



**C. MAHENDRA
EXPORTS LTD.**

Annual Report 2011-12



C. MAHENDRA EXPORTS LTD.

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

Tel. : 022 - 2672 5555 • Fax : 022 - 2675 4560

E-mail : bkc@cmahendra.com

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Since 1974

C. MAHENDRA EXPORTS LTD.

Bharat Diamond Bourse, Tower 'C', Office No. CC -6011,
Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.
Tel. : 022 - 2672 5555 • Fax : 022 - 2675 4560

Email : bkc@cmahendra.com

ADEQUATE INVENTORY

ALL SIZES

WIDE DISTRIBUTION NETWORK

CONSISTANT SUPPLY

Marketing Associates

Belgium : Antwerp | India : Mumbai | China : Hong Kong | UAE : Dubai | USA : New York / Los Angeles | Thailand : Bangkok

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Mr. Champaklal K. Mehta
(Managing Director)



Mr. Mahendra C. Shah
(Chairman)

🌀 Vision 🌀

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 🌀

Accelerate our progress
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.



GROUP
Since 1974



C. MAHENDRA
EXPORTS LTD.

Ciemme Jewels Ltd.

71, M.I.D.C., Cross Road 'C', Opp. Seepz Gate No. 2,
Andheri (E), Mumbai - 400 093, INDIA
Tel : +91-22 4056 1111 | Fax : +91-22 4056 1110
E-mail: sales@ciemmejewels.com

100% Exchange
95% Buyback
Kitty Scheme
Club Royale

* Conditions Apply

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www.ciemmejewels.com



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Ciemme

Exclusive Diamond Studded Jewellery

C. MAHENDRA GROUP OF COMPANIES



AISHWARYA

Desire For Dream Come True



BANDHAN

A Bond That Spells Trust



DAMINI

Your Power



GULSHAN

Spring Time Of Life

OUR EXCLUSIVE SHOWROOMS

HUGHES ROAD - 022-2361 2466, BANDRA - 022 2641 2605, VILE PARLE - 022-2610 5238, KANDIVALI - 022 2806 0565, BORIVALI - 022-2898 1835, GHATKOPAR - 022-6699 0758, VASHI - 022-2781 0926, PUNE - 020-4123 5555, SURAT - 0261-3258 555, BARODA - 0265-2357 106, C.G. ROAD (AMD) - 079-2656 1828, MANINAGAR (AMD) - 079-2543 0019, NAVRANGPURA (AMD) - 079-2644 0008, GURGAON - 0124-4029 206, ROURKELA - 0661-2646366, MANGALORE - 0824-2491 444

AMD - AHMEDABAD

Message from the Chairman



Dear Members,

I welcome you to this meeting. It is my great privilege to address you. The Board of Directors has recommended a dividend of 8% on equity shares.

Briefly I have to state that unfavorable developments of the international economy had its impact on industrial growth at global level. The developments in the international economy did affect the Indian economy.

With regard to the Indian diamond industry there have been some negative factors, such as hike in the import duty on cut and polished diamonds for domestic use. The policy of the banks on the interest rate on export finance has increased the financing cost. The Company has absorbed the additional cost.

Your Company has continued its trend of increase in the sales and performed well, as it will be noticed in financial accounts. Our green energy division continues to perform well. We are confident about its future growth.

Mr. Champak Mehta, the Managing director and I continue to provide all inputs for the growth of your company based on our business exposure and experience more than three decades and ensure that the company's growth continues 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.

I would like to conclude with optimism that we will be able to deliver enduring growth in our business activity. Your management believes in strong commitment to deliver long term and sustainable value to its shareholders.

With best wishes,
Sincerely,

Sd/-
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. Vittalul Sooru Hegde	Independent Director
Mr. Prabodh N. Shah	Independent Director

CHIEF FINANCIAL OFFICER (CFO):

Mr. Babulal V. Virvadia	Chief Financial Officer (CFO)
-------------------------	-------------------------------

BANKERS:

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

*M/s. R. H. Modi & Co.

Chartered Accountants
(Firm Reg. No. 106486w)

Proposed & recommended to appoint as a Statutory Auditors by the Board of Directors in their meeting dated 01.09.2012 in place of M/s Suresh Surana & Associates, Partner Nirmal Jain, Chartered Accountants who has resigned w.e.f 30th August 2012

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: +91-22-26725555 Fax: +91-22-2675 4560
Email: bkc@cmahendra.com, website: 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.

The pioneers of the Company, Mr. Mahendra C. Shah and Mr. Champak K. 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.

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.

In Jan, 2007, C. Mahendra Exports converted from Partnership Firm into a private company and March, 2007 changed from Private Company to Public Limited Company i.e. C. Mahendra Exports Ltd.

To cut and polished diamonds with ultimate brilliance, C. Mahendra Exports Ltd. has employed the latest and most advanced technologies for manufacturing of diamonds. CM Group has a highly skilled pool of human resources.

Today, through high business standards and ethics, impressive business model, CM Group has ensured a consistent supply of rough diamonds.

C. Mahendra Exports Ltd. has its Registered and Sales Office in Mumbai from where all the marketing, assorting, administration and finance operations are controlled. The entire operation for manufacturing is controlled and managed from the Surat office.

With overseas sales and distribution associates in 5 countries:

- China - Hong Kong
- 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 centers globally.

C. Mahendra Exports Ltd. 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 Ltd. enjoys an envious position in the diamond industry of being one of the top exporters with an unblemished client record.

Responsible Jewellery Council (RJC)

C Mahendra BVBA, the Antwerp based entity of the C Mahendra Group is a member of the Responsible Jewellery Council (RJC).

The entity has adopted the following policy:

RJC Compliance Policy

The management of C Mahendra B.V.B.A., as a member of the Responsible Jewellery Council (RJC) is committed to complying with the Code of Practices of RJC.

We shall strive to:

- Adhere to ethical business practices
- Uphold fundamental human rights, treat workers with respect, encourage diverse workforce and provide a safe working environment
- Promote efficient resources and energy and reduce and prevent pollution
- Comply with applicable laws in the countries where we operate and manage business risks including contractors, suppliers and partners.

Notice

Notice is hereby given that the Sixth Annual General Meeting of the members of C. Mahendra Exports Limited scheduled to be held on Wednesday, 26th September, 2012 at 2.30 P.M. at Hotel Tunga International B/11, M.I.D.C, Central Road, Andheri (E), Mumbai – 400 093 to transact to following businesses:

Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2012, 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 declare dividend.
3. To appoint a director in place of Mr. Sandeep M. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Vittala S. Hegde who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s R. H. Modi & Co., Chartered Accountants, 23, Ambalal Doshi Marg, Fountain, Mumbai – 400 023 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 as M/s. Suresh Surana & Associates, Firm Reg. No. 121750W, Chartered Accountants, 310, Ahura Centre, 82, Mahakali Caves Road, Andheri (East), Mumbai, 400 093, has resigned w. e. f. 30th August, 2012 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 R. H. Modi & Co., Chartered Accountants, 23, Ambalal Doshi Marg, Fountain, Mumbai – 400 023 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:

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

Appointment of Mr. Prabodh N. Shah as an Additional Director (Independent) of the Company w.e.f. 14th August, 2012 in place of Mr. Shailesh S. Vaidya, (Independent Director) who has resigned w. e. f. 26th July, 2012.

“RESOLVED THAT Mr. Prabodh N. Shah, was appointed as an Additional Director of the Company by the Board of Directors as per Articles of Association of the Company and Section 260 of the Companies Act, 1956 w. e. f. 14th August, 2012 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956 and who being eligible for appointment to the office of Director, be and is hereby appointed as Independent Director of the Company liable to retire by rotation.

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

Alteration of Articles of Association under section 31 of the Companies Act, 1956 and other applicable provisions of any other laws, if any to alter Article No. 3 (Share Capital) and insert a New Article N. 90A (Share Warrants).

The company proposed to issue convertible share warrants/ fully convertible debentures (FCDs) as the case may be, to M/s Bennett Coleman & Co. Ltd., M/s HT Media Limited, M/s Gujarat Samachar, M/s Dainik Bhaskar, M/s Jagran Group and M/s Bright Outdoor Advertising, on preferential basis subject to approval of members and other regulatory compliance and approvals, hence there may be required to increase authorized share capital of the company and alter the Articles of Association of the company to insert articles for the said purpose and accordance to conversion price calculation of equity shares based on the prevailing SEBI formula as per SEBI (ICDR) Regulations, 2009 and to this effect Article 3 (Share Capital) and Article 90A (Share Warrants & Debentures) of the Articles of Association of the Company will be altered /inserted accordingly as per requirement of the proposed issue.

“RESOLVED THAT consent of the members be and are hereby accorded to alter Article No. 3

(Share Capital) of the Articles of Association of the Company if required, to increase the authorized share capital of the Company to issue convertible share warrants/ fully convertible debentures (FCDs) as the case may be, to M/s Bennett Coleman & Co. Ltd., M/s HT Media Limited, M/s Gujarat Samachar, M/s Denik Bhaskar, M/s Jagran Group and M/s Bright Outdoor Advertising, on preferential basis subject to approval of members and other regulatory compliance and approvals and accordance to conversion price calculation of equity shares based on the prevailing SEBI formula as per SEBI (ICDR) Regulations, 2009.

The Company may from time to time by Ordinary/ Special Resolution, increase its Authorised Share Capital, by such sum and to be divided into Shares of such amount as may be specified in the resolution.”

FURTHER RESOLVED THAT Article No. 90A (Share Warrants & Fully Convertible Debentures) of the Articles of Association of the Company be and is hereby inserted as follows:

“90A. Notwithstanding anything contained in the Article No. 90 but subject however to section 81(3) of the Companies Act, 1956 the Company may by a Special Resolution increase its subscribed and paid up capital on exercise of any option attached to debentures issued, warrants issued or loans raised by the Company to convert such debentures, warrants or loans into shares, or to subscribe for shares, in the Company”

FURTHER RESOLVED THAT anyone of Mr. Mahendra C. Shah, Mr. Champak K. Mehta and Mr. Sandeep M. Shah, Director of the Company be and is hereby authorized to file all necessary e-forms with the Registrar of Companies (ROC), and also to sign all necessary documents and do such other acts and deeds as may be necessary for giving effect to this resolution.”

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

Preferential Issue of convertible warrants/ FCDs u/s 81(1A) of the Companies Act, 1956 accordance with the existing SEBI guidelines, necessary approvals, consents, permissions and or

sanctions of GOI and other statutory or regulatory authority, listing agreement with Stock Exchanges.

“RESOLVED THAT consent of the members of the Company be and is hereby accorded pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (the ‘Act’) and in accordance with the existing Guidelines for Preferential Issue contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 as amended (hereinafter referred to as ‘the Guidelines’) and other applicable guidelines/ regulations issued by SEBI and subject to necessary approvals, consents, permissions and or sanctions of the GOI and other statutory or regulatory authorities and other applicable laws and the provisions of MOA and AOA of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such terms and conditions as may be prescribed or imposed by any of them while granting such approvals, consents, sanctions, permissions and agreed by the Board of Directors of the Company (hereinafter referred to as the Board), the Company may create, offer, issue and allot Warrants to M/s Bennett Coleman & Co. Ltd (“warrant holder”) entitling the warrant holder(s) a right to apply for equity shares of the Company, for an aggregate consideration of ₹ 13,34,00,000/- (Rupees Thirteen Crores and Thirty Four lacs) on the following broad terms and conditions:

1)	Subscription Price	₹ 3,33,50,000 being 25% of the exercise amount payable at the time of allotment of warrant.
2)	Time Period for exercise of warrants	18 months
3)	Exercise of warrants	(terms of exercise)

FURTHER RESOLVED THAT the Company also may create, offer, issue and allot warrants/ fully convertible debentures to M/s HT Media Ltd. entitling the fully convertible debenture holder a right to apply for equity shares of the company for an

aggregate consideration of ₹ 5,40,00,000/- (Rupees Five Crores Forty Lacs) on the agreed terms and conditions and the said warrants/debentures shall convert into equity shares after the end of 12 months from the date of allotment. The conversion price shall be calculated based on the prevailing SEBI formula (ICDR Regulations) for Listed Companies.

FURTHER RESOLVED THAT the Company may also create, offer, issue and allot warrants/fully convertible debentures to M/s Gujarat Samachar, M/s Dainik Bhaskar, M/s Jagran Group, M/s Bright Outdoor Advertising entitling the fully convertible debenture holders a right to apply for equity shares of the company for an total aggregate consideration of ₹ 24,60,00,000/-(Rupees Twenty Four Crores Sixty Lacs) on the agreed terms and conditions and the said warrants/debentures shall convert into equity shares on price which shall be calculated based on the prevailing SEBI formula (ICDR Regulations) for Listed Companies.

FURTHER RESOLVED THAT the equity shares to be issued and allotted upon exercise of the right attached to the Warrant/FCDs in accordance with the terms of the offer(s), shall rank, pari passu with the existing equity shares of the Company.

FURTHER RESOLVED THAT issue of warrants/FCDs on a preferential basis, on such terms and conditions as the Board may in its absolute discretion may decide at the time of issue of such warrants/FCDs and at anytime thereafter at such price or prices for the equity shares to be allotted upon exercise of option attached to the warrants/FCDs, including premium if any, as may be determined by the Board in accordance with the conditions specified in SEBI (ICDR) Regulations, 2009.

FURTHER RESOLVED THAT the Board be and is hereby authorized to issue and allot such number of Equity Shares as may be required to be issued and allotted upon exercise of option by the warrant holder/FCDs holders and that the equity shares issued on conversion of the said warrants/FCDs shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects including dividend with the existing fully paid equity shares of the Company.

FURTHER RESOLVED THAT the relevant date, in terms of Chapter VII of the SEBI (ICDR) Regulations for determination of minimum price for the issuance of warrants on a preferential allotment basis and conversion thereof into equity shares of ₹ 10 each shall be 24th August, 2012.

FURTHER RESOLVED THAT the Board be and is hereby authorized to take necessary steps for listing of the above mentioned Equity Shares on the Stock Exchange where the Company's shares are listed as per the terms and conditions of the listing and other applicable guidelines, rules and regulations.

FURTHER RESOLVED THAT for the purpose of giving effect to the above Resolution, any one of Mr. Mahendra C. Shah, Mr. Champak K. Mehta and Mr. Sandeep M. Shah, Director of the Company be and is hereby authorized to do all such acts, deeds, matters and things and resolve any doubts or questions that may arise in the issue and allotment of warrants or on terms & conditions of warrants and equity shares conversion, to effect any modification(s) to the foregoing (including any modification to the terms of the issue) in the best interest of the Company and its shareholders and to execute all such writing(s) and instruments(s) as the Board may in its absolute discretion deem necessary or desirables and file all necessary e-forms with the Registrar of Companies (ROC).”

FURTHER RESOLVED THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or to any Committee of directors or to any officer(s) of the Company to give effect to this resolution.”

By the order of the Board of Directors

Sd/-
(Mahendra C. Shah)
Chairman

Date: 01.09.2012

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 ATTENDENCE 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.

9. PARTICULARS OF DIRECTORS TO BE APPOINTED / RE-APPOINTED AT THE 6TH ANNUAL GENERAL MEETING:

MR. PRABODH N. SHAH

MR. PRABODH N. SHAH HAS 39 YEARS EXPERIENCE OF COMMERCIAL BANKING INCLUDING 19 YEARS IN EXECUTIVE POSITIONS AT BANK OF BARODA AND ALSO HAS WORKED AS A CHIEF MANAGER (EXCHANGE DEALINGS) AT BANK OF BARODA, MUMBAI, PROVIDED CONSULTANCY ON ASSIGNMENT BASIS REGARDING FOREX TREASURY OPERATIONS AND HE HAS IN-DEPTH EXPERIENCE OF EXPORT, IMPORT & FOREIGN CURRENCY POSITION AS SECTIONAL HEAD AT BANK OF BARODA.

THE INFORMATION REGARDING OTHER DIRECTORSHIP OF THE BOARD AND MEMBERSHIP OF COMMITTEE IS AS UNDER:

A. DIRECTORSHIP:

SR. NO.	NAME OF THE COMPANY
NIL	NIL

B. COMMITTEE MEMBERSHIP:

SR. NO.	NAME OF THE COMPANY	NAME OF THE COMMITTEE	CHAIRMAN /MEMBER
NIL	NIL	NIL	NIL

MR. SANDEEP M. SHAH

MR. SANDEEP M. SHAH IS A WHOLE TIME DIRECTOR OF THE COMPANY HAS OVER 9 YEARS OF EXPERIENCE IN AREAS RELATING TO PURCHASE AND SALE OF POLISHED DIAMONDS SPECIALIZES IN DIAMOND STOCK MANAGEMENT CURRENTLY RESPONSIBLE FOR MARKETING, PURCHASE

AND ASSORTMENT OF DIAMONDS.

THE INFORMATION REGARDING OTHER DIRECTORSHIP AND MEMBERSHIP OF THE BOARD COMMITTEE IS AS UNDER:

A. DIRECTORSHIP:

SR. NO.	NAME OF THE COMPANY
1.	C. MAHENDRA INTERNATIONAL LIMITED
2.	CIEMME JEWELS LIMITED
3.	C. MAHENDRA INFRAPOWER LIMITED

B. COMMITTEE MEMBERSHIP:

SR. NO.	NAME OF THE COMPANY	NAME OF THE COMMITTEE	CHAIRMAN /MEMBER
NIL	NIL	NIL	NIL

MR. VITTALA. S. HEGDE

A. DIRECTORSHIP:

SR. NO.	NAME OF THE COMPANY
NIL	NIL

B. COMMITTEE MEMBERSHIP:

SR. NO.	NAME OF THE COMPANY	NAME OF THE COMMITTEE	CHAIRMAN /MEMBER
NIL	NIL	NIL	NIL

10. IF DIVIDEND ON SHARES AS RECOMMENDED BY THE BOARD OF DIRECTORS, IS APPROVED AT THE MEETING, PAYMENT OF SUCH DIVIDEND WILL BE MADE ON OR BEFORE **26TH OCTOBER, 2012** TO THOSE SHAREHOLDERS, WHOSE NAMES APPEAR (A) AS BENEFICIAL OWNERS AS AT THE END OF THE BUSINESS HOURS OF **20TH SEPTEMBER, 2012** AS PER THE LIST TO BE FURNISHED BY NATIONAL SECURITIES DEPOSITORY LTD, AND CENTRAL DEPOSITORY SERVICES (I) LTD, IN RESPECT OF THE SHARES HELD IN ELECTRONIC FORM AND (B) AS MEMBERS IN THE REGISTER OF MEMBERS OF THE COMPANY, AFTER GIVING EFFECT TO ALL VALID SHARE TRANSFERS LODGED WITH M/S LINK INTIME (I) PVT. LTD, C-13, PANNALAL SILK MILLS COMPOUND, L.B.S. MARG, BHANDUP(W), MUMBAI -400078, SHARE TRANSFER AGENTS (STA) OF THE COMPANY ON OR BEFORE **20TH SEPTEMBER, 2012**.

11. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED **FROM 21ST SEPTEMBER, 2012 TO 26TH SEPTEMBER, 2012** (BOTH DAYS INCLUSIVE) FOR DETERMINING ELIGIBILITY FOR PAYMENT OF DIVIDEND, IF DECLARED AT THE MEETING.
12. RESERVE BANK OF INDIA HAS INITIATED NECS FOR CREDIT OF DIVIDEND DIRECTLY TO THE BANK ACCOUNTS OF THE MEMBERS. MEMBERS ARE REQUESTED TO REGISTER THEIR BANK ACCOUNT DETAILS (CORE BANKING SOLUTIONS ENABLED ACCOUNT NUMBER, 9 DIGIT MICR AND 11 DIGIT IFS CODE), IN RESPECT OF SHARES HELD IN DEMATERIALISED FORM WITH THEIR RESPECTIVE DEPOSITORY PARTICIPANTS AND IN RESPECT OF SHARES HELD IN PHYSICAL FORM WITH M/S LINK INTIME (I) PVT. LTD.
13. MEMBERS DESIROUS OF OBTAINING ANY INFORMATION/ CLARIFICATION(S)/ INTENDING TO RAISE ANY QUERY CONCERNING THE ANNUAL ACCOUNTS AND OPERATIONS OF THE COMPANY, ARE REQUESTED TO FORWARD THE SAME AT LEAST 7 DAYS PRIOR TO THE DATE OF MEETING TO THE COMPANY SECRETARY AT THE REGISTERED OFFICE OF THE COMPANY, SO THAT THE SAME MAY BE ATTENDED APPROPRIATELY.

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, Auditors' 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 or send an email at cmahendragogreen@linkintime.co.in to get the annual report and any other documents on such email address. 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. 6

As Company received request letter dated 26th July, 2012 for resignation from independent director by Mr. Shailesh S. Vaidya, the Board of Directors appreciated Mr. Vaidya valuable contribution to the company and appointed Mr. Prabodh N. Shah as an Additional Director of the Company, with effect from 14th August, 2012. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Prabodh N. Shah will hold office only upto the date of the forthcoming Annual General Meeting of the Company, and is eligible for appointment as director.

The Company has received notice under section 257 of the Companies Act, 1956 from member of the Company along with the requisite amount, proposing appointment of Mr. Prabodh N. Shah as Independent Director of the Company, liable to retire by rotation. A brief resume of Mr. Prabodh N. Shah is provided at note no. 9 of the notice. The Board of Directors proposes to appoint Mr. Prabodh N. Shah as Director of the Company. Except, Mr. Prabodh N. Shah, no other directors of the company are concerned or interested in the proposed resolution.

Item no. 7

The Company, subject to approval of members and other regulatory compliance and approvals, proposes to issue convertible share warrants/ fully convertible debentures (FCDs) as the case may be, to M/s Bennett Coleman & Co. Ltd., M/s HT Media Limited, M/s Gujarat Samachar, M/s Dainik Bhaskar, M/s Jagran Group and M/s Bright Outdoor Advertising, on preferential basis as permissible under Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI (ICDR) Regulations).

Present Articles of Association of the Company do not provide any article for issue of warrants/FCDs to be converted into equity shares of the Company, therefore Article 90A of the Articles of Association of the Company is required to be inserted to enable the Company to issue convertible warrants on preferential basis.

Item no. 8

As the members are aware, your Company is exploring various opportunities for the all round growth of the Company. With a view to meet the capital expenditure and other funds requirements for the above purposes, the Company would be required to borrow funds from time to time by way of loans and/or issue of Bonds, Debentures, convertible share warrants or other securities.

Since the Company proposes to issue warrants/FCDs to be converted into equity shares at a later date, as per the terms and conditions of the issue of the warrants/FCDs to M/s Bennett Coleman & Co. Ltd., M/s HT Media Limited, M/s Gujarat Samachar, M/s Dainik Bhaskar, M/s Jagran Group and M/s Bright Outdoor Advertising, on preferential basis, which will result increase of paid-up share capital of the Company. The approval of members by way of special resolution is required under the provisions of section 81(1A) of the Companies Act, 1956.

I) **The mandatory disclosures under regulation 73 of SEBI (ICDR) Regulation 2009 are as under:**

a) Object of the Preferential Issue:

The proceeds of the preferential offer are proposed to be used to meet capital expenditure for Company's businesses, to provide financial support to Subsidiaries / Associates by way of loans/investments, repayment/reduction of borrowings, general corporate purposes and maintain adequate liquidity for the future requirements in line with the growth strategy of the Company.

b) The proposal of the promoters, directors or key management personnel of the issuer to subscribe to the offer.

Directors of the Issuer proposed the issue of convertible share warrants/FCDs on preferential basis to M/s Bennett Coleman & Co. Ltd, M/s HT Media Limited, M/s Gujarat Samachar, M/s Dainik Bhaskar, M/s Jagran Group and M/s Bright Outdoor Advertising and they have conveyed their intent to subscribe to the offer.

c) The Shareholding Pattern of the issuer before and after the preferential issue.

Category code	Category of shareholder	Pre-issue Holding **		Post-issue Holding***	
		No. of Shares	% of Total Holding	No. of Shares	% of Total Holding
1	Indian				
(a)	Individuals/Hindu Undivided Family	45000000	75.0000	45000000	72.1055
(b)	Central Government/State Government(s)	0	0.0000	0	0.0000
(c)	Bodies Corporate	0	0.0000	0	0.0000
(d)	Financial Institutions / Banks	0	0.0000	0	0.0000
(e)	Any Other (specify)	0	0.0000	0	0.0000
	Sub Total (A)(1)	45000000	75.0000	45000000	72.1055
2	Foreign				
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0.0000	0	0.0000
(b)	Bodies Corporate	0	0.0000	0	0.0000
(c)	Institutions	0	0.0000	0	0.0000
(d)	Qualified Foreign Investors	0	0.0000	0	0.0000
(e)	Any Other (specify)	0	0.0000	0	0.0000
	Sub Total (A)(2)	0	0.0000	0	0.0000
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	45000000	75.0000	45000000	72.1055
(B)	Public shareholding				
1	Institutions				
(a)	Mutual Funds/UTI	0	0.0000	0	0.0000
(b)	Financial Institutions / Banks	0	0.0000	0	0.0000
(c)	Central Government/State Government(s)	0	0.0000	0	0.0000
(d)	Venture Capital Funds	0	0.0000	0	0.0000
(e)	Insurance Companies	0	0.0000	0	0.0000
(f)	Foreign Institutional Investors	7488229	12.4804	7488229	11.9987
(g)	Foreign Venture Capital Investors	0	0.0000	0	0.0000
(h)	Qualified Foreign Investors	0	0.0000	0	0.0000
(I)	Any Other (specify)	0	0.0000	0	0.0000
	Sub Total (B) (1)	7488229	12.4804	7488229	11.9987
2	Non-institutions				
(a)	Bodies Corporate	6073368	10.1223	*8481949	*13.59
(b)	Individuals - shareholders holding nominal share capital up to Rs 1 Lakh	413293	0.6888	413293	0.6622
(ii)	Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	763022	1.2717	763022	1.2226
(c)	Qualified Foreign Investors	0	0.0000	0	0.0000
(d)	Any Other				

i	Non Resident Indians (Repat)	9466	0.0158	9466	0.0152
ii	Non Resident Indians (Non Repat)	2283	0.0038	2283	0.0036
iii	Foreign Companies	0	0.0000	0	0.0000
iv	Clearing Member	250339	0.4172	250339	0.4011
v	Directors / Relatives	0	0.0000	0	0.0000
vi	Trusts	0	0.0000	0	0.0000
	Sub Total (B)(2)	7511771	12.5196	9920352	15.896
	Total Public Shareholding Public Group (B)=(B)(1)+(B)(2)	15000000	25.0000	17408581	27.894
	Total (A)+(B)	60000000	100	62408581	100
(C)	Shares held by custodians and against which Depository Receipts have been issued				
i	Promoter and Promoter group	0	0.0000	0	0.0000
ii	Public	0	0.0000	0	0.0000
	Sub Total (C)	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	60000000	100.00	62408581	100.00

* shareholding of body corporate after proposed conversion of warrants/FCDs

**the pre-issue shareholding as on 30th June, 2012.

*** the post issue shareholding is calculated assuming full conversion of warrants/FCDs and subject to change upon transfer of shares by existing shareholders from time to time.

d) The time within which the preferential issue shall be completed;

The allotment of convertible share warrants/FCDs will be completed within 15 days from the date of passing of the resolution. Provided however that if the allotment is pending on account of pendency of any approval from any regulatory authority the allotment would be completed within 15 days of receipt of such approval.

