

**Report on Corporate Governance**  
(Pursuant to Clause 49 of the Listing Agreement)

**A. Mandatory Requirements**

The Board of Directors of the Company gives due support to the principles behind the good Corporate Governance. Given below is a report on Corporate Governance:

**1. Company's philosophy on code of Corporate Governance**

Corporate Governance is an integral part of value, ethics and best business practices followed by the Company. The core values of the Company are commitment to excellence and customer satisfaction, maximizing long-term value for stakeholders, socially valued enterprise and caring for people and environment.

Statutorily, Corporate Governance involves transparency, full disclosure, independent monitoring the state of affairs and being fair to all shareholders. The company's philosophy of corporate governance is not only to meet statutory requirements but also to go beyond that and to attain a high level of transparency and accountancy in the functioning of the Company and the conduct of the business both internal and external. This is done with the sole view to enhance share holder's value.

**2. Board of Direct**

**2.1 Composition of the Board:**

The Board of Directors of the Company comprised 4 Non Executive Independent Directors. The Directors also comprised four independent directors. The Chairman is a Executive Director.

<b>Name of Director</b>	<b>Category of Director</b>
Mr. Dipankumar Babulal Patwa	Chairman & Managing Director
Mr. Manish Jaysukhlal Janani	Managing Director
Mr. Jeeyan Dipankumar Patwa	Executive director
Mr. Ravindra Chandulal Sanghavi	Independent and Non Executive Director
Mr. Ajit Mangaldas Shah	Independent and Non Executive Director
Mr. Bhavesh Shashikant Sheth	Independent and Non Executive Director
Mr. Pankajkumar Vrajlal Shah	Independent and Non Executive Director

**2.2 Responsibilities of the Board**

The responsibility such as policy formulation, performance review and analysis and control, direction and management of the affairs of the company is vested in the Board

of Directors presided over by the Chairman and Managing Director. The Board has delegated some of its powers to the executives of the company. The Board reviews from time to time such delegated powers and their utilization for effective functioning of the Company.

### **2.3 Meeting and Attendance Record of Directors**

The meetings of the Board of Directors are held at periodical intervals and are generally at the registered office of the Company. The meeting dates are decided well in advance and the agenda and notes on agenda are circulated in advance to the directors. All material information is incorporated in the notes on agenda for facilitating meaningful and focused discussion at the meeting. Where it is not perusable to attach supporting or relevant documents to the agendas, the same is tabled before the meeting. In case of business exigencies or urgency of matters, resolutions are passed by circulation. Senior Management persons are often invited to attend the Board Meetings and provide clarifications as and when required.

During the year under review, the Board met 18 times on the following dates:

05/04/2012, 23/04/2012, 12/06/2012, 02/07/2012, 12/07/2012, 30/07/2012, 31/07/2012, 06/08/2012, 09/08/2012, 17/08/2012, 24/08/2012, 10/09/2012, 12/10/2012, 29/10/2012, 22/11/2012, 04/12/2012, 30/01/2013, 23/02/2013

c. Attendance of Directors at Meetings of Board of Directors and last AGM:

Name of Director	Category of Directorship	No. of Meetings Attended	Attendance at the last AGM
Mr. Manish Jaysukhlal Janani	Managing Director	17	YES
Mr. Dipankumar Babulal Patwa	Chairman & Managing Director	18	YES
Mr. Jeeyan Dipankumar Patwa	Executive director	14	YES
Mr. Ravindra Chandulal Sanghavi	Independent and Non Executive Director	18	YES
Mr. Ajit Mangaldas Shah	Independent and Non Executive Director	17	YES
Mr. Bhavesh Shashikant Sheth	Independent and Non-Executive Director	18	YES
Mr. Pankajkumar Vrajlal Shah	Independent and Non-Executive Director	18	YES

## **2.4 Details of Directors seeking re-appointment at the ensuing Annual General Meeting**

As per the provisions of the Companies Act, 1956, two third of the directors of a company should be retiring directors, of which one third of such directors are required to retire every year and if eligible, they qualify for re-appointment.

