

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Economic Overview & Industry Developments**

India's gems and jewellery exports, which contribute about 15 per cent of the country's overseas shipments, fell by about 9 per cent to USD 39.5 billion in 2013-14. Exporters were already facing a demand slowdown in the western markets and the imposition of curbs on gold imports acted as a double whammy. The government took steps last year to contain gold imports in a bid to narrow the current account deficit. It raised the import duty on the metal to 10 per cent and made it mandatory for traders to export 20 per cent of imported gold, creating a supply crunch in the domestic market. A local supply shortage hit exports as well, with volumes declining on a monthly basis. The gems and jewellery industry in India caters to both domestic and export demand. The gems and jewellery export sector employs 1.5 million people.

With election of new Government at Centre with clear majority, the effects of near term macro instability in the country appears to have diminished with the narrowing of twin deficits current account and fiscal, rebuilding of the foreign exchange reserves, strengthening of the rupee, all of which point towards disinflationary path for Indian economy. However, economic recovery is yet to materialize as more efforts from the Government are required in terms of removing structural impediments, building business confidence and creating environment in the country to support investment.

Growth in the Indian economy has had been spiraling downward from 9.5 in FY 2011 to around 4.5 in FY 2014. The view in business circles is that the negative growth appears to have bottomed out in Q2 and Q3 of FY 2014 recording 4.8 growth with clear signs of recovery yet to emerge.

Global conditions and falling rupee value against US dollar and other foreign currencies had resulted in increased price of gold and diamonds. This had put a pressure both on overall market and on the competitive position.

**Financial and Operational Performance**

The Company has made Sales of ₹ 7317.82 as compared to ₹ 6332.37 lakhs in the previous year with increase of over 15%. Consolidated Sales & operating Income have been ₹ 10125.58 lakhs as compared to ₹ 8650.43 lakhs in the previous year with increase of over 17%. Operating Profit has been ₹ 108.18 lakhs as against ₹ 34.06 lakhs in the previous year. It may be noted that operating profit for the year 2012-13 had been significantly lower over mainly due to increased raw material prices. With controlled interest costs, newer market development and better designs, the Company has been able to sustain its volumes and improve margins during the year under review. Net profit of ₹ 92.88 lakhs was reported as against ₹ 116.01 lakhs in the previous year mainly due to lower other income. Consolidated Net Profit has been ₹ 215.77 lakhs as against ₹ 280.95 lakhs in the previous year.

The Company has sustained its performance in spite of weak and uncertain global economic conditions on account of better sales efforts and well acceptance of quality products offered by the Company and controlled costs.

**Segment-Wise Performance**

The Company is engaged in the Gems & Jewellery business, which as per Accounting Standard AS-17 can be considered as the single reportable business segment. Geographically, the Segment Reporting is as under :

	₹ in Lakhs	
<b>EXPORTS to:</b>	<b>Stand Alone</b>	<b>Consolidated</b>
U.S.A.	2297.27	2488.08
EUROPE	761.99	2616.81
MIDDLE EAST	2138.81	2795.96
OTHERS	1775.66	1880.64
LOCAL SALES	340.15	340.15
<b>Total</b>	<b>7313.88</b>	<b>10121.64</b>

**Opportunities**

The Company on account of its unit located in Special Economic Zone and Dubai is aptly placed to exploit the opportunities to tap demand from local customers and increasing number of visitors to Duty free shopping zones and world tourist traffic.

**Threats**

The Company is exposed to risk in exchange rate fluctuations as the Company is dependent on exports sales and import of raw material. However, the Company closely monitors and takes appropriate steps to reduce such risks with the help of expert and professional advices in this regard.

Competition which has always been a challenge is countered by better quality and designs, branding, catering to changing customer demands/styles and cost control measures.

Increasing prices of raw materials have affected and can affect the profit margins. However, the Company continuously thrives for improved production efficiency to counter this risk as far as possible.

**Risk & Concern**

Since the Company is essentially engaged in the business of export of jewellery, the Company is exposed to national and international political and economical events and uncertainties. Further, higher interest rates due to domestic inflationary conditions can also increase finance cost for the Company with increased volume growth.

**Internal Control Systems and their Adequacy**

The Company has appropriate and adequate Internal control System commensurate with its size and nature of business to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly complying with the applicable statutes. Financials and related aspects are reviewed by the Audit Committee with a view to achieve optimum resource utilization, veracity of accounts and compliance with various statutes.

**Human Resource Development and Research Activities**

The Company has well experienced, creative, talented and motivated staff to cater to the business demands in terms of better designs, quality and precision in manufacture with minimum possible loss and consistency to meet international standards. The Company focuses on development of employees' skill at all levels and supports them with safe, pollution free and favourable working conditions.

Constant efforts are made to upgrade processes, for conceptual designs and improvement in process of gold/platinum refining to improve efficiencies and meet changing international Standards/ demands. As a result, the Company has been successful in sustaining its exports to developed markets and look forward towards developing new markets for sustained volumes.

**Outlook**

Going forward, the Company expects growth domestically as well as internationally. The Company expects to further consolidate and sustain volumes and improve profitability by winning the end consumer loyalty.

**Cautionary Statement**

Certain Statements in the "Management Discussion and Analysis" describing the Company's initiatives, expectations and estimates regarding future performance may be "forward looking statements". However, these statements are subject to certain future events and uncertainties, which could cause actual results to differ materially from those that may be indicated in such statements.