The warrant/FCDs holders shall exercise their rights to convert the warrants into equity shares of the Company in one or more tranches, before the expiry of 18 months from the date of allotment of warrants or as per agreed terms & conditions.

e) The identity of the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, in the issuer consequent to the preferential issue;

S. No.	Name of the proposed allottees	No. of Equity Shares (Pre-allotment)	% of total paid up capital (Pre-allotment)	Proposed number of equity shares to be allotted on full conversion of warrants /FCDs	% of total paid up capital post conversion
1.	M/s Bennett Coleman & Co. Ltd	NIL	NIL	7,41,358	1.1879
2.	M/s HT Media Limited, M/s Gujarat Samachar, M/s Dainik Bhaskar, M/s Jagran Group and M/s Bright Outdoor Advertising (Collectively)	NIL	NIL	16,67,222	2.6715

There will be no change in the management or control of the Company pursuant to preferential allotment.

- f) The Company hereby undertakes that it shall re-compute the price of the specified securities in terms of the provision of SEBI (ICDR) Regulation, where it is required to do so.
- g) If the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked-in till the time such amount is paid by the allottees.
- h) The price at which the warrants/FCDs would be issued cannot be exactly determined before issue of this notice to the shareholders as it depends on the average of the market price prevailing in the preceding 2 weeks and 26 weeks from the relevant date as per the formula prescribed by the SEBI. Hence, the auditors' certificate required under clause 73(2) of the SEBI (ICDR) Regulations, 2009 will be made available for inspection during the Annual General Meeting of the Company. The Auditors' Certificate will also be displayed on the Company's website.
- II) The pricing of equity warrants/FCDs shall be calculated in accordance with clause 76(1) of chapter VII of SEBI (ICDR) Regulations, 2009 which shall be the higher of the following:
- a) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the 26 weeks preceding the relevant date
- or
- b) The average of the weekly high and low of the closing prices of the related shares on the stock exchange during two weeks preceding the relevant date.
- (Relevant date is 24th August, 2012, being 30 days prior to date of Annual General Meeting for passing the resolution for the same.)
- Since the Company listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited hence, stock exchanges for the purpose of the applicable regulations shall be BSE & NSE.
- III) Payment and Conversion Terms:
- a) Convertible Warrants/FCDs shall be convertible at any time within 18 months from the date of allotment of convertible warrants at the option of the allottee in one or more tranches or within or after 12 Months as the case may be, from the date of allotment of convertible FCDs as per agreed terms and conditions.
- b) 25% of the total value of warrants/FCDs (advance payment) shall become payable on the date of their allotment. The balance is payable at the time of conversion of warrants into equity shares as per agreed term and conditions.
- In case the conversion option is not exercised within a period of 18 months from the date of allotment, the Company will affect forfeiture of the application money. The warrants/FCDs are converted at the option of the allottees on payment of the balance amount of the issue price.
- c) The said advance payment shall be adjusted against the price payable subsequently for acquiring the resultant shares by the warrant / FCDs holder upon conversion of warrants.
- d) The warrant/FCDs by itself, till converted into equity shares, does not give to the holder(s) thereof any rights of the shareholders of the Company.
- e) The equity shares issued as above shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects including dividend with the existing fully paid up equity shares of the Company.
- IV) Lock-in
- The warrants/FCDs to be allotted on preferential basis and the converted equity shares shall be subject to lock-in for such period from the date of allotment of such shares in accordance with the SEBI (ICDR) Regulations, 2009.
- None of the directors of the Company are interested or deemed to be concerned or interested in the passing of this resolution as set out in the item no. 3, to the extent of proposed issue of warrants to M/s Bennett Coleman & Co. Ltd and M/s HT Media Limited, M/s Gujarat Samachar, M/s Dainik Bhaskar, M/s Jagran Group and M/s Bright Outdoor Advertising (Collectively) is under consideration.
- The Board recommends the members to approve the aforesaid resolution.
- By the order of the Board of Directors**
- Date: 01.09.2012**
Place: Mumbai
- Sd/-**
(Mahendra C. Shah)
Chairman

Management Discussion and Analysis Report

Industry Structure and Developments

India possesses world’s most competitive gems and jewellery market due to its low cost of production and availability of skilled labor. As per our new research report **“Indian Gems and Jewellery Market Forecast to 2013”**, highly skilled and low cost manpower, along with strong government support in the form of incentives and establishment of SEZs, have been the major drivers for the Indian gems and jewellery market. Presently, although, Indian market is highly fragmented, it is rapidly transforming into an organized sector.

Currently, the industry is growing at a tremendous rate on the back of growing demand and increasing consumer preference. With various government efforts and incentives coupled with private sector initiatives, Indian gems and jewellery sector is expected to grow at a CAGR of around 13% during 2011 - 2013. At present, Indian gems and jewellery market is dominated by the unorganized sector; however, the trend is set to change in near future due to the growing acceptance of branded jewellery market. As per our research report, with its consumption pegged at nearly 24% in 2008, India remains world’s largest gold consumer and this share is expected to grow further.

“Indian Gems and Jewellery Market Forecast to 2013” provides strategic insight into the gems and jewellery market in India. By analyzing past and future aspects of the market, the report highlights the potential growth areas in the market and provides an overview on the market for gems and jewellery in the country. It also evaluates emerging trends in the concerned industry. Additionally, the report provides intensive detail analysis of various segments under gems and jewellery industry.

Besides, our report covers the industry forecast and analysis based on various macro- and microeconomic factors, sector and industry specific databases, and our in-house statistical, and analytical model. This model takes into account the past and current trends in an economy, and more specifically in an industry, to bring out an objective market analysis.

a) **Diamonds**

According to press release dated 16th June, 2012 of Times of India, 2012 may well prove to be a toughest year for the diamantaires in the world’s biggest diamond cutting and polishing as far as the rough diamond prices are is concerned. Global industry leaders from the diamond mining sector and the diamond consulting firms have predicted the rough

diamond prices to increase between 3-10 per cent due to increased demand from the emerging markets like India, China, Hong Kong and UAE and a gradual decrease in global production of rough diamonds in 2011.

Jewellers and trade associations from across the country, led by the All India Gems and Jewellery Trade Federation (GJF) have called for a total bandh of all jewellery establishments from March 17- 19, 2012.

The action was to protest against the imposition of excise duty on the entire jewellery sector in the union budget 2012. In a release, the GJF has termed the decision as being similar to “the control measures that actually killed the sector between 1962 and 1992” and stressed that the trade is not in favour of the “inspector raj” it will bring in.

The GJF said that the industry was still struggling to recover from the after effects of the 2008 recession and the government’s proposal would “break the backbone of the industry”. Imposition of excise duty on Jewellery will shake the industry and rendered millions of self employed skilled artisans who do not have any alternate means of livelihood, jobless.

It described the “over four times increase the import duty on a commodity like gold” as “not a wise decision”.

The GJF had met the finance minister several times and appealed to him to abolish excise duty on both branded and unbranded jewellery. They will now approach the minister with a demand to roll back these measures with immediate effect.

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.

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

The All India Gem and Jewellery trade Association has set a target of 50% rise in the retail turnover of Rs 1,12,000 Crore domestic jewellery industry for 2013, as reported by Business Line.

The Indian gems & jewellery industry had a share of 4% in the global gems & jewellery market during 2006-07, said the Investment Commission of India.

The gems & jewellery industry is one the fastest growing segments of the Indian economy. India is also the biggest consumer of gold in the world, with nearly 20% of the global consumption. Although the global economic downturn has severely hit the industry, it is expected to rise at rapid pace in coming years.

Moreover, the industry has the benefit of skilled jewellery designers who produce high volume of exquisite products at a very low cost. In fact, jewelers in the country are emphasizing on the light weight products with new designs to boost the weak demand amid recession. The Indian gems & jewellery industry is highly fragmented, with a large proportion of the market is controlled by unorganized players. A good number of jewellery companies are privately owned, but still India has gained prominence as a leading international destination for importing high quality designer jewellery.

Besides, the Indian government has implemented business friendly foreign trade policies such as 100% foreign direct investment (FDI) in gems and jewellery industry via the automatic route. According to a Research Analyst at RNCOS, "India represents the world's fastest growing jewellery market, where the branded jewellery's share in the domestic sales is continuously growing. However, the industry should use the current tough time to improve the educational programs for front-line staff, increasing consumer confidence and adopting best practices from other countries such as China and Hong Kong to become the world leader."

c) Exports

The Gem and Jewellery Export Promotion Council (GJEPC) announced the trade and industry performance for the financial year 2011-12 at a press conference in Mumbai.

The Indian gem and jewellery industry has witnessed a marginal decline of 0.36% in FY 2011-12 owing to the decrease in trading exports of diamonds.

The total gem & jewellery industry exports were recorded at US\$42839 million (INR 204823 Crores) in FY 2011-12 as compared to US\$ 42995 million

(INR 195735 Crores) in April 2010 – March 2011. Though in dollar terms there is a marginal drop of .36%, the exports mark an increase of 4.6% in rupee value. The gem & jewellery sector accounted for 14% of India's total merchandise exports in FY 2011-12.

d) Government Initiatives

India is emerging as a huge consumer market for jewellery and other luxury products and thereby appears as a very attractive opportunity for major brands to establish their presence in the Indian market. The booming domestic market along with export advantage of the industry and the Government's decision to allow foreign direct investment (FDI) of up to 51 per cent in single brand retail stores has attracted various foreign players to the Indian market.

- Foreign Direct Investment Policy

At present, the Indian government allows 100 per cent FDI in gems and jewellery through the automatic route.

For exploration and mining of diamonds and precious stones FDI is allowed up to 74 per cent under the automatic route.

For exploration and mining of gold and silver and minerals other than diamonds and precious stones, metallurgy and processing, FDI is allowed up to 100 per cent under the automatic route.

- Foreign Trade Policy (2009-2014) Initiatives

Import of gold of 8 karat (k) and above is allowed under replenishment scheme subject to import being accompanied by an Assay Certificate specifying purity, weight and alloy content. Duty Free Import Entitlement [based on Free On Board (FOB) value of exports during previous financial year] of consumables and tools, for:

Jewellery made out of:

- Precious metals (other than gold & platinum) - 2 per cent
- Gold and platinum - 1 per cent
- Rhodium finished silver - 3 per cent
- Cut and polished diamonds - 1 per cent

Duty free import entitlement of commercial samples shall be US\$ 6187.9. Duty free re-import entitlement

for rejected jewellery shall be 2 per cent of FOB value of exports.

Import of diamonds on consignment basis for certification/ grading & re- export by the authorised offices/agencies of Gemological Institute of America (GIA) in India or other approved agencies will be permitted.

Personal carriage of gems and jewellery products in case of holding/participating in overseas exhibitions increased to US\$ 5 million and to US\$ 1 million in case of export promotion tours.

Extension in number of days for re-import of unsold items in case of participation in an exhibition in USA increased to 90 days.

e) **The Road Ahead**

The GJEPC is busy propagating the fineries of Indian gems and jewellery industry by organising road shows in Malaysia, Singapore, Jeddah, Riyadh, Korea and China. These road shows would assist in creating awareness about India International Jewellery Show (IJS) and India International Jewellery Week (IIJW).

India’s gems and jewellery industry is ready for the upcoming jewellery show in the US and expect to obtain huge export orders during 2012-13. “It is an opportunity to further accentuate India’s growing recognition in the international arena as the global destination of gems and jewellery,” as per Rajiv Jain, Chairman, GJEPC.

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 report titled “India Gems and Jewellery Industry Outlook to 2015” provides a comprehensive analysis on the gems and jewellery industry in India, covering various aspects such as market size of the gems and

jewellery sector on the basis of revenue generated from retail sales, market segmentation on the basis of retail sales of gold jewellery, diamond jewellery and other precious stones jewellery segments, major gems and jewellery import and export market size and segments. The report also entails competitive landscape and profiles of the major players operating in the gems and jewellery industry. The SWOT Analysis is also provided to understand the market conditions in the country. The report also covers future projections to provide an insight on the prospects in the gems and jewellery industry.

India possesses world’s most competitive gems and jewellery market owing to its low cost of production and availability of skilled labor. The industry is characterized by a significantly large unorganized sector, labor-intensive operations, high working capital & raw material intensiveness, gold price volatility and export orientation. The Indian gems and jewellery sector is expected to grow at a compounded annual growth rate (CAGR) of approximately 13 percent during 2009–2015, on the back of increasing Government efforts and incentives together with private sector initiatives. Perpetual traditional demand, important savings and investment vehicle, Increasing affordability, Industry standards, certification, and hallmarking, Government Support and Availability of labor at competitive wages continued to remain the growth drivers for the industry.

Gems and Jewellery is an important emerging sector in the Indian Economy. Ranked among the fastest growing sectors, it is also a leading sector for foreign exchange generation.

The gems and jewellery industry is very much fascinating being traditionally glamorous and artistically modern. This business employs and engages millions; cover wide activities such as raw material procurement from far flung Africa, Australia, Canada and Russia, and transforming these into products in demand with the skills available in China, India, Italy and Turkey for the sophisticated markets in the USA, Europe, Far East, Middle East and Asia.

India’s Position in Gems and Jewellery Sector

Gems and Jewellery is one of India’s leading foreign exchange earning sectors.

It accounted for 16.7 per cent of India’s total Merchandise Exports.

USA's import of Gem & Jewellery from India increased by 50.5% in 2010 as compared to 2009.

India Gems & Jewellery exports are expected to grow at a whopping 15 to 20 per cent in FY 2011-12.

At present India exports 95% of the world's diamonds.

Advantage India

Gems and Jewellery hub

Rich tradition / heritage of craftsmanship with high level of skills

Low production costs

Effective worldwide distribution network for promotion and marketing.

Diamond polishing capital of the world.

Manufacturing excellence

Risk Factors

The gems and jewellery sector in India is unorganised and fragmented. Around 90% of the players operate in the unorganised sector mostly in family-run operations. The nature of the sector prevents it from achieving economies of scale. Also, being largely unorganised, the sector mainly uses labour-intensive and indigenous technology that affects their growth prospects. Further, the sector finds it difficult to enhance their global competitiveness due to difficulties in adopting technologies as a result of inadequate financial capital and high labour costs per unit.

Currently, China is the second-largest diamond processing centre in the world after India; however, it is slowly catching up and is threatening to displace the Indian gems and jewellery sector from its dominant position in the world. The labour cost in China is the lowest, just like in India; however, the gap between the two countries is narrowing slowly. Besides, the Chinese economy is growing rapidly and is creating a demand for gems and jewellery in the domestic market. Further, many diamond manufacturers from Belgium and Israel are setting up manufacturing plants in China. India also faces threat from China in terms of technology adoption, which allows China to process diamonds at a more competitive price.

The Indian gems and jewellery sector is predominantly dependent on the US markets, which is

its top export destination. The growth of gems and jewellery sector is heavily dependent on the growth of demand in the US market. However, the recent appreciation of the rupee vis-à-vis the US dollar and a slowdown of the US economy have aggravated the concerns for the sector. All these factors necessitate India's venture into other geographical locations.

The gems and jewellery sector is affected by the rupee/dollar exchange rate because it is export-oriented. Any volatility in the exchange rates affects the margins of the players. For instance, the recent appreciation in the rupee against the dollar had made the exports of gems and jewellery less competitive in its key export destinations.

As the gems and jewellery sector is highly dependent on imports for its raw materials, the players have to maintain a high level of inventory. However, maintaining this inventory becomes difficult for the players during the slack season, as it carries inventory price risk. For instance, due to the current recessionary trends, the demand slumped and inventory piled up much to the chagrin of the players.

The global economic slowdown has hit the Indian gems and jewellery sector hard. As the sector was primarily dependent on exports to the US and European countries, the meltdown in these countries affected the gems and jewellery sector to a great extent. The players faced issues relating to inventory build-up and liquidity pressure. A number of diamond units in Gujarat were shut down that rendered thousands of workers jobless. Further, the bank finance, which was largely in dollar terms, also faced a setback due to foreign exchange rate fluctuations. This further added to the woes of the players who were struggling to come out of the global recession.

Even though the sector is in the recovery mode, owing to a gradual recovery of global markets, the credit cycle of the sector has changed drastically. The delayed payments from customers have raised the interest outflows for the companies.

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

₹ in million

Particulars	For the F. Y. ended 31st March, 2012	For the F. Y. ended 31st March, 2011
Turnover	19567.99	18432.73
PBT (Profit before Tax)	410.65	538.96
Net Profit	393.49	572.05
Basic and diluted earnings per share in ₹	6.41	11.70

Financial Review

Sales

C. Mahendra Exports Ltd. consolidated results of operations for the year ended March 31, 2012 includes business and operations of the various subsidiaries/joint ventures. The company has increased overall net sales growth for the year ended March 31, 2012 of ₹ 1135.26 million (6.16%) compared to last year.

Income & Expenditure

The company has recorded a total income of ₹ 20094.66 million (Previous year ₹ 18610.40 million) for the F. Y. ended 2011-12. The company has recorded a total expenditure of ₹ 19684.01 million (Previous Year ₹ 18072.79 million) for the year ended March 31, 2012.

Depreciation & Amortization

For the year ended March 31, 2012 the company has incurred depreciation charges of ₹ 90.22 million (Previous Year ₹ 88.66 million) primarily due to expansion of business as well as consolidation of the existing business.

Interest

For the year ended March 31, 2012, the company has incurred interest costs of ₹ 796.68 million (Previous Year ₹ 613.57 million).

Net profit before taxes

Due to the reasons discussed above, the company has recorded a net profit before taxes of ₹ 410.65 million (Previous Year ₹ 537.61 million) for the year ended March 31, 2012.

Net profit

The company recorded a Net Profit for the year ended March 31, 2012 of ₹ 393.49 million (Previous Year ₹ 572.02 million). The Company recorded basic and diluted earnings ₹ 6.41 per share (Previous Year ₹ 11.70 per share).

Share Capital

At present, the company has two classes of share i.e. Equity Share of face value of ₹10/- each and 6% Redeemable Preference shares of face value of ₹ 10/- each. As on 31st March, 2012, the issued, subscribed and paid up capital was ₹ 72,50,00,000 includes ₹ 60,00,00,000 equity share capital divided into 6,00,00,000 equity shares of ₹10/- each and ₹ 12,50,00,000 6% Redeemable Preference share capital divided into 1,25,00,000 6% Redeemable Preference shares of ₹ 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, 2012 was 599 (Five Hundred Ninety Nine).

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 6th Annual Report and the audited annual accounts for the financial year ended 31st March, 2012.

Financial Results

The financial performance of the Company, for the year ended 31st March, 2012 is summarized below:

(Rs in Million)

Particulars	For the F. Y. ended 31 st March, 2012	For the F. Y. ended 31 st March, 2011
Income from Operation:		
Net Sales	19567.99	18,432.73
Other Income	526.67	177.67
Profit before Tax	410.65	537.60
Less: Current Tax	(41.00)	(76.00)
Mat Credit Entitlement	26.00	18.00
Deferred Tax	5.41	92.44
Wealth Tax	0	(0.03)
Profit after Tax	393.49	572.01
Less: Prior period income tax adjustment	(7.57)	(0.03)
add: Profit brought forward	1263.99	691.97
Amount Available for Appropriation	1649.91	1,263.95
Appropriation:		
Utilized for bonus shares issued during the year	-	-
Balance Carried to Balance Sheet	1649.91	1,263.95
	1649.91	1,263.95

Review of Operations:

During the year under review, the Company's net sales are earned of ₹ 19,567.99 million net sales as against ₹ 18432.73 million during the previous financial year. showing growth of 6.16% compared to previous year.

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

Background of C. Mahendra Group

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.

The pioneers of the Company, Mr. Mahendra C. Shah and Mr. Champak K. Mehta commenced the business in 1974. C. Mahendra Exports was formed in the year 1978 to carry on the business of manufacturing and trading of diamonds. It is the flagship company of our CM Group. Subsequently three subsidiaries were established to handle the expanded business. 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.

Offices were opened outside India for effective and increased marketing. In 2003 Ciemme Jewels incorporated in 2003, 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, In Jan, 2007, C. Mahendra Exports converted from Partnership Firm into a private company and March, 2007 changed from Private Company to Public Limited Company i.e. C. Mahendra Exports Ltd.

To C. Mahendra Exports Ltd. has employed the latest and most advanced technologies for manufacturing of cut and polished diamonds with ultimate brilliance diamonds. CM Group has a highly skilled pool of human resources.

C. Mahendra Exports Ltd. has its Registered and Sales Office in Mumbai from where all the marketing, assorting, administration and finance operations are controlled. The entire operation for manufacturing is controlled and managed from the Surat office. CM Group is firmly established across major diamonds and jewellery centers globally in 5 countries namely.

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

C. Mahendra Exports Ltd. enjoys an envious position in the diamond industry of being one of the top exporters with an unblemished client record. C. Mahendra Exports Ltd. has its presence in the diamond studded jewellery business. Our branded jewellery is retailed under the brand name "Ciemme" across the world.

C Mahendra BVBA, the Antwerp based entity of the C Mahendra Group is a member of the Responsible Jewellery Council (RJC).The management of C Mahendra B.V.B.A.,

as a member of the Responsible Jewellery Council (RJC) is committed to complying with the Code of Practices of RJC.

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.

The company has invested ₹ 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.

The company has total revenue from sale of electricity generated from windmills During the year 2011-12 is ₹ 8,74,36,925/-

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, 2012 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, 2012.

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.

Directors

There was no change during the F. Y. 2011-12, Thereafter Mr. Shailesh S. Vaidya, Independent Director has resigned w.e.f. 26th July, 2012. and Mr. Prabodh Nagardas Shah has been appointed as an Independent Director in the Board of directors w.e.f. 14th August, 2012.

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 up to 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 I 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 31st March, 2012 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 31st March, 2012 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 31st March, 2012 the Company had transfer Rupees 39,34,90,906 to Reserves.

Statutory Auditors

The Board of directors of the Company considered the eligibility letter dated 31.08.2012 received from M/s R. H. Modi & Co., Chartered Accountants thereafter, proposed and recommended to appoint M/s R. H. Modi & Co., Chartered Accountants, (Firm Reg. No. 106486W), Room No. 11, Singh House, 23, Ambalal Doshi Marg,

2nd Floor, Fountain, Mumbai – 400 023, a new Statutory Auditors of the Company for the F. Y. 2012-13 at the ensuing Annual General Meeting of the Company in place of existing Statutory Auditors M/s Suresh Surana & Associates, Chartered Accountants, 310, Ahura Centre, 82, Mahakali Caves Road, Andheri (East), Mumbai – 400 093, who expressed its unwillingness to continue and resigned as the Statutory Auditors of the Company w. e. f. 30th August, 2012.

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

sd/-
(Mahendra C. Shah)
Chairman

Date: 01.09.2012

Place: Mumbai

Annexure to Directors Report for the year ended 31st March, 2012

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

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 2011-12 ₹	Previous Year 2010-11 ₹
F.O.B. value of exports	14,909,533,468	14,076,749,142
Other income	1,918,369	691,534

Expenditure in foreign currency (on remittance / payment basis)

Particulars	Current Year 2011-12 ₹	Previous Year 2010-11 ₹
Polished diamonds	6,896,396,275	3,426,579,718
Rough diamonds	4,449,636,598	5,506,835,764
Gold	136,777,620	615,972,184
Capital goods	692,346	2,666,016
Consumables, stores and spares	6,870,661	10,071,731

For and On behalf of the Board of Directors

Sd/-
(Mahendra C. Shah)
Chairman

Date: 01.09.2012

Place: Mumbai

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, 2012 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 knowledge 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 2011-12 are tabulated below:

Sr. No	Directors	Category of Directorship	Whether Attended Last AGM held on 16 September 2011	No. of Board Meetings attended during the 2011-12	No. of Directorship in other public companies*	No. of Committee position in other public companies **	
						Member	Chairman
1.	Mr. Mahendra Chandulal Shah	Executive	Yes	4	2	-	-
2.	Mr. Champak Kirtilal Mehta	Executive	Yes	4	3	-	-
3.	Mr. Sandeep Mahendra Shah	Executive	Yes	4	2	-	-
4.	Mr. Kailashchandra Chowdhary	Independent Non- executive	Yes	4	1	-	1
5.	Mr. Vittala Sooru Hegde	Independent Non- executive	Yes	4	-	-	-
6.	***Mr. Shailesh Shankarlal Vaidya	Independent Non- executive	No	3	11	6	2

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

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

*** **Mr. Prabodh Nagardas Shah has been appointed as an Independent Director in the Board of directors w.e.f. 14th August, 2012 in place of Mr. Shailesh S. Vaidya, Independent Director who has resigned w.e.f. 26th July, 2012.**

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	28.05.2011	
2	Board Meeting	13.08.2011	
3	Board Meeting	14.11.2011	
4	Board Meeting	13.02.2012	
5	Annual General Meeting		16.09.2011
	Total No. of Meetings held	4 (Four)	1 (One)

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.

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		Date of Meetings
		Held	Attended	
Mr. Kailashchandra Chowdhary	Independent Director (Chairman)	5	5	12.04.2011 28.05.2011 13.08.2011
Mr. Vittala Sooru Hegde	Independent Director (Member)	5	4	14.11.2011 13.02.2012
*Mr. Shailesh Shankarlal Vaidya	Independent Director (Member)	5	4	

*** Mr. Prabodh Nagardas Shah has been appointed as an Independent Director in the Board of directors and member of the Audit Committee w.e.f. 14th August, 2012 in place of Mr. Shailesh S. Vaidya, Independent Director who has resigned w.e.f. 26th July, 2012.**

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 2011-12, the remuneration committee meeting was held on 28.05.2011.