Mr. Bhavesh Shashikant Sheth and Mr. Pankajkumar Vrajlal Shah, Directors of the Company who retire by rotation at the ensuing Annual General Meeting and offer themselves for re-appointment.

### **Profile of Mr. Bhavesh Shashikant Sheth, Director being appointed u/s 255 and 256 of the Companies Act, 1956**

Name	Mr. Bhavesh Shashikant Sheth
Date of Birth	16/09/1972
Date of Appointment	15/02/2011
No. of shares held in the company	Nil
No. of warrants held in the company	Nil
Directorship in other company	Nil

### **Profile of Mr. Pankajkumar Vrajlal Shah, Director being appointed u/s 255 and 256 of the Companies Act, 1956**

Name	Mr. Pankajkumar Vrajlal Shah
Date of Birth	28/03/1964
Date of Appointment	15/02/2011
No. of shares held in the company	Nil
No. of warrants held in the company	Nil
Directorship in other company	Nil

## **2.5 Details of Directors who are as Chairman and Directors in other Public Companies**

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 (C) (ii) across all the Companies in which he is a director. The necessary disclosures regarding Directorship and Committee position have been made by the Company.

Directors who are on the Board of the Company as on 31<sup>st</sup> March, 2013 and the same is reproduced herein below:

Sr. No.	Name of Director	No of Directorship in other Public Companies	No. of Committees held as Chairman on other public Companies	No. of Committees held as member in other public Company
1.	Mr. Manish Jaysukhlal Janani	--	--	--
2.	Mr. Dipankumar Babulal Patwa	--	--	--
3.	Mr. Jeeyan Dipankumar Patwa	--	--	--
4.	Mr. Ravindra Chandulal Sanghavi	--	--	--
5.	Mr. Ajit Mangaldas Shah	--	--	--
6.	Mr. Bhavesh Shashikant Sheth	--	--	--
7.	Mr. Pankajkumar Vrajlal Shah	--	--	--

### 3. COMMITTEE OF BOARD:

The Company had Three Board Committees. These are

1. Audit Committee ]
2. Remuneration Committee
3. Share Transfer & Shareholders/Investor Grievance Committee

Moving with various committees formed and reported in the previous Annual Report and in line with the requirements of SEBI and Stock Exchanges, the Board has formally constituted the following committees of Directors.

#### 3.1 Audit Committee:

The Audit committee constituted by the Board of directors as per the provisions of Clause 49 of the listing Agreements as well as in Section 292A of the Companies Act, 1956, comprises of Two members viz. Mr. Ravindra Sanghavi and Mr. Bhavesh Shashikant Sheth who are well versed with finance, accounts, management and corporate affairs. Two members constitute the quorum of the said Audit Committee Meeting. Mr. Ajit Mangaldas Shah is the Chairman of the committee.

The Audit Committee of the Board of Directors of the Company, Inter-alias, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

The audit committee while reviewing the Annual Financial Accounts ensures compliance of the Accounting Standard (AS) issued by the Institute of Chartered Accountants of India.

## **TERMS OF REFERENCE:**

The scope of activities of the Audit Committees includes the following:

- A. Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- B. Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment of any other Consultancy services provided by the statutory auditor.
- C. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries abased on exercise of judgment by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption
  - Compliance with accounting standards
  - Compliance with stock exchange and legal requirements concerning financial statements
  - Any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.
- D. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- E. 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.
- F. Discussion with internal auditors any significant findings and follow up there on.
- G. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the board.
- H. Discussions with external auditors before the audit commences, the nature and scope of audit, as well as conduct post audit discussions to ascertain any area of concern.

- I. Reviewing the company's financial and risk management policies.
- J. To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non payment of declared dividend) and creditors.

Executive summary of the Audit Committee Meetings are placed before the immediate next Board Meetings held after the Audit Committee for deliberations and the full minutes of the same are placed before the following Board Meeting for recode. The Board of Directors, regularly apprised on the recommendations for the Audit Committee, further, at the beginning of the financial year, the Committee discuss the plan for the internal audit and statutory audit.

Dates of the Audit Committee Meetings are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting.

