



GITANJALI

GITANJALI GEMS LIMITED

Annual Report 2007 - 2008



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Board of Directors

Mr. Mehul C. Choksi	Chairman & Managing Director
Mr. G. K. Nair	Executive Director
Mr. Adrianus B. Voorn	Executive Director
Mr. Dhanesh V. Sheth	Non -Executive Director
Mr. Prakash D. Shah	Independent Director
Mr. Sujal A. Shah	Independent Director
Mr. S. Krishnan	Independent Director
Mr. Suresh Chukkapalli	Independent Director

Company Secretary & Compliance Officer

Ms. Pankhuri Warange

Audit Committee

Mr. Sujal A. Shah (Chairman)
Mr. S. Krishnan
Mr. Prakash D. Shah
Mr. G. K. Nair

Shareholders/Investors Grievance Committee

Mr. Prakash D. Shah (Chairman)
Mr. G .K. Nair
Mr. Dhanesh V. Sheth

Remuneration Committee

Mr. Sujal A. Shah (Chairman)
Mr. Prakash D. Shah

Allotment Committee

Mr. Adrianus B. Voorn (Chairman)
Mr. Suresh Chukkapalli
Mr. Mehul C. Choksi
Mr. G. K. Nair
Mr. Dhanesh V. Sheth

Borrowing Committee

Mr. Mehul C. Choksi (Chairman)
Mr. G. K. Nair
Mr. Dhanesh V. Sheth

Investment Committee

Mr. G. K. Nair (Chairman)
Mr. Mehul C. Choksi
Mr. Dhanesh V. Sheth

Auditors

M/s Ford, Rhodes, Parks & Co.
Sai Commercial Building,
312/313, 3rd Floor,
BKS Devshi Marg,
Govandi (East),
Mumbai - 400088.



Bankers

Allahabad Bank	Karnataka Bank Limited
Andhra Bank	Punjab National Bank
Bank of Baroda	Punjab & Sind Bank
Canara Bank	State Bank of Bikaner & Jaipur
Corporation Bank	State Bank of India
Dena Bank	State Bank of Indore
Development Credit Bank Limited	State Bank of Hyderabad
Export Import Bank of India	Syndicate Bank
ICICI Bank Limited	United Bank of India
Indian Overseas Bank	Yes Bank Limited
IndusInd Bank Limited	

Registered Office

801/802, Prasad Chambers, Opera House
Mumbai - 400004
Tel: +91-022-40362222
Fax: +91-022-23630363
e-mail: investors@gitanjaligroup.com

Corporate Office

B-10, 2nd Floor, Plot No. C/25, 'G' Block
Laxmi Towers, Bandra Kurla Complex,
Bandra (E), Mumbai- 400 051.
Tel: +91-022-40102000 / 01
Fax: +91-022-40102003
e-mail : investors@gitanjaligroup.com

Registrar & Transfer Agent

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No.1
Banjara Hills, Hyderabad- 500 034.
Tel: +91-040-23420815-820
Fax: +91-040-23420814
e-mail: mailmanager@karvy.com
Website: www.karisma.karvy.com





"A unique model and a different approach – armed with these strengths your company has moved into the lifestyle business with the target of emerging as a one-stop destination for both international designer brands and elite customers. A target that a few global companies have come close to achieving so far."

FROM THE CHAIRMAN'S DESK

Dear Shareholders,

We meet at the end of a path-breaking year. A year which saw us move into a whole new direction. A year during which we further expanded our brand portfolio to create a brand capital that was brighter and bigger than any that the Indian jewellery market had ever seen before.

It gives me immense pleasure in reporting that your company is today on a different and higher level than a year ago. From scaling new heights at every stage of our value chain to showcasing new gems of success at every step; from processing & manufacturing to branding & retailing to infrastructure development, we have ended a year of success and marked the beginning of another.

Both financially and operationally, your company notched impressive results during the year gone by. While the following pages will give you detailed information on the initiatives and achievements of your company across the entire spectrum of its activities, I would like to give you a glimpse of our success.