*Mr. Prabodh Nagardas Shah has been appointed as an Independent Director in the Board of directors and member of the Remuneration Committee w.e.f. 14th August, 2012 in place of Mr. Shailesh S. Vaidya, Independent Director who has resigned w.e.f. 26th July, 2012.

Remuneration to Executive Directors and their Shareholding:

Name of Directors	Remuneration in ₹ (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 ₹ (Sitting Fees)		Shareholding	
	Board Meetings	Committee Meetings	No. of Shares	Percentage
Mr. Kailashchandra Chowdhary	40,000	12,000	-	-
Mr. Vittala Sooru Hegde	40,000	16,000	-	-
*Mr. Shailesh Shankarlal Vaidya	30,000	8,000	-	-

- 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.

***Mr. Prabodh Nagardas Shah has been appointed as an Independent Director in the Board of directors w.e.f. 14th August, 2012 in place of Mr. Shailesh S. Vaidya, Independent Director who has resigned w.e.f. 26th July, 2012.**

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:

- Mr. Vittala Sooru Hegde (Chairman)
- Mr. Mahendra C. Shah (Member)
- Mr. Champak K. Mehta (Member)

During the F. Y. 2011-12, two Shareholders'/Investors' Grievances committee meetings were held on 07.09.2011 and 30.09.2011.

Status of Shareholders'/Investors' Complaints:

Particulars	No. of complaints
No. of Complaints pending as on 1 st April 2011	Nil
No. of Complaints received, attended and resolved during period of 1 st April 2011 to 31 st March 2012	7
No. of Complaints pending as on 31 st March 2012	Nil

Type and details of investors Complaints:

Out of Seven Complaints, three complaints were received regarding non receipt of refund of amount invested in IPO by the Investors.

Remaining four complaints were received from investors directly through SEBI 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 31st March, 2012. 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
2010-11	5 th	M. C. Ghia Hall, 4 th Floor, Bhogilal Hargovindas Building, K. Dabash Marg, Kalaghoda, Fort, Mumbai – 400 001	Friday, 16 th September, 2011	2.30 P.M.	<ol style="list-style-type: none"> 1. Re-appointment of Mr. Kanu C. Shah as a President (Public Relations). 2. Re-appointment of Mr. Pravin K. Mehta as a President (Administration). 3. Re-appointment of Mr. Pravin C. Shah as a President (Production). 4. Re-appointment of Mr. Suresh K. Mehta as a President (Production). 5. Re-appointment of Mr. Paras C. Mehta as a (President) Purchase.
2009-10	4 th	1204, Panchratna, 12 th Floor, Opera House, Mumbai – 400 004.	Thursday, 16 th September, 2010	4.00 P.M.	NIL
2008-09	3 rd	1204, Panchratna, 12 th Floor, Opera House, Mumbai – 400 004.	Friday, 14 th August, 2009	1.00 P. M.	NIL

ii) Extra Ordinary General Meetings:

During the financial year 2011-12, no Extra-Ordinary General Meeting was held by the Company.

iii) Ordinary Resolutions passed through Postal Ballot

Two ordinary resolutions have been passed by way of postal ballot during the financial year 2011-12 as mentioned below:

- 1) Authorization to Board of directors to borrow money up to ₹ 1800 Crores u/s 293(1)(d) of the Companies Act, 1956.
- 2) Authorization to the Board of directors to create mortgages/charges/hypothecation on all or any of the immovable and movable properties of the Company, both present and future under section 293(1)(a) of the Companies Act, 1956.

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. The Board Members and the Senior Management personnel have affirmed their compliance with the Code of Conduct for the year ended March 31, 2012.

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

NIL

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

Annual audited results of the Company are published in 'Free Press', and 'Nav Shakti' Mumbai edition.

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.

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 fund received through IPO:

<i>(₹ in million)</i>					
Sr. No.	Description	Amount to be financed through the issue proceeds	Funds Utilised upto 31/03/2012	Funds Utilised upto 31/12/2011	Funds Utilised upto 31/03/2011
	Objects of the issue #				
i	Working capital	696.93	696.93	-	-
ii	Investment in subsidiary Ciemme Jewels Limited for setting up retail outlets	300.00	* 300.00	-	-
iii	Brand development expenses	100.00	* 56.25	-	-
iv	Investment in capital of C. Mahendra BVBA	800.00	455.19	455.19	229.94
	Total	1,896.93	1,508.37	455.19	229.94
	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	91.63	91.63	93.69
	Temporary investment in Bank Fixed deposits	-	50.00	1,103.18	1,326.37
	Total	1,650.00	1,650.00	1,650.00	1,650.00

Object of the issue revised vide special resolution passed in Annual General Meeting on 16 September 2011

* Represents loan given to Ciemme Jewels Limited for expenses incurred or to be incurred towards object of the issue.

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 requirements of Regulation 55A of the SEBI (Depositories and Participants) (Second Amendment) Regulations 2003.

d) CEO/CFO Certification

A certificate as required under clause 49(V) of listing agreement from The CEO, i.e. the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO i.e. the whole-time Finance Director or any other person heading the finance function discharging, was placed before the Board.

e) Compliance Certificate from Practicing Cost Accountant

The Companies (Cost Accounting Records) Rules, 2011 [GSR No. 429(E) dated 3rd June

2011] is applicable to all listed companies (whether Equity or debt securities) hence we have received a compliance certificate for the F. Y. 2011-12 regarding maintaining cost records of the Company from CMA Rajendra Bhai Patel, Ahmdabad.

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, which is accessible to the public at large.

13. General shareholders information

a) Annual General Meeting Date, Time & Venue

Date & Time : Wednesday, 26th September, 2012
Time : 2.30 P.M.
Venue : Hotel Tunga International, B/11,
M.I.D.C. Central Road,
Andheri (East) Mumbai – 400 093

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 21st September, 2012

to 26th September, 2012 (both days inclusive) to determine the entitlement of shareholders to receive the final dividend as may be declared at the ensuing Annual General Meeting.

d) Date of Dividend Payment

Credit /dispatch of dividend warrants will be made between 27th September, 2012 to 10th October, 2012 or within 30 days from the date of AGM.

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 April, 2011 to March, 2012 are as follows:

The Bombay Stock Exchange Ltd.

Months	High Price in ₹	Low Price in ₹
April 2011	342	225.1
May 2011	296.65	246
June 2011	275	226
July 2011	259.65	221.25

The Bombay Stock Exchange Ltd.

Months	High Price in ₹	Low Price in ₹
August 2011	234	142
September 2011	206	145
October 2011	190	170
November 2011	174	121.25
December 2011	152	124
January 2012	150.2	120.05
February, 2012	153	135
March, 2012	141.8	118

The monthly high & Low Prices of the Company traded at the National Stock Exchange of (India) Limited, Mumbai from April, 2011 to March, 2012 are as follows:

The National Stock Exchange of India Ltd.

Months	High Price in ₹	Low Price in ₹
April 2011	309.40	214.80
May 2011	296.70	205.00
June 2011	274.90	225.95
July 2011	259.90	221.20
August 2011	234.00	140.00
September 2011	206.80	142.80
October 2011	194.60	169.60
November 2011	174.00	120.00
December 2011	154.00	110.00
January 2012	150.95	119.20
February, 2012	152.15	134.00
March, 2012	142.00	126.50

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 31st March, 2012

(I) (a) Shareholding Pattern under Clause 35

Name of the Company: C. MAHENDRA EXPORTS LIMITED

Scrip Code : BSE- 533304 , NSE- C. Mahendra Exports Ltd.;

Quarter ended: 31.03.2012

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B) [1]	As a percentage of (A+B+C)	No of shares	As a percentage
(A)	Shareholding of Promoter and Promoter Group[2]				0.00	0.00	0	0.000
-1	Indian				0.00	0.00	0	0.000
(a)	Individuals/ Hindu Undivided Family	12	45000000	45000000	75.00	75.00	0	0.000
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00	0	0.000
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	0.000
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0	0.000
(e)	Any Other (specify)	0	0	0	0.00	0.00	0	0.000
	Relatives of Promoters	0	0	0	0.00	0.00	0	0.000
	Other Bodies Corporates	0	0	0	0.00	0.00	0	0.000
	Sub-Total (A)(1)	12	45000000	45000000	75.00	75.00	0	0.000
-2	Foreign				0.00	0.00		
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0.00	0.00		
(b)	Bodies Corporate	0	0	0	0.00	0.00		
(c)	Institutions	0	0	0	0.00	0.00		
(d)	Any Other (specify)	0	0	0	0.00	0.00		
	Sub-Total (A)(2)	0	0	0	0.00	0.00		
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	12	45000000	45000000	75.00	75.00		
(B)	Public shareholding[3]				0.00	0.00		
-1	Institutions				0.00	0.00		
(a)	Mutual Funds/ UTI	0	0	0	0.00	0.00		
(b)	Financial Institutions/ Banks	0	0	0				
(c)	Central Government/ State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Funds	0	0	0	0	0.00		
(e)	Insurance Companies	0	0	0	0	0.00		
(f)	Foreign Institutional Investors	12	7728216	7728216	12.88	12.88		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B) [1]	As a percentage of (A+B+C)	No of shares	As a percentage
	Sub-Total (B)(1)	12	7728216	7728216	12.88	12.88		
-2	Non-institutions				0.00	0.00		
(a)	Bodies Corporate	141	5982620	5982620	9.97	9.97	3041402	50.8373
(b)	Individuals				0.00	0.00		
	i. Individual shareholders holding nominal share capital up to ₹ 1 lakh.	2476	375814	375811	0.63	0.63	16500	4.3905
	ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	7	413960	413960	0.69	0.69	163931	39.6007
(c)	Any Other (specify)	.			0.00	0.00		
	3. Clearing members	69	488161	488161	0.81	0.81	28593	5.8573
	1. N R I	37	8896	8896	0.01	0.01		
	2. N R N	11	2333	2333	0.00	0.00		
	3. Foreign National	0	0	0	0.00	0.00		
	4. Foreign Companies	0	0	0	0.00	0.00		
	5. Director/Relatives	0	0	0	0.00	0.00		
	6. Trust	0	0	0	0.00	0.00		
	5. HUF	0	0	0	0.00	0.00		
	Sub-Total (B)(2)	2741	7271784	7271781	12.12	12.12		
	Total Public Shareholding (B)= (B)(1)+(B)(2)	2753	15000000	14999997	25.00	25.00		
	TOTAL (A)+(B)	2765	60000000	59999997	100.00	100.00		
(C)	Shares held by Custodians and against which Depository Receipts have been issued				0.00	0.00		
	1. Promoters				-	-		-
	2.Public	-			-	-		-
	Sub-Total (C)	-	-	-	-	-	-	-
	GRAND TOTAL (A)+(B)+(C)	2765	60000000	59999997	100.00	100.00	3250426	5.42

(I) Statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category
(b) “Promoter and Promoter Group”

Sr. No.	Name of the shareholder	Details of Shares held		Encumbered shares			Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		Number of shares held	As a % of grand total (A)+(B)+(C)	No.	As a percentage	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)	Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	As a % total number of convertible securities of the same class	
(I)	(II)	(III)	(IV)	(V)	(VI)=(V)/(III)*100	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)
1	MAHENDRA CHANDULAL SHAH	9039131	15.07	0	0.00	0.00					
2	KANUKUMAR CHANDULAL SHAH	5165217	8.61	0	0.00	0.00					
3	CHAMPAKLAL KIRTILAL MEHTA	4910869	8.18	0	0.00	0.00					
4	PRAKASH KIRTILAL MEHTA	4335652	7.23	0	0.00	0.00					
5	PRAVINCHANDRA CHANDULAL SHAH	4304348	7.17	0	0.00	0.00					
6	PRAVIN KIRTILAL MEHTA	4059783	6.77	0	0.00	0.00					
7	SANDEEP MEAHENDRA SHAH	3443478	5.74	0	0.00	0.00					
8	PARAS CHAMPAKLAL MEHTA	3257610	5.43	0	0.00	0.00					
9	SURESH KIRTILAL MEHTA	3216522	5.36	0	0.00	0.00					

10	SAMIR PRAVINCHANDRA SHAH	2367390	3.95	0	0.00	0.00					
11	KEVIN PRAKASH MEHTA	469566	0.78	0	0.00	0.00					
12	SUKEN PRAVINCHANDRA SHAH	430434	0.72	0	0.00	0.00					
TOTAL		45000000	75.00	0	0.00	0.00					

(I)(c) Statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category “Public”

(i) and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares held	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
1	ALBERS DIAMOND PVT LTD	2257101	3.76					
2	CRESTA FUND LTD	1810866	3.02					
3	CREDO INDIA THEMATIC FUND LIMITED	1628851	2.71					
4	INVESTMENT PROFESSIONALS LTD A/C IPRO FUNDS LTD	1627073	2.71					
5	ELARA INDIA OPPORTUNITIES FUND LIMITED	1587444	2.65					
6	VJ COMTRADE PRIVATE LIMITED AADCV7086M	884222	1.47					
7	TAIB SECURITIES MAURITIUS LIMITED	865766	1.44					
8	MAGNIFIQUE GEMS PVT LTD	823378	1.37					
TOTAL		11484701	19.14					

(I)(c) Statement showing holding of securities (including shares, warrants, convertible securities) of persons (together with PAC) belonging to the category “Public” and holding more than 5% of the total number of shares of the company

Sr. No.	Name(s) of the shareholder(s) and the Persons Acting in Concert (PAC) with them	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}	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
		0	0.00					
TOTAL		0	0.00					

(I)(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Category of Share holder (Promoter/ Public)	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	Promoter	2958140	4.93
2	MAHENDRA CHANDULAL SHAH	Promoter	3553954	5.92
3	PRAVIN CHANDULAL SHAH	Promoter	1692558	2.82
4	PRAVIN KIRTILAL MEHTA	Promoter	2441860	4.07
5	SANDEEP MAHENDRA SHAH	Promoter	1353488	2.26
TOTAL			12000000.00	20.00

(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				
TOTAL				

(II) Statement showing Holding of Depository Receipts (DRs), where underlying shares 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				
TOTAL				

[1] For determining public shareholding for the purpose of Clause 40A.

[2] For definitions of “Promoter” and “Promoter Group”, refer to Clause 40A.

[3] For definitions of “Public Shareholding”, refer to Clause 40A.

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 – 400 051.
bkc@cmahendra.com

Branch Office:
C. Mahendra Exports Limited
26, Kadampali Soc., Near
Sneh-Milan, 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 31st March, 2012.

Place: Mumbai
Date: 01.09.2012

Sd/-
Mahendra C. Shah
Executive Chairman

Certificate from Practicing Company Secretary

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 31st March, 2012, 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 Gaurav Sinha & Associates
Company Secretaries

sd/-
(CS. Gaurav Sinha)
Prop.
Membership No. ACS 25923
Certificate of Practice No. 10891

Place : Mumbai
Date : 01.09.2012

The Board of Directors,
C. Mahendra Exports Limited
Tower 'C' Office No: CC-6011,
Bharat Diamond Bourse,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051

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, 2012, 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: 01.09.2012

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 2012, statement of profit and loss 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors of the Company, as on 31 March 2012 and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31 March 2012 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, the said accounts read together with other notes thereon, 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 2012;
 - ii. in the case of statement of profit and loss, profit of the Company for the year ended on that date; and
 - iii. in the case of cash flow statement, of the cash flows of the Company 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: 28.08.2012

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 four parties covered in the said register maximum amount involved during the year was ₹589,797,452 and the aggregate year-end balance was ₹484,693,387.
- (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 ₹ 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 58AA 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.
- (viii) According to the information and explanations given to us, the Company has maintained prescribed cost records pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Act, which became applicable to the Company from 1 April 2011. However we have not made a detailed examination of records.

- (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 31/03/2012 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 ₹	Period to which it relates	Forum where dispute is pending
Custom Act, 1962	Penalty	11,000,000	2007-2008	Appellate Tribunal
Finance Act, 1994 (Service tax provisions)	Service tax	241,156	2006-2007	High Court
Finance Act, 1994 (Service tax provisions)	Service tax	15,253,581	2006-2011	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 ₹7,463,449 outstanding as on 31 March 2012 is interest relating to current year debited by banks after the year end upto 30 April 2012. 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) 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 2012 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: 28.08.2012

Balance Sheet as at 31 March, 2012

Particulars	Note No.	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	725,000,000	725,000,000
(b) Reserves and surplus	3	5,067,509,933	4,745,297,620
		<u>5,792,509,933</u>	<u>5,470,297,620</u>
2 Non-current liabilities			
(a) Long-term borrowings	4	11,775,658	81,609,639
(b) Deferred tax liabilities (Net)	5	52,016,945	57,426,839
(d) Long-term provisions	6	8,479,358	7,538,688
		<u>72,271,961</u>	<u>146,575,166</u>
3 Current liabilities			
(a) Short-term borrowings	7	9,632,817,950	8,798,676,018
(b) Trade payables	8	4,360,707,336	4,210,927,716
(c) Other current liabilities	9	133,944,982	142,565,382
(d) Short-term provisions	10	82,984,164	5,042,909
		<u>14,210,454,432</u>	<u>13,157,212,025</u>
Total		<u><u>20,075,236,326</u></u>	<u><u>18,774,084,811</u></u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		1,013,068,303	1,056,118,026
(ii) Intangible assets		2,425,710	688,527
(iii) Capital work-in-progress		-	24,585,963
(iv) Intangible assets under development		529,440	-
(b) Non-current investments	12	918,703,401	468,430,107
(c) Long-term loans and advances	13	534,901,529	246,107,975
(d) Other non-current assets	14	52,522,152	229,902,223
		<u>2,522,150,535</u>	<u>2,025,832,821</u>
2 Current assets			
(a) Inventories	15	8,252,330,771	5,364,843,757
(b) Trade receivables	16	8,957,395,813	9,650,945,855
(c) Cash and bank balances	17	214,322,110	1,564,306,849
(d) Short-term loans and advances	18	120,335,130	114,472,075
(e) Other current assets	19	8,701,967	53,683,454
		<u>17,553,085,791</u>	<u>16,748,251,990</u>
Total		<u><u>20,075,236,326</u></u>	<u><u>18,774,084,811</u></u>

Significant accounting policies

See accompanying notes to the financial statements

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

sd/-
(Nirmal Jain)
PARTNER
Membership No.: 34709

Mumbai; Dated: 28.08.2012

On behalf of the board of directors

sd/-
Director

sd/-
Director

Company secretary
Mumbai; Dated: 28.08.2012

Statement of Profit And Loss for the year ended 31 March, 2012

Particulars	Note No.	Current Year	Previous Year
		2011-2012 (₹)	2010-2011 (₹)
I. Revenue from operations	20	19,567,987,409	18,432,730,112
II. Other income	21	526,673,853	177,672,030
III. Total Revenue (I + II)		<u>20,094,661,262</u>	<u>18,610,402,142</u>
IV. Expenses:			
Cost of materials consumed / sold	22	14,082,616,768	8,991,613,269
Purchases of stock-in-trade - Polished diamonds		6,291,395,737	9,044,245,225
Changes in inventories of finished goods and stock-in-trade	23	(2,814,601,223)	(1,433,313,823)
Employee benefits expenses	24	138,034,522	150,735,996
Finance costs	25	1,054,284,066	719,444,808
Depreciation and amortisation	11	90,219,830	88,660,251
Other expenses	26	842,062,230	511,406,812
Total expenses		<u>19,684,011,930</u>	<u>18,072,792,538</u>
V. Profit before tax (III-IV)		410,649,332	537,609,604
VI. Tax expense:			
Current tax expense		(41,000,000)	(76,000,000)
MAT credit entitlement		26,000,000	18,000,000
Deferred tax benefits		5,409,894	92,442,459
Tax adjustments for earlier years		(7,568,320)	(32,929)
		<u>(17,158,426)</u>	<u>34,409,530</u>
VII. Profit for the year (V-VI)		<u>393,490,906</u>	<u>572,019,134</u>
VIII. Earnings per equity share:			
(1) Basic		6.41	11.69
(2) Diluted		6.41	11.69
Nominal value of equity shares		10.00	10.00
Significant accounting policies	1		

See accompanying notes to the financial statements
As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

sd/-
(Nirmal Jain)
PARTNER
Membership No.: 34709

Mumbai; Dated: 28.08.2012

On behalf of the board of directors

sd/-
Director

sd/-
Director

Company secretary
Mumbai; Dated: 28.08.2012

Cash Flow Statement for the year ended 31 March, 2012

Particulars	Note No.	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) before tax		410,649,332	537,609,604
Adjustments for:			
Depreciation and amortisation		90,219,830	88,660,251
Interest expenses		796,676,675	613,568,678
Interest on short and delay payment of advance tax		1,400,000	1,000,000
Share of loss/ (profit) from partnership firm C. Mahendra Trading		(221,659,274)	912
(Profit) / Loss on sale of fixed assets		(37,804)	33,908
Fixed assets written off		1,162,145	-
Unrealised exchange difference (net)		287,893,128	29,576,522
Interest income		(142,935,097)	(41,799,263)
Dividend income		-	(337,446)
Operating profit before working capital changes		1,223,368,935	1,228,313,166
Adjustments for change in working capital:			
Increase/(Decrease) in trade and other payable		(46,890,070)	1,296,277,638
(Increase)/Decrease in trade and other receivable		848,898,865	(119,596,712)
(Increase)/Decrease in inventories		(2,887,487,014)	(1,418,749,987)
Cash generated from / (used in) operations		(862,109,284)	986,244,105
Less: Taxes paid		(38,048,056)	(81,194,962)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(A)	(900,157,340)	905,049,143
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets (including capital advances and CWIP)		56,961,185	(117,143,699)
Proceeds from sale of fixed assets		645,171	322,001
Purchase of Investments		(228,614,020)	(286,598,420)
Loans (granted) / received back (net)		(361,563,564)	322,249
(Increase)/Decrease in investments in fixed deposits with banks (Having original maturities beyond three months)		1,499,912,249	(1,585,113,280)
Interest received		164,270,550	14,074,669
Dividend received		-	337,446
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(B)	1,131,611,571	(1,973,799,034)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in borrowings (net)		532,304,019	176,515,373
Proceeds from issue of share capital		-	1,650,000,000
Public issue expenses paid/(refunded)		2,060,989	(75,531,495)
Interest paid		(793,276,459)	(657,035,254)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(C)	(258,911,451)	1,093,948,624

Notes to Financial Statements for the year ended 31 March, 2012

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 and 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.

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 / construction 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 cost or net realisable value. Cost is ascertained on lot-wise weighted average basis.
- 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 statement of profit and loss. 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 statement of profit and loss in the reporting

Notes to Financial Statements for the year ended 31 March, 2012

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/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 statement of profit and loss.

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 statement of profit and loss 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 statement of profit and loss.

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 fixed assets are reflected at the recoverable amount subject to a minimum of depreciated historical cost.

Notes to Financial Statements for the year ended 31 March, 2012

2 Share capital

Particulars	As at	
	31/03/2012 (₹)	31/03/2011 (₹)
Authorised:		
62,500,000 Equity shares of ₹10 each	625,000,000	625,000,000
12,500,000 6% Redeemable Preference shares of ₹10 each	125,000,000	125,000,000
	<u>750,000,000</u>	<u>750,000,000</u>
Issued, subscribed and paid up:		
60,000,000 Equity shares of ₹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)	600,000,000	600,000,000
12,500,000 6% Redeemable Preference shares of ₹10 each fully paid up	125,000,000	125,000,000
Total	<u>725,000,000</u>	<u>725,000,000</u>

a) Details of reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year:

Particulars	As at 31/03/2012		As at 31/03/2011	
	Number	(₹)	Number	(₹)
Equity shares:				
Outstanding at the beginning of the year	60,000,000	600,000,000	45,000,000	450,000,000
Issued during the year	-	-	15,000,000	150,000,000
Outstanding at the end of the year	<u>60,000,000</u>	<u>600,000,000</u>	<u>60,000,000</u>	<u>600,000,000</u>
6% Redeemable Preference shares:				
Outstanding at the beginning of the year	12,500,000	125,000,000	12,500,000	125,000,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	<u>12,500,000</u>	<u>125,000,000</u>	<u>12,500,000</u>	<u>125,000,000</u>

b) Terms / rights attached to Equity shares:

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting.

In the event of the liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to Financial Statements for the year ended 31 March, 2012

c) Terms / rights attached to 6% Redeemable Preference shares:

During year ended 31 March 2010 the Company has issued 12,500,000 6% Redeemable Preference shares of ₹10 each at ₹100 each (including ₹90 premium). Each holder of 6% Redeemable Preference shares is entitled to one vote per share only on resolution placed before the Company which directly affect the right attached to 6% Redeemable Preference shares. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting.

