Previous YearRs.</b>
<b>Sale of diamond studded jewellery</b>	-	13,437
Mahendra C. Shah	-	41,054
Vikram M. Shah		
<b>Sale of polished diamonds</b>		
KPM Dimon LLC.	177,290,490	-
<b>Purchase of polished diamonds</b>		
KPM Dimon LLC.	613,292,233	-
<b>Rent expenses</b>		
Prakash K. Mehta	6,269,519	6,765,201
<b>Interest expenses</b>		
Alka K. Shah	327,242	318,598
Hemali J. Shah	200,367	208,119
Nayana P. Mehta	373,539	364,360
<b>Salary, bonus and allowances</b>		
Champak K. Mehta	4,200,000	4,200,000
Kanu C. Shah	4,320,000	4,320,000
Mahendra C. Shah	4,320,000	4,320,000
Prakash K. Mehta	10,212,315	11,169,384
<b>Loan given</b>		
KPM Holdings LLC.	13,244,025	69,478,403
Vijisan Holdings LLC	2,891,867	-

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

<b>Loans taken</b>		
Champak K. Mehta	198,232,059	91,736,348
Mahendra C. Shah	161,480,848	124,247,674
<b>Loan repaid</b>		
Champak K. Mehta	205,751,012	137,562,296
Pravin C. Shah	-	84,150,336
Mahendra C. Shah	183,982,687	176,704,925
Prakash K. Mehta	150,614,111	172,453,776
<b>Preference shares issued</b>		
Champak K. Mehta	-	136,413,000
Kanu C. Shah	-	143,478,000
Mahendra C. Shah	-	251,087,000
Prakash K. Mehta	-	120,435,000
Pravin C. Shah	-	119,565,000
<b>Sale of investments in subsidiary</b>		
Jignesh M. Shah	9,147,653	-
<b>Purchase of shares of subsidiary entity</b>		
Prakash K. Mehta	-	642,784
<b>Balance receivable as at year end</b>		
KPM Holdings LLC.	77,740,606	65,277,451
<b>Balance payable as at year end</b>		
KPM Dimon LLC.	600,000,628	-
Champak K. Mehta	332,198,973	340,001,697
Mahendra C. Shah	230,516,489	253,065,218
Prakash K. Mehta	497,505,586	500,475,042

### 10. Taxation:

Major components of recognised deferred tax assets and liabilities of the Group arising on account of timing differences are as below:

(a) Details of deferred tax liabilities (net) are as below:

Particulars	As at 31/03/2011		As at 31/03/2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Depreciation	—	60,498,065	—	152,376,697
Expenditure allowable on payment basis	2,738,204	—	2,032,104	—
Preliminary expenses	—	—	152,101	—
<b>Total</b>	<b>2,738,204</b>	<b>60,498,065</b>	<b>2,184,205</b>	<b>152,376,697</b>
<b>Deferred tax liabilities (Net)</b>		<b>57,759,861</b>		<b>150,192,492</b>

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(b) Details of deferred tax assets (net) are as below:

(Amount in Rs.)

Particulars	As at 31/03/2011		As at 31/03/2010	
	Deferred tax assets Rs.	Deferred tax liabilities Rs.	Deferred tax assets Rs.	Deferred tax liabilities Rs.
Provision for doubtful debts	8,751,400	—	11,736,400	—
Unabsorbed depreciation	1,437,400	—	1,189,700	—
Expenditure allowable on payment basis	336,200	—	423,000	—
<b>Total</b>	<b>10,525,000</b>	<b>—</b>	<b>13,349,100</b>	<b>—</b>
<b>Deferred tax assets (Net)</b>		<b>10,525,000</b>		<b>13,349,100</b>

(c) Deferred tax assets/liabilities (net) in respect of unit eligible to claim deduction under Section 80-IA / 10A of the Income Tax Act, 1961, subject to fulfilments of conditions in this regard, has been recognised only to the extent the same will not reverse within the tax holiday period as determined by the management.

(d) The Group is required to comply with the transfer pricing regulations under Section 92-92F of the Income Tax-Act, 1961. The management is of the opinion that its international transactions are at arms length and that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

11. The Group has entered into operating lease agreement for use of sales counter space along with all the other amenities and for office premises, which is in the nature of operating lease. The lease period ranges from 11 months to 60 months.

As per Accounting Standard (AS)-19 'Leases', the disclosures in respect of non - cancellable leases are given below:

The future minimum lease payment as per above lease agreement is as follows:

Future minimum lease payments payable	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
i. Not later than one year	12,649,875	13,620,362
ii. Later than one year and not later than five years	9,482,103	11,890,001
iii. Later than five years	—	—

The amount of minimum lease payments with respect to the above lease recognised in the profit and loss account for the year is Rs.12,758,182 (previous year Rs.22,014,929).

### 12. Earnings per share

Particulars	Current Year 2010-2011 Rs.	Previous Year 2009-2010 Rs.
Net profit after tax (Rs.)	1,573,356,489	44,084,540
Less: Dividend on preference shares including dividend distribution tax (Rs.)	8,745,656	120,201
Amount available for equity shareholders (Rs.)	1,564,610,833	43,964,339
Weighted average number of equity shares outstanding during the year (including bonus shares) (Nos.)	48,164,384	45,000,000
Basic and Diluted earnings per share (Rs.)	32.48	0.98
Nominal value of share (Rs.)	10.00	10.00

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

13. During the year, the Company completed an Initial Public Offer (IPO) of 15,000,000 equity shares of Rs.10 each for cash at a price of Rs.110 each aggregating to Rs.1,650,000,000. The premium of Rs.100 per share, amounting to Rs.1,500,000,000 was credited to Securities Premium Account. The share issue expenses of Rs.93,688,585 incurred by the Company has been adjusted against the Security Premium Account.

Pursuant to the public issue, shares of the Company are listed on National Stock Exchange and Bombay Stock Exchange effective from 20 January 2011.

14. Utilisation of fund received through initial public offer (IPO):

Description	(Rs. in million)	
	Amount to be financed through the issue proceeds	Funds Utilised upto 31/03/2011
Setting up of a diamond processing unit at Gujarat Hira Bourse, SEZ, Ichchhapore, Surat	360.57	—
Setting up of a jewellery manufacturing unit at Mumbai	236.36	—
Setting up retail outlets	300.00	—
Brand development expenses	200.00	—
Investment in capital of C. Mahendra BVBA	800.00	229.94
<b>Total</b>	<b>1896.93</b>	<b>229.94</b>
Less: To be utilised form internal accruals	332.05	
Net IPO proceeds to be utilised as per object of the issue	1,564.88	
Issue related expenses	85.12	93.69
Temporary investment in Bank Fixed deposits	--	1,326.37
<b>Total</b>	<b>1,650.00</b>	<b>1,650.00</b>

15. In the opinion of the group management, current assets, loans, advances and deposits are approximately of the value stated, if realised in the ordinary course of business.
16. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
17. Previous year figures have been regrouped or rearranged, wherever considered necessary. Figure in bracket are in respect of previous year.

Signatures to schedules '1' to '16'

As per our report of even date attached  
**FOR SURESH SURANA & ASSOCIATES**  
**Chartered Accountants**

Sd/-  
**(Nirmal Jain)**  
**PARTNER**  
**Membership No.: 34709**  
**Mumbai; Dated: 28.05.2011**

On behalf of the Board of directors

Sd/-  
**Champak K. Mehta**  
**Managing Director**

Sd/-  
**Sandeep M. Shah**  
**Director**

Sd/-  
**Ashish Kumar Shrivastava**  
**Company Secretary**

Mumbai; Dated: 28.05.2011

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Current Year		Previous Year	
	2010-2011		2009-2010	
	Rs.	Rs.	Rs.	Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit before tax and after minority interest		1,557,052,536		101,761,485
<b>ADJUSTMENTS FOR:</b>				
Depreciation and amortisation	105,302,480		109,719,162	
Interest income	(59,435,842)		(15,377,644)	
Dividend income	(337,446)		-	
Interest expenses	695,287,887		769,424,499	
Loss on sale of fixed assets	3,460,750		47,784	
Profit on disposal of investment in subsidiary	(2,227,653)		(2,018,185)	
Change in translation reserve	(11,142,682)		188,560,035	
		<u>730,907,494</u>		<u>1,050,355,651</u>
<b>Operating profit before working capital changes</b>		<b>2,287,960,030</b>		<b>1,152,117,136</b>
<b>ADJUSTMENTS FOR:</b>				
Trade and other receivables	(1,113,723,651)		(25,079,732)	
Inventories	(1,340,702,225)		135,345,161	
Trade payables and other liabilities	636,595,336		588,499,833	
		<u>(1,817,830,540)</u>		<u>698,765,262</u>
<b>Cash generated from / (used in) operations</b>		<b>470,129,490</b>		<b>1,850,882,398</b>
Taxes paid		(95,578,344)		(48,342,878)
<b>Net cash generated / (used in) operating activities</b>		<b><u>374,551,146</u></b>		<b><u>1,802,539,520</u></b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets (including CWIP)		(148,469,951)		(41,974,280)
Proceeds from sale of fixed assets		698,255		1,662,588
Proceeds from sale of investment in subsidiary		9,147,653		1,293,964
Purchase of Investments		(54,000,000)		-
Loans (granted) / received back (net)		(77,196,065)		(80,824,133)
Interest received		31,253,418		15,533,532
Dividend received		337,446		-
Change in goodwill / capital reserve		-		(307,987)
<b>Net cash used in investing activities</b>		<b><u>(238,229,244)</u></b>		<b><u>(104,616,316)</u></b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011 (Contd.)