Financial achievements

In terms of sheer numbers, it was a good year for your company. Consolidated revenue for the year has grown from Rs. 34,674.44 million to Rs. 48,317.36 million and even more spectacular is the profit which has grown from Rs. 917.51 million to Rs. 1,606.93 million.

To cap this growth story was the success of our GDR issue, which helped your company raise an impressive US \$180 million at US\$ 9.67 per GDR.

Operational achievements

Worldwide, the gems and jewellery industry is undergoing change. Change in attitude, change in the buying philosophy, change in the marketing & selling techniques, change even in the product profile. Your company not only succeeded in keeping pace with this change but in fact surged ahead of it.

Creating a brand capital

For your company, the bygone fiscal shall always stand out as a year of intensifying its branding initiatives. It was a year during which we further entrenched the Gitanjali brand and enhanced brand loyalty by expanding our brand portfolio to make it more price, customer and need specific.

As pioneers of branded jewellery in the Indian market, your company took the conscious next step to enhance its brand strength through key acquisitions. During the year, your company increased its stake in Gili India Limited to make it a wholly owned subsidiary of Gitanjali Gems Ltd and went in for acquisition of the high-end Nakshatra brand from DTC.

We expect both these moves to add considerably to your company's brand value and profitability margins in the coming year.

Retail expansion

The increasing shift in consumer preference to the organized branded jewellery market, and the creation of a new kind of brand loyalty, opened a huge market your company. It was a market waiting to be tapped and, with its impressive brand capital strength and its vast distribution network, it was but natural for your company to dig deeper into the jewellery retailing business. The strategy has paid off and today, your company possesses a distribution and marketing capital that is virtually unsurpassed in the Indian jewellery industry.

During the year, your company increased its retail outlets to about 1600, thus enhancing its retail network in India and the US to make it more responsive to the growing demand of these key jewellery markets.

With the US ranking as the biggest retail jewellery market in the world, your company strategically expanded its operations further there with the acquisition of Rogers Ltd. Inc., a retail jewellery chain which operates under the brand names 'Rogers Jewelers' and 'Andrews Jewelers'.



This acquisition by your company in the organized US jewellery market is a significant step towards moving up the industry value chain, which will offer a range of synergies to Gitanjali's existing operations. Your company will not only have access to a large US consumer base, but leveraging Rogers' existing retail infrastructure, will give us better control over the entire value chain in the jewellery business.

Coming as it does close on the heels of your company's earlier acquisition of majority stake in another leading American retail chain, Samuels, we expect this development to go a long way in expanding your company's retail presence in the booming US retail jewellery market.

Infrastructure Development

Infrastructure being an integral component of your company's value chain, we went into major manufacturing capacity enhancement during the year. In line with its focused strategy to set up large manufacturing units to take care of capacity requirements for the next 5-10 years, your company went in for tactical deployment of the SEZ route to take this mission forward.

Your company has received the final notification from the government for its ambitious Hyderabad SEZ project – the first dedicated large private sector SEZ in the country for gems and jewellery. We expect to have all our manufacturing facilities in this SEZ to be operational by the end of 2008.

Apart from the Hyderabad SEZ, your company is also simultaneously developing six more SEZ facilities, which are currently in various stages of approval and which are expected to equip your company with the necessary infrastructure to meet its manufacturing requirements for years to come.

Lifestyle foray

From brand capital to distribution & retail capital and then to lifestyle – it was but a natural progression for your company, which has always been among the first to identify new opportunities and make the most of them.

Just like the need for branded jewellery, Gitanjali was among the first to realize the growing customer desire to 'touch the luxury' of lifestyle products, and to identify the paradigm shift from 'old world luxury charm' to the 'new world luxury charm'. Hence came about the creation of Gitanjali Lifestyle Ltd., a wholly owned subsidiary of Gitanjali Gems Limited.

A unique model and a different approach – armed with these strengths your company has moved into the lifestyle business with the target of emerging a one-stop destination for international designer brands and elite customers. A target that no Indian company and few global companies have come close to achieving so far.