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.

d) Details of shares in the company held by each shareholder holding more than 5 percent shares:

Name of Shareholder	As at 31/03/2012		As at 31/03/2011	
	No. of shares held	% of Holding	No. of shares held	% of Holding
Equity shares:				
Mahendra C. Shah	9,039,131	15.07%	9,039,131	15.07%
Kanu C. Shah	5,165,217	8.61%	5,165,217	8.61%
Champak K. Mehta	4,910,869	8.18%	4,910,869	8.18%
Prakash K. Mehta	4,335,652	7.23%	4,335,652	7.23%
Pravin C. Shah	4,304,348	7.17%	4,304,348	7.17%
Pravin K. Mehta	4,059,783	6.77%	4,059,783	6.77%
Sandeep M. Shah	3,443,478	5.74%	3,443,478	5.74%
Paras C. Mehta	3,257,610	5.43%	3,257,610	5.43%
Suresh K. Mehta	3,216,522	5.36%	3,216,522	5.36%
6% Redeemable Preference shares:				
Mahendra C. Shah	2,510,870	20.09%	2,510,870	20.09%
Kanu C. Shah	1,434,780	11.48%	1,434,780	11.48%
Champak K. Mehta	1,364,130	10.91%	1,364,130	10.91%
Prakash K. Mehta	1,204,350	9.63%	1,204,350	9.63%
Pravin C. Shah	1,195,650	9.57%	1,195,650	9.57%
Pravin K. Mehta	1,127,720	9.02%	1,127,720	9.02%
Sandeep M. Shah	956,520	7.65%	956,520	7.65%
Paras C. Mehta	904,890	7.24%	904,890	7.24%
Suresh K. Mehta	893,480	7.15%	893,480	7.15%
Samir P. Shah	657,610	5.26%	657,610	5.26%

e) Issued, subscribed and paid up capital includes bonus shares as under:

Particulars	As at 31/03/2012		As at 31/03/2011	
	Number	(₹)	Number	(₹)
Equity shares issued as bonus shares in 2009-10	15,000,000	150,000,000	15,000,000	150,000,000

Notes to Financial Statements for the year ended 31 March, 2012

3 Reserves and surplus

Particulars	As at	As at
	31/03/2012	31/03/2011
	(₹)	(₹)
Securities premium account		
Opening balance	3,481,311,415	2,075,000,000
Add: Securities premium credited on Shares issued	-	1,500,000,000
Less: Issue related expenses / (write back)	(2,060,989)	93,688,585
Closing balance	3,483,372,404	3,481,311,415
Surplus/ (Deficit)		
Opening balance	1,263,986,205	691,967,071
Add: Net profit for the year	393,490,906	572,019,134
Less: Proposed dividend on Preference shares	15,102,740	-
Less: Proposed dividend on Equity shares	48,000,000	-
Less: Dividend distribution tax	10,236,842	-
Closing balance	1,584,137,529	1,263,986,205
Total	5,067,509,933	4,745,297,620

4 Long term borrowings

Particulars	As at 31/03/2012		As at 31/03/2011	
	Non current	Current maturities	Non current	Current maturities
	(₹)	(₹)	(₹)	(₹)
		(Refer note 9)		(Refer note 9)
Secured:				
Term loans:				
from banks	9,000,000	69,375,000	80,169,290	89,500,000
Vehicle loans:				
from banks	1,381,637	1,569,254	1,041,290	1,138,262
from others	1,394,021	1,002,938	399,059	290,386
Total	11,775,658	71,947,192	81,609,639	90,928,648

Term loans from banks:

Loan 1

Secured by hypothecation of two wind turbine generators and personal guarantee of directors, shareholders and their relatives and corporate guarantee of subsidiary company and associate company.

Repayable in 60 monthly installments of ₹2,250,000, starting from the end of 6 months from the first drawdown date (i.e. December 2007) and it carries interest @ 13% to 14% p.a.

Loan 2

Secured by hypothecation of eight wind turbine generators, equitable mortgage of land on which windmill is erected and personal guarantee of directors and shareholders.

Repayable in 24 quarterly installments of ₹15,625,000, starting from the end of 6 months from the first drawdown date (i.e. June 2006) and it carries interest @ 14.50% p.a.

Notes to Financial Statements for the year ended 31 March, 2012

Vehicle loans from banks:

Secured by hypothecation of vehicles.

Loan 1

Repayable in 36 monthly installments of ₹56,600 (along with interest), starting from 07/11/2009 and it carries interest @ 8.73%.

Loan 2

Repayable in 36 monthly installments of ₹50,000 (along with interest), starting from 05/08/2010 and it carries interest @ 8.28%.

Loan 3

Repayable in 36 monthly installments of ₹71,044 (along with interest), starting from 01/12/2011 and it carries interest @ 11%.

Vehicle loans from others:

Secured by hypothecation of vehicles.

Loan 1

Repayable in 35 monthly installments of ₹28,125 (along with interest), starting from 10/08/2010 and it carries interest @ 8.43%.

Loan 2

Repayable in 36 monthly installments of ₹71,500 (along with interest), starting from 26/12/2011 and it carries interest @ 10.12%.

5 Deferred tax liabilities (net)

Particulars

	As at 31/03/2012	As at 31/03/2011
	(₹)	(₹)
Deferred tax liabilities - Depreciation	55,081,172	60,194,184
Less: Deferred tax assets - Provision for gratuity	3,064,227	2,767,345
Total	52,016,945	57,426,839

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.

6 Long term provisions

Provision for employee benefits:

Gratuity (unfunded)

	8,479,358	7,538,688
Total	8,479,358	7,538,688

Notes to Financial Statements for the year ended 31 March, 2012

7 Short term borrowings

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Secured:		
Working capital loans from banks:		
Foreign currency loans	3,385,009,055	2,483,086,675
Rupee loans	5,764,264,436	5,748,891,477
	9,149,273,491	8,231,978,152
Unsecured:		
Loans and advances from related parties:		
Interest free	454,984,878	537,577,998
Interest bearing	28,559,581	29,119,868
	483,544,459	566,697,866
Total	<u>9,632,817,950</u>	<u>8,798,676,018</u>

Working capital loans from banks are secured by hypothecation of whole of the current assets (both present and future) (first pari passu) 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 (both present and future), 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.

Foreign currency loans carries interest @ 2% to 4% p.a. (previous year 2% to 4% p.a.) and Rupee loans carries interest @ 11% to 18% p.a. (previous year 9% to 18% p.a.).

Loans and advances from related parties are repayable on demand and carries interest @ 2.25% to 9% p.a.

8 Trade payables

Trade payables	4,360,707,336	4,210,927,716
Total	<u>4,360,707,336</u>	<u>4,210,927,716</u>

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.

Notes to Financial Statements for the year ended 31 March, 2012

9 Other current liabilities

Particulars	As at	As at
	31/03/2012	31/03/2011
	(₹)	(₹)
Current maturities of long-term debts (Refer note 4)	71,947,192	90,928,648
Interest accrued but not due on borrowings	254,274	1,321,441
Interest accrued and due on borrowings	7,463,449	5,299,453
Advances from customers	27,474	145,046
Deposits	52,000	-
Book overdraft	4,646,191	-
Employees dues payables	10,296,644	11,569,542
Payables for fixed assets (Refer note above)	4,082,444	6,524,088
Statutory dues payable	2,372,291	7,728,122
Mark to market loss on currency swap	32,803,023	19,049,042
Total	133,944,982	142,565,382

10 Short term provisions

Provision for employee benefits:		
Gratuity (unfunded)	965,017	792,295
Other provisions:		
Provision for income tax (net)	8,679,565	4,174,149
Provision for fringe benefit tax (net)	-	76,465
Proposed dividend on Preference shares	15,102,740	-
Proposed dividend on Equity shares	48,000,000	-
Dividend distribution tax	10,236,842	-
Total	82,984,164	5,042,909

Notes to Financial Statements for the year ended 31 March, 2012

11 Fixed assets

Particulars	Tangible assets										Intangible assets	
	Land - Freehold	Land - Leasehold	Buildings	Plant and machinery	Windmills	Furniture and Fixtures	Computers	Vehicles #	Office equipment	Total	Computer software	
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Gross block												
As at 01/04/2010	20,964,601	1,690,000	488,375,286	328,161,697	625,092,137	14,703,181	31,735,837	41,198,755	43,559,757	1,595,481,251	1,892,719	
Additions	-	12,000,000	-	5,082,679	-	-	237,108	4,537,792	480,504	22,338,083	-	
Disposals	-	-	-	-	-	-	-	(1,324,392)	-	(1,324,392)	-	
As at 31/03/2011	20,964,601	13,690,000	488,375,286	333,244,376	625,092,137	14,703,181	31,972,945	44,412,155	44,040,261	1,616,494,942	1,892,719	
Additions	-	-	9,462,609	2,986,926	-	18,189,469	2,865,467	10,509,419	4,524,116	48,538,006	2,191,066	
Adjustments	-	-	-	(3,014,123)	-	(2,017,424)	(522,445)	(4,346,691)	(473,736)	(10,374,419)	-	
(Refer note 1 below)												
Disposals	-	-	(28,980)	(18,778)	-	(14,143)	(2,763)	(2,533,326)	-	(2,597,990)	-	
As at 31/03/2012	20,964,601	13,690,000	497,808,915	333,198,401	625,092,137	30,861,083	34,313,204	48,041,557	48,090,641	1,652,060,539	4,083,785	
Depreciation / Amortisation												
As at 01/04/2010	-	218,292	104,226,588	184,079,850	98,914,135	7,178,406	25,456,929	28,814,144	24,255,824	473,144,168	745,172	
Charge for the year	-	84,500	24,156,880	20,402,893	33,004,866	1,316,211	2,547,525	3,974,009	2,714,347	88,201,231	459,020	
Disposals	-	-	-	-	-	-	-	(968,483)	-	(968,483)	-	
As at 31/03/2011	-	302,792	128,383,468	204,482,743	131,919,001	8,494,617	28,004,454	31,819,670	26,970,171	560,376,916	1,204,192	
Charge for the year	-	84,500	26,112,803	18,136,727	33,004,866	3,391,220	2,301,546	4,006,448	2,727,837	89,765,947	453,883	
Adjustments	-	-	-	(2,695,828)	-	(1,582,226)	(522,445)	(4,047,636)	(364,140)	(9,212,275)	-	
(Refer note 1 below)												
Disposals	-	-	-	-	-	-	-	(1,938,352)	-	(1,938,352)	-	
As at 31/03/2012	-	387,292	154,496,271	219,923,642	164,923,867	10,303,611	29,783,555	29,840,130	29,333,868	638,992,236	1,658,075	
Net block												
As at 31/03/2011	20,964,601	13,387,208	359,991,818	128,761,633	493,173,136	6,208,564	3,968,491	12,592,485	17,070,090	1,056,118,026	688,527	
As at 31/03/2012	20,964,601	13,302,708	343,312,644	113,274,759	460,168,270	20,557,472	4,529,649	18,201,427	18,756,773	1,013,068,303	2,425,710	

Note:

1 During the year, management has ascertained the cost of fixed assets whose WDV as on 3 January 2007 was taken as cost on conversion of erstwhile partnership firm M/s. C. Mahendra Exports under Part IX of the Companies Act, 1956. The management has also conducted physical verification of such assets and differences as compared to fixed assets have been adjusted during the year.

2 Vehicles having gross block of ₹11,404,494 (as at 31/03/2011 ₹3,758,426) are not registered in Company's name.

Notes to Financial Statements for the year ended 31 March, 2012

12 Non current investments

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Trade, Unquoted and Long-term):		
Investment in Equity Instruments:		
In subsidiaries:		
112,800 Equity Shares of ₹10 each fully paid up in C. Mahendra International Limited	20,128,000	20,128,000
245 (166) Equity Shares of EUR 186 each fully paid up in C. Mahendra BVBA	616,896,799	391,642,099
200 Equity Shares of AED 1000 each fully paid up of C. Mahendra DMCC	2,560,920	2,560,920
In other:		
10 Equity Shares of ₹5,400,000 each fully paid up of Surat Rough Diamonds Sourcing (India) Limited	54,000,000	54,000,000
Investment in partnership firm:		
C. Mahendra Trading	225,117,682	99,088
Total	<u>918,703,401</u>	<u>468,430,107</u>

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

Name of the Partners	Capital account balance	
	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
	C. Mahendra Exports Limited (Share of profit / loss 98%)	225,117,682
Kanu Chandulal Shah (Share of profit / loss 1%)	2,467,070	205,241
Pravin Kirtilal Mehta (Share of profit / loss 1%)	2,467,070	205,241
Total	<u>230,051,822</u>	<u>509,570</u>

13 Long-term loans and advances

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Unsecured, considered good)		
Capital advances	17,460,355	103,535,733
Security deposits	49,800,418	49,462,113
Loans and advances to related party:		
- Ciemme Jewels Limited	356,250,000	-
Advances recoverable in cash or in kind for value to be received	9,980,652	10,530,218
MAT credit entitlement	100,816,508	82,579,911
Taxes paid (net)	593,596	-
Total	<u>534,901,529</u>	<u>246,107,975</u>

Notes to Financial Statements for the year ended 31 March, 2012

14 Other non-current assets

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Bank deposit with more than 12 months maturity		
Lien against margin money / security against borrowings	52,522,152	229,902,223
Total	<u>52,522,152</u>	<u>229,902,223</u>

15 Inventories

(As taken, valued and certified by the management)

Raw materials:

Rough diamonds	719,241,754	644,255,028
Gold	82,340	242,651

Finished goods / traded goods:

Polished diamonds (includes goods with custom authority ₹138,304)	7,532,609,905	4,718,008,682
Consumables, stores and spares	396,772	2,337,396

Total	<u>8,252,330,771</u>	<u>5,364,843,757</u>
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In order to comply with Accounting Standard (AS)-2 "Valuation of Inventories", during the year, management has changed the basis of ascertaining cost of polished diamonds to lot wise weighted average basis instead of estimated cost upto 31 March 2011. Accordingly stock of polished diamonds as at 31 March 2012 is valued at lower of lot-wise weighted average cost or net realisable value. As at 31 March 2012, the weighted average cost is certified by independent cost accountant and net realisable value is certified by approved valuer. The cost (estimated by directors) as at 31 March 2011 has been apportioned to various lot at the beginning of the year on a rational basis.

The impact of the above, on the valuation of inventory and profit for the year is not material in view of the management.

16 Trade receivables

(Unsecured, considered good)

Debts outstanding for a period (more) than six months from the date they are due for payment	929,500,712	349,233,325
Others debts	8,027,895,101	9,301,712,530
Total	<u>8,957,395,813</u>	<u>9,650,945,855</u>

17 Cash and bank balances

Balances with banks	7,029,028	35,547,947
Cash on hand	3,825,260	2,758,902
Bank deposits:		
Lien against margin money / security against borrowings	153,177,588	1,508,500,000
Others	50,290,234	17,500,000
Total	<u>214,322,110</u>	<u>1,564,306,849</u>

Notes to Financial Statements for the year ended 31 March, 2012

18 Short-term loans and advances

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Unsecured, considered good)		
Loans to staff	2,714,086	2,124,171
Loans and advances to related parties	5,185,823	462,974
Security deposits	304,637	8,873,010
Advances recoverable in cash or in kind for value to be received	24,096,209	18,339,339
Due from company in which director is interested:		
C. Mahendra Commodities Pvt. Ltd.	800	-
Interest on borrowings paid in advance	82,369,194	84,672,581
Advances to suppliers	5,664,381	-
Total	<u>120,335,130</u>	<u>114,472,075</u>

Details of loans and advances to related parties:

C. Mahendra International Ltd.	43,252	15,177
Ciemme Jewels Ltd.	5,001,191	439,667
C. Mahendra Trading	50,000	-
Ashesha Trading Pvt. Ltd.	35,970	8,130
All Right Trading Pvt. Ltd.	27,690	-
Polo Developers Pvt. Ltd.	27,720	-
Total	<u>5,185,823</u>	<u>462,974</u>

19 Other current assets

Interest accrued on fixed deposits	6,619,986	28,016,670
Interest accrued on electricity deposits	111,341	50,110
Dues from related parties against sale of fixed assets:		
Ciemme Jewels Limited	19,064	-
C. Mahendra Trading	33,207	-
Receivable from related party:		
C. Mahendra BVBA	1,918,369	-
Receivable against cancellation of forward contracts	-	25,616,674
Total	<u>8,701,967</u>	<u>53,683,454</u>

Notes to Financial Statements for the year ended 31 March, 2012

20 Revenue from operations

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Sales of finished goods / traded goods:		
- Polished diamonds	14,285,141,211	14,525,490,497
- Gold medillions	149,493,780	671,983,950
Sales of raw materials:		
- Rough diamonds	5,045,915,493	3,157,898,400
Other operating income:		
Sale of electricity generated from windmills	87,436,925	77,357,265
Total	<u>19,567,987,409</u>	<u>18,432,730,112</u>

21 Other income

Interest:		
on fixed deposits with banks	142,606,205	41,727,394
on electricity deposits	146,530	55,678
on others	182,362	16,191
Share of profit/ (loss) from partnership firm C. Mahendra Trading	221,659,274	(912)
Dividend on investments (current - Non trade)	-	337,446
Exchange rate differences (net)	159,090,093	132,790,372
Service tax refund received	744,650	1,859,795
VAT refund received	-	691,534
Sundry balance written back	227,089	129,357
Profit on sale of fixed assets (net)	37,804	-
Guarantee fee	1,918,369	-
Rent income	52,000	-
Miscellaneous income	9,477	65,175
Total	<u>526,673,853</u>	<u>177,672,030</u>

22 Cost of materials consumed / sold

Raw materials - Rough diamonds:		
Opening stock	644,255,028	659,580,481
Add: Purchases	14,020,665,563	8,360,558,283
Less: Closing stock	719,241,754	644,255,028
Total (a)	<u>13,945,678,837</u>	<u>8,375,883,736</u>
Raw materials - Gold:		
Opening stock	242,651	-
Add: Purchases	136,777,620	615,972,184
Less: Closing stock	82,340	242,651
Total (b)	<u>136,937,931</u>	<u>615,729,533</u>
Total (a+b)	<u>14,082,616,768</u>	<u>8,991,613,269</u>

Notes to Financial Statements for the year ended 31 March, 2012

Details of imported and indigenous raw materials consumed / sold:

Particulars	Current Year	Previous Year
	2011-2012	2010-2011
	(₹)	(₹)
Imported (61.07%; previous year 92.84%)	5,518,770,766	5,416,184,442
Indigenous (38.93%; previous year 7.16%)	3,517,930,509	417,530,427
Total	9,036,701,275	5,833,714,869

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.

23 Changes in inventories of finished goods and stock-in-trade

Polished diamonds:

Opening stock	4,718,008,682	3,284,694,859
Less: Closing stock	7,532,609,905	4,718,008,682
Total	(2,814,601,223)	(1,433,313,823)

24 Employee benefits expenses

Salaries and wages	132,014,485	140,932,788
Contributions to provident and other funds	3,040,749	3,448,626
Gratuity	1,280,552	2,906,773
Staff welfare expenses	1,698,736	3,447,809
Total	138,034,522	150,735,996

25 Finance costs

Interest expense	796,676,675	613,568,678
Other borrowing costs	39,530,400	31,907,238
Exchange rate differences (net)	216,676,991	72,968,892
Interest on income tax	1,400,000	1,000,000
Total	1,054,284,066	719,444,808

26 Other expenses

Processing charges	657,162,039	311,995,556
Other manufacturing expenses	4,569,166	5,605,568
Consumption of consumables, stores and spares	10,465,717	11,642,785
Import freight, clearing and forwarding charges	1,868,546	575,474
Power and electricity	2,324,324	4,696,155
Postage and telephone expenses	2,739,387	3,405,859
Printing and stationery	1,493,953	1,317,307
Travelling and conveyance expenses	10,977,128	9,466,876
Loss on sale of fixed assets (net)	-	33,908

Notes to Financial Statements for the year ended 31 March, 2012

Particulars	Current Year	Previous Year
	2011-2012	2010-2011
	(₹)	(₹)
Fixed assets written off	1,162,145	-
Legal and professional fees	9,646,310	3,852,274
Bank charges and commission	52,012,145	45,072,101
Rent	830,101	846,540
Rates and taxes	1,174,929	2,253,773
Repairs and maintenance:		
plant and machinery	14,283,838	12,873,541
buildings	91,456	790,123
others	4,343,498	3,204,487
Insurance charges	4,946,101	3,934,086
Auditor's remuneration:		
audit fees	973,567	882,400
tax audit fees	195,783	110,300
taxation matters	662,904	735,771
certification	79,419	57,908
others	101,476	-
Directors sitting fees	146,000	250,000
Donations	2,973,651	393,000
Bad debts	2,217,100	-
Miscellaneous expenses	1,670,335	1,242,348
Exports freight, clearing and forwarding charges	6,691,821	10,031,293
Diamond grading charges	41,111,031	70,873,260
Advertisement expenses	1,692,887	1,562,662
Brokerage and commission on sales	1,358,388	1,083,026
Business promotion expenses	2,097,085	2,618,431
Total	842,062,230	511,406,812
a) Details of imported and indigenous consumables, stores and spares consumed:		
Particulars	Current Year	Previous Year
	2011-2012	2010-2011
	(₹)	(₹)
Imported (83.12%; previous year 78.90%)	8,699,324	9,186,672
Indigenous (16.88%; previous year 21.10%)	1,766,393	2,456,113
Total	10,465,717	11,642,785

Notes to Financial Statements for the year ended 31 March, 2012

27. Contingent liabilities and Commitments

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Contingent liabilities (not provided for):		
Guarantee given to banks in respect of credit facilities sanctioned to a subsidiary company (USD 10,000,000; as at 31/03/2011 USD 5,000,000)	512,065,000	223,500,000
Bond executed in favour of The President of India towards manufacture of goods for exports	441,740,000	461,740,000
Bank guarantee in favour of The President of India for de-bonding of EOU unit	1,800,000	--
Bond executed in favour of The President of India towards provisional release of seized goods	30,622,000	30,622,000
Disputed penalty under Customs Act	11,000,000	11,000,000
Disputed service tax liabilities	15,494,737	241,156
Disputed income tax liability	446,962	446,962
Commitments:		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	41,236,265	41,236,265
Investment to be made out of IPO proceeds in C. Mahendra BVBA, a subsidiary company (refer note 42)	344,807,800	570,062,500
Others:		
The arrears of dividend on 12,500,000 6% Redeemable Preference shares of ₹10 each (includes dividend for the year ₹7,500,000).	--	7,602,740

28. C.I.F. value of imports

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Finished goods:		
Polished diamonds	6,896,396,275	3,426,579,718
Raw materials:		
Rough diamonds	4,449,636,598	5,506,835,764
Gold	136,777,620	615,972,184
Capital goods	692,346	2,666,016
Consumables, stores and spares	6,870,661	10,071,731

29. Expenditure in foreign currency (on accrual basis)

DTC VAS fees (TDS ₹3,020,548; previous year ₹1,662,061)	28,610,446	13,873,917
Foreign travelling expenses	3,025,806	2,368,297
Donation	1,130,750	--
Consultancy fees	756,800	370,727
Diamond grading charges (TDS Nil; previous year ₹181,119)	--	928,710
Others	--	489,689

Notes to Financial Statements for the year ended 31 March, 2012

30. Earning in foreign currency (on accrual basis)

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
F.O.B. value of exports	14,909,533,468	14,076,749,142
Other income	1,918,369	691,534

31. Derivative instruments

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

Particulars	As at 31/03/2012		As at 31/03/2011	
	USD	Equivalent * (₹)	USD	Equivalent * (₹)
Trade receivable	151,838,285	7,767,515,223	188,201,626	8,403,202,585
Bank balances	20,496	1,048,526	26,505	1,183,459
Borrowings	66,105,066	3,385,009,055	55,550,039	2,483,086,764
Trade payable	71,136,423	3,642,647,252	48,998,847	2,190,248,450
Acceptances	12,937,234	662,470,494	26,643,070	1,190,945,235
Advance to suppliers	50,990	2,600,490	786	35,095
Income receivable	37,500	1,918,369	--	--

*as at year end rate

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

Currency	Type	Foreign currency	As at 31/03/2012	As at 31/03/2011
			Amount	Amount
EUR/USD	Sell	EURO	--	10,000,000
EUR/USD	Buy	EURO	8,500,000	--
GBP/USD	Buy	GBP	2,000,000	--

iii. Forward contract outstanding as at year end in respect of exports USD 52,000,000 (as at 31/03/2011 Nil).