	Current Year		Previous Year	
	2010-2011		2009-2010	
	Rs.	Rs.	Rs.	Rs.
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from / (repayment of) borrowings (net of repayment)		431,532,238		(720,599,197)
Proceeds from issue of share capital (Refer note below)		1,650,000,000		90,761,000
Public issue expenses paid		(75,531,495)		-
Interest paid		(706,545,878)		(779,679,309)
Increase / (decrease) in minority interest		(8,495,607)		(9,677,172)
<b>Net cash from financing activities</b>		<u>1,290,959,258</u>		<u>(1,419,194,678)</u>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<u>1,427,281,160</u>		<u>278,728,526</u>
<b>Cash and cash equivalents</b> (refer Schedule '7' of the financial statements)				
<b>- Opening balance</b>	465,157,469		187,792,793	
Less: Adjustments on disposal of subsidiary	<u>2,734,175</u>		<u>1,363,850</u>	
		462,423,294		186,428,943
<b>- Closing balance</b>		<u>1,889,704,454</u>		<u>465,157,469</u>
<b>Net increase/(decrease) as disclosed above</b>		<u>1,427,281,160</u>		<u>278,728,526</u>
Cash and cash equivalents (includes Rs.1,753,278,225; as at 31/03/2010 Rs.379,672,699 under lien with banks)				

**Note:**

During year previous year ended 31 March 2010 the Company has issued 12,500,000 6% Redeemable Preference shares of Rs.10 each at Rs.100 each (including Rs.90 premium) by adjusting balance lying in Unsecured loans to the extent of Rs.1,159,239,000, as such the same has been treated as non-cash transaction.

Accounting policies and notes forming part of the accounts as per Schedule '16'

As per our report of even date attached

**FOR SURESH SURANA & ASSOCIATES**  
Chartered Accountants

Sd/-  
(Nirmal Jain)  
PARTNER  
Membership No.: 34709  
Mumbai; Dated: 28.05.2011

On behalf of the Board of directors

Sd/-  
Champak K. Mehta  
Managing Director

Sd/-  
Sandeep M. Shah  
Director

Sd/-  
Ashish Kumar Shrivastava  
Company Secretary

Mumbai; Dated: 28.05.2011



## C. MAHENDRA INTERNATIONAL LIMITED

### Auditors' Report

To,

**TO THE MEMBERS OF C. MAHENDRA INTERNATIONAL LIMITED**

1. We have audited the attached Balance Sheet of C. Mahendra International Limited as at 31st March, 2011 and the profit & loss Account and cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) in our opinion, proper book of account have been kept by the Company as required by law so far as appears from our examination of those books;
  - (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account ;
  - (d) in our opinion, the Balances Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the 'Companies Act' 1956, to the extent applicable
  - (e) In our opinion and to the best of our information and according to the explanations give to us, the said Balance Sheet and the Profit and Loss Account and the cash flow statement, read together with the notes thereon and attached thereto, give in the prescribed manner the information required by the Companies Act 1956 and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010; and
    - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**FOR R. H. MODI & CO.,**  
Chartered Accountants  
(Firm Reg. no. : 106486W)

Sd/-  
**R. H. MODI**  
Proprietor  
(Membership No .37643)

Mumbai  
Dated: 20.05.2011

## ANNEXURE TO AUDITOR'S REPORT

(Referred to in paragraph 3 of the Auditor's Report to the members of C. Mahendra International Limited for the year ended 31<sup>st</sup> March, 2011)

1. (a) The Company is maintaining proper records showing full particulars, including quantities details and situations of fixed assets
- (b) The tangible fixed assets of the Company have been physically verified by the management at the reasonable intervals and no material discrepancies were noticed on such physical verification.
- (c) In our opinion and according to the information and explanations given to us, there is no sale of Fixed Assets during the year, substantial or otherwise. Hence the question of reporting whether the sale of any substantial part of fixed assets has affected the going concern of the company does not arise.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the Procedure of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) According to the information and explanation given to us, during the year the Company has not granted any loan secured or unsecured to the companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion and according to the information and explanation given to us the terms and conditions on which loans have been granted to the above parties covered in the register maintained under section 301 of the Companies Act 1956 are not prima facie prejudicial to the interest of the Company.
- (c) We are informed that the loans granted to the above parties, do not have stipulation for the payment of principal and interest. In absence of any terms, we are unable to comment on the regularity of repayment of principal amount and repayment of interest.
- (d) Apart from loan from Directors, the Company has not taken any loan from anybody or parties covered in the Register maintained under section 301 of the Companies Act, 1956.

Number of Directors	Maximum amount involved during the year	Amount outstanding as at 31.03.2011
3	Rs. 43,84,97,986	Rs. 41,37,97,986
- (e) No interest is paid and other terms and conditions on which loan has been taken from Directors listed in register maintained under section 301 are Prima facie not prejudicial for the interest of the Company.
- (f) The Company is regular in repaying the principal amount as stipulated.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) On the basis of the information and explanations provided to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered in the register maintained under Section 301, have been properly entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. 5 lacs in respect of any prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion, and according to the information and explanations given to us, the Company has not accepted or renewed any deposit from public, the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable. No order has been passed by the Company Law Board or National Company Law

- Tribunal or Reserve Bank of India or any court or any other Tribunal.
7. The Company has a internal audit department carrying out internal audit of the group companies and procedures ensure reasonable internal checking of its financial and other records.
  8. To the best of our knowledge and as explained, the Central Government of India has not prescribed the maintenances of cost record under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the company.
  9. (a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues including Income-tax, Sales-tax, Service tax, Wealth-tax, and other statutory dues applicable to it with the appropriate authorities except in respect of depositing of TDS there has been a slight delay in few cases. According to the information and explanations given to us, no undisputed amount payable in respect of income tax, wealth tax, sales tax, service tax, customs duty and excise duty which were outstanding dues as at March 31, 2011 for a period of more than six months from the date they become payable.  
(b) According to the information and explanation given to us and the records of the Company examined by us, there are no dues outstanding of Income Tax, Sales tax, Service tax, Wealth-Tax, Custom Duty, Excise Duty and cess which have not been deposited on account of dispute.
  10. The company has no accumulated losses as at 31st March, 2011. The company has not incurred any cash loss during the financial year under audit and also in immediately preceding financial year.
  11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution, banks or debenture holder.
  12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.
  13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
  14. In our opinion, the Company is not a dealer or trader in shares, securities debentures and other investment.
  15. The Company has given guaranties to a bank against credit facilities enjoyed by the holding company as well as subsidiary companies. In our opinion based on the information and explanations given to us, the terms and conditions of these guaranties are not prejudicial to the interest of the company.
  16. To the best of our knowledge and belief and according to the information and explanations given to us, the term loan has not been obtained by the Company during the year.
  17. On the basis of our examination of the books of account and the information and explanations given to us, in our opinion, the funds raised by the Company on short-term basis have not been used for long-term investment.
  18. During the year the Company has not made any preferential allotment of shares during the year to parties covered in the register maintained under section 301 of the Companies Act, 1956.
  19. The Company has not issued any secured debentures hence clause 4 (XiX) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
  20. The Company has not raised any money through a public issue during the year.
  21. During the course of our explanations of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**FOR R. H. MODI & CO.,**  
 Chartered Accountants  
 (Firm Reg. no. : 106486W)  
 Sd/-  
**R. H. MODI**  
 Proprietor  
 (Membership No .37643)  
 Mumbai  
 Dated: 20.05.2011



## BALANCE SHEET AS AT 31 MARCH, 2011

Schedule	As at 31/03/2011		As at 31/03/2010		
	Rs.	Rs.	Rs.	Rs.	
<b>SOURCES OF FUNDS</b>					
<b>OWN FUNDS :</b>					
SHARE CAPITAL	A	1,128,000		1,128,000	
RESERVE & SURPLUS	B	<u>276,973,118</u>	278,101,118	<u>276,894,034</u>	278,022,034
<b>BORROWED FUNDS :</b>					
SECURED LOANS		-		-	
UNSECURED LOANS	C	<u>413,797,986</u>	413,797,986	<u>338,750,750</u>	338,750,750
DEFERRED TAX LIABILITY			333,022		323,194
TOTAL RS.		<u>692,232,127</u>		<u>617,095,978</u>	
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS :</b>					
GROSS BLOCK	D	19,156,990		17,914,757	
LESS : DEPRECIATION		<u>3,102,331</u>	16,054,659	<u>2,873,440</u>	15,041,317
INVESTMENT	E		594,593,380		431,241,033
<b>CURRENT ASSETS LOANS &amp; ADVANCES :</b>					
A. CURRENT ASSETS					
INVENTORIES	F	6,576,819		-	
SUNDRY DEBTORS	G	12,635,625		205,392,236	
CASH & BANK BALANCE	H	1,092,633		1,262,530	
B. LOANS & ADVANCES					
	I	<u>61,531,444</u>		<u>136,486,402</u>	
		81,836,521		343,141,168	
LESS : CURRENT LIABILITIES & PROVISIONS	J	<u>252,434</u>		<u>172,327,541</u>	
NET CURRENT ASSETS.			81,584,087		170,813,627
NOTES TO ACCOUNTS	O				
TOTAL RS.		<u>692,232,127</u>		<u>617,095,977</u>	

As per our report of even date attached  
**FOR R. H. MODI & CO.**  
CHARTERED ACCOUNTANTS  
(FIRM REGISTRATION NO : 106486W)

Sd/-  
**R. H. MODI**  
PROPRIETOR  
M. NO. 37643

Mumbai;

For C. MAHENDRA INTERNATIONAL LIMITED

Sd/-  
DIRECTORS

Dated: 20.05.2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011**

		Current Year 2010-2011	Previous Year 2009-2010
	Schedule	Rs.	Rs.
<b>INCOME</b>			
SALES(excl. Value Added Tax)		57,764,000	218,430,524
OTHER INCOME	K	16,409	797,569
TOTAL RS.		<u>57,780,409</u>	<u>219,228,093</u>
<b>EXPENDITURE</b>			
COST OF GOODS SOLD	L	54,939,251	204,194,775
ADMINISTRATIVE EXPENSES	M	2,453,098	10,932,416
INTEREST PAID	N	20	3,791,803
DEPRECIATION		228,892	211,731
Total Rs.		<u>57,621,261</u>	<u>219,130,725</u>
NET PROFIT FOR THE YEAR		159,148	97,368
LESS : PROVISION FOR TAXATION		60,000	15,500
LESS : INCOME TAX OF EARLIER YEARS		10,236	-
LESS : DEFFERED TAX LIABILITY / (ASSETS)		9,828	(25,474)
PROFIT AFTER TAX		79,084	107,342
BALANCE PROFIT AS PER LAST YEAR		<u>242,677,233</u>	<u>242,569,891</u>
		<u>242,756,317</u>	<u>242,677,233</u>
NOTES TO ACCOUNTS	O		
<b>EARNING PER SHARE</b>			
PROFIT AFTER TAX		79,084	107,342
WEIGHTED AVERAGE SHARES		112,800	112,800
EARNING PER SHARE		0.70	0.95