A series of acquisitions, details of which shall be shared with you in the following pages, marked your company's expansion strategy in this critical segment through the year gone by.

Considering the growth that is expected to be witnessed in this segment, domestically and globally, in the next few years, these acquisitions will help build the foundation of your company's expansion in this sector. With our experience and expertise in retailing of jewellery, which is considered a key component to succeed in the luxury market, we are confident of developing a lifestyle business model that would steer your company to higher levels of accomplishment.

Future Outlook

Vision & foresight, coupled with the readiness to embrace change, strategically rethink and proactively respond to emerging opportunities is the key to a company's long-term growth. And as we continue on our growth trajectory, we are ready for change and remain willing to think strategically at every step, thus constantly enhancing our value chain by embarking on the right initiatives at the right time.

And as the right time comes, we shall move more and more into the highly lucrative jewellery branding and retailing market, from where we expect the major growth of your company to emanate in the years to come. But for now, we expect our jewellery manufacturing and exports to continue to sustain our revenue growth, as they have done in the past year.

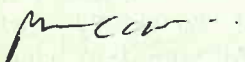
On a concluding note

And it's a success story that is still being penned. With the unstinting support of all our members and stakeholders. And with the same vision and passion that has steered your company all these years.

Even as we revel in the present, we are not unaware of the shining prospects that the future holds for us. Prospects that shall make our onward journey even more exciting and scintillating than the one so far.

As we begin writing another chapter of our success story, I am confident that our collective energy and enthusiasm will facilitate our momentum across our holistic value chain. We shall continue, as we have done in the past, to lead the change in this niche business. For this, I look forward to your continued cooperation and backing.

Warm regards,


Mehul C. Choksi
Chairman



Notice

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting (AGM) of Gitanjali Gems Limited will be held on Thursday , September 18 , 2008 at 3.00 P.M. at M.C. Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Kala Ghoda, Mumbai-400001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008 and the Profit & Loss Account for the year ended on that date and the reports of Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. Sujal A. Shah, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Suresh Chukkapalli, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Ford, Rhodes, Parks & Co., Chartered Accountants, Mumbai, the existing statutory auditors be and are hereby appointed as Statutory Auditors of the company to hold office from the conclusion of the Twenty-Second Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration as the Board of Directors may fix in this behalf"

SPECIAL BUSINESS:

6. To consider transfer of Investments in Indian Companies:

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

"RESOLVED THAT in terms of the provisions of Companies Act 1956 and other rules, regulations and guidelines as may be applicable from time to time, the Company be and is hereby permitted to transfer its entire investments in the following Indian Subsidiaries & Joint venture on such terms and conditions, as may be deemed appropriate by the Board, to a new company proposed to be incorporated as a wholly owned subsidiary of the Company in Mumbai, State of Maharashtra.

Name of the Company
Gili India Ltd.
Gitanjali Lifestyle Ltd.
Asmi Jewellery India Pvt. Ltd. (formerly known as 'Desire Lifestyle Pvt. Ltd.)
D'Damas Jewellery (India) Pvt. Ltd.
Brightest Circle Jewellery Pvt. Ltd.
Fantasy Diamond Cuts Pvt. Ltd.
Spectrum Jewellery Pvt. Ltd.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to finalize terms and conditions for transfer of Investments (including consideration), as aforesaid and to do all such acts, deeds, matters and things, including but not limited to, execution of agreements, contracts and all other documents, as it may, in its absolute discretion, deem necessary or expedient, to give effect to this resolution and any action taken by the Board in this regard be and is hereby ratified and approved.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to delegate/sub-delegate such powers, privileges and authorizations required to be delegated/sub-delegated in connection with consummation of the aforesaid transfer of the Investments into the new wholly owned subsidiary Company proposed to be incorporated in Mumbai, State of Maharashtra and that these powers may be delegated/sub delegated to employees of the Company, identified by the Board in this behalf, in its full and absolute discretion, as may be deemed appropriate by it."

