

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

Global economy: Growth of the world economy weakened considerably during 2012 and is expected to remain subdued for the next two years. The global economy growth hovered around 3.2% in 2012, lower than 2011 (3.9%), on account of the eurozone crisis, inflation and market volatility. The United States, the largest economy globally, posted better numbers (2.3% in 2012 against 1.8% in 2011). The eurozone reported a negative growth of 0.4% and China's growth slowed from 9.3% to 7.8%. The global economy is expected to mend gradually in 2013, projected to grow at 3.3% in 2013 and at 4% in 2014. The emerging developing economies are expected to drive global growth in 2013 (around 5.25% in 2013 and 5.75% in 2014). (Source: IMF, World Economic Outlook, April 2013)

Indian economy: The Indian economy grew at a sluggish 5% in 2012-13, the lowest in the last ten years. The decline in the GDP growth was attributable to the continued global economic slow-down coupled with the poor performance in the domestic sectors - manufacturing, infrastructure, service and agriculture. High levels of inflation and the continued depreciation of rupee were clearly impacting the growth. The slowdown in growth significantly impacted the country's fiscal deficit and widened the Current Account Deficit. High interest rates and inflation resulted in reduction of disposable incomes of households contributing to the decline of growth in consumer durables and other discretionary spends.

India is expected to record 6.1% GDP growth in 2013-14 and the growth is expected to increase further to 6.7% in 2014-15 (Source: World Bank).

On account of general slowdown and lower GDP growth for India and Global uncertainties because of Euro Zone crisis the economic outlook remains unstable.

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

Financial and Operational Performance

The Company has made Sales of ₹ 6332.37 lakhs as compared to ₹ 5125.88 lakhs in the previous year with increase of over 23%. Consolidated Sales & operating Income have been ₹ 8650.43 lakhs as compared to ₹ 7165.02 lakhs in the previous year with increase of over 20%. Operating Profit has been ₹ 34.06 lakhs as against ₹ 79.36 lakhs in the previous year, a decline of about 57% mainly due to increased raw material prices. However, due to controlled interest costs, Net profit of ₹ 116.01 lakhs was reported as against ₹ 89.66 in the previous year. Consolidated Net Profit has been ₹ 280.95 lakhs as against ₹ 295.63 lakhs in the previous year with marginal decline of about 5%.

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
EXPORTS to:	
U.S.A.	2239.88
EUROPE	887.65
MIDDLE EAST	1550.64
OTHERS	1207.18
LOCAL SALES	431.04
Total	6316.39

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 potentials for 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.