As per our report of even date attached  
**FOR R. H. MODI & CO.**  
**CHARTERED ACCOUNTANTS**  
**(FIRM REGISTRATION NO : 106486W)**

Sd/-  
**R. H. MODI**  
**PROPRIETOR**  
**M. NO. 37643**

**Mumbai;**

**For C. MAHENDRA INTERNATIONAL LIMITED**

Sd/-  
**DIRECTORS**

**Dated: 20.05.2011**

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED  
31 MARCH, 2011**

	<b>CURRENT YEAR</b>		<b>PREVIOUS YEAR</b>	
	<b>31/03/2011</b>		<b>31/03/2010</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE 'A'</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
630,00,000 (30,00,000)equity shares of Rs. 10/- each		<u>30,00,000</u>		<u>30,00,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>				
112800 (112800) Equity Shares of Rs. 10/- each (Out of above 40320 Equity Shares of Rs. 10/- each are issued as bonus shares by capitalisation of Reserve of Rs. 4,03,200)		<u>1,128,000</u>		<u>1,128,000</u>
<b>SCHEDULE 'B'</b>				
<b>RESERVES AND SURPLUS</b>				
<b>SHARE PREMIUM ACCOUNT</b>				
As per last balance sheet		19,000,000		19,000,000
<b>CAPITAL REDEMPTION RESERVE</b>				
Balance as per Last A/c.	376,000		376,000	
Add : Trf from General Reserve	<u>-</u>	376,000	<u>-</u>	376,000
<b>GENERAL RESERVE</b>				
Balance as per Last A/c.	14,840,800		14,840,800	
Add : Transferred During the Year	<u>-</u>	14,840,800	<u>-</u>	14,840,800
<b>PROFIT &amp; LOSS ACCOUNT</b>				
Balance as per Last Year	242,677,234		242,569,892	
Add : Transferred from profit & loss a/c	<u>79,084</u>	<u>242,756,318</u>	<u>107,342</u>	<u>242,677,234</u>
		<u>276,973,118</u>		<u>276,894,034</u>
<b>SCHEDULE 'C'</b>				
<b>UNSECURED LOANS :</b>				
From Directors		<u>413,797,986</u>		<u>338,750,750</u>

## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

### SCHEDULE 'D' FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	AS ON 01/04/2010	ADDITIONS	DEDUCTION	AS ON 31/03/2011	AS ON 01/04/2010	FOR THE YEAR	RECOUPED	UP TO 31/03/2011	AS ON 31/03/2011	AS ON 31/03/2010
Office Premises at Prasad Chambers	3,850,000	-	-	3,850,000	1,923,043	96,348	-	2,019,391	1,830,609.15	1,926,957
Office Premises at Bandra *	13,260,369	244,206	345,455	13,159,120	660,574	-	17,273	643,301	12,515,818.75	12,599,795
Motor Car		1,343,482		1,343,482	-	59,083		59,083	1,284,398.97	-
Television	15,000	-		15,000	2,485	1,741		4,226	10,774.16	12,515
Furniture	699,368	-		699,368	248,210	81,660		329,870	369,498.20	451,158
Pager / Mobile	13,950	-		13,950	12,439	210		12,649	1,300.82	1,511
Video Camera	62,591	-		62,591	19,273	6,026		25,299	37,292.47	43,318
Godrej Safe	13,480	-		13,480	7,415	1,098		8,513	4,966.92	6,065
<b>TOTAL RS.</b>	<b>17,914,757</b>	<b>1,587,688</b>	<b>345,455</b>	<b>19,156,990</b>	<b>2,873,440</b>	<b>246,165</b>	<b>17,273</b>	<b>3,102,331</b>	<b>16,054,659</b>	<b>15,041,318</b>
Previous Year Rs.	17,865,874	48,883		17,914,757	2,661,709	211,731		2,873,440	15,041,318	

\* Note : Office premises at Bandra is not put to used hence depreciation not provided



## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

	CURRENT YEAR		PREVIOUS YEAR	
	31/03/2011		31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 'E'</b>				
INVESTMENT				
Overseas Subsidiaries/Joint Venture (Trade Investments and Unquoted)				
<b>In India</b>				
1,20,00,000 (1,20,00,000) Equity Shares of Rs 10 each fully paid up in Ciemme Jewels Limited (subsidiary Company)		120,000,000		120,000,000
15,00,000 (NIL) 6% Redeemable Preference Shares of Rs 10 each fully paid up at a premium of Rs. 105 in Ciemme Jewels Limited (subsidiary Company)		172,500,000		-
<b>In another country</b>				
Nil(40,817) Shares of US\$ 5 each fully paid up in Ciemme LA Inc, USA (Subsidiary Company)		-		9,147,653
74(74) Equity Shares each fully paid up in C. Mahendra BVBA (Antwerp) (Subsidiary Company)		68,177,255		68,177,255
7,75,000(7,75,000)Equity Shares of HK \$ 1 each fully paid up in C. Mahendra Exports (H.K.) Ltd (Subsidiary Company)		4,588,000		4,588,000
5250(5250) Equity Shares of USD \$ 100 each fully paid up in C. Mahendra USA Inc (Subsidiary Company)		229,328,125		229,328,125
		<u>594,593,380</u>		<u>431,241,033</u>



## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

	CURRENT YEAR		PREVIOUS YEAR	
	31/03/2011		31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 'F'</b>				
<b>INVENTORIES</b>				
<b>TRADED GOODS</b>				
(As taken, valued and certified by the Management)				
		6,576,819		-
 <b>SCHEDULE 'G'</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured, considered good)				
Outstanding for a period				
exceeding six months	12,635,625		12,635,625	
others	-		192,756,611	
		12,635,625		205,392,236
 <b>SCHEDULE 'H'</b>				
<b>CASH &amp; BANK BALANCE</b>				
Balance With Bank in Current A/c.				
	701,327		842,163	
Balance With Bank in Fixed Deposit & Margin Account				
	341,013		341,545	
Cash in Hand	50,293		78,822	
		1,092,633		1,262,530
 <b>SCHEDULE 'I'</b>				
<b>LOANS &amp; ADVANCES</b>				
(Unsecured, Good)				
Advances Receivable In Cash or Kind				
or value to be received	60,730,666		135,682,029	
Deposit	247,754		247,754	
Advance Income Tax and Fringe Benefit Tax	553,024		556,619	
(net of provision for tax Rs. 6,83,500/-				
Previous Year Rs. 24,80,058/-)		61,531,444		136,486,402
 <b>SCHEDULE 'J'</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors for Goods				
	-		172,189,767	
Sundry Creditors for Others	252,434		137,774	
		252,434		172,327,541

## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

	CURRENT YEAR		PREVIOUS YEAR	
	31/03/2011		31/03/2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 'K'</b>				
<b>OTHER INCOME</b>				
Interest Income	16,409		712,312	
Misc Income	-		4,851	
Excess Gratuity provision written back	-		80,406	
		16,409		797,569
<b>SCHEDULE 'L'</b>				
<b>COST OF GOODS SOLD</b>				
<b>POLISHED DIAMONDS</b>				
Opening Stock	-		32,005,008	
Add : Purchases	61,516,070		172,189,767	
	61,516,070		204,194,775	
Less : Closing Stock	6,576,819		-	
		54,939,251		204,194,775
<b>SCHEDULE 'M'</b>				
<b>ADMINISTRATIVE EXPENSES</b>				
Bank Charges & Commission	7,155		212,713	
Conveyance & Travelling	11,824		12,810	
Electricity Charges	29,175		61,112	
Exchange Rate Difference (net)	29,135		9,167,491	
Notional Exchange Rate Difference	532		7,091	
Legal & Professional Fees	21,118		35,036	
Membership & Subscription	4,964		16,103	
Office & General Expenses	515,168		61,815	
Salaries	1,738,022		1,327,249	
Telephone Expenses	-		19,583	
Sales Tax	-		383	
Gratuity provision	84,975		-	
Payment to Auditors	-		-	
As Audit Fees	11,030		11,030	
		2,453,098		10,932,416
<b>SCHEDULE 'N'</b>				
<b>INTEREST PAID</b>				
Interest to Bank	20		3,791,803	
Interest to Others	-		-	
		20		3,791,803

## NOTES FORMING PARTS OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

### SCHEDULE 'O'

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### a) System of Accounting:

These financial statements are prepared in accordance with the generally accepted accounting principles (GAAP) in India under the historical cost convention on accrual basis. The financial statements have been prepared to comply in all material respects with the notified Accounting Standards issued by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956.

##### b) Fixed assets:

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses.

##### c) Depreciation:

The Company is providing depreciation on written down value method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

##### d) Revenue recognition:

Revenue with respect to export sales is recognized when the goods are delivered to the customs authorities. Revenue from domestic sales is recognized when goods are delivered to the customer and the title of goods passes to the customers. Domestic sales are recognized excluding Value added tax (VAT).

##### e) Inventory

Inventory of traded and manufactured goods is valued at cost or net realizable value whichever is less.

##### f) Foreign Currency Transaction

- i. In respect of export of goods, the transaction in foreign currency is recorded in rupees by applying to the foreign currency amount the average exchange rate for the month in which the transaction occurred. Amount short/excess realized is debited/credited to exchange difference account.
- ii. Assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at contracts rates, when covered by foreign exchange contracts and at year-end rate in other cases. Difference due to translation of current asset and current liabilities is recognized in the profit and loss account.

##### g) Retirement benefits

Provision for gratuity liability is made on the basis of actuarial valuation at the end of the accounting period.

Liability for encashment of leave is recognized and charged to the profit and loss account in the year in which it is earned on accrual basis.