7. To consider transfer of Investments in Overseas Companies:

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

"RESOLVED THAT in terms of the provisions of Companies Act 1956, FEMA, RBI Guidelines, other rules, regulations and Guidelines as may be applicable from time to time, the Company be and is hereby permitted to transfer its overseas investments in the following foreign subsidiaries on such terms and conditions, as may be deemed appropriate by the Board, to an existing overseas wholly owned subsidiary or to new company proposed to be incorporated as a wholly owned subsidiary of the Company, at a location which is considered most appropriate and advantageous in the Company's interest.

Name of the Company
Samuels Jewelers, Inc., USA
Rogers Limited, Inc. USA

RESOLVED FURTHER THAT the Board of Directors the Company be and are hereby authorised to finalize terms and conditions for transfer of Investments (including consideration), as aforesaid, and to do all such acts, deeds, matters and things, including but not limited to, execution of agreements, contracts and all other documents, as it may, in its absolute discretion, deem necessary or expedient, to give effect to this resolution and any action taken by the Board in this regard be and is hereby ratified and approved.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to delegate/sub-delegate such powers, privileges and authorizations required to be delegated/sub-delegated in connection with consummation of the aforesaid transfer of the Investments into an existing overseas wholly owned subsidiary or a new subsidiary Company proposed to be incorporated as a wholly owned subsidiary of the Company at a location which is considered most appropriate and advantageous in the Company's interest and that these powers may be delegated/sub delegated to employees of the Company, identified by the Board in this behalf, in its full and absolute discretion, as may be deemed appropriate by it."

By order of the Board of Directors

Regd. Office:
801/802, Prasad Chambers
Opera House, Mumbai: 400 004

Pankhuri Warange
Company Secretary

Date : July 31, 2008
Place: Mumbai

Notes:

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. INSTRUMENT OF PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

- a. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
- b. For convenience of the Members and for proper conduct of the meeting, members/ proxies are requested to bring the Attendance Slip duly filled in and signed for attending the AGM.
- c. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- d. Members who would like to ask any questions on the accounts are requested to send their questions at Registered Office of the Company at least 10 days before the Annual General Meeting to enable the Company to answer their queries satisfactorily.
- e. All documents referred to in the accompanying Notice are open for inspection at the Corporate Office of the Company on all working days, between 11 a.m. and 1 p.m. on every working day of the Company.
- f. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting, to facilitate identification of membership at the meeting.



- g. The Register of Members and Share Transfer Books of the Company will remain closed from September 6, 2008 to September 18, 2008 (Both days inclusive).
- h. The dividend as may be declared shall be payable to members of the Company whose names appear:
- i) As Beneficial Owners as at the end of business hours on September 5, 2008, as per the list to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited, in respect of the shares held in electronic form; and
 - ii) As members on the Register of Members of the Company as at September 18, 2008 after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on September 5, 2008.
- i. Members may please note that the dividend warrants shall be payable at par at the designated branches of the bank printed on the reverse of the dividend warrant for an initial period of 3 months only. Thereafter, the dividend warrant on revalidation is payable only at limited centres/branches. Members are, therefore, advised to en-cash dividend warrants within the initial validity period.
- j. Non-resident Indian members are requested to inform the Registrar Karvy Computershare Private Limited immediately on:
- (a) the change in the residential status on return to India for permanent settlement.
 - (b) the particulars of the bank accounts maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.
- k. Members, who wish to avail the ECS facility, may provide the Company with ECS mandate for crediting the future dividend payment directly to their respective bank accounts. The Company shall be able to coordinate with the bankers only on receipt of the necessary information. The main information required therein is the type of account, name of the bank and the account number. It should be signed by all the holders, as per the specimen signature recorded with the Company/Depository Participant.
- l. Members who hold shares in physical form are requested to notify any change in their addresses to the Company's Registrar & Transfer Agents, M/s Karvy Computershare Private Limited, Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034 and to their respective depository participants, in case shares are held in electronic mode.
- m. Members who wish to obtain information on the Company or view the accounts for the financial year ended March 31, 2008, may visit the Company's corporate website www.gitanjaligroup.com.
- n. The Company has designated an exclusive email ID viz. investors@gitanjaligroup.com which would enable the investor to post their grievances and monitor its redressal. Any member having any grievance can post the same to the said email address for its quick redressal.
- o. In order to avoid fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate the Company's Registrar & Transfer agents, under the signature of the Sole/ First joint holder, the following information for enabling the corresponding particulars to be incorporated on dividend warrants, as and when issued:
- (i) Name of the Sole/ First joint holder and the Folio Number
 - (ii) Particulars of Bank Account, viz.:
 - (a) Name of Bank
 - (b) Name of the Branch
 - (c) Complete address of the Bank with Pin Code Number
 - (d) Account type, whether Savings Account or Current Account
 - (e) Bank Account Number
- p. Members who hold shares in dematerialized form may kindly note that their bank details, as furnished by their Depositories to the Company, will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.
- q. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the shareholders in respect of the shares held by them. The Nomination form 2B in duplicate prescribed by the Government can be obtained from the Company's Registrar & Transfer Agent, M/s Karvy Computershare Private Limited, Hyderabad.



