



VAIBHAV GEMS LIMITED

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ANNUAL REPORT 1996-97





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MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

Board of Directors

1. **Mr. Sunil Agrawal**
Chairman
2. **Mr. Rajiv Jain**
Managing Director
3. **Mr. Suresh Punjabi**
Director
4. **Mr. Sunder Punjabi**
Director
5. **Mr. Sanjeev Agrawal**
Director
6. **Mr. A. L. Roongta**
Director
7. **Mr. H. K. Peshwani**
(IFCI Nominee)

Management Team

1. **Mr. Yogesh Kumar Das**
General Manager (Gemstones Division)
B.Com., MBA
2. **Mr. Manoj Shrimali**
General Manager (Jewellery Division)
B.Sc., MBA
3. **Mr. Vijay Joshi**
Production Manager (Gemstones Division)
B.E. (Mech.), MBA
4. **Mr. Rajiv Sharma**
Manager (Commercial) (Jewellery Division)
B.Sc., MBA
5. **Mr. Udai Veer Singh**
Production Manager (Jewellery Division)
B.E. (Elec.), G.I.A. (America)
6. **Mr. Girdharilal Sharma**
Manager (Accounts)
B.Com., NCES

Company Secretary :
Mr. Suresh Kumar Dalmia

Auditors :
B. Khosla & Co.
Jaipur

Bankers :
Punjab National Bank,
Jaipur

Registered Office :
K-6B, Fateh Tiba,
Adarsh Nagar, Jaipur

Works :
K-6B, Fateh Tiba,
Adarsh Nagar, Jaipur

Corporate Office :
K-6B, Fateh Tiba,
Adarsh Nagar, Jaipur

Telephone :
91-141-601020, 608380, 601030,
603020, 604030

Fax : 91-141-603228, 602010

E-Mail : jaipur.vgl@axcess.net.in
rajiv@jp1.vsnl.net.in



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CHAIRMAN'S MESSAGE – Charting a New Course

Dear Shareholders,

It is my pleasure to extend a hearty welcome to you at the 8th Annual General Meeting of your Company. This meeting presents a valuable opportunity of interacting with you and highlighting my vision for this Company and its growth in the years ahead with your support and cooperation.

Maiden Premium Public Issue

Your company's maiden premium public issue met with a good response despite a poor primary capital market condition. I thank you for the confidence and trust reposed by you in this company. It will be our endeavour to fulfill the twin objectives of creating a leadership position in the Coloured Gemstones and Jewellery business and also maximize shareholder value.

Indian Gems & Jewellery Business – Potential and our Role

The Gems and Jewellery industry is the second largest foreign exchange earner in India and has certain significant and inherited strengths in form of abundant and wide supply of skilled labour and internationally acclaimed craftsmanship. India, thus, has the potential to become a leader in the international gems and jewellery market. For this to happen, it is imperative that the entire industry gears up to achieve this objective.

VGL is taking a lead in this direction by pioneering professionalism in the Indian Gems & Jewellery

industry. We have been constantly striving to corporatise the business. As you read through the Annual Report, measures like Computerized and on-line inventory management system, Thrust on marketing, Value-Addition and use of modern management techniques have been instituted at VGL. We have taken steps to maintain minimum inventories and avoid pile-ups in view of fast changing trends in the international market. In order to maximize yield and control costs, we have blended traditional and modern techniques of production as well as Management Information System.

Global Coloured Stone Industry in 1996-97 and our Performance

For the Coloured Gemstones business, the year 1996-97 was lacklustre as the demand remained sluggish primarily due to weaker economic conditions in countries like Japan. The current trend suggests that the Japanese economy should recover gradually and the demand for such high value items would pick up in due course. Meanwhile, our efforts of broadbasing both Product-mix and clientele have paid off. We entered the US market aggressively last year and our products have been well received by the wholesalers and retailers alike. The exports to US market shall constitute a major portion of our total exports in the years to come.