##### h) Borrowing cost

Borrowing cost directly attributable to acquisition or construction of fixed assets, which necessarily take substantial period of time to get ready for their intended use, are capitalized. Other borrowing costs are charged to profit and loss account.

##### i) Investment

Long term investments are carried at cost. Provision for diminution in the value of long term investments is made only if such decline is not temporary in the opinion of management.

##### j) Taxes on Income:

Current Tax is determined as the amount of tax payable to taxation authorities in respect of taxable income for the year.

Deferred tax is recognized using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date, subject to the consideration of prudence, on timing differences being differences between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods.

##### k) Impairment of Assets:

At balance sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of company's fixed assets. If any such indication exists. The assets recoverable amount estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

##### l) Provisions Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

#### 2. Investments in Subsidiaries

- a) During the year company has invested 15,00,000 (NIL) 6% Redeemable Preference Shares of Rs. 10/- each at the premium of Rs. 105 per share in the Subsidiary company Ciemme Jewels Ltd for total consideration of Rs 17,25,00,000/-. The said preference shares are redeemed in 5 equal installments commencing from 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> year from the date of issue.

## NOTES FORMING PARTS OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

- b) During the year the company has divested its entire holding in, Ciemme LA Inc Usa as there was limited operations and mounting losses.. The shares were sold at par even though the book value was diminished completely.

### 3. Commitments and contingent liabilities not provided for

Particulars	As at 31.03.2011 (Rs. In crores)	As at 31.03.2010 (Rs. In crores)
a) Guarantee given to banks in respect of credit facilities sanctioned to group concern in which directors are interested as partners	950.00	950.00

4. The management based on their review of assets and operation of the Company has determined that there is no indication of potential impairment and that the recoverable amount of any of its fixed assets is not lower than its carrying amount. Accordingly no provision for impairment is required as at 31<sup>st</sup> March 2011.
5. In the opinion of the management, current assets, loans and advances have a value on realization in the ordinary course of business, which is at least equal to the amount at which they are stated in the balance sheet.

### 6. Quantitative details of items Traded as required under part IV of schedule VI of the companies act 1956.

Item	Units	Opening		Purchase	
		Qty	Amount	Qty	Amount
Cut & Polished Diamond	Cts.	NIL (1905.06)	NIL (3,20,05,008)	3962.78 (18130.72)	6,15,16,070 (17,21,89,767)
		NIL (1905.06)	NIL (3,20,05,008)	3962.78 (18130.72)	6,15,16,070 (17,21,89,767)

Item	Units	Sales		Closing	
		Qty	Amount	Qty	Amount
Cut & Polished Diamond	Cts.	3566.92 (20035.78)	5,77,64,000 (21,84,30,524)	395.86 (NIL)	65,76,819 (NIL)
		3566.92 (20035.78)	5,77,64,000 (21,84,30,524)	395.86 (NIL)	65,76,819 (NIL)

### 7. (i) Earnings in Foreign Exchange:

- a) Exports Rs. NIL

### (ii) Expenditure in foreign currency:

- a) Imports etc Rs. NIL

8. Gratuity Liability is provided on the basis of actuarial valuation carried out by the company as required by the Accounting Standard (AS) 15-”Accounting for Retirement Benefits in the Financial Statement of the Employers” issued by The Institute of Chartered Accountants of India. The Company has no policy of leave encashment.

### 9. Segment information:

The firm has only one business segment i.e. sale and export of diamonds, which is being considered as the primary segment. The secondary segment, i.e. ‘geographical segments by location of customers’ is given below:

## NOTES FORMING PARTS OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

(Amount in Rs.)

Sr No.	Particulars	Geographical Segments		
		OUTSIDE INDIA	WITHIN INDIA	TOTAL
1.	<b>Segment Revenue</b>			
	Sales and income from operations	- (-)	5,77,80,409 (21,84,30,524)	5,77,80,409 (21,84,30,524)
2.	<b>Carrying amount of assets by geographical location of assets</b>			
	Segment Assets	30,20,93,380 (31,12,41,033)	39,03,91,181 (47,82,36,619)	69,24,84,561 (78,94,77,652)
3.	<b>Additions to fixed assets and intangible assets</b>	-	15,87,688 (48,883)	15,87,688 (48,883)

Notes:

- i. Secondary segments identified are as per the requirements of Accounting Standard AS-17 'Segment Reporting' issued by The Institute of Chartered Accountancy of India, taking into account the organization structure as well as the differing risks and returns.
  - ii. The segment revenue and total assets includes the revenue and assets respectively, which are identifiable with each segment and amounts allocated to the segments on a reasonable basis.
10. a) The company is yet to enter in to sale deed/ agreement for its premises at Bharat Diamond Bourse, Bandra Kurla Complex, Mumbai.
  - b) In respect of 2 premises booked and paid for an area of 1050 sq ft at Bharat Diamond Bourse, Bandra Kurla complex, the company has been allotted only 1037 Sq ft. of premises applied for and paid for. Consequently to above the company will receive refund of Rs. 3,45,455/- for 13 Sq. ft. area less allotted. The company shall also receive interest @ 1% p.m. refund.
  - c) In respect of Office Premises at Bandra Kurla Complex, no depreciation is charged as the asset is not put to use during the year.
  - d) During the year the company has purchased a motor car for the normal use in the business in the name of the director of the company.
11. **Related Party Disclosure - List of Related Parties:**
    - A) Holding Company : C. Mahendra Exports Limited
    - B) Subsidiary Companies : C. Mahendra BVBA (Antwerpen)  
Ciemme (LA) Inc. (U.S.A.)  
C. Mahendra Exports (H. K.) Ltd  
C. Mahendra USA Inc. (U.S.A.)  
Ciemme Jewels Limited (INDIA)
    - C) Subsidiary of Subsidiary : C. Mahendra NY LLC  
Ciemme NY LLC
    - D) Other Related Parties in the C. Mahendra Group where common control exists and with whom transactions during the year have taken place.  
  
Allright Trading Pvt Ltd  
Polo Developers Pvt Ltd
    - E) Directors during the year :-  
Mahendra C. Shah Pravin C. Shah Kanu C. Shah  
Champak K. Mehta Pravin K. Mehta Prakash Mehta  
Sandeep M. Shah Suresh K. Mehta

## NOTES FORMING PARTS OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

F) The following transactions were carried out with related parties referred above

	31 <sup>st</sup> March 2011 ( Rs in crores )	31 <sup>st</sup> March 2010 ( Rs in crores )
<b>Holding Company</b>		
- Guarantee Provided	950.00	950.00
- Sales	-	1.30
<b>Subsidiary (incl. Subsidiary of Subsidiary)</b>		
- Sales	-	19.28
- Interest Received	-	-
- Purchase	-	-
- Loan repaid	-	-
- Investment made During the Year	17.25	-
<b>Key Management Personnel</b>		
- Due to Directors	41.38	33.88
- Loan taken during the year from Directors	17.57	3.24
- Loan paid during the year to Directors	10.06	16.55
<b>Due from Related Parties</b>	6.05	32.83

12. Disclosures in respect of defined benefit plans (gratuity) as required under AS-15 (Revised) "Employee Benefits are as under:

i) **Principal assumption used in determining gratuity :**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Discount rate at the beginning of the period	8.5%	8.5%
Expected rate of increase in compensation level	8%	8%

ii) **Change in the present value of the benefit obligations :**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Projected benefits obligations, as at beginning of the period	81,144	68,263
Service cost	62,034	25,546
Interest cost	3,449	5,802
Actuarial (gain) / loss on obligation	(3,724)	(41,683)
Benefit paid		
Projected benefit obligation end of the period	1,42,903	57,928

iii) **Expenses recognized in statement of profit and loss :**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Current service cost	62,034	25,546
Interest cost	3,449	5,802
Expected return on plan assets	-	-
Net actuarial gain	(3,724)	(41,683)
Net periodic cost	61,759	(10,335)

## NOTES FORMING PARTS OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2011

### iv) Movement in net liability recognized in balance sheet :

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Opening net liability	81,144	68,334
Expenses as above	61,759	(10,335)
Contribution paid		
Closing net liability	1,42,903	57,928

### 13. Earning Per Share:

PARTICULARS	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March 2010
Profit /(Loss) After Tax	79,084	1,07,342
Weighted average shares outstanding during the year	1,12,800 shares	1,12,800 shares
Earning Per Share	0.70	0.95

### 14. Deferred Taxes:

The Company has accounted for deferred taxation in accordance with the Accounting Standards 22 - "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

As at 31.03.11 net deferred tax liability aggregates to Rs. 3,33,022/- as set below.

Particulars	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010
Opening Balance	3,23,194	3,48,668
Add : Deferred Tax Liability:		
On account of Gratuity	-	17,900
On account of Depreciation	53,985	
Less : Deferred Tax Assets :		
On account of Depreciation	43,374	
On account of Gratuity	44,157	-
Net Deferred Tax Liability	3,33,022	3,23,194

15. a) There are no Small Scale Undertakings, to whom the company owes a sum which is outstanding for more than 30 days at the Balance Sheet date. This information has been determined on the basis of information available with the Company. This has been relied upon by the auditors.
- (b) Suppliers/Service providers covered under Micro, Small Medium Enterprises Development Act 2006, have not furnished the information regarding filing of necessary memorandum with the appropriate authority. In view of this, information required to be disclosed u/s 22 of the said Act is not given.
16. Figures given in bracket in notes relates to previous year
17. Balance Sheet Abstract and Company's General Profile as required by part IV of Schedule VI to the Companies Act, 1956. is attached to financial statements

As per our report of even date attached  
**FOR R. H. MODI & CO.**  
**CHARTERED ACCOUNTANTS**  
**(FIRM REGISTRATION NO : 106486W)**

Sd/-  
**R. H. MODI**  
**PROPRIETOR**  
**M. NO. 37643**

Mumbai;