As required under Clause 49(III)(E) of the Listing Agreement, the Audit Committee had reviewed the following information:

- Management Discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions submitted by management
- Management letters/letters of internal controls, weaknesses issued by the Statutory Auditors.
- Internal Auditors Reports relating to internal control weaknesses.
- Appointment, removal and terms of remuneration of the internal auditors.

During the year under review, the 4 Audit Committee were held during Financial Year 2012-13. The dates on which the said meetings were held as follows:

23/04/2012	30/07/2012	29/10/2012	30/01/2013
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The necessary quorum was present at the meetings.

### **3.2 Remuneration Committee**

The remuneration committee of the Company comprises of Mr. Manish Janani, Mr. Ravindra Sanghavi and Mr. Ajit Mangaldas Shah.

The Remuneration Committee reviewing the overall compensation policy, service agreements and other employments and other employment conditions of Managing / Whole time Directors and Managing Director etc.

There are four meetings of Remuneration Committee held during the Financial Year 2012-13.

25/05/2012	20/07/2012	14/08/2012	15/02/2013
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### 3.3 Share Transfer & Shareholders'/Investor Grievance Committee:

The Share Transfer & Shareholders'/Investor Grievance committee comprises as under:

Sr. No.	Name	Position
1	Mr. Ravindra Sanghavi	Chairman
2	Mr. Manish J. Janani	Member
3	Mr. Ajit Shah	Member

The committee is responsible for approving and monitoring transfers, transmission, splitting and consolidation of shares issued by the Company. In addition to that, the committee also monitors redressal of complaints from shareholders relating to transfer of shares, non-receipt of balance sheet etc., No sitting fees is paid to the committee members.

The status of shareholders' complaints received so far/number not solved to the satisfaction of shareholders/number of pending share transfer transactions (as on 31<sup>st</sup> March, 2013 is given below):

#### **Complaints Status: 01.04.2012 to 31.03.2013**

- Number of complaints received so far : 1
- Number of complaints solved : 1
- Number of pending complaints : NIL

#### **Compliance Officer:**

Mr. Manish Janani is Compliance Officer for the purpose of complying with various provisions of Securities and Exchange Board of India (SEBI), Listing Agreement with Stock Exchanges, Registrar of Companies and for monitoring the share transfer process etc.

### 4. GENERAL BODY MEETINGS:

- (a) The location and time, where last three years Annual General Meetings are as follows :

Year	Venue	Date	Time
2009-10	306, Mahavir Chambers, Taratia Hanuman Gally, Mahidhar Pura, Surat Gujrat-395 003	30/09/2010	11:30 A.M.
2010-11	306, Mahavir Chambers, Taratia Hanuman Gally, Mahidhar Pura, Surat Gujrat-395 003	30/09/2011	11:30 A.M.
2011-12	306, Mahavir Chambers, Taratia Hanuman Gally, Mahidhar Pura, Surat Gujrat-395 003	29/09/2012	11:30 A.M.

(b) All the resolutions including special resolutions set out in the respective notices were passed by the shareholders. The following special resolutions were passed in previous three Annual General Meeting for the following three consecutive financial years:

#### **2012**

Following Special Resolutions had been passed in the Annual General Meeting:

- (1) Shifting of Registered office of the Company 306, Mahavir Chambers, Taratia Hanuman Galli, Mahidharpura, Surat To 2<sup>nd</sup> Floor, Diamond Park Building, Opp. Ambika Nagar Society, Dargah Road, Navsari - 396445
- (2) Approval of Managerial Remuneration Given To Mr. Jeeyan Patwa, Director of the Company.
- (3) Approval for increase in NRI holding ceiling limit from 5% to 24% of the paid up capital.

#### **2011**

Following Special Resolutions had been passed in the Annual General Meeting:

- (1) Increase borrowed capital Limit up to ` 10,00,00,00,000 as per Section 293(1)(d) of the Companies Act, 1956.
- (2) Issue Bonus shares by capitalization of ` 7,02,00,000/- out of Share Premium Account to the equity shareholders in the proportion of 1 (One) equity share for every 1 (One) equity shares held by them.
- (3) Change in terms of Appointment of Mr. Manish Janani as Managing Director of the Company.
- (4) Change in terms of Appointment of Mr. Dipankumar Patwa as Managing Director of the Company.
- (5) Appointment of Mr. Bhavesh Shashikant Sheth as Director of the Company under Section 260 of the Companies Act, 1956.
- (6) Appointment of Mr. Pankajkumar Vrajlal Shah as Director of the Company under Section 260 of the Companies Act, 1956.