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

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Principal assumption used in determining gratuity:		
Discount rate at the beginning of the year	8.5%	8.5%
Expected rate of increase in compensation level	8%	8%
Current service cost	2,085,716	6,977,283
Benefit paid	(167,160)	(481,232)
Present value of obligation at end of year	9,444,375	8,330,983
Change in the present value of the benefit obligations:		
Projected benefit obligations, as at beginning of the year	8,330,983	5,905,442
Service cost	2,085,716	6,977,283
Interest cost	708,134	633,998

Notes to Financial Statements for the year ended 31 March, 2012

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Actuarial (gain) / loss on obligation	(1,513,298)	(4,704,508)
Benefit paid	(167,160)	(481,232)
Projected benefit obligation end of the year	9,444,375	8,330,983
Amount recognised in balance sheet:		
Present value of obligation at the beginning year	9,444,375	8,330,983
Present value of assets	--	--
Liability recognised in balance sheet	9,444,375	8,330,983
Expenses recognised in statement of profit and loss:		
Current service cost	2,085,716	6,977,283
Interest cost	708,134	633,998
Expected return on plan assets	--	--
Net actuarial gain	(1,513,298)	(4,704,508)
Net periodic cost	1,280,552	2,906,773
Movement in net liability recognised in balance sheet:		
Opening net liability	8,330,983	5,905,442
Expenses as above	1,280,552	2,906,773
Contribution paid	(167,160)	(481,232)
Closing net liability	9,444,375	8,330,983

33. Related party disclosures

i. Related party relationships:

a) Subsidiaries (where control exist)	:	C. Mahendra International Limited C. Mahendra BVBA Ciemme Jewels Limited C. Mahendra Exports (H.K.) Ltd. C. Mahendra (NY) LLC Ciemme (LA) Inc. (upto 01/04/2010) Ciemme (NY) LLC C. Mahendra (USA) Inc. Best Shine Limited International Gems & Jewellery FZE Al Daspa Gems & Jewellery FZE 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

Notes to Financial Statements for the year ended 31 March, 2012

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	:	C. Mahendra Commodities Private Limited C. Mahendra Infra Power Ltd. (Formerly known as C. Mahendra Capital Private Limited) 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.
- ii. **Transactions with related parties:**
 - a) Details of related party transactions are as follows:

Notes to Financial Statements for the year ended 31 March, 2012

(Amount in ₹)

Particulars	Related Parties					Total
	Subsidiaries	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	
Sale of polished diamonds	2,227,066,812 (2,908,681,065)	-- (--)	-- (--)	-- (--)	-- (--)	2,227,066,812 (2,908,681,065)
Sale of rough diamond	2,147,885,062 (677,195,454)	-- (--)	-- (--)	-- (--)	-- (--)	2,147,885,062 (677,195,454)
Purchases of polished diamonds	1,202,146,594 (1,181,908,096)	-- (--)	-- (--)	-- (--)	-- (--)	1,202,146,594 (1,181,908,096)
Purchases of rough diamonds	3,073,605,588 (2,821,838,840)	-- (--)	-- (--)	-- (--)	-- (--)	3,073,605,588 (2,821,838,840)
Sale of fixed assets	52,271 (--)	-- (--)	-- (--)	-- (--)	-- (--)	52,271 (--)
Rent expense	-- (--)	-- (--)	-- (--)	480,000 (480,000)	240,000 (240,000)	720,000 (720,000)
Interest expenses	-- (--)	-- (--)	1,036,986 (1,060,975)	4,653 (4,269)	5,971 (5,509)	1,047,610 (1,070,753)
Reimbursement of expenses received	589,599 (677,252)	-- (--)	-- (--)	75,220 (--)	30,090 (--)	694,909 (677,252)
Guarantee fee income	1,918,369 (--)	-- (--)	-- (--)	-- (--)	-- (--)	1,918,369 (--)
Investment in subsidiary	225,254,700 (232,598,420)	-- (--)	-- (--)	-- (--)	-- (--)	225,254,700 (232,598,420)
Salary, bonus and allowance	-- (--)	11,160,000 (11,160,000)	16,755,000 (17,070,000)	-- (--)	-- (--)	27,915,000 (28,230,000)
Loans taken	-- (--)	53,004,000 (177,174,888)	10,981,420 (18,911,517)	-- (--)	-- (--)	63,985,420 (196,086,405)
Loans repaid	-- (--)	75,023,010 (212,372,501)	73,529,471 (39,945,309)	-- (--)	16,200 (--)	148,568,681 (252,317,810)
Loans given	583,537,000 (--)	-- (--)	-- (--)	-- (--)	-- (--)	583,537,000 (--)
Loans received back	223,237,000 (--)	-- (--)	-- (--)	-- (--)	-- (--)	223,237,000 (--)
Investment in Partnership firm	3,359,320 (100,000)	-- (--)	-- (--)	-- (--)	-- (--)	3,359,320 (100,000)
Share of profit from partnership firm	221,659,274 (--)	-- (--)	-- (--)	-- (--)	-- (--)	221,659,274 (--)
Share of loss from partnership firm	-- (912)	-- (--)	-- (--)	-- (--)	-- (--)	-- (912)
Balance receivable	1,425,100,286 (1,938,862,940)	-- (--)	-- (--)	64,490 (--)	27,690 (--)	1,425,192,466 (1,938,862,940)

Notes to Financial Statements for the year ended 31 March, 2012

Particulars	Related Parties					Total
	Subsidiaries	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	
Balance payable	1,448,765,876 (1,067,121,743)	128,789,381 (150,808,391)	355,791,172 (415,771,066)	56,355 (51,702)	56,479 (66,708)	1,933,459,263 (1,633,819,610)

Note: Figures in the 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 is as under:

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Sale of polished diamonds		
C. Mahendra Exports (H.K.) Ltd.	2,011,366,389	2,573,054,727
Ciemme Jewels Ltd.	--	313,925,643
Sale of rough diamonds		
C. Mahendra BVBA	2,147,885,062	660,748,624
Purchases of polished diamonds		
C. Mahendra Exports (H.K.) Ltd.	236,851,998	204,952,215
C. Mahendra (NY) LLC	153,601,659	181,346,279
C. Mahendra DMCC	--	685,895,828
C. Mahendra BVBA	811,692,937	--
Purchases of rough diamonds		
C. Mahendra BVBA	307,360,559	2,772,136,821
Investment in subsidiary		
C. Mahendra BVBA	225,254,700	229,937,500
Sale of fixed assets		
Ciemme Jewels Ltd.	19,064	--
C. Mahendra Trading	33,207	--
Lease rent paid		
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
Interest paid		
Alka K. Shah	334,447	327,242
Hemali J. Shah	212,265	200,367
Nayana P. Mehta	370,256	373,539
Guarantee fees income		

Notes to Financial Statements for the year ended 31 March, 2012

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
C. Mahendra BVBA	1,918,369	--
Reimbursement of expenses received		
C. Mahendra International Ltd.	--	237,585
Ciemme Jewels Ltd.	561,524	439,667
Salary, bonus and allowances		
Champak K. Mehta	4,200,000	4,200,000
Mahendra C. Shah	4,320,000	4,320,000
Kanu C. Shah	4,320,000	4,320,000
Suresh K. Mehta	3,240,000	3,240,000
Pravin C. Shah	3,450,000	3,450,000
Pravin K. Mehta	3,465,000	3,780,000
Loans taken		
Champak K. Mehta	21,232,000	86,251,059
Mahendra C. Shah	30,372,000	85,299,848
Loan repaid		
Mahendra C. Shah	34,132,287	109,575,305
Champak K. Mehta	37,398,006	96,943,630
Pravin C. Shah	59,152,094	--
Loans given		
C. Mahendra International Ltd	223,237,000	--
Ciemme Jewels Ltd.	360,250,000	--
Loans received back		
C. Mahendra International Ltd	223,237,000	--
Investment in partnership firm		
C. Mahendra Trading	3,359,320	100,000
Share of profit/ (loss) from partnership firm		
C. Mahendra Trading	221,659,274	(912)
Balance receivable		
C. Mahendra Exports (H.K.) Ltd.	754,122,694	1,010,321,682
C. Mahendra (NY) LLC	--	597,178,489
Ciemme Jewels Limited	391,566,930	331,248,504
C. Mahendra Trading	225,200,889	--
Balance payable		

Notes to Financial Statements for the year ended 31 March, 2012

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Prakash K. Mehta	218,602,811	219,960,111
C. Mahendra BVBA	985,871,964	548,483,752
C Mahendra DMCC	443,892,058	447,387,381

For credit facilities and term loan of ₹9,223,606,005 as at 31/03/2012 (as at 31/03/2011 ₹8,401,647,442) 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 31/03/2012 ₹ 512,065,000) and (as at 31/03/2011 ₹ 223,500,000)].

34. 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.

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

Sr. No.	Particulars	Geographical segments		
		Outside India (₹)	Within India (₹)	Total (₹)
1.	Segment revenue			
	Sales and income from operations	14,915,370,286 (14,086,277,991)	4,652,617,123 (4,346,452,121)	19,567,987,409 (18,432,730,112)
2.	Carrying amount of assets by geographical location of assets			
	Segment assets	7,989,039,017 (8,466,399,234)	11,984,787,205 (10,255,105,666)	19,973,826,222 (18,691,504,900)
3.	Additions to fixed assets and intangible assets	-- (--)	50,729,072 (22,338,083)	50,729,072 (22,338,083)

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.

Notes to Financial Statements for the year ended 31 March, 2012

35. Earnings per share

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Net profit after tax as per statement of profit and loss (₹)	393,490,906	572,019,134
Less: Dividend on preference shares (₹)	8,716,688	8,745,656
Amount available for equity shareholders (₹)	384,774,218	563,306,407
Weighted average number of equity shares outstanding during the year (including bonus shares) (Nos.)	60,000,000	48,164,384
Basic and Diluted earnings per share (₹)	6.41	11.69
Nominal value of share (₹)	10.00	10.00

36. 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 statement of profit and loss on accrual basis.
37. 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.
38. During the previous year, the Company completed an Initial Public Offer (IPO) of 15,000,000 equity shares of ₹10 each for cash at a price of ₹110 each aggregating to ₹1,650,000,000. The premium of ₹100 per share, amounting to ₹1,500,000,000 from the allotment was credited to Securities Premium Account. The share issue expenses 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.

39. Utilisation of fund received through initial public offer (IPO) is as under:

Particulars	Current Year 2011-2012 (₹)		Previous Year 2010-2011 (₹)	
	Amount to be financed through the issue proceeds # (₹)	Funds Utilised upto 31/03/2012 (₹)	Amount to be financed through the issue proceeds (₹)	Funds Utilised upto 31/03/2011 (₹)
Object of the issue				
Setting up of a diamond processing unit at Gujarat Hira Bourse, SEZ, Ichchhapore, Surat	--		360,570,000	--
Setting up of a jewellery manufacturing unit at Mumbai	--		236,360,000	--
Setting up retail outlets	--		300,000,000	--
Brand development expenses	100,000,000	56,250,000	200,000,000	--
Investment in capital of C. Mahendra BVBA	800,000,000	455,192,200	800,000,000	229,937,500
Working capital	696,930,000	696,930,000	--	--

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	31.03.2012	31.03.2012	31.03.2012
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 ₹ 10/- each paid up	245 Equity Shares of the face value of € 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 31.03.2012	₹ 2,20,0547	\$327,897.69	AED 1,229,697
	2) For the financial year ended on 31.03.2011	₹ 79,084	\$307,308.44	AED 1,295,580
	B) Dealt with in holding co's a/c			
	1) For the financial year ended on 31.03.2012	Nil	Nil	Nil
	2) For the financial year ended on 31.03.2011	Nil	Nil	Nil

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

**Sd/-
Mahendra C. Shah
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 31st March 2012, the consolidated statement of profit and loss 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 ₹14,275,796,595 as at 31st March 2012, total revenue of ₹24,516,054,474 and cash outflows amounting to ₹129,653,159 for the year ended on that date.

The financial statements and other financial information of the subsidiaries 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.

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 31st March 2011 and*

31st March 2012 of `37,929,891 and `45,079,358 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;

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 other notes thereon 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 31st March 2012;

ii. in the case of the consolidated statement of profit and loss, 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: 28.08.2012

Consolidated Balance Sheet as at 31 March, 2012

Particulars	Note No.	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	725,000,000	725,000,000
(b) Reserves and surplus	3	7,900,359,179	6,192,958,589
		<u>8,625,359,179</u>	<u>6,917,958,589</u>
2 Minority interest		<u>22,070,228</u>	<u>17,588,664</u>
3 Non-current liabilities			
(a) Long-term borrowings	4	62,002,126	129,923,114
(b) Deferred tax liabilities (Net)	5	52,598,339	57,759,861
(c) Long-term provisions	6	9,419,470	8,674,260
		<u>124,019,935</u>	<u>196,357,235</u>
4 Current liabilities			
(a) Short-term borrowings	7	12,048,718,620	10,898,871,387
(b) Trade payables	8	9,254,593,033	5,461,738,484
(c) Other current liabilities	9	143,364,683	242,851,413
(d) Short-term provisions	10	83,544,375	6,347,512
		<u>21,530,220,711</u>	<u>16,609,808,796</u>
Total		<u><u>30,301,670,053</u></u>	<u><u>23,741,713,284</u></u>
II. ASSETS			
Non-current assets			
1 (a) Fixed assets			
(i) Tangible assets	11	1,255,484,270	1,230,818,449
(ii) Intangible assets		2,425,710	688,527
(iii) Capital work-in-progress		-	24,585,963
(iv) Intangible assets under development		529,440	-
(b) Non-current investments	12	54,000,000	54,000,000
(c) Deferred tax assets (Net)	13	11,863,124	10,525,000
(d) Long-term loans and advances	14	190,291,873	255,891,071
(e) Other non-current assets	15	130,170,394	230,939,442
		<u>1,644,764,811</u>	<u>1,807,448,452</u>
2 Current assets			
(a) Inventories	16	10,752,710,077	7,882,959,023
(b) Trade receivables	17	17,063,615,807	11,886,623,383
(c) Cash and bank balances	18	374,478,882	1,659,648,328
(d) Short-term loans and advances	19	453,271,485	451,339,160
(e) Other current assets	20	12,828,991	53,694,938
		<u>28,656,905,242</u>	<u>21,934,264,832</u>
Total		<u><u>30,301,670,053</u></u>	<u><u>23,741,713,284</u></u>

Significant accounting policies

1

See accompanying notes to the consolidated financial statements

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

Sd/-
(Nirmal Jain)
PARTNER
Membership No.: 34709

On behalf of the board of directors

Sd/-
Director

Sd/-
Company Secretary

Mumbai; Dated: 28.08.2012

Mumbai; Dated: 28.08.2012

Consolidated Statement of Profit and Loss for the year ended 31 March, 2012

Particulars	Note No.	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
I. Revenue from operations	21	35,100,756,250	33,661,205,405
II. Other income	22	327,020,720	181,569,842
III. Total Revenue (I + II)		35,427,776,970	33,842,775,247
IV. Expenses:			
Cost of materials consumed / sold	23	17,278,103,427	10,506,476,893
Purchases of stock-in-trade	24	16,759,768,300	21,536,231,985
Changes in inventories of finished goods and stock-in-trade	25	(2,743,591,386)	(1,647,591,882)
Employee benefits expenses	26	219,623,807	242,523,394
Finance costs	27	1,171,890,929	808,795,462
Depreciation and amortisation	11	111,369,161	105,302,480
Other expenses	28	985,741,248	735,440,230
Total expenses		33,782,905,486	32,287,178,562
V. Profit before tax and minority interest (III-IV)		1,644,871,484	1,555,596,685
VI. Tax expense:			
Current tax expense		(53,985,385)	(90,081,978)
MAT credit entitlement		26,000,000	18,000,000
Deferred tax benefits		5,224,372	89,735,931
Tax adjustments for earlier years		(7,382,161)	667,878
		(30,143,174)	18,321,831
VII. Profit before minority interest (V-VI)		1,614,728,310	1,573,918,516
VIII. Minority interest for the year - (profit)/loss		(6,546,939)	105,851
IX. Profit for the year		1,608,181,371	1,574,024,367
X. Earnings per equity share:			
(1) Basic		26.66	32.50
(2) Diluted		26.66	32.50
Nominal value of equity shares		10.00	10.00

Significant accounting policies

1

See accompanying notes to the consolidated financial statements

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

Sd/-
(Nirmal Jain)
PARTNER
Membership No.: 34709

Mumbai; Dated: 28.08.2012

On behalf of the board of directors

Sd/-
Director

Sd/-
Company Secretary

Mumbai; Dated: 28.08.2012

Consolidated Cash Flow Statement for the year ended 31 March, 2012

Particulars	Note No.	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax and after minority interest		1,638,324,545	1,555,702,536
Adjustments for:			
Depreciation and amortisation		111,369,161	105,302,480
Interest expenses		908,272,638	695,274,872
Interest on short and delay payment of advance tax		1,408,777	1,013,015
Change in translation reserve		106,660,439	(11,142,682)
(Profit) / Loss on sale of fixed assets		50,157	3,460,750
Fixed assets written off		1,162,145	-
Profit on disposal of investment in subsidiary		-	(2,227,653)
Interest income		(145,360,334)	(59,435,842)
Dividend income		-	(337,446)
Operating profit before working capital changes		2,621,887,528	2,287,610,030
Adjustments for change in working capital:			
Increase/(Decrease) in trade and other payable		3,713,033,312	640,876,362
(Increase)/Decrease in trade and other receivable		(5,066,273,962)	(1,080,254,837)
(Increase)/Decrease in inventories		(2,869,751,054)	(1,340,702,225)
Cash generated from / (used in) operations		(1,601,104,176)	507,529,330
Less: Taxes paid		(55,505,604)	(95,269,854)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(A)	(1,656,609,780)	412,259,476
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets (including capital advances and CWIP)		27,108,169	(152,868,828)
Proceeds from sale of fixed assets		5,492,122	698,255
Proceeds from sale of investment in subsidiary		-	9,147,653
Purchase of Investments		-	(54,000,000)
Loans (granted) / received back (net)		(94,825,973)	(78,283,567)
(Increase)/Decrease in investments in fixed deposits with banks (Having original maturities beyond three months)		1,422,124,825	(1,600,872,598)
Interest received		166,707,271	32,136,734
Dividend received		-	337,446
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(B)	1,526,606,414	(1,843,704,905)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in borrowings (net)		1,063,118,594	431,505,857
Proceeds from issue of share capital		-	1,650,000,000
Public issue expenses paid/(refunded)		2,060,989	(75,531,495)
Interest paid		(903,471,450)	(738,741,448)
Increase / (decrease) in minority interest		4,481,564	(8,495,607)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(C)	166,189,697	1,258,737,307

NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(A+B+C)	36,186,331	(172,708,122)
Cash and cash equivalent at beginning of year		118,926,229	294,368,526
Adjustments on disposal of subsidiary		-	(2,734,175)
Cash and cash equivalent at end of year		<u>155,112,560</u>	<u>118,926,229</u>
Cash and cash equivalents of closing balance comprise of:			
Cash and bank balances		374,478,882	1,659,648,328
Bank deposits for more than 12 months maturity		130,170,394	230,939,442
Total cash and bank balances		<u>504,649,276</u>	<u>1,890,587,770</u>
Less: Fixed deposits with original maturities beyond three months		349,536,716	1,771,661,541
Cash and cash equivalent at end of year		<u>155,112,560</u>	<u>118,926,229</u>

Significant accounting policies

1

See accompanying notes to the consolidated financial statements

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

On behalf of the board of directors

Sd/-
(Nirmal Jain)
PARTNER
Membership No.: 34709

Sd/-
Director

Sd/-
Company Secretary

Mumbai; Dated: 28.08.2012

Mumbai; Dated: 28.08.2012

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

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 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:

A. 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 statement of profit and loss of the acquired entities have been included in the consolidated statement of profit and loss 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.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

B. 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
C. Mahendra BVBA. (76.80251% (54.0373%) shares in capital held by C. Mahendra Exports Limited and 23.19749% (45.9627%) shares in capital held by C. Mahendra International Ltd.)	Belgium	100.00 (100.00)	Euro	14/05/2004
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 (100.00)	Arab Emirates Dirhams	Since incorporation
C. Mahendra Trading	India	98.00# (98.00)#	Indian Rupees	Since incorporation

percentage of share in profit / (loss) of the partnership firm.

* Figures in bracket are corresponding figures in respect of previous year.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

c) **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 / construction 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, C. Mahendra BVBA, C. Mahendra DMCC, C. Mahendra Exports (H.K.) Ltd., International Gems & Jewellery FZE, 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 C. Mahendra BVBA, C. Mahendra DMCC, C. Mahendra Exports (H.K.) Ltd., International Gems & Jewellery FZE 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 weighted average / FIFO basis.

iii. Finished goods - Polished diamonds are valued at lower of cost or net realisable value. The cost is ascertained on lot-wise weighted average basis.

iv. Finished goods - Jewellery is valued at lower of cost or realisable value. The cost is ascertained on FIFO basis.

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 statement of profit and loss 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

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

in foreign exchange rates on settlement / translation of monetary assets and liabilities are recognised in the statement of profit and loss. 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 statement of profit and loss 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 (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 statement of profit and loss.
 - 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.
- j) **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 statement of profit and loss in the year in which it is earned on accrual basis.
- k) **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 statement of profit and loss.
- l) **Income-tax:**
- 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.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

m) **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 a possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

n) **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.

o) **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.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

2 Share capital

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Authorised:		
62,500,000 Equity shares of ₹10 each	625,000,000	625,000,000
12,500,000 6% Redeemable Preference shares of ₹10 each	125,000,000	125,000,000
	<u>750,000,000</u>	<u>750,000,000</u>
Issued, subscribed and paid up:		
60,000,000 Equity shares of ₹10 each fully paid up	600,000,000	600,000,000
12,500,000 6% Redeemable Preference shares of ₹10 each fully paid up	125,000,000	125,000,000
Total	<u>725,000,000</u>	<u>725,000,000</u>

a) Details of reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year:

Particulars	As at 31/03/2012		As at 31/03/2011	
	Number	(₹)	Number	(₹)
Equity shares:				
Outstanding at the beginning of the year	60,000,000	600,000,000	45,000,000	450,000,000
Issued during the year	-	-	15,000,000	150,000,000
Outstanding at the end of the year	<u>60,000,000</u>	<u>600,000,000</u>	<u>60,000,000</u>	<u>600,000,000</u>
6% Redeemable Preference shares:				
Outstanding at the beginning of the year	12,500,000	125,000,000	12,500,000	125,000,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	<u>12,500,000</u>	<u>125,000,000</u>	<u>12,500,000</u>	<u>125,000,000</u>

b) Terms / rights attached to Equity shares:

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting.

In the event of the liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Terms / rights attached to 6% Redeemable Preference shares:

During year ended 31 March 2010 the Company has issued 12,500,000 6% Redeemable Preference shares of ₹10 each at ₹100 each (including ₹90 premium). Each holder of 6% Redeemable Preference shares is entitled to one vote per share only on resolution placed before the Company which directly affect the right attached to 6% Redeemable Preference shares. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting.

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.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

d) Details of shares in the company held by each shareholder holding more than 5 percent shares:

Name of Shareholder	As at 31/03/2012		As at 31/03/2011	
	No. of shares held	% of Holding	No. of shares held	% of Holding
Equity shares:				
Mahendra C. Shah	9,039,131	15.07%	9,039,131	15.07%
Kanu C. Shah	5,165,217	8.61%	5,165,217	8.61%
Champak K. Mehta	4,910,869	8.18%	4,910,869	8.18%
Prakash K. Mehta	4,335,652	7.23%	4,335,652	7.23%
Pravin C. Shah	4,304,348	7.17%	4,304,348	7.17%
Pravin K. Mehta	4,059,783	6.77%	4,059,783	6.77%
Sandeep M. Shah	3,443,478	5.74%	3,443,478	5.74%
Paras C. Mehta	3,257,610	5.43%	3,257,610	5.43%
Suresh K. Mehta	3,216,522	5.36%	3,216,522	5.36%
6% Redeemable Preference shares:				
Mahendra C. Shah	2,510,870	20.09%	2,510,870	20.09%
Kanu C. Shah	1,434,780	11.48%	1,434,780	11.48%
Champak K. Mehta	1,364,130	10.91%	1,364,130	10.91%
Prakash K. Mehta	1,204,350	9.63%	1,204,350	9.63%
Pravin C. Shah	1,195,650	9.57%	1,195,650	9.57%
Pravin K. Mehta	1,127,720	9.02%	1,127,720	9.02%
Sandeep M. Shah	956,520	7.65%	956,520	7.65%
Paras C. Mehta	904,890	7.24%	904,890	7.24%
Suresh K. Mehta	893,480	7.15%	893,480	7.15%
Samir P. Shah	657,610	5.26%	657,610	5.26%

e) Issued, subscribed and paid up capital includes bonus shares as under:

Particulars	As at 31/03/2012		As at 31/03/2011	
	Number	(₹)	Number	(₹)
Equity shares issued as bonus shares in 2009-10	15,000,000	150,000,000	15,000,000	150,000,000

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

3 Reserves and surplus

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Securities premium account		
Opening balance	3,481,311,415	2,075,000,000
Add: Securities premium credited on Shares issued	-	1,500,000,000
Less: Issue related expenses / (write back)	(2,060,989)	93,688,585
	<u>3,483,372,404</u>	<u>3,481,311,415</u>
General reserve		
Opening balance	58,430,166	45,691,923
Add: Additions during the year	15,715,174	12,738,243
	<u>74,145,340</u>	<u>58,430,166</u>
Statutory reserve		
Opening balance	2,317,776	1,641,108
Add: Additions during the year	1,058,940	676,668
	<u>3,376,716</u>	<u>2,317,776</u>
Revaluation reserve		
Opening balance	-	-
Add: Additions during the year	49,418,969	-
	<u>49,418,969</u>	<u>-</u>
Translation reserve	28,554,731	(92,524,112)
Capital redemption reserve	376,000	376,000
Capital reserve arising on consolidation	127,160,116	127,160,116
Surplus/ (Deficit)		
Opening balance	2,615,887,228	1,055,277,772
Add: Net profit for the year	1,608,181,371	1,574,024,367
Less: Transferred to general reserve	15,715,174	12,738,243
Less: Transferred to statutory reserve	1,058,940	676,668
Less: Proposed dividend on Preference shares	15,102,740	-
Less: Proposed dividend on Equity shares	48,000,000	-
Less: Dividend distribution tax	10,236,842	-
	<u>4,133,954,903</u>	<u>2,615,887,228</u>
Total	<u>7,900,359,179</u>	<u>6,192,958,589</u>

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

4 Long term borrowings

Particulars	As at 31/03/2012		As at 31/03/2011	
	Non current	Current maturities (Refer note 9)	Non current	Current maturities (Refer note 9)
	(₹)	(₹)	(₹)	(₹)
Secured:				
Term loans from banks:				
Rupee loans	9,000,000	69,375,000	80,169,290	89,500,000
Foreign currency loans	48,966,483	4,075,331	48,313,475	4,275,737
Vehicle loans:				
From banks	1,381,637	1,569,254	1,041,290	1,138,262
From others	2,654,006	1,377,148	399,059	290,386
Total	62,002,126	76,396,733	129,923,114	95,204,385

Term loans from banks:

Loan 1

Rupee loans is secured by hypothecation of eight wind turbine generators, equitable mortgage of land on which windmill is erected and personal guarantee of directors and shareholders.

Repayable in 24 quarterly installments of ₹15,625,000, starting from the end of 6 months from the first drawdown date (i.e. June 2006) and it carries interest @ 14.50% p.a.

Loan 2

Rupee loans is secured by hypothecation of two wind turbine generators and personal guarantee of directors, shareholders and their relatives and corporate guarantee of subsidiary company and associate company.

Repayable in 60 monthly installments of ₹2,250,000, starting from the end of 6 months from the first drawdown date (i.e. December 2007) and it carries interest @ 13% to 14% p.a.

Loan 3

Foreign currency loans is secured by land and buildings and put up by legal charge on personal property and personal guarantee of the director in favour of bank

Loan is fully repayable in 2027 and it carries interest @ 2.75% p.a. below the best lending rate.

Vehicle loans from banks:

Secured by hypothecation of vehicles.

Loan 1

Repayable in 36 monthly installments of ₹56,600 (along with interest), starting from 07/11/2009 and it carries interest @ 8.73%.

Loan 2

Repayable in 36 monthly installments of ₹50,000 (along with interest), starting from 05/08/2010 and it carries interest @ 8.28%.

Loan 3

Repayable in 36 monthly installments of ₹71,044 (along with interest), starting from 01/12/2011 and it carries interest @ 11%.

Vehicle loans from others:

Secured by hypothecation of vehicles.

Loan 1

Repayable in 35 monthly installments of ₹28,125 (along with interest), starting from 10/08/2010 and it carries interest @ 8.43%.

Loan 2

Repayable in 36 monthly installments of ₹71,500 (along with interest), starting from 26/12/2011 and it carries interest @ 10.12%.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

5 Deferred tax liabilities (net)

Particulars	As at 31/03/t2012 (₹)	As at 31/03/2011 (₹)
Deferred tax liabilities:		
Depreciation	55,697,974	60,498,065
Less : Deferred tax assets:		
Provision for gratuity	3,099,635	2,738,204
Total	<u>52,598,339</u>	<u>57,759,861</u>

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.