**For C. MAHENDRA INTERNATIONAL LIMITED**

Sd/-  
**DIRECTORS**

Dated: 20.05.2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit /{(Loss) before tax		159,148		97,368
<b>ADJUSTMENTS FOR:</b>				
Depreciation	228,892			211,731
Interest expenditure	20			3,791,803
Interest Income	16,409	212,503		712,312
<b>Operating profit before working capital changes</b>		<u>371,651</u>		<u>3,388,590</u>
<b>ADJUSTMENTS FOR:</b>				
Trade and other receivables	267,862,765			154,539,412
Inventories	(6,576,819)			32,005,008
Trade payables and other liabilities	(172,075,108)	89,210,839		42,726,113
<b>Cash generated from operations</b>		<u>89,582,490</u>		<u>232,659,123</u>
Less: Interest Paid		(20)		(3,791,803)
Taxes paid	(80,064)	(80,084)		9,974
<b>Net cash generated Operating activities</b>		<u><u>89,502,406</u></u>		<u><u>228,877,293</u></u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets		(1,242,233)		(48,883)
Interest Income		16,409		712,312
<b>Net cash used in investing activities</b>		<u><u>(1,225,824)</u></u>		<u><u>663,429</u></u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings (net of repayment)		75,045,236		(209,876,361)
Proceeds from issued and subscribed capital		-		-
(Purchase)/Sale of Investments in Subsidiary		(163,352,347)		(20,000,000)
Dividend (Including tax on dividend)		-		-
<b>Net cash from financing activities</b>		<u><u>(88,305,111)</u></u>		<u><u>(229,876,361)</u></u>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<u><u>(28,529)</u></u>		<u><u>(335,637)</u></u>
<b>Cash and cash equivalents - Opening balance</b>		78,822		116,741
<b>Cash and cash equivalents - Closing balance</b>		<u>50,293</u>		<u>78,822</u>
<b>Net increase/(decrease) as disclosed above</b>		<u><u>(28,529)</u></u>		<u><u>(37,919)</u></u>

As per our report of even date attached  
**FOR R. H. MODI & CO.**  
**CHARTERED ACCOUNTANTS**  
**(FIRM REGISTRATION NO : 106486W)**

Sd/-  
**R. H. MODI**  
**PROPRIETOR**  
**M. NO. 37643**  
**Mumbai;**

**For C. MAHENDRA INTERNATIONAL LIMITED**

Sd/-  
**DIRECTORS**

Dated: 20.05.2011



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER SCHEDULE VI, PART - (VI) OF THE COMPANIES ACT, 1956**

1)	<b>REGISTRATION DETAILS</b>		
	REGISTRATION NO.	:	77071
	STATE CODE	:	11
	BALANCE SHEET DATE	:	31.03.2011
2)	<b>CAPITAL RAISED DURING THE YEAR</b>		
	PUBLIC ISSUE	:	NIL
	RIGHTS ISSUE	:	NIL
	BONUS ISSUE	:	NIL
	PRIVATE PLACEMENT	:	NIL
3)	<b>POSITION OF MOBILISATION &amp; DEVELOPMENT OF FUNDS</b>		
	TOTAL LIABILITIES	:	692,232,126
	TOTAL ASSETS	:	692,232,127
	<b>SOURCES OF FUNDS</b>		
	PAID UP CAPITAL	:	1,128,000
	RESERVE & SURPLUS	:	276,973,118
	SECURED LOANS	:	-
	UNSECURED LOANS	:	413,797,986
	DEFERRED TAX LIABILITY	:	333,022
	<b>APPLICATION OF FUNDS</b>		
	NET FIXED ASSETS	:	16,054,659
	INVESTMENTS	:	594,593,380
	NET CURRENT ASSETS	:	81,584,087
	MISCELLANEOUS EXPENDITURE	:	-
	ACCUMULATED LOSSES	:	-
4)	<b>PERFORMANCE OF THE COMPANY</b>		
	TURNOVER (INCOME)	:	57,780,409
	TOTAL EXPENDITURE	:	57,621,261
	PROFIT BEFORE TAX	:	159,148
	PROFIT AFTER TAX	:	79,084
	EARNING PER SHARE	:	0.70
	DIVIDEND	:	
5)	<b>GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY</b>		
	ITEM NUMBER	:	-
	PRODUCT DESCRIPTION	:	DIAMONDS

As per our report of even date attached  
**FOR R. H. MODI & CO.**  
**CHARTERED ACCOUNTANTS**  
**(FIRM REGISTRATION NO : 106486W)**

Sd/-  
**R. H. MODI**  
**PROPRIETOR**  
**M. NO. 37643**

**Mumbai;**

**For C. MAHENDRA INTERNATIONAL LIMITED**

Sd/-  
**DIRECTORS**

**Dated: 20.05.2011**

## C. MAHENDRA BVBA

### Report of the Independent Auditors

To,

**The shareholder of C. Mahendra BVBA**

We have audited the financial statement of C. Mahendra BVBA, which comprise the director's report, the balance sheet as at March 31, 2011 and income statement for the year ended.

**Directors Responsibility for the financial Statements**

The company's directors are responsible for the preparation and fair presentation of these financial Statements in accordance with the reporting framework applicable in Belgium. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**Auditors Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditors considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances , but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

Valuation of inventories necessarily requires technical appraisal. Consequently, we as financial auditors cannot , to the extent, express an opinion on this matter . Inventories included in the Financial statements amount to 10.990.875,35 EUR. The valuation of inventories is judged by the Board of directors and is carried out under their responsibility. The board of directors has informed us that the valuation of inventories is in accordance with valuation rules generally applied and accepted in the diamond trade, in accordance with generally accepted accounting principle and consistent with prior years. Taking into consideration the financial statements as a whole, we have no indication that valuation of inventories by the board of directors leads to a material misstatement in the financial statements.

As at March 31, 2011 the company has long outstanding trade receivable's amounting to 238.626,44 EUR. Although the collectability can be considered as uncertain, no write off has been recorded at year end.

This internal group report is intended solely for internal use relating to the preparation of the consolidated financial statements. Because of the special nature of this report, it is not to be referred to or presented to anyone outside the management of the company. Accordingly, this report should not be considered as the formal statutory audit report on the financial statements of C. Mahendra BVBA, as a separate entity, for the financial year ended March 31, 2011.

In our opinion, subject to the potential effect on the financial statements of the matters referred to in the preceding paragraphs and to the satisfactory clearing of the outstanding matters, the financial statements present fairly, in all material respects, the financial position of the company as of March 31, 2011, and of its financial performance and it's cash flows for the year then ended in accordance with the reporting framework applicable in Belgium.

Sint-Denijs-Westrem, May 6, 2011

WF & Co, Bedrijfsrevisoren BVBA  
Statutory Auditor  
represented by

Sd/-  
Stefaan Beirens  
Partner

## Directors' Responsibilities and Approval

The directors are required by the Belgian Company Code, to maintain adequate accounting record and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the reporting framework applicable in Belgium. The external auditors are engaged to express an independent opinion on these financial statements.

The financial statements are prepared in accordance with the reporting framework applicable in Belgium and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermine procedure and constraints.

The directors are of the opinion, based on the information and explanation given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparations of the financial statements. However, any system of internal financial control can provide only reasonable, and not

absolute assurance against material misstatement or loss.

The directors have review the company's cash flow forecast for the year to December 31,2011 and , in the light of this review and the current financial position, they are satisfied that the company has or has excess to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report it presented on page 1.

The financial statements set out on pages 8 to 20, which have been prepared on the going concern basis, were not yet approved in written.

Sd/-

C. Mahendra International Ltd  
Represented by  
Shah Mahendra Chandulal  
Shah Pravinchandra Chandulal  
Shah Samir Pravin  
Mehta Paras Champaklal  
Director

## Directors' Report

The Director submit their report for the year ended March 31, 2011.

### 1. Review of Activities

The company is engaged in retail sale and purchase of diamonds.

The operating results and state of affairs of the Company are fully set out in the financial statements and do not in our opinion require any further comment. The net profit for the year amounts to 212.127,04 EUR.

### 2. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

### 3. Authorised and issued share capital

There were no changes in the authorized or issued share capital of the company during the year under review. Details of shareholders and their interest are set out in the note 8.

### 4. Auditors

WF&Co, Bedrijfsrevisoren BVBA (represented by Stefaan Beirens, Partner) were appointed for a period of three years. The first year of their mandate related to the accounting year ending March 31,2006.

Sd/-

C. Mahendra International Ltd  
Represented by  
Shah Mahendra Chandulal  
Shah Pravinchandra Chandulal  
Shah Samir Pravin  
Mehta Paras Champaklal  
Director

## BALANCE SHEET AS AT 31 MARCH, 2011

Figures in EURO	Note(s)	2011	2010
<b>ASSETS</b>			
Intangible assets		-	-
Property, plant and equipment	1	717.318,02	765.380,79
Investments and other financial assets	2	21.192,39	20.759,77
<b>Fixed Assets</b>		<b>738.510,41</b>	<b>786.140,56</b>
Other long term amounts receivable		-	-
Inventories	3	10.990.875,35	14.203.149,66
Trade and other receivables	4	14.202.606,86	14.534.010,22
Other investments	5	175.182,65	36.650,85
Cash and cash equivalents	6	424.872,96	3.518.022,71
Deferred charges	7	1.765,98	1.946,46
<b>Current Assets</b>		<b>25.795.303,80</b>	<b>32.293.779,90</b>
<b>Total Assets</b>		<b>26.533.814,21</b>	<b>33.079.920,46</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	18.707.069,80	4.100.000,00
Uncalled capital	8	(10.955.302,35)	-
Legal reserves	8	37.260,00	26.560,00
Reserves not available	8	2.922.136,37	2.922.136,37
Distributable reserves	8	668.676,16	467.249,12
<b>Equity</b>		<b>11.379.839,98</b>	<b>7.515.945,49</b>
Financial debts	9	568.181,91	625.159,93
<b>Non-Current Liabilities</b>		<b>568.181,91</b>	<b>625.159,93</b>
Bank overdrafts	10	3.965.657,57	7.661.341,41
Trade and other payables	11	10.105.820,56	15.294.379,67
Other liabilities	12	508.908,12	1.981.657,89
Accrued charges	13	5.406,07	1.436,07
<b>Current Liabilities</b>		<b>14.585.792,32</b>	<b>24.938.815,04</b>
<b>Total Equity and Liabilities</b>		<b>26.533.814,21</b>	<b>33.079.920,46</b>

The accompanying notes form an integral part of these financial statements. The report of the auditors is set forth on page 1.