## 2010

Following Special Resolutions had been passed in the Annual General Meeting:

- (1) Change in terms of Appointment of Mr. Manish Janani as Managing Director of the Company
- (2) Appointment of Mr. Dipankumar Babulal Patwa as Managing Director of the Company
- (3) Issue of equity shares on preferential basis

### EXTRA ORDINARY GENERAL MEETING DURING THE YEAR 2012-2013

No Extra Ordinary General Meeting held during the financial year under review.

### POSTAL BALLOT RESOLUTION PASSED DURING THE YEAR 2012-13

No Postal Ballot Resolution passed during the Year.

## 5. DISCLOSURES:

There were no significant or material related party transactions that have taken place during the year which have any potential conflict with the interest of the company at large. The detailed related party information and transactions have been provided in Schedule 25 Note 14 of Notes to Accounts.

### CEO/CFO CERTIFICATION:

(Under Clause 49 (V) of Listing Agreement)

We Certify that --

a. We have reviewed the financial statements and the cash flow statement for the year 2012-13 and that to the best of our knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- These statements together present true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2012-13 which are fraudulent, illegal or violative of the Company's code of conduct;

c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company

and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee -

- Significant changes in internal control over the financial reporting during the year 2012-13;
- Significant changes in accounting policies during the year 2012-13 and that the same have been disclosed in the notes to the financial statements; and
- Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

#### **6. MEANS OF COMMUNICATION:**

The presentation as to the Company's performance etc., are made to the Institutional Investors/Financial Analysts as and when felt expedient.

The Company's financial results and official news releases are displayed on the Company's website i.e [www.lypsa.in](http://www.lypsa.in)

The Management Discussions and Analysis Report forms part of the Directors Report and is given separately.

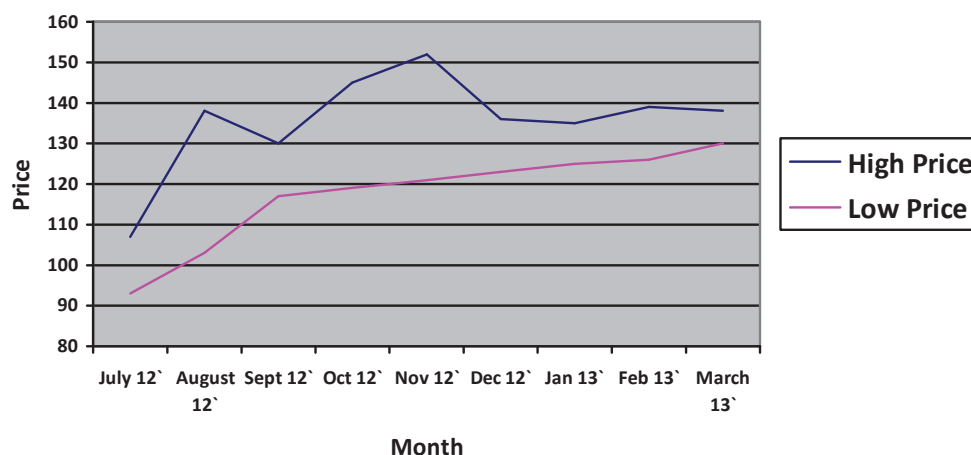
#### **7. GENERAL SHAREHOLDERS' INFORMATION:**

- a. Annual General Meeting: Date, Time and venue: 27<sup>th</sup> September, 2013 at 11.30 a.m. at the Registered Office of the Company.
- b. Financial Year: 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.
- c. Financial Calendar:
  - i. 1<sup>st</sup> quarterly results - Second week of August, 2012.
  - ii. 2<sup>nd</sup> quarter results - Second week of November, 2012.
  - iii. 3<sup>rd</sup> quarter results - Second week of February, 2013.
  - iv. 4<sup>th</sup> quarter results - Second week of May, 2013.
- d. Date of Book Closure: 20<sup>th</sup> September, 2013 to 27<sup>th</sup> September, 2013.
- e. Dividend Payment Date: 27<sup>th</sup> September, 2013