6 Long term provisions

Provision for employee benefits:		
Gratuity (unfunded)	9,224,407	8,484,821
Leave encashment	195,063	189,439
Total	<u>9,419,470</u>	<u>8,674,260</u>

7 Short term borrowings

Secured:

Working capital loans from banks:		
Foreign currency loans	4,013,448,320	3,227,004,402
Rupee loans	6,164,800,660	5,748,891,477
Gold loan	71,254,022	82,989,392
	<u>10,249,503,002</u>	<u>9,058,885,271</u>

Unsecured:

Loans and advances from others	598,644,964	575,127,399
Loans and advances from related parties:		
Interest free	1,172,011,073	1,235,738,849
Interest bearing	28,559,581	29,119,868
	<u>1,200,570,654</u>	<u>1,264,858,717</u>
Total	<u>12,048,718,620</u>	<u>10,898,871,387</u>

Working capital loans from banks are secured by hypothecation of whole of the current assets (both present and future) (first pari passu) 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 (both present and future), 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.

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 2012 Gold Loan weighing 26 Kgs and valued at ₹71,254,022 (as on 31 March 2011 Gold Loan weighing 40 Kgs and valued at ₹82,989,392) 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.

Loans and advances from related parties are repayable on demand.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

8 Trade payables

Particulars	As at	As at
	31/03/2012	31/03/2011
	(₹)	(₹)
Trade payables	9,254,593,033	5,461,738,484
Total	9,254,593,033	5,461,738,484

9 Other current liabilities

Current maturities of long-term debts (Refer note 4)	76,396,733	95,204,385
Interest accrued but not due on borrowings	254,274	1,321,441
Interest accrued and due on borrowings	8,864,421	5,299,453
Advances from customers	1,647,733	93,320,921
Deposits	52,000	-
Book overdraft	4,646,191	-
Employees dues payables	10,855,740	12,057,785
Payables for fixed assets	4,082,444	6,524,088
Statutory dues payable	3,762,124	10,074,298
Mark to market loss on currency swap	32,803,023	19,049,042
Total	143,364,683	242,851,413

10 Short term provisions

Provision for employee benefits:		
Gratuity (unfunded)	976,775	811,550
Leave encashment	3,563	-
Other provisions:		
Provision for income tax (net)	9,224,455	5,459,497
Provision for fringe benefit tax (net)	-	76,465
Proposed dividend on Preference shares	15,102,740	-
Proposed dividend on Equity shares	48,000,000	-
Dividend distribution tax	10,236,842	-
Total	83,544,375	6,347,512

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Fixed assets	Tangible										Intangible Computer software
	Land - Leasehold	Land and buildings	Plant and machinery	Windmills	Furniture and Fixtures	Computers	Vehicles	Office equipment	Leasehold improvement	Total	
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Gross block											
As at 01/04/2010	18,558,681	617,988,889	366,482,140	625,092,137	63,620,501	40,698,918	43,254,999	61,904,143	11,904,229	1,849,504,637	1,892,719
Translation reserve	-	1,919,779	921,499	-	(154,573)	1,029	-	(43,467)	(34,509)	2,609,758	-
Additions	14,000,000	19,384,866	10,570,486	-	4,011,856	743,432	6,447,467	2,262,707	469,763	57,890,577	-
Disposals	-	(345,455)	-	-	(154,398)	(46,000)	(1,324,392)	(446,028)	(4,901,811)	(6,772,056)	-
Adjustments on disposal	-	-	-	-	(536,760)	-	-	(446,028)	(847,233)	(1,830,021)	-
As at 31/03/2011	32,558,681	638,948,079	377,974,125	625,092,137	66,786,626	41,397,379	48,378,074	63,677,355	6,590,439	1,901,402,895	1,892,719
Translation reserve	-	13,576,411	3,736,936	-	3,013,998	244,492	-	924,714	977,703	22,474,254	-
Additions	-	23,295,572	5,023,071	-	27,012,766	3,621,397	12,493,757	7,001,586	-	78,448,149	-
Revaluation	-	49,418,969	-	-	-	-	-	-	-	49,418,969	-
Adjustments	-	-	(3,014,123)	-	(2,017,424)	(522,445)	(4,346,691)	(473,736)	-	(10,374,419)	-
Disposals	(4,628,681)	(28,980)	(18,778)	-	(14,143)	(82,635)	(2,984,524)	-	-	(7,757,741)	-
As at 31/03/2012	27,930,000	725,210,051	383,701,231	625,092,137	94,781,823	44,658,188	53,540,616	71,129,919	7,568,142	2,033,612,107	4,083,785
Depreciation / Amortisation											
As at 01/04/2010	1,880,027	126,731,207	202,892,093	98,914,135	36,938,777	31,743,166	29,494,459	34,163,590	6,292,489	569,049,943	745,172
Translation reserve	-	257,757	492,053	-	(101,876)	3,668	-	(37,500)	(678)	613,424	-
Charge for the year	394,643	27,521,983	24,147,284	33,004,866	5,882,269	3,700,861	4,437,365	4,694,680	1,059,509	104,843,460	459,020
Disposals	-	-	-	-	(99,144)	(41,433)	(968,483)	-	(1,503,991)	(2,613,051)	-
Adjustments on disposal	-	-	-	-	(505,116)	-	-	(446,028)	(358,186)	(1,309,330)	-
As at 31/03/2011	2,274,670	154,510,947	227,531,430	131,919,001	42,114,910	35,406,262	32,963,341	38,374,742	5,489,143	670,584,446	1,204,192
Translation reserve	-	1,633,011	2,308,758	-	2,224,784	201,110	-	872,781	815,406	8,055,850	-
Charge for the year	(179,324)	33,698,841	22,131,930	33,004,866	8,631,880	3,406,701	5,051,519	4,419,351	749,514	110,915,278	453,883
Adjustments	-	-	(2,695,828)	-	(1,582,226)	(522,445)	(4,047,636)	(364,140)	-	(9,212,275)	-
Disposals	-	-	-	-	-	(63,848)	(2,151,614)	-	-	(2,215,462)	-
As at 31/03/2012	2,095,346	189,842,799	249,276,290	164,923,867	51,389,348	38,427,780	31,815,610	43,302,734	7,054,063	778,127,837	1,658,075
Net block											
As at 31/03/2011	30,284,011	484,437,132	150,442,695	493,173,136	24,671,716	5,991,117	15,414,733	25,302,613	1,101,296	1,230,818,449	688,527
As at 31/03/2012	25,834,654	535,367,252	134,424,941	460,168,270	43,392,475	6,230,408	21,725,006	27,827,185	514,079	1,255,484,270	2,425,710

a) During the year, management has ascertained the cost of fixed assets whose WDV as on 3 January 2007 was taken as cost on conversion of erstwhile partnership firm M/s. C. Mahendra Exports under Part IX of the Companies Act, 1956. The management has also conducted physical verification of such assets and differences as compared to fixed assets register have been adjusted during the year.

b) In case of Ciemme Jewels Ltd., a subsidiary company, during the year the company has obtained certificate from the independent valuer wherein apportionment of purchase cost between land and building was obtained. The company has recalculated the amortisation in land and depreciation in building with effect from 03/04/2003. Due to which the amount of amortisation / depreciation has increased by ₹1,969,908 which is debited to statement of profit and loss account.

c) Vehicles having gross block of ₹12,747,976 (as at 31/03/2011 ₹5,101,908) are not registered in Company's name.

d) Difference in accounting policy for depreciation:

Depreciation on fixed assets relating to the subsidiaries, C. Mahendra BYBA, C. Mahendra DMCC, C. Mahendra Exports (H.K.) Ltd., International Gems & Jewellery FZE 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 ₹8,752,054 (previous year ₹7,775,203), 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 2012 included in the consolidated financial statements is ₹152,300,026 (as at 31 March 2011 ₹71,370,942).

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

12 Non current investments

Particulars

As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
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(Unquoted and Long-term):

Investment in Equity Instruments:

10 Equity Shares of ₹5,400,000 each fully paid up
of Surat Rough Diamonds Sourcing (India) Limited

54,000,000	54,000,000
Total <u>54,000,000</u>	<u>54,000,000</u>

13 Deferred tax assets (net)

Deferred tax assets:

Unabsorbed business losses and depreciation

1,509,900	1,437,400
-----------	-----------

Provision for doubtful debts

10,353,224	8,751,400
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Expenses allowable on payment basis

-	336,200
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Total <u>11,863,124</u>	<u>10,525,000</u>
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14 Long-term loans and advances

(Unsecured, considered good)

Capital advances

17,575,955	103,708,460
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Security deposits

58,461,171	55,678,104
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Loans to staff

2,629,808	2,715,598
-----------	-----------

Advances recoverable in cash or in kind for value to be received

10,214,835	11,208,998
------------	------------

MAT credit entitlement

100,816,508	82,579,911
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Taxes paid (net of provision for income tax)

593,596	-
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Total <u>190,291,873</u>	<u>255,891,071</u>
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15 Other non-current assets

Bank deposits with more than 12 months maturity

130,024,250	229,902,223
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Lien against margin money / security against borrowings

146,144	1,037,219
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Others

Total <u>130,170,394</u>	<u>230,939,442</u>
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Notes to Consolidated Financial Statements for the year ended 31 March, 2012

16 Inventories

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(As taken, valued and certified by the management)		
Raw materials:		
Rough diamonds	1,319,323,967	1,127,561,074
Polished diamonds	32,199,608	100,086,820
Gold	32,397,730	27,220,539
Others	3,740,523	3,911,146
Finished goods / traded goods:		
Polished diamonds (includes goods with custom authority ₹138,304)	8,487,188,618	5,878,468,075
Jewellery	876,241,639	718,172,799
Jewellery (Goods in transit)	-	23,197,997
Consumables, stores and spares	1,617,992	4,340,573
Total	<u>10,752,710,077</u>	<u>7,882,959,023</u>

In order to comply with Accounting Standard (AS)-2 "Valuation of Inventories", during the year, management has changed the basis of ascertaining cost of polished diamonds to lot wise weighted average basis instead of estimated cost upto 31 March 2011. Accordingly stock of polished diamonds as at 31 March 2012 is valued at lower of lot-wise weighted average cost or net realisable value. As at 31 March 2012, the weighted average cost is certified by independent cost accountant and net realisable value is certified by approved valuer. The cost (estimated by directors) as at 31 March 2011 has been apportioned to various lot at the beginning of the year on a rational basis.

The impact of the above, on the valuation of inventory and profit for the year is not material in view of the management.

17 Trade receivables

Unsecured considered good	17,063,615,807	11,886,623,383
Unsecured considered doubtful	16,142,843	10,647,156
	<u>17,079,758,650</u>	<u>11,897,270,539</u>
Less: Provision for doubtful debts	16,142,843	10,647,156
Total	<u>17,063,615,807</u>	<u>11,886,623,383</u>

18 Cash and bank balances

Balances with banks	133,307,057	109,437,485
Cash on hand	10,032,346	9,488,744
Cheques in transit	11,773,157	-
Bank deposits:		
Lien against margin money / security against borrowings	153,177,588	1,509,203,159
Others	66,188,734	31,518,940
Total	<u>374,478,882</u>	<u>1,659,648,328</u>

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

19 Short-term loans and advances

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Unsecured, considered good)		
Loans to staff	8,147,921	3,187,633
Loans to others	167,476,764	85,809,600
Loans and advances to related parties	90,325,716	82,042,205
Due from company in which director is interested:		
C. Mahendra Commodities Pvt. Ltd.	800	-
Security deposits	1,897,221	9,983,082
Advances recoverable in cash or in kind for value to be received	34,031,958	25,033,207
Receivable from M/s. C. Mahendra Infojewels (Erstwhile subsidiary enterprise)	51,955,545	60,530,545
Advances to suppliers	5,664,381	88,433,488
Interest on borrowings paid in advance	82,369,194	84,672,581
Balance with sales tax authority	8,003,601	10,560,742
Taxes paid (net of provision for income tax)	3,396,842	1,069,977
Fringe benefit tax paid (net of provision for fringe benefit tax)	1,542	16,100
Total	453,271,485	451,339,160
Details of loans and advances to related parties:		
Vikram M. Shah	46,143	-
Ashesha Trading Pvt. Ltd.	35,970	8,130
All Right Trading Pvt. Ltd.	27,690	8,130
Polo Developers Pvt. Ltd.	27,720	7,780
KPM Holdings LLC	84,799,521	77,740,606
Vijisan Holdings LLC	5,388,672	4,277,559
Total	90,325,716	82,042,205
20 Other current assets		
Interest accrued on fixed deposits	6,619,986	28,028,154
Interest accrued on electricity deposits	111,341	50,110
Receivable against cancellation of forward contracts	-	25,616,674
Insurance claim receivable	6,097,664	-
Total	12,828,991	53,694,938

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

21 Revenue from operations

Particulars

	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Sales of finished goods / traded goods:		
- Polished diamonds	26,039,729,695	27,865,127,819
- Diamond Jewellery	487,383,303	694,204,973
- Gold medillions	2,914,726,530	673,091,250
Sales of raw materials:		
- Rough diamonds	5,571,479,797	4,351,424,098
Other operating income:		
Sale of electricity generated from windmills	87,436,925	77,357,265
Total	<u>35,100,756,250</u>	<u>33,661,205,405</u>

22 Other income

Interest:

on fixed deposits with banks	144,679,718	42,736,006
on others	680,616	16,699,836
Profit on disposal of investment in subsidiary	-	2,227,653
Discount received	5,255,418	-
Dividend on investments (current - Non trade)	-	337,446
Exchange rate differences (net)	162,851,216	108,903,887
Service tax refund received	744,650	1,859,795
VAT refund received	-	691,534
Sundry balance written back	227,089	619,349
Insurance claim	6,165,984	-
Bad debts recovered	988,520	6,841,955
Rent income	52,000	-
Miscellaneous income	5,375,509	652,381
Total	<u>327,020,720</u>	<u>181,569,842</u>

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

23 Cost of materials consumed / sold

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Raw materials - Rough diamonds:		
Opening stock	1,127,561,074	1,354,864,507
Add: Purchases	14,391,629,497	9,194,978,541
Less: Closing stock	1,319,323,967	1,127,561,074
Total (a)	<u>14,199,866,604</u>	<u>9,422,281,974</u>
Raw materials - Polished diamonds:		
Opening stock	100,086,820	165,907,720
Add: Purchases	194,089,492	182,341,628
Less: Closing stock	32,199,608	100,086,820
Total (b)	<u>261,976,704</u>	<u>248,162,528</u>
Raw materials - Gold:		
Opening stock	27,220,539	41,217,662
Add: Purchases	2,817,483,952	814,899,650
Less: Closing stock	32,397,730	27,220,539
Total (c)	<u>2,812,306,761</u>	<u>828,896,773</u>
Raw materials - Others:		
Opening stock	3,911,146	4,242,685
Add: Purchases	3,782,735	6,804,079
Less: Closing stock	3,740,523	3,911,146
Total (d)	<u>3,953,358</u>	<u>7,135,618</u>
Total (a to d)	<u>17,278,103,427</u>	<u>10,506,476,893</u>

24 Purchases of stock-in-trade

Traded goods:		
Polished diamonds	16,755,133,613	21,472,874,230
Jewellery	4,634,687	63,357,755
Total	<u>16,759,768,300</u>	<u>21,536,231,985</u>

25 Changes in inventories of finished goods and stock-in-trade

Polished diamonds:		
Opening stock	5,878,468,075	4,377,610,907
Less: Adjustments on disposal of subsidiary	-	72,507,931
Less: Closing stock	8,487,188,618	5,878,468,075
Total (a)	<u>(2,608,720,543)</u>	<u>(1,573,365,099)</u>
Jewellery:		
Opening stock	741,370,796	667,144,013
Less: Closing stock	876,241,639	741,370,796
Total (a)	<u>(134,870,843)</u>	<u>(74,226,783)</u>
Total (a+b)	<u>(2,743,591,386)</u>	<u>(1,647,591,882)</u>

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

26 Employee benefits expenses

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Salaries and wages	203,881,294	223,450,630
Contributions to provident and other funds	8,334,074	7,521,730
Gratuity	1,386,267	3,428,214
Staff welfare expenses	6,022,172	8,122,820
Total	219,623,807	242,523,394

27 Finance costs

Interest expense	908,272,638	695,274,872
Other borrowing costs	45,532,523	39,538,683
Exchange rate differences (net)	216,676,991	72,968,892
Interest on income tax	1,408,777	1,013,015
Total	1,171,890,929	808,795,462

28 Other expenses

Processing charges	663,489,623	320,585,863
Other manufacturing expenses	5,687,572	6,991,841
Consumption of consumables, stores and spares	16,048,904	19,633,370
Import freight, clearing and forwarding charges	12,447,850	38,550,369
Power and electricity	7,318,836	9,559,654
Postage and telephone expenses	7,031,015	8,950,301
Printing and stationery	3,853,339	3,108,825
Travelling and conveyance expenses	19,791,841	19,634,897
Loss on sale of fixed assets (net)	50,157	3,460,750
Fixed assets written off	1,162,145	-
Legal and professional fees	19,144,968	20,065,121
Bank charges and commission	61,876,560	49,871,629
Rent	23,180,117	26,454,896
Rates and taxes	5,117,631	5,273,622
Repairs and maintenance:		
plant and machinery	14,691,891	13,279,653
buildings	647,234	938,803
others	11,204,062	5,896,082
Insurance charges	11,261,304	11,620,027
Auditor's remuneration:		
audit fees	1,512,802	1,580,827
tax audit fees	195,783	110,300
taxation matters	662,904	735,771
certification	79,419	57,908
others	101,476	-

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Particulars	Current Year	Previous Year
	2011-2012	2010-2011
	(₹)	(₹)
Directors sitting fees	146,000	250,000
Donations	3,013,558	797,321
Bad debts	2,217,100	14,937,255
Provision for doubtful debts	1,292,478	1,122,375
Miscellaneous expenses	9,697,164	16,309,683
Exports freight, clearing and forwarding charges	7,041,349	13,381,044
Diamond grading charges	41,111,031	70,873,260
Advertisement expenses	11,338,670	22,400,520
Brokerage and commission on sales	4,588,670	16,512,857
Business promotion expenses	15,493,573	7,758,575
Certification charges	3,244,222	3,904,669
Packing material	-	832,162
Total	985,741,248	735,440,230

29. Contingent liabilities and Commitments:

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Contingent liabilities (not provided for):		
Guarantee given by banks on behalf of the company to the President of India (Custom authorities)	6,300	47,000
Bond executed in favour of The President of India towards manufacture of goods for exports	441,740,000	461,740,000
Bank guarantee in favour of The President of India for de-bonding of EOU unit	1,800,000	--
Bond executed in favour of The President of India towards provisional release of seized goods	30,622,000	30,622,000
Bond executed in favour of President of India (Custom authorities) for imports under EPCG scheme	138,700	138,700
Disputed penalty under Customs Act	11,000,000	11,000,000
Disputed service tax liability	15,494,737	241,156
Disputed sales tax liability	112,705	--
Disputed income tax liability	603,592	446,962
Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	41,236,265	41,236,265
Others:		
The arrears of dividend on 12,500,000 6% Redeemable Preference shares of ₹10 each	--	7,602,740

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

30. 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:

(Amount in ₹)				
Sr. No.	Particulars	Geographical segments		
		Outside India	Within India	Total
1.	Segment revenue			
	Sales and income from operations	30,093,945,072 (28,941,843,952)	5,006,811,178 (4,719,361,453)	35,100,756,250 (33,661,205,405)
2.	Carrying amount of assets by geographical location of assets			
	Segment assets	17,464,359,219 (12,593,039,774)	12,720,639,222 (11,054,482,521)	30,184,998,441 (23,647,522,295)
3.	Additions to fixed assets and intangible assets	6,703,105 (19,943,341)	73,936,110 (37,947,236)	80,639,215 (57,890,577)

Notes:

- i. 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.
- 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.

31. Related party disclosure:

- i. Related party relationships:

a)	Key managerial personnel	:	Mahendra C. Shah Champak K. Mehta Sandeep M. Shah
b)	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 Sadhana S. Mehta Pravin K. Mehta Pravin C. Shah

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

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. C. Mahendra Commodities Pvt. Ltd. C. Mahendra Infra Power Ltd. (Formerly known as C. Mahendra Capital 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:

- 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.
- The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year except where control exists.

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Interest expenses		
Alka K. Shah	334,447	327,242
Hemali J. Shah	212,265	200,367
Nayana P. Mehta	370,256	373,539
Reimbursement of expenses received		
Ashesha Trading Pvt. Ltd.	38,570	--
Allright Trading Pvt. Ltd.	30,090	--
Polo Developers Pvt. Ltd.	30,320	--
Salary, bonus and allowances		
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	10,941,630	10,212,315
Loan given		
KPM Holdings LLC.		13,244,025
Vijisan Holdings LLC		2,891,867
Loans taken		
Champak K. Mehta	--	198,232,059
Mahendra C. Shah	31,382,000	161,480,848

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
C. Mahendra Infrapower Ltd.	223,237,000	--
Loan repaid		
Champak K. Mehta	145,504,006	205,751,012
Pravin C. Shah	59,152,094	--
Mahendra C. Shah	170,363,873	183,982,687
Prakash K. Mehta	--	150,614,111
Sale of investments in subsidiary		
Jignesh M. Shah	--	9,147,653
Balance receivable as at year end		
KPM Holdings LLC.	84,799,521	77,740,606
Balance payable as at year end		
KPM Dimon LLC.	521,206,977	600,000,628
C. Mahendra Infrapower Ltd.	223,237,000	--
Champak K. Mehta	209,251,967	332,198,973
Mahendra C. Shah	--	230,516,489
Prakash K. Mehta	537,378,630	497,505,586

32. 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:

ii. Transactions with related parties:

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

Particulars	Related Parties				(Amount in ₹)
	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	--	--	--	--	--
	(--)	(--)	(--)	(177,290,490)	(177,290,490)
Purchase of polished diamonds	--	--	--	158,194,304	158,194,304
	(--)	(--)	(--)	(613,292,233)	(613,292,233)
Rent expense	--	6,745,826	480,000	240,000	7,465,826
	(--)	(6,269,519)	(480,000)	(240,000)	(6,989,519)
Salary bonus and allowance	11,160,000	27,696,630	--	--	38,856,630
	(11,160,000)	(27,282,315)	(--)	(--)	(38,442,315)
Interest expense	--	1,036,986	4,653	5,971	1,047,610
	(--)	(1,060,975)	(4,269)	(5,509)	(1,070,753)

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Particulars	Related Parties				(Amount in ₹)
	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
Reimbursement of expenses received	--	--	75,220	30,090	105,310
	(--)	(--)	(--)	(--)	(--)
Loans taken	55,339,000	12,981,420	223,237,000	--	291,557,420
	(365,336,888)	(21,247,058)	(--)	(--)	(386,583,946)
Loans repaid	320,760,010	75,729,471	--	16,200	396,505,681
	(399,087,265)	(183,364,422)	(--)	(--)	(582,451,687)
Loans given	--	--	--	--	--
	(--)	(--)	(--)	(16,135,892)	(16,135,892)
Sale of investments in subsidiary	--	--	--	--	--
	(--)	(9,147,653)	(--)	(--)	(9,147,653)
Balance receivable as at year end	--	46,143	64,490	90,215,883	90,326,516
	(--)	(--)	(15,910)	(82,026,295)	(82,042,205)
Balance payable as at year end	302,807,757	675,562,031	223,293,355	521,263,456	1,722,926,599
	(568,228,767)	(696,511,541)	(51,702)	(600,067,336)	(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 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Sale of polished diamonds		
KPM Dimon LLC.	--	177,290,490
Purchase of polished diamonds		
KPM Dimon LLC.	158,194,304	613,292,233
Rent expenses		
Prakash K. Mehta	6,745,826	6,269,519

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

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

Future minimum lease payments payable	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
i. Not later than one year	15,191,263	12,649,875
ii. Later than one year and not later than five years	20,509,465	9,482,103
iii. Later than five years	567,353	--

The amount of lease payments with respect to the above leases recognised in the statement of profit and loss for the year is ₹ 18,371,905 (previous year ₹ 12,758,182).

33. Earnings per share

Particulars	Current year 2011-2012 (₹)	Previous year 2010-2011 (₹)
Net profit after tax as per statement of profit and loss (₹)	1,608,181,371	1,574,024,367
Less: Dividend on preference shares including dividend distribution tax (₹)	8,716,688	8,745,656
Amount available for equity shareholders (₹)	1,599,464,683	1,565,278,711
Weighted average number of equity shares outstanding during the year (including bonus shares) (Nos.)	60,000,000	48,164,384
Basic and Diluted earnings per share (₹)	26.66	32.50
Nominal value of share (₹)	10.00	10.00

34. During the previous year, the Company completed an Initial Public Offer (IPO) of 15,000,000 equity shares of ₹10 each for cash at a price of ₹110 each aggregating to ₹1,650,000,000. The premium of ₹100 per share, amounting to ₹1,500,000,000 was credited to Securities Premium Account. The share issue expenses 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.

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

Particulars	Current Year 2011-2012		Previous Year 2010-2011	
	Amount to be financed through the issue proceeds # (₹)	Funds Utilised upto 31/03/2012 (₹)	Amount to be financed through the issue proceeds (₹)	Funds Utilised upto 31/03/2011 (₹)
Object of the issue				
Setting up of a diamond processing unit at Gujarat Hira Bourse, SEZ, Ichchhapore, Surat	--		360,570,000	--
Setting up of a jewellery manufacturing unit at Mumbai	--		236,360,000	--
Setting up retail outlets	--		300,000,000	--
Brand development expenses	100,000,000	56,250,000	200,000,000	--
Investment in capital of C. Mahendra BVBA	800,000,000	455,192,200	800,000,000	229,937,500
Working capital	696,930,000	696,930,000	--	--

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Particulars	Current Year 2011-2012		Previous Year 2010-2011	
	Amount to be financed through the issue proceeds # (₹)	Funds Utilised upto 31/03/2012 (₹)	Amount to be financed through the issue proceeds (₹)	Funds Utilised upto 31/03/2011 (₹)
Investment in subsidiary Ciemme Jewels Limited for setting up retail outlets *	300,000,000	300,000,000	--	--
Total	1,896,930,000	1,508,372,200	1,896,930,000	229,937,500
Less: To be utilised form internal accruals	332,050,000		332,050,000	
Net IPO proceeds to be utilised as per object of the issue	1,564,880,000		1,564,880,000	
Issue related expenses	85,120,000	91,627,596	85,120,000	93,688,585
Temporary investment in Bank Fixed deposits		50,000,204		1,326,373,915
Total	1,650,000,000	1,650,000,000	1,650,000,000	1,650,000,000

Object of the issue revised vide special resolution passed in Annual General Meeting held on 16 September 2011.