## Income Statement 31 March, 2011

Figures in EURO	Note(s)	2011	2010
Sales	14	82.915.207,48	51.643.120,44
Cost of sales		(81.883.651,80)	(50.483.177,76)
<b>Gross margin</b>		<b>1.031.555,68</b>	<b>1.159.942,68</b>
Other operating income		1.081,81	1.629,07
Operating expenses	15	(448.985,38)	(499.175,93)
<b>Operating result</b>		<b>533.461,56</b>	<b>712.586,37</b>
Finance costs (net)	16	(302.378,39)	(531.901,59)
Exceptional costs (net)		-	(428,88)
<b>Result before taxation</b>		<b>231.083,17</b>	<b>180.255,90</b>
Income tax (expense)/income	17	(18.956,13)	(7.756,98)
<b>Result for the year</b>		<b>212.127,04</b>	<b>172.498,92</b>

*The accompanying notes form an integral part of these financial statements.*

## Statement of changes in Equity 31 March,2011

Figures in Euro	Share Capital	Legal Reserve	Reserve not available	Distributable Reserve	Total Equity
<b>Balance at</b>	<b>4.100.000,00</b>	<b>26.560,00</b>	<b>2.922.136,37</b>	<b>467.249,12</b>	<b>7.515.945,49</b>
<b>April 1. 2010</b>					
Capital increase	14.607.069,80				14.607.069,80
Uncalled Capital	(10.955.302,35)				(10.955.302,35)
Result for the year 2011		10.700,00		201.427,04	212.127,04
<b>Balance at March 31, 2011</b>	<b><u>7.751.767,45</u></b>	<b><u>37.260,00</u></b>	<b><u>2.922.136,37</u></b>	<b><u>668.676,16</u></b>	<b><u>11.379.839,98</u></b>

*The accompanying notes form an integral part of these financial statements.*

## Accounting Policies

### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the reporting framework applicable in Belgium. The company does not prepare a consolidation package. Consequently, (1) we are not able to identify differences between the statutory and the reporting financial statements and (2) we report on the audited Belgium statutory accounts since the accounts are not adapted to the group accounting policies.

In addition, we remark that, due to the Belgium group structure and according to the Belgium company code, the Belgium companies need to prepare and deposit consolidated financial statements.

The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

### 2. Significant Accounting Policies

#### 2.1 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment is depreciated over their estimated useful life. The depreciation charge for each period is recognized in profit or loss.

The gain or loss arising from the disposal of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item at the beginning of the period.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### 2.2 Investments and Guarantees.

Investments and guarantees are carried at historical cost.

### 2.3 Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories are measured by individualization.

As of balance date, the inventories in foreign currencies are translated into Euro at the exchange rate at the balance sheet date. The difference is recorded as non realized exchange rate differences in the profit and loss accounts.

### 2.4 Trade and other receivables

Trade receivables are measured at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired (as they arise)

As of balance date, the trade and other receivable in foreign currencies are translated into Euro at the exchange rate at the balance sheet date. The difference is recorded as non realized exchange rate differences in the profit and loss accounts.

### 2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balance in current accounts. They are recorded at nominal value.

As of balance date, the cash and cash equivalents in foreign currencies are translated into Euro at the exchange rate at the balance sheet date. The difference is recorded as non realized exchange rate differences in the profit and loss accounts.

### 2.6 Bank overdraft, trade and other debts

Bank overdraft, trade and other debts are recorded at nominal value. Liabilities are recognized for amounts to be paid for goods or services received, whether invoice by the supplier or not.

### 2.7 Revenue

Revenue from the sell of goods represent net amounts invoiced for goods delivered or services rendered during year. Sales are recognized when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.



## 2.8 Impairment testing of assets

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

## 2.9 Translation of foreign currencies / Foreign currency transactions

A foreign currency transaction is recorded by applying to the foreign currency amount the spot exchange rate between the Euro and the foreign currency at the date of the transaction.

The differences arising, at settlement date, out of differences between the exchange rates at transaction date and settlement date, are taken into the profit and loss account (realized exchange rate differences).

At each balance sheet date foreign currency monetary items are translated using the closing rates. The differences are recorded as non realized exchange differences are recorded as non realized exchange rate differences in the profit and loss accounts. As of March 31<sup>st</sup>, 2011. the closing exchange rate USD / EURO amounts to 1,4207 which was used for this translation.

Starting financial year 2006, in accordance with Belgium accounting principles and taking into account the substance over form principle, (non) realized exchange differences are classified in the sales when positive (income) or in the cost of sales when negative (cost).

## 2.10. Current tax assets and liabilities

Current tax for current and prior period is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior period exceeds the amount due for those periods, the excess is recognized as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

## Notes to the Financial Statements 31 March, 2011

### 1. Property, Plant And equipment

Figures in Euro	Land and Buildings	Plant. Machinery and equipment	Furniture and Vehicles	Total
<b>Cost</b>				
Balance at April 1,2010	690.223,00	349.075,96	16.846,24	1.056.145,20
Additions	-	1.092,36	1.278,30	2.370,66
Disposal	-	-	-	-
<b>Cost at March 31, 2011</b>	<b>690.223,00</b>	<b>350.168,32</b>	<b>18.124,54</b>	<b>1.058.515,86</b>
<b>Depreciation</b>				
Balance at April 1, 2010	93.567,05	188.646,13	8.551,23	290.764,41
For the year 2010-2011	18.713,41	29.214,40	2.505,62	50.433,43
Disposals	-	-	-	-
<b>Depreciation at March 31, 2011</b>	<b>112.280,46</b>	<b>217.860,53</b>	<b>11.056,85</b>	<b>341.197,84</b>
<b>Net Book Value at April 1, 2010</b>	<b>596.655,95</b>	<b>160.429,83</b>	<b>8.295,01</b>	<b>765.380,79</b>
	<b>577.942,54</b>	<b>132.307,79</b>	<b>7.067,69</b>	<b>717.318,02</b>

A register containing details per item is available at the registered office of the company.

### 2. Investments and other financial assets

Figures in Euro	Investments	Gurantees	Total
Balance at April 1,2010	10.614,21	10.145,56	20.759,77
Investments	-	432,62	432,62
Impairment of	-	-	-
<b>Balance at march 31, 2011</b>	<b>10.614,21</b>	<b>10.578,18</b>	<b>21.192,39</b>

The investment for the accounting year relates to the purchase of 100% of the shares of the company Best Shine Limited for 15.000,00 USD.

### 3. Inventories

Figures in Euro	2011	2010
Raw materials (Rough Diamonds)	7.752.133,97	11.639.810,54
Raw materials consignments (Rough Diamonds)	-	-
Finished goods (Polished diamonds)	3.123.127,32	2.447.725,06
Finished consignments goods (Polished diamonds)	115.614,06	115.614,06
<b>Total Inventories</b>	<b>10.990.875,35</b>	<b>14.203.149,66</b>

The inventories include 38.945,69 carat rough diamonds for a EUR value 7.752.133,97, 10.568,31 carat polished diamonds for a EUR value of 3.123.127,32 and 348.08 carat polished diamonds for a EUR value of 115.614,06 at the end of March 2011.

We have audited the accordance between the opening stock, the flow of goods and the final stock in carats as recorded in the accounting records and “the yearly declaration of the stocks and activity to the Ministry of Economics Affairs” for the financial year under review.

#### 4. Trade and other receivables

Figures in EURO	Third Parties	Related Parties	Total
Trade receivables	2.954.944,18	8.637.577,00	11.592.521,18
Customers credit balances	-	-	-
Suppliers debit balances	1398379,68	1666,81	1.400.046,49
Accrued income goods in Consignment	(115.614,06)	-	(115.614,06)
VAT receivable	3.366,65	-	3.366,65
Current Accounts	1.313.989,60	-	1.313.989,60
Other	8.297,00	-	8.297,00
<b>Total</b>	<b>5.563.363,05</b>	<b>8.639.243,81</b>	<b>14.202.606,86</b>

The trade receivables as of March 31, 2011 include the following receivables from related parties (diamond trade):

- Trade receivables:
  - C. Mahendra Exports: 4.593.888,51 EURO
  - C. Mahendra Exports: 1.568.037,09 EURO
  - C. Mahendra Exports: 2.475.651,40 EURO
- Suppliers' debit balances:
  - C. Mahendra Exports: 1.75,26 EURO
  - C. Mahendra Exports: 1.491,55 EURO

#### 5 Investments

Figures in EURO	Shares
Balance at April 1, 2010	36.650,85
Investment in	138.531,80
Impairment of	-
<b>Balance at March 31, 2011</b>	<b>175.182,65</b>

The investments include forex deposits with GFT.

## 6 Cash and cash equivalents

Cash and cash equivalents consists of:

<b>Figures in EURO</b>	<b>2011</b>	<b>2010</b>
Bank current accounts	401.057,60	3.456.356,81
Cash on hand	23.815,36	61.665,90
Internal transfer of funds	-	-
<b>Total cash and cash equivalents</b>	<b>424.872,96</b>	<b>3.518.022,71</b>

Sureties, collaterals or securities put up by the entity in favour of the bank:

- the mortgage of the company is pledged for an amount of 900.000,00 EURO

## 7 Deferred charges and accrued income

These consist of 1.765,98 EURO deferred charges.

## 8. Share Capital

<b>Figures in EURO</b>	<b>2011</b>	<b>2010</b>
161 Equity shares each fully paid up	4.100.000,00	4.100.000,00
Capital increase (313 equity shares)	14.607.069,80	-
Uncalled Capital	(10.955.302,35)	-
<b>Total Share Capital</b>	<b>7.751.767,45</b>	<b>4.100.000,00</b>

Out of the above, 74 equity shares are held by C. Mahendra International Ltd., 166 shares by C. Mahendra Exports Ltd. and balance 234 shares are uncalled as on 31st March 2011. The profit for the year, 212.127,04 EUR, is transferred for 10.700,00 EUR to the legal reserve and for 201.427,04 EUR to the reserve available for distribution.