- f. Listing of Equity Shares on Stock Exchanges: The Ahmedabad Stock Exchange Limited and Bombay Stock Exchange limited Annual listing fees for the financial Year upto 31-03-2013 has been paid.
- g. Stock Code: ASE 34628  
BSE 534532
- h. Demat ISIN number: **INE142K01011**
- i. High / Low of Monthly Market Price of the Companies Equity Shares traded on Bombay Stock Exchange during the financial year 2012-13 are furnished below:  
The Company has received trading permission from Bombay Stock Exchange Limited w.e.f 2<sup>nd</sup> July, 2012.

Month	High Price (Rs.)	Low Price (Rs.)
April 2012	-----	-----
May 2012	-----	-----
June 2012	-----	-----
July 2012	107	93
August 2012	138	103
September 2012	130	117
October 2012	145.20	119
November 2012	152	121
December 2012	136	123.15
January 2013	135.45	125.10
February 2013	139	126.50
March 2013	138.50	130

- j. Performance of the Company's shares in comparison with broad-based indices as BSE's Sensex:



- k. Registered and Transfer Agent: The Company has appointed M/s. Purva Sharegistry (India) Pvt. Ltd. No-9, Shiv Shakti Industrial Estate, Ground Floor, J. R. Boricha Marg, Opp. Kasturba Hospital, Lower Parel, Mumbai - 400 011.
- l. Share Transfer System: All work related to transfer in physical form and Demat complete in all respects were approved and registered within the stipulated period by R & T of the Company.
- m. Distribution of Shareholding as on 31.03.2013

Share Holding or Nominal Value		Share Holders		Share Amount	
Rs.	Rs.	No.	% to total	In Rs.	% to total
upto	5000	1,914	87.84	7550480	5.82
5,001	10,000	77	3.53	679100	0.48
10,001	20,000	38	1.74	747750	0.53
20,001	30,000	3	0.14	80000	0.06
30,001	40,000	4	0.18	155000	0.11
40,001	50,000	3	0.14	132000	0.09
50,001	1,00,000	16	0.73	1396140	0.99
1,00,001	and above	124	5.69	129659530	92.35
<b>Total</b>		<b>2179</b>	<b>100.00</b>	<b>140400000</b>	<b>100.00</b>

- n. Shareholding pattern as on 31.03.2013

Category	No of Shares held	% of Shareholding
a. Promoters and persons who may be deemed to be acting in concert including promoter/directors group		
Companies	5040000	35.90
b. Other bodies corporate	3530056	25.14
c. Indian public	4905494	34.94
d. HUF	563950	4.02
e. NRI	500	0.00
<b>TOTAL</b>	<b>14040000</b>	<b>100.00</b>

Dematerialization of shares: As on 31-03-2013 Demated shares accounted for 89.55% (1,25,73,500 Equity Shares) of total equity.

Outstanding GDR / ADR / Warrants: Not Applicable

**Address for communication:**

1. M/s. Purva Sharegistry (India) Pvt. Ltd.  
No-9, Shiv Shakti Industrial Estate,  
Ground Floor, J. R. Boricha Marg,  
Opp. Kasturba Hospital, Lower Parel,  
Mumbai - 400 011  
Tele No. : 022-2301 6761 / 2301 8261 Fax No. : 022-2301 2517  
E-mail :busicomp@vsnl.com
2. Lypsa Gems & Jewellery Ltd  
2<sup>nd</sup> Floor, Diamond Park Building,  
Opp. Ambika Nagar Society,  
Dargah Road, Navsari - 396445  
Email Id: info@lypsa.in  
Website: www.lypsa.in

**Declaration of compliance with the code of conduct**

In accordance with clause 49 of the Listing Agreement with the Stock Exchanges, Mr. Manish Janani, Managing Director of the Company, hereby declare that the Board Members and senior Management Personnel have affirmed compliance with the said Code of Conduct, as mentioned in this report, for the year ended 2013.