* Represents loan given to Ciemme Jewels Limited for expenses incurred or to be incurred towards objects of the issue.

36. 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.
37. 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.
38. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
39. Previous year's figures have been regrouped or rearranged, wherever considered necessary to conform to current year's presentation. Figures in bracket are in respect of previous year

Signatures to notes '1' to '39'

Significant accounting policies

1

See accompanying notes to the consolidated financial statements

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

On behalf of the board of directors

Sd/-
(Nirmal Jain)
PARTNER
Membership No.: 34709

Sd/-
Director

Sd/-
Director

Sd/-
Company Secretary

Mumbai; Dated: 28.08.2012

Mumbai; Dated: 28.08.2012

Auditor's Report

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, 2012 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, Profit and Loss Account and cash flow statement 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, 2012; 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)

Place: MUMBAI

Date : 31.07.2012

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 31st March, 2012)

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) The company has taken unsecured loan from Directors and a Company 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 31.03.2012 |
|---------------------|---|-------------------------------------|
| 3 | ₹ 411,672,986 | ₹ 171,795,986 |
| Number of Companies | | |
| 1 | ₹ 223,237,000 | ₹ 223,237,000 |
- (e) No interest is paid and other terms and conditions on which loan has been taken from Directors and a Company listed in register maintained under section 301 are Prima facie not prejudicial for the interest of the Company.
 - (d) In respect of loan taken from Directors, 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. During the course of our audit, no major weaknesses have been noticed in 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 ₹ 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 any deposit from public.
 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 dealt with / by 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, 2012 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 Sales tax, Service tax, Wealth-Tax, Custom Duty, Excise Duty and cess which have not been deposited on account of dispute. The dues of Income Tax as disclosed below have not been deposited by the Company on account of dispute

Name of Statute	Nature of Dues	Amount (₹)	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	156,630/-	2008-2009	Commissioner of Income Tax- Appeals

10. The company has no accumulated losses as at 31st March, 2012. 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 guarantees 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)

Place: MUMBAI
Date : 31.07.2012

Balance Sheet as at 31 March 2012

Particulars	Note No.	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	1,128,000	1,128,000
(b) Reserves and surplus	3	279,173,665	276,973,118
2 Non-current liabilities			
(a) Deferred tax liabilities (Net)	4	581,394	333,022
(b) Long-term provisions	5	114,588	142,903
3 Current liabilities			
(a) Short-term borrowings	6	395,032,986	413,797,986
(b) Trade payables	7	148,051,430	15,177
(c) Other current liabilities	8	364,154	94,354
(d) Short-term provisions	9	544,890	-
TOTAL		<u>824,991,107</u>	<u>692,484,560</u>
II. ASSETS			
Non-current assets			
1 (a) Fixed assets			
(i) Tangible assets	10	15,190,908	16,054,659
(b) Non-current investments	11	594,593,380	594,593,380
(c) Long-term loans and advances	12	244,754	420,481
2 Current assets			
(a) Inventories	13	148,008,640	6,576,819
(b) Trade receivables	14	13,840,852	12,635,623
(c) Cash and cash equivalents	15	604,004	1,092,634
(d) Short-term loans and advances	16	52,508,569	61,110,963
TOTAL		<u>824,991,107</u>	<u>692,484,560</u>

Significant Accounting Policies

Notes on Financial Statements

1 to 34

As per our report of even date attached

For R. H. MODI & CO.
Chartered Accountants
(Firm Reg. No. 106486W)

sd/-
R. H. MODI
PROPRIETOR
(Membership No.: 37643)

Mumbai; Dated: 31.07.2012

C. MAHENDRA INTERNATIONAL LIMITED

sd/- sd/-
DIRECTOR DIRECTOR

Mumbai; Dated: 31.07.2012

Statement of Profit and Loss for the year ended 31 March 2012

Particulars	Note No.	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
I. Revenue from operations	17	217,750,128	57,764,000
II. Other income	18	9,652,022	16,409
III. Changes in inventories of finished goods and stock-in-trade	19	141,431,821	6,576,819
IV. Total Revenue (I + II + III)		<u>368,833,971</u>	<u>64,357,228</u>
V. Expenses:			
Purchases of stock-in-trade	20	360,975,764	61,516,070
Employee benefits expenses	21	1,823,788	1,824,293
Finance costs	22	34,657	7,175
Depreciation and amortization expenses	10	863,751	228,892
Other expenses	23	1,787,092	621,650
Total expenses		<u>365,485,052</u>	<u>64,198,080</u>
VI. Profit before tax (III-IV)		3,348,919	159,148
VII. Tax expense:			
Current tax			
- For the Current Year		900,000	70,236
Deferred tax		248,372	9,828
VIII. Profit for the year (VI-VII)		<u>2,200,547</u>	<u>79,084</u>
IX. Earnings per equity share:	24		
(1) Basic		19.51	0.70
(2) Diluted		19.51	0.70
Nominal value of equity shares		10	10

Significant Accounting Policies

Notes on Financial Statements

1 to 34

As per our report of even date attached

For R. H. MODI & CO.
Chartered Accountants
(Firm Reg. No. 106486W)

sd/-
R. H. MODI
PROPRIETOR
(Membership No.: 37643)

Mumbai; Dated: 31.07.2012

C. MAHENDRA INTERNATIONAL LIMITED

sd/- sd/-
DIRECTOR DIRECTOR

Mumbai; Dated: 31.07.2012

Cash Flow Statement for the year ended on 31 St March 2012

	₹	Current Year (₹)	Previous Year (₹)
A CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit / (Loss) before Tax		3,348,919	159,148
ADJUSTMENT FOR:			
Depreciation	863,751		228,892
Interest expenditure	398		20
Interest Income	39,613	824,536	16,409
Operating Profit before working capital changes		4,173,455	371,651
ADJUSTMENT FOR :			
Trade and other receivables	8,359,017		267,862,765
Inventories	(141,431,821)		(6,576,819)
Trade payables and other liabilities	148,822,628	15,749,824	(172,075,107)
Cash generated from opeartions		19,923,279	89,582,490
Less : Interest Paid	(398)		(20)
Taxes Paid	(1,148,372)	(1,148,770)	(80,064)
Net Cash from Operating activities		18,774,510	89,502,405
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		-	(1,242,233)
Interest Income		39,613	16,409
Net cash used in Investing activities		39,613	(1,225,824)
C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings(Net of repayment)		(18,765,000)	75,047,236
Proceeds from Issued and Subscribed Capital		-	-
(Purchase) / Sale of Investments in Subsidiary		-	(163,352,347)
Dividend (Including tax on dividend)		-	-
Net cash from financing activities		(18,765,000)	(88,305,111)
Net Increase/(decrease) in cash and cash equivalents (A+B+C)		49,123	(28,528)
Cash and cash equivalents- Opening balance		50,293	78,822
Cash and cash equivalents- Closing balance		99,417	50,293
Net increase/(decrease) as disclosed above		49,123	(28,529)

As per our report of even date attached

For R. H. MODI & CO.
Chartered Accountants
(Firm Reg. No. 106486W)

sd/-
R. H. MODI
PROPRIETOR
(Membership No.: 37643)

Mumbai; Dated: 31.07.2012

C. MAHENDRA INTERNATIONAL LIMITED

sd/- sd/-
DIRECTOR DIRECTOR

Mumbai; Dated: 31.07.2012

Notes to Financial Statements for the year ended 31 March, 2012

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 at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

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:**

Traded goods - Diamonds are valued at lower of cost or net realisable value.

g) **Revenue recognition:**

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.

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.

i) **Retirement benefits:**

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

ii. 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.

Notes to Financial Statements for the year ended 31 March, 2012

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) 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.

m) 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.

n) 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.

Notes to Financial Statements for the year ended 31 March, 2012

2 SHARE CAPITAL

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Authorised		
3,000,000 (3,000,000) Equity Shares of ₹10 each	30,000,000	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>
Issued, subscribed and paid up		
112,800 (112,800) Equity Shares of ₹10 each	1,128,000	1,128,000
	<u>1,128,000</u>	<u>1,128,000</u>

a) Details of reconciliation of the number of shares outstanding:

Particulars	As at 31/03/2012		As at 31/03/2011	
	Number	(₹)	Number	(₹)
Equity shares:				
Shares outstanding at the beginning of the year	112,800	1,128,000	112,800	1,128,000
Shares outstanding at the end of the year	<u>112,800</u>	<u>1,128,000</u>	<u>112,800</u>	<u>1,128,000</u>

b) Terms / rights attached to Equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of the liquidation of the Company, the holder of equity shares will be entitled to received remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Details of shares in the company held by each shareholder holding more than 5 percent:

Name of Shareholder	As at 31/03/2012		As at 31/03/2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares:				
C. Mahendra Exports Ltd. - (Holding Company)	112,500	99.73%	112,500	99.73%

Notes to Financial Statements for the year ended 31 March, 2012

3 RESERVES AND SURPLUS

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Securities Premium Account		
Opening balance	19,000,000	19,000,000
Closing Balance	19,000,000	19,000,000
CAPITAL REDEMPTION RESERVE		
Opening balance	376,000	376,000
Closing Balance	376,000	376,000
GENERAL RESERVE		
Opening balance	14,840,800	14,840,800
Closing Balance	14,840,800	14,840,800
Balance in Statement of Profit and Loss		
Opening balance	242,756,318	242,677,234
Add: Net Profit for the current year	2,200,547	79,084
Closing Balance	244,956,865	242,756,318
TOTAL...	279,173,665	276,973,118

4 DEFERRED TAX LIABILITIES (NET)

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
a) Deferred tax liabilities:		
'Depreciation	616,802	377,179
b) Less: Deferred tax assets:		
'Provision for gratuity	35,408	44,157
TOTAL (a-b)	581,394	333,022

Deferred Tax Assets and Deferred Tax Liability have been offset as they relate to the same Governing Taxation Laws

Notes to Financial Statements for the year ended 31 March, 2012

5 LONG TERM PROVISIONS

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Provision for employee benefits		
Gratuity	114,588	142,903
TOTAL...	<u>114,588</u>	<u>142,903</u>

6 SHORT TERM BORROWINGS

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Unsecured:		
Loans and advances from related parties		
- From Directors	395,032,986	413,797,986
TOTAL...	<u>395,032,986</u>	<u>413,797,986</u>

7 TRADE PAYABLES

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Trade payables	148,051,430	15,177
TOTAL...	<u>148,051,430</u>	<u>15,177</u>

8 OTHER CURRENT LIABILITIES

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Dues to employees	23,334	31,208
Statutory dues payable	33,220	3,170
Other Payables		
- Outstanding Liabilities	307,600	59,976
TOTAL...	<u>364,154</u>	<u>94,354</u>

9 SHORT TERM PROVISIONS

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Provision for Income Tax (net of Advance Tax and TDS ₹ 3,55,110)	544,890	-
TOTAL...	<u>544,890</u>	<u>-</u>

Notes to Financial Statements for the year ended 31 March, 2012

10 FIXED ASSETS

Particulars	Gross Block		Accumulated Depreciation				Net Block		
	As at 01/04/2011 (₹)	Additions / Disposals (₹)	As at 31/03/2012 (₹)	Upto 31/03/2011 (₹)	For the year (₹)	On disposals (₹)	Up to 31/03/2012 (₹)	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Tangible Assets									
Own Assets									
Office Premises	17,009,120	-	17,009,120	2,662,692	456,575	-	3,119,267	13,889,853	14,346,428
Vehicles #	1,343,482	-	1,343,482	59,083	332,531	-	391,614	951,868	1,284,399
Office Equipments	91,541	-	91,541	42,174	6,867	-	49,041	42,500	49,367
Furniture	712,848	-	712,848	338,383	67,778	-	406,161	306,687	374,465
Total	19,156,991	-	19,156,991	3,102,332	863,751	-	3,966,083	15,190,908	16,054,659
Previous Year	17,914,757	1,587,688	19,156,990	2,873,440	246,165	17,273	3,102,332	16,054,659	

Vehicles having gross block of ₹1,343,482 are not registered in Company's name.

Notes to Financial Statements for the year ended 31 March, 2012

11 NON CURRENT INVESTMENTS

Particulars	No. of Shares	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Trade, Unquoted, Long-term and At Cost):			
In Subsidiaries:			
<u>- in Equity Shares - fully paid up</u>			
Ciemme Jewels Limited - India	12000000 (12000000)	120,000,000	120,000,000
C Mahendra Exports HK Ltd - Hongkong	775000 (775000)	4,588,000	4,588,000
C Mahendra USA Inc - USA	5250 (5250)	229,328,125	229,328,125
<u>- in Joint Venture - fully paid up</u>			
C Mahendra BVBA - Antwerp(Belgium)	74 (74)	68,177,255	68,177,255
<u>- in Preference Shares - fully paid up</u>			
Ciemme Jewels Limited - India			
6% Redeemable Preference Shares of ₹ 10 each fully paid up at a premium of ₹ 105	15000000 (15000000)	172,500,000	172,500,000
TOTAL...		<u>594,593,380</u>	<u>594,593,380</u>

12 LONG TERM LOANS AND ADVANCES

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Unsecured, considered good)		
Capital advances	-	172,727
Security deposits	244,754	247,754
TOTAL...	<u>244,754</u>	<u>420,481</u>

13 INVENTORIES

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Finished goods / traded goods	148,008,640	6,576,819
TOTAL...	<u>148,008,640</u>	<u>6,576,819</u>

a) Mode of valuation:

- i Finished / Traded goods - Diamonds are valued at lower of cost or net realisable value.

Notes to Financial Statements for the year ended 31 March, 2012

14 TRADE RECEIVABLES

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Unsecured, considered good)		
Outstanding for a period exceeding six months from the date they are due for payment	-	12,635,623
Others debts	13,840,852	-
TOTAL...	<u>13,840,852</u>	<u>12,635,623</u>

15 CASH AND CASH EQUIVALENTS

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
Balances with banks		
- in Current Accounts	450,596	701,327
- in EEFC Account	53,991	54,088
- Guarantee on LC	-	286,925
Cash and Cash Equivalents		
- Cash on hand	99,417	50,293
TOTAL...	<u>604,004</u>	<u>1,092,633</u>

16 SHORT-TERM LOANS AND ADVANCES

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
(Unsecured, considered good)		
Other Loans and advances		
- Others	51,955,545	60,557,939
Advance Payment of Income Tax and Tax Deducted at Source		
- Income Tax (net of provision for tax ₹ 6,75,500/- (P.Y. ₹ 6,90,058/-))	551,482	536,924
- Fringe Benefit Tax	1,542	16,100
TOTAL...	<u>52,508,569</u>	<u>61,110,963</u>

Notes to Financial Statements for the year ended 31 March, 2012

17 REVENUE FROM OPERATIONS

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Sales of finished goods / traded goods		
- Diamonds	217,750,128	57,764,000
TOTAL...	<u>217,750,128</u>	<u>57,764,000</u>

18 OTHER INCOME

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Interest:		
- others	39,613	16,409
Net gain on foreign currency transactions and translation	7,665,725	-
Guarantee Fees Recd	1,918,369	-
Excess Provision for Gratuity Written Back	28,315	-
TOTAL...	<u>9,652,022</u>	<u>16,409</u>

19 CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN-TRADE

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Increase / (Decrease) in Stocks		
Stock at Beginning of the Year		
- Finished / Traded Goods	6,576,819	-
Stock at end of the Year		
- Finished / Traded Goods	148,008,640	6,576,819
Total	<u>141,431,821</u>	<u>6,576,819</u>

20 PURCHASE OF STOCK IN TRADE

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Diamonds	360,975,764	61,516,070
Total	<u>360,975,764</u>	<u>61,516,070</u>

Notes to Financial Statements for the year ended 31 March, 2012

21 EMPLOYEE BENEFITS EXPENSES

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Salaries, Wages and Bonus	1,822,492	1,822,997
Contribution to Labour welfare fund	1,296	1,296
TOTAL...	<u>1,823,788</u>	<u>1,824,293</u>

22 FINANCE COSTS

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Interest Expenses	398	20
Other Borrowing Cost	34,259	7,155
TOTAL...	<u>34,657</u>	<u>7,175</u>

23 OTHER EXPENSES

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Power and electricity	121,721	29,175
Postage and telephone expenses	3,000	-
Printing and stationery	1,287	-
Travelling and conveyance expenses	17,681	11,824
Legal and professional fees	823,983	21,118
Rates and taxes	6,280	-
Repairs & Maintenance - others	728,126	485,287
Auditor's remuneration: - for audit fees	11,030	11,030
Membership and subscriptions	6,088	4,964
Miscellaneous expenses	60,098	28,585
Exports freight, clearing and forwarding charges	7,798	-
Foreign Exchange Fluctuation loss	-	29,667
TOTAL...	<u>1,787,092</u>	<u>621,650</u>

24 EARNING PER SHARE

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Net profit after tax (₹)	2,200,547	79,084
Amount available for equity shareholders (₹)	2,200,547	79,084
Weighted average number of equity shares outstanding during the year(Nos.)	112800	112800
Basic and Diluted earnings per share (₹)	19.51	0.70
Nominal value of share (₹)	10	10

Notes to Financial Statements for the year ended 31 March, 2012

25 CONTINGENT LIABILITIES

Particulars	As at 31/03/2012 (₹)	As at 31/03/2011 (₹)
<u>Claims against the Company not acknowledge as debt</u>		
- Income Tax matters in dispute under appeal	156,630.00	-
Corporate guarantee given to banks in respect of credit facilities sanctioned to holding company	10,089,000,000	950,000,000
Corporate guarantee given to banks in respect of credit facilities sanctioned to associates company (USD 10,000,000)	51,206,500	225,000,000
Total	<u>1,060,263,130</u>	<u>1,175,000,000</u>

It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

26 EXPENDITURE IN FOREIGN CURRENCY

Particulars	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
Foreign travelling expenses	NIL	NIL
Others	NIL	NIL

27 EARNINGS IN FOREIGN EXCHANGE

	Current Year 2011-2012 (₹)	Previous Year 2010-2011 (₹)
F.O.B. value of exports	96,434,000	-
Total	<u>96,434,000</u>	<u>-</u>

Notes to Financial Statements for the year ended 31 March, 2012

28. DEFINED BENEFIT PLANS

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

a) Principal assumption used in determining gratuity

Particulars	Current Year 2011-2012 ₹	Previous Year 2010-2011 ₹
Discount rate at the beginning of the year	8.5%	8.5%
Expected rate of increase in compensation level	8%	8%
Current service cost	42,923	62,034
Benefit paid	---	---
Present value of obligation at end of year	114,588	142,903

b) Change in the present value of the benefit obligations

Particulars	Current Year 2011-2012 ₹	Previous Year 2010-2011 ₹
Projected benefit obligations, as at beginning of the year	142,903	81,144
Service cost	42,923	62,034
Interest cost	11,432	3,449
Actuarial (gain) / loss on obligation	(83,670)	(3,724)
Benefit paid	---	---
Projected benefit obligation end of the year	114,588	142,903

c) Amount recognised in Balance Sheet:

Particulars	As at 31/03/2012 ₹	As at 31/03/2011 ₹
Present value of obligation at the beginning year	142,903	81,144
Present value of assets	---	---
Liability recognised in balance sheet	114,588	142,903

d) Expenses recognised in statement of profit and loss:

Particulars	Current Year 2011-2012 ₹	Previous Year 2010-2011 ₹
Current service cost	43,923	62,034
Interest cost	11,432	3,449
Expected return on plan assets	---	---
Net actuarial gain	(83,670)	(3,724)
Net periodic cost	(28,315)	(61,759)

e) Movement in net liability recognised in balance sheet:

Particulars	As at 31/03/2012 ₹	As at 31/03/2011 ₹
Opening net liability	142,903	81,144
Expenses as above	(28,315)	61,759
Contribution paid	---	---
Closing net liability	114,588	142,903

29. SEGMENTAL REPORTING

The Company has only one business segment viz. sale and export of Diamonds, which is being considered as the primary segment.

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

(Amount in ₹)

Particulars	Current Year 2011-2012 ₹	Previous Year 2010-2011 ₹
Segment revenue		
Sales and income from operations		
- Within India	11,30,32,343	57,780,409
- Outside India	10,47,17,785	---
Total	21,77,50,128	5,77,64,000
Carrying amount of assets by geographical location of assets		
Segment assets		
- Within India	52,09,79,358	39,03,91,180
- Outside India	30,40,11,749	30,20,93,380
Total	82,49,91,107	69,24,84,560
Additions to tangible and intangible assets		
- Within India	---	15,87,688
- Outside India	---	---
Total		15,87,688

Notes to Financial Statements for the year ended 31 March, 2012

Notes:

- i. 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.
- 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.

30. RELATED PARTY DISCLOSURES

i. Related party relationships

a	Holding Company	: C. Mahendra Exports Limited
b	Subsidiaries (where control exist)	: Ciemme (LA) INC. – U.S.A. C. Mahendra Exports (H.K.) Ltd. C. Mahendra USA Inc. - USA Ciemme Jewels Limited – India
c	Subsidiary of Subsidiary	: C. Mahendra NY LLC. Ciemme NY LLC
d	Associate Company	: C. Mahendra BVBA – Antwerp
e	Key managerial personnel	: Mahendra C. Shah Champak K. Mehta Sandeep M. Shah
f	Enterprises in which key management personnel have significant influence	: Polo Developers Private Limited Allright Trading Private Limited C. Mahendra Infrapower 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.
- ii. **Transactions with related parties:**
- a) Details of related party transactions are as follows:

(Amount in ₹)

Particulars	Subsidiaries	Total Associates	Key management personnel	Enterprises in which Key management personnel have significant influence	Enterprises in which relative of Key management Personnel have significant influence	
Sale of diamond	---	10,47,17,785	---	---	---	10,47,17,785
	(---)	(---)	(---)	(---)	(---)	(---)
Loans taken	---	---	23,35,000	---	---	23,35,000
	(---)	(---)	(17,56,62,000)	(---)	(---)	(17,56,62,000)
Loans repaid	---	---	24,43,37,000	---	---	24,43,37,000
	(---)	(---)	(10,06,14,764)	(---)	(---)	(10,06,14,764)
Balance receivable as at year end	---	19,18,369	---	5,19,55,545	---	5,38,73,914
	(---)	(---)	(---)	(6,05,38,675)	(7,780)	(6,05,46,455)
Balance payable as at year end	42,752	---	17,09,00,986	22,32,37,000	8,95,000	39,50,75,738
	(---)	(---)	(41,29,02,986)	(---)	(8,95,000)	(41,37,97,986)

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

Notes to Financial Statements for the year ended 31 March, 2012

- 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 2011-2012 ₹	Previous Year 2010-2011 ₹
Sale of diamonds		
C. Mahendra BVBA	10,47,17,785	---
Loans taken		
Champak K. Mehta	13,25,000	10,53,81,000
Mahendra C. Shah	10,10,000	7,02,81,000
Loan Repaid		
Mahendra C. Shah	13,62,31,000	5,03,07,382
Champak K. Mehta	10,81,06,000	5,03,07,382
Balance receivable		
Polo Developers Pvt. Ltd.	---	7,780
Allright Trading Pvt. Ltd.	---	8,130
C Mahendra BVBA (ANTVERP)	19,18,369	---
Balance payable		
Champak K. Mehta	11,77,95,493	22,45,76,493
Pravin K. Mehta	8,95,000	8,95,000
Mahendra Shah	5,31,05,493	18,83,26,493
C Mahendra Exports Ltd.	42,752	15,177
C Mahendra Infrapower Ltd.	22,32,37,000	---

The Company has given corporate guarantee to the bank towards working capital facilities sanctioned to holding company [(outstanding as at 31/03/2012 ₹1008.90 Crores) and (outstanding as at 31/03/2011 ₹950 Crores)] and to its associate Company C. Mahendra BVBA [(outstanding as at 31/03/2012 ₹ 51.21 Crores) and (outstanding as at 31/03/2011 ₹ 22.50 Crores)].

31. 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.
32. 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.
33. 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 if any are netted off for presentation in the financial statements.
34. The Revised Schedule VI has become effective from 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

As per our report of even date attached

For R. H. MODI & CO.
Chartered Accountants
(Firm Reg. No. 106486W)

sd/-
R. H. MODI
PROPRIETOR
(Membership No. 37643)
Mumbai; Dated: 31.07.2012

C. MAHENDRA INTERNATIONAL LIMITED

sd/-
DIRECTOR

sd/-
DIRECTOR

Mumbai; Dated: 31.07.2012

C. MAHENDRA BVBA

Report of the Independent Auditors

To the shareholder of C. Mahendra BVBA

We have audited the financial statements of C. Mahendra BVBA, which comprise the directors report, the balance sheet as at March 31, 2012 and the income statement for the year then 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor 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

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 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, 2012, and of its financial performance and its cash flows for the year then ended in accordance with the reporting framework applicable in Belgium.

Sint-Denijs-westrem, May 26, 2012

WF&Co, Bedrijfsrevisoren BVBA
Statutory Auditor
Represented by

sd/-
Stefaan Beirens
Partner

Director' Responsibilities and Approval

The directors are required by the Belgium Company Code, to maintain adequate accounting records 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 or error or lose 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. While operating risk cannot be fully eliminated, the company endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation 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 reviewed the company's cash flow forecast for the year to December 31, 2012 and, in the light of this review and the current financial position, they are satisfied that the company has or has access 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 is presented on page 4.

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

C. Mahendra International LTD.
Represented by
Shah Mahendra Chandulal
Shah Pravinchandra Chandulal
Shah Samir pravin
Mehta Paras Champaklal
Director

Shah Vikram
Director

Directors' Report

The Director submit their report for the year ended March 31, 2012.

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 327.897,69 USD.

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 except for the fact that C Mahendra Exports Limited partly paid up capital. 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 31,2012.