## 9. Financial Debt

The financial debt includes a loan of 568.181,91 EUR from KBC.

## 10. Bank overdrafts

The Bank overdrafts include negative bank current accounts, straight loans and current portion of amounts payable.

ABNAMRO EUR	85,53
Antwerp Diamond Bank EUR	389.410,70
Straight Loan USD	3.519.391,85
Current portion of amounts payable	56.769,49
<b>Total</b>	<b>3.965.657,57</b>

**11. Trade and other payables**

<b>Figures in EURO</b>	<b>Third Parties</b>	<b>Related Parties</b>	<b>Total</b>
Trade Payable	5.941.853,92	-	5.941.853,92
Suppliers debit balance	1.398.379,68	1.666,81	1.400.046,49
Pre-shipments	2.763.920,15		2.763.920,15
<b>Total</b>	<b>10.104.153,75</b>	<b>1.666,81</b>	<b>10.105.820,56</b>

- For the suppliers debit balances and the customers' credit balances we refer to the trade receivables.

**12. Other Liabilities**

<b>Figures in Euro</b>	<b>2011</b>	<b>2010</b>
Income tax to be paid ( current year)	19.700,00	-
Withholding taxes	2.496,73	2.584,73
Social security contributions	4.644,58	4.591,10
Holding Pay accrual	7.227,13	5.390,10
Other social obligations	632,74	617,37
Current accounts	474.206,94	1.968.474,59
<b>Total Other Liabilities</b>	<b>508.908,12</b>	<b>1.981.657,89</b>

**13 Deferred income and accrued charges**

These consist of 5.406,07 EURO accrued charges

**14 Sales and cost of sales**

<b>Figures in Euro</b>	<b>2011</b>	<b>2010</b>
Sales of diamonds	82.915.207,48	51.349.561,96
Purchases of raw materials	(78.250.433,14)	(54.023.987,39)
Increase - decrease in stocks	(3.212.274,31)	3.946.879,59
General subcontractors	(5.359,25)	(1.088,64)
Realised exchange rate results	(143.030,82)	(405.081,32)
Unrealised exchange rate results	(272.554,28)	293.558,48
<b>Gross margin</b>	<b>1.031.555,68</b>	<b>1.159.842,68</b>

The company's sales of diamonds can be detailed regionally as follows:

<b>Figures in EURO</b>	<b>2011</b>	<b>2010</b>
Belgium (rough)	24.891.263,16	22.264.428,58
Belgium (polished)	2.204.653,60	1.332.067,55
European Union (polished)	-	1.480,58
Other - export (rough)	48.367.192,55	26.583.245,41
Other - export (polished)	7.452.098,17	1.168.339,84
<b>Sales</b>	<b>82.915.207,48</b>	<b>51.349.561,96</b>

#### 15 Operating expenses

<b>Figures in EURO</b>	<b>2011</b>	<b>2010</b>
Services and other goods	388.935,49	288.018,39
Personnel costs	46.803,88	58.852,18
Depreciation fixed assets	50.443,43	62.449,19
Write offs	-	28.620,00
Taxes (other than income taxes)	10.663,28	5.893,88
Losses on realisation of trade debtors	-	-
Other operating costs	2.339,85	5.151,74
<b>Sales</b>	<b>499.185,93</b>	<b>448.985,38</b>

The services and other goods include 13.925,84 EURO auditors' remuneration (13.140,00 EURO over 2009 - 2010).

The personnel costs include the costs for 2 full time equivalents (2 over 2009 - 2010).

#### 16. Finance Costs (net)

<b>Figures in EURO</b>	<b>2011</b>	<b>2010</b>
Loan Interest Costs	(39.111,88)	(42.540,31)
Bank Costs	(34.463,15)	(55.238,36)
Bank Interest Costs	(68.344,44)	(287.350,87)
Straight Loan Interest	(124.323,48)	(48.035,54)
Letter of credit (interest + commission)	(235.608,79)	(75.198,56)
Interest costs	(9.709,76)	(11.963,44)
other financial costs	(1.977,71)	(11.643,58)
Received interest	210.961,10	-
other financial income	(199,72)	69,07
<b>Finance costs (net)</b>	<b>302.978,39</b>	<b>531.901,59</b>

**17. Income tax expenses**

Income tax expenses comprises of ;

<b>Figures in EURO</b>	<b>2011</b>	<b>2010</b>
Income taxes current year	19.700,00	-
Additional tax charges previous years	(743,87)	7.756,98
<b>Inocme tax expenses</b>	<b>18.956,13</b>	<b>7.756,98</b>

**18. Financial Instruments****Credit Risk**

Financial assets, which potentially expose the company to concentration of credit risk comprise principally of bank balances. The company's are placed with high credit quality financial institutions.

There is no credit risk linked to the receivables enclosed in the balance sheet as of March 31, 2011.

**Interest rate risk**

The company has no borrowings except for the bank overdrafts and an investment credit.

**Exchange rate risk**

The exchange rate risk is linked to the difference between USD and EUR, as the major amount of diamond related transactions is denominated in USD whereas the accounting records are kept in EURO.

**19. Others**

Due to the absence of a pension insurance policy, no retirement benefits are accounts for. No disclosures needed.

There are no commitments/contingent liabilities not provided for.

There are no subsequent events, which require adjustments to or disclosure in the financial statements.

Previous year's figures are presented as 12 months as well. So the income statement of previous years is comparable with the income statement of current year.

## **C. MAHENDRA DMCC**

### **Report of the Directors For the period ended 31 March, 2011**

**The Directors** have pleasure in presenting their report and the audited financial statements for the period ended March 31, 2011.

#### **PRINCIPAL ACTIVITIES**

The Company is mainly engaged in trading of rough & polished Diamonds, Diamond Jewellery, Precious stones & Pearls.

#### **BUSINESS OPERATIONS REVIEW AND FUTURE BUSINESS DEVELOPMENTS**

The company's performance was satisfactory with a turnover of AED 55,251,083 for the period ended March 31, 2011. The company has achieved a gross margin of 2.45% and a net profit of AED 1,295,580 during the period. The Directors are optimistic about the prospects for the ensuing year and expect to improve the performance of the company.

#### **RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS**

The Company is committed to the management of risk to achieve sustainability, employment and surpluses. The risk management framework identifies, assesses, manages and reports risk on a consistent and reliable basis. The primary risks are those of credit, market (liquidity, interest rate, foreign exchange) and operational risk. The management recognizes their responsibility for system of internal control and for reviewing its effectiveness. In view of the above, company continuously monitors risks through means of administrative and information systems.

#### **FINANCIAL YEAR**

The financial year of the company is for the period from June 27, 2010 to March 31, 2011 (Nine months).

#### **CREDITORS PAYMENT POLICY**

The Company maintains a policy of paying suppliers in accordance with terms and conditions agreed with them.



## **Report of the Directors (continued) For the period ended 31 March, 2011.**

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### **AUDITORS**

The Auditors, M/s FALCON INTERNATIONAL CONSULTING & AUDITING, Chartered Accountants, United Arab Emirates are willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting (AGM).

### **DIRECTORS RESPONSIBILITIES**

The Company law requires the directors to prepare the financial statements for each financial year which gives a true and fair view of the state of affairs of the company and net profit (Loss) for that year and to enable them to ensure that the financial statements comply with the relevant governing laws.

### **ACKNOWLEDGMENTS**

The Directors wish to place on record the sincere gratitude for the continuous support extended by various government departments, bankers, customers, suppliers, employees and all well wishers.

**On behalf of the Board of Directors**

**Sd/-**

**Manager**

**May 17, 2011**

## INDEPENDENT AUDITOR'S REPORT

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**To**

**The Shareholders**

**C. Mahendra DMCC,**

**Dubai - United Arab Emirates.**

We have audited the accompanying financial statements of **C. Mahendra DMCC, Dubai - United Arab Emirates**, which comprise of the statement of financial position as at March 31, 2011 and the comprehensive income statement, statement of changes in shareholders' equity, statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance, whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **C. Mahendra DMCC, Dubai - United Arab Emirates**, as of March 31, 2011, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

Also in our opinion, during the year, there were no contraventions of the rules of Dubai Multi Commodities Centre.

**For FALCON INTERNATIONAL CONSULTING & AUDITING**

**Chartered Accountants**

**Sd/-**

**Managing Partner**

**Reg. No: 606**

**May 17, 2011**

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH, 2011

	NOTES	31-03-2011 AED
<b>NON-CURRENT ASSETS</b>		
Property, plant & equipments	4	1,552,642
		<u>1,552,642</u>
<b>CURRENT ASSETS</b>		
Trade receivables	5	36,797,739
Other receivables	6	46,926
Cash and cash equivalents	7	172,345
		<u>37,017,010</u>
<b>TOTAL ASSETS</b>		<u><u>38,569,652</u></u>
<b>CURRENT LIABILITIES</b>		
Trade payables	8	35,505,283
Other payable	9	1,568,789
		<u>37,074,072</u>
<b>LONG TERM LIABILITIES</b>		
		<u>-</u>
<b>TOTAL LIABILITIES</b>		<u><u>37,074,072</u></u>
<b>SHAREHOLDER'S FUND</b>		
Share capital		200,000
Retained earning	10	1,295,580
		<u>1,495,580</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>38,569,652</u></u>

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on page 3.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

**Approved by the directors on May 17, 2011**

**For C. MAHENDRA DMCC**

**Sd/-  
Manager**



## COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH, 2011

	NOTES	27-06-2010 To 31-03-2011 AED
Sales		55,251,083
Cost of sales	11	(53,897,146)
<b>Gross profit</b>		<b>1,353,937</b>
<b>Expenses</b>		
General & administrative expenses	12	55,235
Finance charges	13	3,122
<b>Total operating expenses</b>		<b>58,357</b>
<b>Net Profit(Loss) for the period</b>		<b>1,295,580</b>

The accompanying notes form an integral part of these financial statements

The report of the auditor is set out on page 3.