r. The details pertaining to Directors liable to retire by rotation as required to be provided pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges is as follows:

Name of the Director	Mr. Sujal A. Shah	Mr. Suresh Chukkapalli
Date of Birth	23.09.1968	18.08.1960
Date of Appointment	25.10.2005	31.07.2006
Expertise in specific function area	Mergers & Acquisitions, Restructuring of Companies, Valuation of business / shares, Due Diligence review, etc	Leading industrialist with administrative and technical expertise in infrastructure industry. He holds influential position in procurement and development of real estate business.
Qualification	Chartered Accountant	Bachelor in Mechanical Engineering
List of outside Directorships held as on March 31, 2008	<ol style="list-style-type: none"> 1. Reliance Asset Reconstruction Company Ltd. 2. i-process Services (India) Pvt. Ltd. 3. Adlabs Films Ltd. 4. Dawney Day AV Trustee Company Pvt. Ltd. 5. Keynote Corporate Services Limited 6. Elbee Express Pvt. Ltd. 	<ol style="list-style-type: none"> 1. Lanco Projects Ltd. 2. A.P. Gems & Jewellery Park Pvt. Ltd. 3. IOI (India) Projects Private Ltd. 4. L& T Phoenix Infoparks Pvt. Ltd. 5. Phoenix Logistics Pvt. Ltd. 6. Phoenix Infratech (India) Pvt. Ltd. 8. Phoenix Ventures Pvt. Ltd. 9. Phoenix Property Advisory Services Pvt. Ltd. 10. A.P. Bio IT Projects Pvt. Ltd. 11. Ananth Phoenix Infoparks Pvt. Ltd. 12. Phoenix Constructions 13. Phoenix Marketing Services 14. Frontline Constructions Ltd. 15. Sahara Asset Management Company Pvt. Ltd. 16. Phoenix Hodu Developers Pvt. Ltd. 17. Hyderabad Gems SEZ Ltd. 18. Gitanjali Infratech Ltd. 19. Raigad Gems SEZ Ltd. 20. Nagpur Multiproduct SEZ Ltd. 21. Nashik Multiservices SEZ Ltd. 22. Nanded Gems SEZ Ltd. 23. Aurangabad Gems SEZ Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company as on March 31, 2008	<ol style="list-style-type: none"> 1. Chairman of Audit Committee 2. Chairman of Remuneration Committee 	—
Chairman/Member of the Committee of the Board of Directors of other Companies as on March 31, 2008	<ol style="list-style-type: none"> 1. i-Process Services (India) Private Limited – Member of Audit Committee 2. Adlabs Films Limited - Chairman of Audit Committee 	—
Number of shares held in the Company as on March 31, 2008	2839 equity shares	Nil