**For Lypsa Gems & Jewellery Limited.**

**Date: 30/05/2013**

**Place: Navsari**

<b>s/d</b>	<b>s/d</b>	<b>s/d</b>
(Manish Janani)	(Dipan Patwa)	(Jeeyan Patwa)
Managing Director	Chairman	Director

## MANAGEMENT DISCUSSION AND ANALYSIS

### ANNEXURE "A" TO DIRECTORS' REPORT

#### Macro – Economic Outlook 2013

The global economic environment in 2012 has been uncertain and unpredictable. Growth has been limited to around 2-3%. Developed markets especially America is seeing a revival of consumer demand due to the economic recovery that has been started. Surprisingly, Japan has also seen some signs of recovery due to measures of the government to revive its economy. However, Europe still remains a cause of worry. Situation has been more upbeat in the emerging markets with reasonably strong demand and spending. BRIC economies have averaged between 5-8% growth. Middle-East and Africa are also showing reasonable consumer demand. It is good to know that even though we are far away from returning to the pre-financial crisis era, governments across the world have charted on a path of tough economic reforms to revive growth.

#### The Diamond Industry

##### Key Changes:

The Oppenheimer family exited from De Beers after having controlled rough diamond mining for four generations of family ownership. Anglo American, one of the world's largest mining companies bought this stake affirming their belief in the future of the diamond industry.

Alosa overtook De Beers in sales to become the largest rough miner this year.

2012 has been a relatively stagnant and quiet period for rough prices and it hasn't seen any price upheaval as seen in 2011. This has made it a tough period for rough diamond traders.

Diamond manufacturers also have not been happy with the rough prices. Prices of De Beers, Alosa and other branded goods have been steep and have not allowed for manufacturers to make a healthy margin. Middle 2012 also saw sightholders rejecting sights and deferring their allocations. In the following period, rough producers dropped prices by 2-3% to pacify manufacturers but it didn't do much to get them very lucrative margins.

Global polished sales grew by around 3% compared to the much higher 10% average of the previous two years. Mainland China and Hongkong continued to be the best performing markets. America too showed steady demand owing to increasing customer spend. The domestic market did not perform as well as expected but this was mainly due to the volatility of the INR.

The US market remains the leading diamond consuming market with a market share of about 37%, followed by China at 11%, Japan at 10% and India at about 9% in terms of polished diamonds sales to the consumer.

### **Outlook for 2013-14**

In the long term, the fundamentals of the industry remain strong. Rough and polished prices continue to show an upward trend. Consumer demand is not showing contraction, even though it is increasing at a slightly reduced pace than expected. A key factor influencing the upward movement of prices remains the scarcity of rough – De Beers and other miners are reducing supply and no new mines are expected to start supply immediately. This year is also seeing revival in demand from the developed countries like USA and Japan in addition to healthy demand from the emerging markets like China and India.

We don't expect rough prices to rise rapidly. Slight decline in rough prices is anticipated. However, we expect polished prices to pick up as the global economy and consumer demand strengthens. The fall in rough prices coupled with increasing polished prices should allow manufacturers to return to healthy profitability.

### **OPERATIONAL PERFORMANCE**

Keeping in mind the market conditions and the bleak economic situation, the performance of the company has been above satisfactory. Manufacturing output has increased owing to increase in output from the Navsari factory as well as the output contribution from the Chaapi factory that was commissioned this year. Both the factories together now employ around 400 workers. We have strengthened our network of outsourcing agents to include more than 100 small manufacturers that exclusively manufacture for Lypsa. This unique model helps to create internal competition and keep the costs of manufacturing lower than our industry peers who have huge factories and the resultant huge costs. Strict controls on these agents allows for a standardized product. This model has also allowed us greater flexibility to change our product mix as per market conditions and react swiftly to demand changes.

The second half of the year has also seen setting up of a subsidiary in Dubai - Lypsa DMCC to conduct trading activity. Its performance has been exceptional adding around 26.53 Crores to our revenues and 1.25 Crores to our profit.