Approved by the directors on May 17, 2011

For C. MAHENDRA DMCC

Sd/-

Manager

**STATEMENT OF CHANGES IN EQUITY AS ON 31 MARCH, 2011**

	<b>Share Capital</b>	<b>Retained Earning</b>	<b>Total AED</b>
<b>Capital introduced as on 27-06-2010</b>	200,000	-	200,000
Net Profit(Loss) for the year	-	1,295,580	1,295,580
<b>Balance as on 31-03-2011</b>	<b>200,000</b>	<b>1,295,580</b>	<b>1,495,580</b>

The accompanying notes form an integral part of these financial statements

The report of the auditor is set out on page 3.

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH, 2011

	31-03-2011 AED
<b>Cash Flows from Operating Activities</b>	
Net Profit(Loss) for the period	1,295,580
Funds generated from operations	1,295,580
<b>Changes in Working Capital</b>	
(Increase) /decrease in trade receivables	(36,797,739)
(Increase) /decrease in other receivables & prepayments	(46,926)
Increase /(decrease) in trade payables	35,505,283
Increase /(decrease) in other payables	1,568,789
Net Cash inflow / (outflow) from operating activities	229,407
<b>Cash Flow from Investing Activities</b>	
Purchase of property, plant & equipments	(1,552,642)
	(1,552,642)
<b>Cash Flow from Financing Activities</b>	
Capital introduced	200,000
<b>Net Cash inflow / (outflow) from financing activities</b>	200,000
Net Increase / (Decrease) in cash and cash equivalents	172,345
Cash & Bank balances at the beginning of the year	-
<b>Cash and cash equivalents at the end of the period</b>	172,345
<b>Represented By:</b>	
Cash and cash equivalents (Note No.7)	172,345

The accompanying notes form an integral part of these financial statements

The report of the auditor is set out on page 3.

## Notes to the Financial Statements For the period ended 31 March, 2011.

### 1. LEGAL STATUS & BUSINESS ACTIVITIES

- a) C. Mahendra DMCC, (“the Company”) is registered in Dubai Multi Commodities Centre, Dubai, UAE (License no. DMCC 31404) as a Limited Liability Company on June 27, 2010.
- b) The Company is mainly engaged in trading of rough & polished Diamonds, Diamond Jewellery, Precious stones & Pearls.
- c) The management and control of the company are vested with the Manager, Mr. Hithesh Bherulal Lodha (Indian National).
- d) The registered address of the company is Unit No- Almas- BC – 86, Almas Business Centre DMCC, Almas Tower, Floor No. 2, Plot No. LT-2, Jumeirah Lakes Towers, Dubai, UAE.

### 2. SHARE CAPITAL

Authorized, issued and paid up capital of the company is AED 200,000 divided into 200 shares of AED 1,000 each fully paid and held by the shareholders as under:

Sl.No.	Name of Shareholders	Nationality	No. of	Amount %	Shares (AED)
1.	C.Mahendra Exports Limited	Indian Co.	200	200,000	100
			<b>200</b>	<b>200,000</b>	<b>100</b>

### 3. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB). The significant accounting policies adopted, and those have been consistently applied, are as follows:

#### 3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. An assessment of residual values is undertaken at each balance sheet date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge. No depreciation is provided on freehold property purchased during the year.

#### 3.2 Revenue recognition

Revenue from sale of goods shall be recognized when all the following conditions have been satisfied:

- i. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. The amount of revenue can be measured reliably;
- iv. It is probable that the economic benefit associated with the transaction will flow to the company; and
- v. The cost incurred or to be incurred in respect of the transaction can be measured reliably.

#### 3.3. Staff end-of-service benefits

The company has not made any provision for gratuity since there is no employee in the company.

#### 3.4. Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rate of exchange prevailing on the dates of transaction. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising are included in the statement of income.

### 3.5. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, balances with bank and deposits with banks, within a maturity date of three months or less from the date of deposit, free from encumbrances.

### 3.6 Financial Instruments

Financial assets and financial liabilities are recognized when, and only when, the company becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

Current and non-current financial assets that have fixed or determinable payments and for which there is no active market, which comprise cash and bank balances and other payables and stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognized in the income statement.

Current and non-current financial liabilities, which comprise current and non-current bank borrowings, trade and other payables and shareholders' current accounts, are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

### 3.7 Significant judgments and key assumptions

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

#### ***Impairment***

At each balance sheet date, management conducts an assessment of property, plant, equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the income statement or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

Key assumptions made concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

#### ***Doubtful Debt Provisions***

Management regularly undertakes a review of the amounts of trade receivables, loans and advances owed to the Company from third parties (Note no. 5) and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of Provisions required.

#### ***Impairment***

Assessments of net recoverable amounts of property, plant, equipment and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.



#### 4. PROPERTY, PLANT & EQUIPMENT AS ON 31 MARCH, 2011

	Freehold Property*	Total AED
<b>Cost</b>		
Addition during the year	1,552,642	1,552,642
<b>Total 31-03-2011</b>	<b>1,552,642</b>	<b>1,552,642</b>
Depreciation		
For the year	—	—
<b>Total as on 31-03-2011</b>	<b>—</b>	<b>—</b>
<b>Net Book value as at 31-03-2011</b>	<b>1,552,642</b>	<b>1,552,642</b>

\* BC-86, Al Mas Tower, JLT, Dubai, U.A.E

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on page 3.

## Notes related to the financial statements(continued) for the period ended as on 31 March, 2011

		31-03-2011 AED
<b>5</b>	<b>TRADE RECEIVABLES</b>	
	Sundry debtors	36,797,739
		<u>36,797,739</u>
	<b>AGEING ANALYSIS</b>	
	Less than 30 days	9,784,578
	Less than 60 days	27,013,161
		<u>36,797,739</u>
	Out of above AED 36,731, 804 is due from the related party M/s. C. Mahendra Exports Ltd.	
<b>6</b>	<b>OTHER RECEIVABLE</b>	
	Advances	40,000
	Prepayments	6,926
		<u>46,926</u>
<b>7</b>	<b>CASH AND CASH EQUIVALENTS</b>	
	Cash at bank in local currency	75,500
	Cash at bank in foreign currency	96,845
		<u>172,345</u>
<b>8</b>	<b>TRADE PAYABLES</b>	
	Sundry creditors	35,505,283
		<u>35,505,283</u>
<b>9</b>	<b>OTHER PAYABLES</b>	
	Accrued expenses	23,486
	Other payables	1,545,303
		<u>1,568,789</u>
<b>10</b>	<b>RETAINED EARNINGS</b>	
	Opening balance	-
	Net Profit(Loss) for the year	1,295,580
	Closing balance	<u>1,295,580</u>
<b>11</b>	<b>COST OF SALES</b>	
	Purchases and direct expenses	53,897,146
		<u>53,897,146</u>
<b>12</b>	<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	
	Rent	9,785
	Legal & professional charges	39,699
	Miscellaneous expenses	5,751
		<u>55,235</u>
<b>13</b>	<b>FINANCE CHARGES</b>	
	Bank charges	2,887
	Exchange rate fluctuations	235
		<u>3,122</u>

**14 CONTINGENT LIABILITY**

Except for the ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known contingent liability or capital commitment on company's account as of balance sheet date.

**15 RELATED PARTIES**

The company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Financial Reporting Standards (IFRS). Related parties comprise companies and entities under common ownership and /or common management and control, their partners and key management personnel.

The company believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

**At the balance sheet date, due from related parties were as follows:**

M/s. C. Mahendra Exports Ltd	<u>36,731,804</u>
	<u>36,797,739</u>

**At the balance sheet date, transactions with related related parties were as follows:**

M/s. C. Mahendra Exports Ltd	<u>55,185,148</u>
	<u>55,185,148</u>

**16 FINANCIAL INSTRUMENTS**

Financial instruments of the company comprises of cash and bank balances , trade receivables other receivables, trade payables and other payables.

**Risk Management****Credit Risk**

The financial assets that potentially expose the company to credit risk comprise principally of bank accounts, trade receivables and other receivables.

The Company's bank accounts are placed with high credit quality financial institutions.

**Exchange Rate Risk**

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams.

**Interest rate risk**

The company is not exposed to interest risk since it has no fixed deposits and bank borrowings.

**17 Financial year**

The financial year of the company is for the period 27-06-2010 to 31-03-2011(Nine months).

**18 All the figures are expressed in AED and Fills have been rounded of to the nearest AED.****19 Comparative amounts**

This being the first financial year of the company no previous year figures were provided.

**Approved by the directors on May 17, 2011**

**For C. MAHENDRA DMCC**

**Sd/-  
Manager**

**Ciemme**  
Exclusive Diamond Studded Jewellery  
C. MAHENDRA \* A DIAMOND PRODUCT GROUP



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Regd. & Admin Office: Tower 'C' Office No: CC-6011, Bharat Diamond Bourse, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.

PROXY FORM

Folio No. [ ]

Client ID No. [ ]

DP ID No. [ ]

No. of Shares held [ ]

I/We.....of.....
being a member / members of C. MAHENDRA EXPORTS LIMITED hereby appoint
.....of.....
or failing him..... of ..... or failing him.....
.....of..... as my /our Proxy to vote for me/us on my /our
behalf at the Fifth Annual General Meeting of the Company to be held on Friday, 16th September, 2011 at 2.30 p.m. and at
any adjournment thereof.

Signed this ..... day of ..... 2011

Signature(s) of the Shareholder(s) .....

Affix a
Re. 1
Revenue
Stamp

Note: The proxy duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.



Regd. & Admin Office: Tower 'C' Office No: CC-6011, Bharat Diamond Bourse, Bandra Kurla Complex, Bandra (East), Mumbai – 400051

ATTENDANCE SLIP

(To be filled in and handed over at the entrance of the Meeting Hall)

I hereby record my presence at the FIFTH ANNUAL GENERAL MEETING of the Company on Friday, 16th September, 2011 at 2.30 p.m.

Folio No. [ ]

Client ID No. [ ]

DP ID No. [ ]

Name of Shareholder .....
(In Block letters)

Signature of Shareholder .....

\*Full name of Proxy .....
(In Block letters)

Signature of Proxy .....

\*(To be filled in, if the proxy attends instead of the member)