Sd/-

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

Shah Vikram
Director

Balance Sheet March 31, 2012

Figures in USD	Note(s)	2012	2011
ASSETS			
Intangible assets		-	
Property, plant and equipment	1	2005257.79	1039178.61
Investments and other financial assets	2	1530376.81	30701.42
Fixed Assets		<u>3535634.60</u>	<u>1069880.03</u>
Other Long term amounts receivable		-	
Inventories	3	10473506.16	15922481.12
Trade and other receivables	4	37717609.79	20575316.54
Other Investments	5	77543.39	253787.11
Cash and cash equivalents	6	1896564.72	615513.56
Deferred charges	7	526.87	2558.38
Current Assets		<u>50165750.93</u>	<u>37369656.71</u>
Total Assets		<u>53701385.53</u>	<u>38439536.74</u>
EQUITY AND LIABILITIES			
Share capital	8	27100932.02	27100932.01
Uncalled Capital	8	(10837152.78)	(15870946.51)
Revaluation surplus	8	966035.38	53978.56
Legal reserves	8	74678.56	53978.56
Reserves not available	8	4233298.96	4233298.96
Distributable reserves	8	1275908.84	968711.15
Equity		22813700.98	16485974.17
Financial debts (long term)	9	703829.77	823125.13
Non-current Liabilities		<u>703829.77</u>	<u>823125.13</u>
Financial debts (short term)	9	86979.07	82241.96
Bank overdrafts	10	10000245.97	5662806.16
Trade and other payables	11	20051724.51	14640302.27
Other liabilities	12	17518.90	737255.18
Accured Charges	13	27386.33	7831.86
Current Liabilities		<u>30183854.78</u>	<u>21130437.42</u>
Total Equity abd Liabilities		<u>53701385.53</u>	<u>38439536.72</u>

The accompanying notes form an integral part of these financial statements. The report of the Auditors is set forth on page 4.

Income Statement March 31, 2012

Figures in USD	Note(s)	2012	2011
Sales	14	121455372.94	120119261.07
Cost of sales	14	(119610499.39)	(118624846.39)
Gross margin		1844873.55	1494414.68
Other operating income		12111.47	1567.21
operating expenses	15	(565262.39)	(723156.23)
Operating result		1291722.63	772825.66
Finance costs (net)	16	(963795.97)	(438055.47)
Exceptional costs (net)		(28.97)	-
Result before taxation		327897.69	334770.19
Income tax (expense)/income	17	-	(27461.75)
Non-current Liabilities		327897.69	307308.44

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

Statement of changes in Equity March 31, 2012

Figures in USD	Share Capital	Uncalled capital	Revaluation Surplus	Legal Reserve	Reserve Not available for distribution	Distributable Reserve	Total Equity
Balance at April 1, 2011	27100932.01	(15870946.51)	0.00	53978.56	4233298.96	968711.15	16485974.17
Revaluation building			966035.38				966035.38
Capital paid up		5033793.73					5033793.73
Result for the year 2012				20700.00		307197.69	327897.69
Balance at March 31, 2012	27100932.01	(10837152.78)	966035.38	74678.56	4233298.96	1275908.84	22813700.98

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

Cash Flow Statement March 31, 2012

Figures in USD	Note	2012	2011
I. Cash flows from operating activities			
Profit before tax and financing costs		1278132.50	1025942.57
Adjustment for depreciation		72002.04	73062.91
written offs trade debtors		26980.63	-
Operating profit before working capital changes		1377115.17	1099005.48
Movement in trade and other receivables and other current assets		11718267.74	5133987.30
Movement in accrued expenses, other payables and other current liabilities		(5398223.99)	(7479741.29)
Cash generated from/ (utilised in) operations		(4942928.25)	(2345753.99)
Income taxes paid	17	-	(27461.75)
Net cash generated from / (utilised in) Operating activities		(4942928.25)	(1274210.26)
II. Cash flows from investing activities			
Purchase of intangible assets			
Purchase of property, plant and equipment	1	(1038081.22)	(3434.38)
Purchase of financial assets	2	(1499675.39)	(626.74)
Write off on fixed assets		-	-
Net cash from / (utilised in) investing activities		(2537756.61)	4061.12
III. Cash flows from financing activities			
Movement from financing activities		8585492.3	(3002083.66)
Net cash from / (utilised in) financing activities		8585492.30	(3002083.66)
Total Cash generated (I+II+III)		1104807.44	(4280355.04)
Total cash movement for the year			
Cash at the beginning of the year		869300.67	5149655.69
Cash at the end of the year		1974108.11	869300.67
Net (decrease) /increase in cash		1104807.44	(4280355.02)

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 Belgian statutory accounts since the accounts are not adapted to the group accounting policies.

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 recognised 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 derecognised. 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

Investment and guarantees are carried at historical cost.

2.3. Inventories

Inventories are measured at the lower of cost and net realisable value. Inventories are measured by individualisation.

2.4. Trade and other receivables

Trade receivables are measured at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised 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 receivables in foreign currencies are translated into USD at the exchange rate at the balance sheet date. The difference is recorded as non realised 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 USD at the exchange rate at the balance sheet date. The difference is recorded as non realised exchange rate differences in the profit and loss accounts.

2.6. Bank overdraft, trade and other debts

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

As of balance date, bank overdrafts, trade and other debts in foreign currencies are translated into USD at the exchange rate at the balance sheet date. The difference is recorded as non realised exchange rate differences in the profit and loss accounts.

2.7. Revenue

Revenue for the sale of goods represent net amount invoiced for goods delivered or services rendered during the year. Sales are recognised when the company has transferred to the buyer the significant risk and reward 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 USD 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 (realised exchange rate differences).

At each balance sheet date foreign currency monetary items are translated using the closing rates. The differences are recorded as non realised exchange rate differences in the profit and loss accounts. As of March 31, 2012 the closing exchange rate USD/EUR amounts to 13356 which was used for this translation.

2.10. Current tax assets and liabilities

Current tax for current and prior period is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised 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 March 31, 2012

1. Property, plant and equipment

Figures in USD	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Total
Cost					
Balance at April 1,2011	999926.06	507288.85	26257.01	0.00	1533471.92
Additions	1001551.42	3218.22	-	33311.57	1038081.21
Disposals	-	-	-	-	-
Cost at March 31, 2012	2001477.48	510507.07	26257.01	33311.57	2571553.13
Depreciation					
Balance at April 1,2011	162660.72	315614.55	16018.07	0.00	494293.34
For the year 2011-2012	27685.73	40816.26	3390.79	109.22	72002
Disposals	-	-	-	-	-
Depreciation at March 31, 2012	190346.45	356430.81	19408.86	109.22	566295.34
Net Book Value at April 1, 2011	837265.35	191674.29	10238.97	0.00	1039178.61
Net Book value at March 31, 2012	1811131.03	154076.26	6848.15	33202.35	2005257.79

Additions in land and buildings mainly relate to the revaluation surplus accounted for (966035.38 USD).

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

2. Investments and other Financial assets

Figures in USD	Investments	Guarantees	Total
Balance at April 1, 2011	15376.81	15000.00	30376.81
Investments	-	1500000.00	1500000.00
Impairment of	-	-	-
Balance at March 31, 2012	15376.81	1515000.00	1530376.81

New guarantees comprise a bank guarantee (Bank of India) relating to a new credit line amounting to 10000000.00 USD

3. Inventories

Figures in USD	2012	2011
Raw materials (Rough diamonds)	10319898.93	11230516.48
Raw materials consignments (Rough diamonds)	-	-
Finished goods (Polished diamonds)	-	4524474.55
Finished goods consignments (Polished diamonds)	153607.23	167490.09
Total inventories	10473506.16	15922481.12

The inventories include 38627.01 carat rough diamonds for a USD value 10319898.93 and 34808 carat polished diamond on consignment for a USD value of 153607.23 at the end of March 2012

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 "they yearly declaration of the stocks and activity to the Ministry of Economic Affairs" for the financial year under review.

Inventories are valued by an independent valuation expert at the end of March 2012. He concludes that the value of inventories are fairly stated at year-end.

4. Trade and other receivables

Figures in USD	Third Parties	Related Parties	Total
----------------	---------------	-----------------	-------

Trade receivables	21327120.09	21790018.13	34117138.22
Customer's credit balances	137000.00	-	137000.00
Supplier's debit balances	333697.69	248.99	333946.68
Goods in consignment	(153607.23)	-	(153607.23)
Vat receivable	4399.81		4399.81
Current Accounts	3270132.96		3270132.96
Other	8599.35		8599.35
Total	15927342.67	21790267.12	37717609.79

The trade receivables as of March 31,2012 include the following receivables from related parties (diamond trade):

- Trade receivables :

o C. Mahendra DMCC :	814679.91	USD
o C. Mahendra Exports :	3633290.97	USD
o C. Mahendra Exports :	7876914.24	USD
o C. Mahendra Exports :	2565561.62	USD
o C. Mahendra Exports :	4302284.86	USD

Supplier's debit balances:

o C. Mahendra LTD	248.99	USD
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5. Investments

Figures in USD

Balance at April 1,2011

Deposits

253787.10

Balance at March 31,2012

77543.39

Investments include forex deposits with GFT

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in USD

2012

2011

Bank current accounts

1845688.83

581012.14

Cash on Hand

50875.89

34501.31

Internal transfer of funds

-

-

Total Cash and cash equivalents

1896564.72

615513.45

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

KBC Bank has a mortgage for an amount of 900000,00 EUR

7. Deferred charges and accrued income

These consist of 526.87 USD deferred charges.

8. Share capital

Figures in USD

2012

2011

474 Equity shares

27100932.01

27100932.01

Uncalled capital

(10837152.78)

(15870946.51)

Total share capital

16263779.24

11229985.50

Out of the above, 74 equity shares are held by C. Mahendra International Ltd, and 400 by C. Mahendra Exports Ltd., out of which 155 shares are uncalled as on 31st march 2012. The profit of the year, 327897.69 USD, is distributed for 20700.00 USD to the legal reserves and for 307197.69 USD to the reserved available for distribution.

9. Financial Debt

Financial debt include a long term loan of 679199.96 USD from KBC (79663.80 USD short term) and a leasing contract of 24629.81 USD from Van Breda Car Finance (7315.27 USD short term).

10. Bank Overdrafts

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

ABN AMRO EUR	77.54
Antwerp Diamond Bank USD	168.43
Straight Loan USD	10000000.00
Total	<u>10000245.97</u>

11. Trade and other payables

Figures in USD	Third Parties	Related Party	Total
Trade Payables	19388272.45	181625.53	19569897.98
Supplier's Debit Balances	333697.69	248.99	333946.68
Customer's credit balances	137000.00	-	137000.00
Invoice to be received	10879.85	-	10879.85
Total	19869849.99	181874.52	20051724.51

- The trade payables as of March 31, 2012 include the following receivables from related parties (diamond trade):

o C. Mahendra Exports LTD ***	2640.95	USD
o C. Mahendra Exports LTD *****	178984.58	USD

- For the supplier's debit balances we refer to the trade receivables.

12. Other Liabilities

Figures in USD	2012	2011
Income tax to be paid (current year)	4.67	28539.39
Withholding Taxes	2621.97	3617.01
Social security contributions	4418.90	6728.60
Holiday pay accrual	9598.88	10469.94
Provision year-end premium	874.48	916.65
Current Accounts	-	686983.59
Total other liabilities	<u>17518.90</u>	<u>737255.18</u>

13. Deferred income and accrued charges

These consist of 26386.33 USD accrued charges, mainly interests on straight loans.

14. Sales and cost of sales

Figures in USD	2012	2011
Sales of diamonds	121455372.94	120119261.08
Purchase of raw materials	(114161458.51)	(113361402.49)
Increase - decrease in stocks	(5448974.96)	(4653621.79)
General subcontractors	(65.92)	(7763.94)
Realised exchange rate results	-	(207208.75)
Unrealised exchange rate results	-	(394849.39)
Gross margin	<u>1844873.55</u>	<u>1494414.72</u>

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

Figures in USD	2012	2011
Belglum (rough)	22711403.70	36059972.94
Belglum (Polished)	319176.34	3193881.67
Other - export (rough)	79986636.03	70069551.85
Other - export (polished)	18438156.87	10795854.62
sales	<u>121455372.94</u>	<u>120119261.08</u>

15. Operating expenses

Figures in USD	2012	2011
Services and other goods	357933.71	563450.81
Personnel costs	84693.80	67804.78
Depreciation fixed assets	72002.04	73062.91
Write offs	26980.63	-
Taxes (other than income taxes)	20912.88	15447.89
Losses on realisation of trade debtors	-	-
Other Operating costs	2739.33	3389.74
Operating expenses	565262.39	723156.13

The personnel costs include the costs for 1,9 full time equivalents (2 over 2010-2011).

16. Finance costs (net)

Figures in USD	2012	2011
Net interest cost	(823862.01)	(385263.90)
Exchange differences (net)	11395.59	(0.14)
Bank and other costs	(151329.55)	(52791.59)
Finance Costs (net)	(963795.97)	(438055.63)

17. Income tax expenses

Income tax expense comprise of:

Figures in USD	2012	2011
Income taxes current year	-	28539.39
Additional tax charges previous years	-	(1077.64)
Income tax expense	-	27461.75

Reconciliation of the taxable profit and accounting profit for the period is given below:

Figures in USD	2012	2011
Profit after tax	327897.69	307308.44
Non-deductible expenses	23850.41	34853.75
Notional interest deduction	(400148.55)	(288559.48)
Taxable profit	(96101.27)	81024.46
Nominal income tax rate 33.99%	-	27540.21

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 bank balance 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, 2012.

Interest rate risk

The company has no borrowings except for the bank overdrafts and an investment credit.

19. Others

Due to the absence of a pension insurance policy, no retirement benefits are accounted 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 year is comparable with income statement of current year.

C. Mahendra DMCC, Dubai, United Arab Emirates

Report of the Directors for the year ended March 31, 2012

The Directors have pleasure in presenting their report and the audited financial statements for the year ended March 31, 2012.

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 57,178,347 (P.Y. AED 55,251,083) for the year ended March 31, 2012. The Company has achieved a gross margin of 2.38% (P.Y. 2.45%) and a net profit of AED 1,229,697 (P.Y. AED 1,295,580) during the year. 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.

CREDITORS PAYMENT POLICY

The Company maintains a policy of paying suppliers in accordance with terms and conditions agreed with them.

AUDITORS

The Auditors, M/s FALCON INTERNATIONAL CONSULTING & AUDITING, Chartered Accountants, United Arab Emirates are willing to continue in office and a resolution to reappoint 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.

ACKNOWLEDGEMENTS

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
Manager

June 05, 2012

Independent Auditor's Report

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, 2012 and the comprehensive Income statement, statement of changes in shareholders' equity, statement of cash flow for the year ended and a summary of significant accounting policies and other explanatory notes are set out on pages 8 to 14.

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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 on March 31, 2012 and of its financial performance and its cash flows for the year 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

Managing Partner

Reg. No. 606

June 05, 2012

Statement of Financial Position As At March 31, 2012

	NOTES	31-03-2012 AED	31-03-2011 AED
NON-CURRENT ASSETS			
Property, plant & equipments	4	<u>1658134</u>	<u>1552642</u>
		1658134	1552642
CURRENT ASSETS			
Trade receivables	5	38507562	36797739
Other receivables	6	11977	46926
Cash and cash equivalents	7	102432	172345
		<u>38621971</u>	<u>37017010</u>
		40280105	38569652
TOTAL ASSETS			
CURRENT LIABILITIES			
Trade Payables	8	35787740	35505283
Other Payable	9	1767088	1568789
		<u>37554828</u>	<u>37074072</u>
LONG TERM LIABILITIES			
		-	-
TOTAL LIABILITIES			
		<u>37554828</u>	<u>37074072</u>
SHAREHOLDER'S FUND			
Share capital		200000	200000
Retained earning	10	2525277	1295580
		<u>2725277</u>	<u>1495580</u>
TOTAL EQUITY AND LIABILITIES			
		<u>40280105</u>	<u>38569652</u>

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

The report of the auditor is set out on page. 3.

We conform that we are responsible of these financial statements, including selecting accounting policies and making the judgments underlying them. We conform that we have made available all relevant accounting records and information for their compilation.

Approved by the directors on June 05, 2012

For C. MAHENDRA DMMC

Manager

Comprehensive Income Statement for the year ended March 31, 2012

	NOTES	31-03-2012	27-06-2010 To 31-03-2011
		AED	AED
Sales	11	57178347	55251083
Cost of sales		(55817363)	(53897146)
Gross profit		<u>1360984</u>	<u>1353937</u>
Expenses			
General & administrative expenses	12	50444	55235
Finance Charges	13	3326	3122
Depreciation		77517	-
Total operating expenses		<u>131287</u>	<u>58357</u>
Net Profit for the year		<u>1229697</u>	<u>1295580</u>

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 June 05, 2012
For C. MAHENDRA DMMC

Manager

Statement of Changes in Equity As on March 31, 2012

	Share Capital	Retained Earning	Total AED
Capital introduced as on 27.06.2010	200000	-	200000
Net Profit of the Year	-	1295580	1295580
Balance as on 31.03.2011	<u>200000</u>	<u>1295580</u>	<u>1495580</u>
Net Profit for the year	-	1229697	1229697
Balance as on 31.03.2011	<u>200000</u>	<u>2525277</u>	<u>2725277</u>

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 March 31, 2012

	31-03-2012 AED	31-03-2011 AED
Cash Flows from Operating Activities		
Net Profit of the Year	1229697	1295580
Depreciation	77517	-
Funds generated from operations	<u>1307214</u>	<u>1295580</u>
Changes in Working Capital		
(Increase) / decrease in trade receivables	(1709823)	(36797739)
(Increase) / decrease in other receivables	34949	(46926)
(Increase) / decrease in trade payables	282457	35505283
(Increase) / decrease in other payables	198299	1568789
Net Cash inflow / (outflow) from working capital activities	<u>(1194118)</u>	<u>229407</u>
Net Cash inflow / (outflow) from operating activities	<u>113096</u>	<u>1524987</u>
Cash Flow from investing Activities		
Purchase of property, plant & equipments	(183009)	(1552642)
Net Cash inflow/ (outflow) from investing activities	<u>(183009)</u>	<u>(1552642)</u>
Cash Flow from Financing Activities		
Capital introduced	-	200000
Net Cash inflow/ (outflow) from financing activities	-	200000
Net increase / (Decrease) in cash and cash equivalents	(69913)	172345
Cash & Bank balance at the beginning of the year	172345	-
Cash and cash equivalents at the end of the year	<u>102432</u>	<u>172345</u>
Represent By:		
Cash and cash equivalents (Note No.7)	<u>102432</u>	<u>172345</u>

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 year ended March 31, 2012

1. LEGAL STATUS & BUSINESS ACTIVITIES

- a) C. Mahendra DMCC, (“the Company”) was registered in Dubai Multi Commodities Centre, Dubai, UAE (License No. DMCC 31404) as a Limited Liability Company on June 27, 2010 and the license is valid upto June 26, 2012.
- b) The Company is mainly engaged in trading of rough & polished Diamonds, Diamond Jewellery, and Precious stones & Pearls.
- c) The management and control of the company are vested with the Manager, Mr. Hitesh 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, and 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 Shares	Amount (AED)	%
1	C. Mahendra Exports Limited	Indian Co.	200	200,000	100
			200	200,000	100

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. The cost less estimated residual value, where material, is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Freehold property	30 Years
Furniture & Office equipments	6-7 Years

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.

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

No provision is made for the amounts payable under UAE Labour law applicable to the employees for the accumulated period of service as at the balance sheet date as they are accounted for on cash basis.

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 are included in the statement of income.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash, bank current accounts and bank deposits free of encumbrance with a maturity date of three months or less from date of deposits

3.6 Financial instruments

Financial assets and financial liabilities are recognized when; and only when, the company becomes a party to the contractual provision of the instruments.

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 comprises cash and bank balances and other payable and stated at cost or, if the impact material ,at amortized 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 amortized 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 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. 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 March 31, 2012.

	Freehold Property*	Furniture & office equipments	Total AED
Cost			
As on 01-04-2011	1552642	-	1552642
Addition during the year	-	183009	183009
Total 31-03-2012	1552642	183009	1735651
Depreciation			
For the Year	51750	25767	77517
Total as on 31-03-2012	51750	25767	77517
Net Book value as at 31-03-2012	1500892	157242	1658134
Net Book value as at 31-03-2011	1552642	-	1552642

* BC-86, Al Mas Tower, JLT, Dubai, UAE

The accompanying notes from an integral part of these financial statements.

The report of the auditor is set out on page 3.

	31-03-2012 AED	31-03-2011 AED
5 TRADE RECEIVABLE		
Sundry debtors	38507562	36797739
	38507562	36797739
AGEING ANALYSIS		
Due for less than 30 days	--	9784578
Due for 30 to 60 days	--	27013161
Due for 120 to 180 days	3688322	--
Due for more than 180 days	34819240	--
	38507562	36797739
Out of above AED 31,814,371 is due from the related party M/s. C. Mahendra Exports Ltd.		
6 OTHER RECEIVABLES		
Advances	--	40000
Deposit	8400	--
Prepayments	3577	6926
	11977	46926
7 CASH AND CASH EQUIVALENTS		
Cash at bank in local currency	72005	75500
Cash at bank in foreign currency	30427	96845
	102432	172345

8 TRADE PAYABLES

Sundry creditors	35787740	35505283
	<u>35787740</u>	<u>35505283</u>

Out of above creditors AED 2,989,875 is due to related party M/s. C. Mahendra BVBA.

9 OTHER PAYABLES

Accrued expenses	4000	23486
Unsecured loans	406688	--
Other payables	1356400	1545303
	<u>1767088</u>	<u>1568789</u>

10 RETAINED EARNINGS

Opening balance	1295580	--
Net Profit for the year	1229697	1295580
Closing balance	<u>2525277</u>	<u>1295580</u>

11 COST OF SALES

Purchases and direct expenses	55817363	53897146
	<u>55817363</u>	<u>53897146</u>

12 GENERAL AND ADMINISTRATIVE EXPENSES

Rent	3215	9785
Legal & Professional charges	17364	39699
Communication expenses	1582	--
Maintenance expenses	26149	--
Miscellaneous expenses	2134	5751
	<u>50444</u>	<u>55235</u>

31-03-2012	31-03-2011
AED	AED

13 FINANCE CHARGES

Bank charges	3,326	2,887
Exchange rate fluctuations	--	235
	<u>3,326</u>	<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.

Due from related party-

M/s. C. Mahendra Exports Ltd.	31,814,371	36,731,804
-------------------------------	-------------------	-------------------

Due to related party

M/s. C. Mahendra BVBA	2,989,875	--
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At the balance sheet date, transactions with related parties were as follows:

M/s. C. Mahendra Exports Ltd. (Sale)	--	55,185,148
--------------------------------------	----	------------

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 of 01-04-2011 to 31-03-2012

18 All the figures are expressed in AED and fills have been rounded of to the nearest AED.

19 Comparative amounts

Figures of the previous year are regrouped/reclassified wherever necessary to confirm the current year's presentation.

Approved by the directors on June 05, 2012

**For C.Mahendra DMCC
Manager**

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Tel: +91-22 - 2610 5238
E-mail: ciemmeparle@ciemmejewels.com

KANDIVALI

Raghuleela Mall, Shop No. 8, 2nd Floor,
Near Poisar Bus Depot, Kandivali (W),
Mumbai - 400 067.
Tel: +91-22 - 2806 0565
E-mail: ciemmeraghuleela@ciemmejewels.com

BORIVALI

Kent Garden, Shop No. 6,
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Mumbai - 400 092.
Tel: +91-22 - 2898 1835
E-mail: ciemmeborivali@ciemmejewels.com

GHATKOPAR

Savani Apt., Shop No. 5, Rajawadi Junction,
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Mumbai - 400 075.
Tel: +91-22 - 6699 0758
E-mail: ciemmeghatkopar@ciemmejewels.com

VASHI

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Opp. Vashi Rly. Stn., Vashi,
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Near Parle Point, Ghod Dod Road,
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Tel: +91-261 - 3258 555
E-mail: ciemmesurat@ciemmejewels.com

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Productivity House, BPC Road, Alkapuri,
Baroda - 390005.
Tel: +91-265 - 2357 106
E-mail: ciemmebaroda@ciemmejewels.com

C.G. ROAD

Iscon Arcade, G-14,
Opp. Jade Blue, C.G. Road,
Ahmedabad - 380 015.
Tel: +91-79 - 2656 1828
E-mail: ciemmeamd@ciemmejewels.com

NAVRANGPURA

Yamuna Chamber, 03, Choice Bldg.,
Swastik Char Rasta, Navrangpura,
Ahmedabad - 380 015.
Tel: +91-79 - 2644 0008
E-mail: ciemmeamd2@ciemmejewels.com

MANINAGAR

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Ahmedabad - 380 008.
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GURGAON

Ambience Mall, F-150,
1st Floor, On NH-8, Gurgaon,
Haryana - 122 001.
Tel: +91-124 - 4029 206
E-mail: ciemmegurgaon@ciemmejewels.com

ROURKELA

M/s. Prasad Gold Plaza, Shop No. 3, Super
Market, Sector-19,
Rourkela, Orissa - 769 005.
Tel: +91-661 - 2645 366
E-mail: ciemmerourkela@ciemmejewels.com

MANGALORE

Empire Mall', G-32,
M.G. Road,
Mangalore - 575 001.
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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.
DP ID No.

Client 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 Sixth Annual General Meeting of the members of C. Mahendra Exports Limited scheduled to be held on
Wednesday, 26th September, 2012 at 2.30 P.M. at Hotel Tunga International B/11, M.I.D.C, Central Road, Andheri (E),
Mumbai - 400 093 and at any adjournment thereof.

Signed this day of 2012

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 Sixth Annual General Meeting of the members of C. Mahendra Exports Limited
scheduled to be held on Wednesday, 26th September, 2012 at 2.30 P.M.

Folio No.
DP ID No.

Client 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)


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Borivali (Mum- Maharashtra)
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Ghatkopar (Mum- Maharashtra)
☎ : +91-22-6699 0758



Vashi (Mum- Maharashtra)
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Pune (Maharashtra)
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Baroda (Gujarat)
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C.G. Road (Amd- Gujarat)
☎ : +91-79-2656 1828



Navrangpura (Amd-Gujarat)
☎ : +91-79-2644 0008



Maninagar (Amd-Gujarat)
☎ : +91-79-2543 0019



Gurgaon (Haryana)
☎ : +91-124-402 9209



Rourkela (Orissa)
☎ : +91-661-264 5366



Manglore (Karnataka)
☎ : +91-824-249 1444



C. MAHENDRA EXPORTS LTD.



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DIAMOND MFG. OFFICE

UDHANA SURAT

DIAMOND MFG. FACTORY



VARACHHA SURAT

DIAMOND MFG. FACTORY



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