Lypsa recorded a total operating income of 300.09 Crores for the year 2012-13 as compared to revenue of 268.25 Crores in the corresponding last period. The net profit for the period rose to 4.26 Crores from 2.96 Crores resulting in the EPS to increase from 2.11 to 3.03.

### **Risk and Concerns**

Lypsa Gems & Jewellery Limited is exposed to various risks that are particular to its businesses and environment within which it operates including loss of key managerial

personnel, increase in input costs, political instability, changes in economies or government policies, geographic concentration risk, raw material risk, seasonality risk and government regulations. The completion factor also affects the performance of the Company. The Company's current and fixed assets as well as products are adequately insured against various risks. The Company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism. Through this approach, the Company strives to identify opportunities that enhance organizational values while managing or mitigating risks that can impact its future performance.

### **Internal Control System and their Adequacy**

The Company maintains a system of internal control commensurate with the size and nature of its operations to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. In order to ensure that all checks and balances are in place and all internal control systems and procedures are in order, periodic internal audit is conducted by qualified Chartered Accountants. The Internal Auditors' independently evaluate adequacy of internal controls. The Internal Audit reports submitted by Internal Auditors are reviewed by Audit Committee on a quarterly basis. Post audit reviews are also carried out to ensure that audit recommendations have been implemented.

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Material Developments in Human Resources/Industrial Relations front including number of people employed

Human Resources are most valuable assets of the Company. The Company's Human Resource Policy primarily aims at talent management and leadership development, safety and health of its employees. 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 provides an environment, which encourages initiatives, innovative thinking and reward performance. The Company also focuses on development of employees at all levels and supports them with safe, pollution free and favorable working conditions. As a result, the employees of the Company have played a crucial role in contributing to the growth of the Company.

### **Cautionary Statement**

Statements in Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual Results could differ materially from those expressed or implied due to variations in prices of raw materials, seasonal demand and pricing in the Company's principle markets, changes in Government regulations, tax regimes, economic developments and other incidental factors.



### **Future Plans**

Lypsa plans to increase its production capacity to cater to the increasing demand. However, your company will strive for increasing margins rather than just going for increasing volumes. As a result, a cost cutting exercise has been initiated at the manufacturing facilities. An expert panel is in the process of being commissioned to review the manufacturing facility and process and suggest measures to increase efficiency.

Lypsa has relocated its offices to the Bharat Diamond Bourse - the new hub for the diamond trade in Mumbai. This has had a positive impact on polished sales and has seen a lot of new clients walking in to our offices.

Lypsa plans to set up a wholly owned subsidiary in Hongkong to cater to increasing Chinese demand. In the last two quarters significant sales have been made to Chinese clients from our Mumbai office. We believe that opening an office in HK will allow us to cater to their demands better and also result in our goods fetching higher prices.

This two-way push - manufacturing and marketing side will allow us to increase profit margins while still enjoying increase in volume.

**Date: 30/05/2013**

**Place: Navsari**

**For Lypsa Gems & Jewellery Limited.**

]  
s/d s/d s/d  
(Manish Janani) (Dipan Patwa) (Jeeyan Patwa)  
Managing Director Chairman Director

# Doshi Maru & Associates

Chartered Accountants

9, Shreepal Building,  
S N Road, Tambe Nagar,  
Mulund – (West),  
Mumbai – 400080.  
Tel: (O)23472578  
(R) 25654859

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## AUDITORS' REPORT ON CORPORATE GOVERNANCE

To,  
The Members,  
LYPSA GEMS & JEWELLERY LIMITED  
2<sup>nd</sup> Floor, Diamond Park Building,  
Opp. Ambika Nagar Society,  
Dargah Road,  
Navsari, Gujrat- 396 445

We have examined the compliance of Corporate Governance by Lypsa Gems & Jewellery Limited for the year ended on 31<sup>st</sup> March, 2013, as stipulated in 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 procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate Governance. It is neither an audit nor an expression of to opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance(s) is/ are pending for a period exceeding for one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For M/s. Doshi Maru & Associates  
Chartered Accountants

Date: 30<sup>TH</sup> May 2013  
Place: Mumbai

s/d  
Shashank Doshi  
(Partner)  
FRN. No. 112187W