We continue to enjoy market leadership in Tanzanite – an interesting blue coloured gemstone – besides



VAIBHAV GEMS LIMITED

Regd. Office K-6B, Fateh Tiba, Adarsh Nagar, Jaipur – 302 004

NOTICE FOR ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of Vaibhav Gems Ltd., will be held at K-6B, Fateh Tiba, Adarsh Nagar, Jaipur on Saturday, 27th day of September, 1997 at 3.00 PM to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 1997, the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri Sunil Agrawal, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Sunder G. Punjabi, who retires by rotation and being eligible, offers himself for reappointment.
4. To declare dividend for the year ended 31st March, 1997.
5. To appoint Auditors and to fix their remuneration.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY MAY BE SENT IN THE FORM ENCLOSED AND IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. A copy of the Balance Sheet as at March 31, 1997 and the Profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Reports are enclosed.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Sept. 22, 1997 to Sept. 27, 1997 (both days inclusive) for the purpose of determining entitlement of dividend as may be declared by the Company for the year ended March 31, 1997.
4. Dividend, if declared at the Annual General Meeting on 27th Sept., 1997 will be payable to those members whose names appear on the Register of Members of the Company as on 27th Sept., 1997.
5. Members are requested to notify change in their address, if any, quoting their Folio Number.
6. The shareholders are requested to send their correspondence including transfer/transmissions of shares to M/s Karvy Consultants Ltd., Jaipur.
7. Members are requested to bring their copies of Annual Report to the meeting.

Jaipur

Dated : 9th Aug., 1997

By order of the Board
for Vaibhav Gems Ltd.

RAJIV JAIN
Managing Director

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VAIBHAV GEMS LIMITED

Regd. Office K-6B, Fateh Tiba, Adarsh Nagar, Jaipur - 302 004

ATTENDANCE SLIP

Member Folio No. :

Name :

I hereby record my presence at the Eighth Annual General Meeting of the Company being held on 27th Sept., 1997 at 3.00 PM at K-6B, Fateh Tiba, Adarsh Nagar Road, Jaipur-302004

Signature of the Shareholder/Proxy present

PLEASE CUT AND BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING

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VAIBHAV GEMS LIMITED

Regd. Office K-6B, Fateh Tiba, Adarsh Nagar, Jaipur - 302 004

PROXY FORM

I/We of in the district of being a member/members of Vaibhav Gems Ltd., hereby appoint of in the district of or failing him of in the district of as my/our proxy to attend and vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held on Saturday, 27th Sept., 1997 and at any adjournments thereof.

Affix 30 p. Revenue. Stamp

Signed this day of 1997

(Signature of the Shareholder)

Note : The Proxy must be deposited at the Registered Office of the Company not less than 48 Hours before the time for holding the Meeting.





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expanding the production and marketing of other stones. I would like to emphasize the fact that due to our Focus, Premium Product Positioning, and Strategic Product Planning it was possible to achieve our targets and maintain profit level in an otherwise tough year. In the nutshell, we have shown our competitiveness in terms of both price and quality and, are confident of further improving upon the same.

New developments

Coloured Gemstones

In the gemstones business, some new developments were made in the year under review.

The Company expanded its product range to include certain new stones. Another significant development was the Company's venture into the area of 'Sphere' manufacturing. The company foresees this business as having tremendous growth potential. This business alone is expected to contribute 10% of our total revenue in 1997-98.

Your Company also plans to enter in precious stone business in a big way. In fact, the beginning to this effect has already been made in the current year. Since, this business implies manufacturing of high-value items, greater care and emphasis will be placed on quality and efficient Inventory Management.

Your company also plans to set up a highly modern faceting unit equipped with machinery sourced from reputed vendors in the international market.

Commencement of Jewellery Division

Our Jewellery Division started commercial production during the year under review and exported goods worth Rs. 329.09 lakhs. We have received Designing support from our technical collaborators M/s Pippo Perez and have also set up our own full-fledged

Designing Centre. The company displayed its products for the first time at the JCK Show held at Las Vegas in May-June, '96. The response was overwhelming which encouraged us to go ahead with greater enthusiasm and commitment. During the current year, the company also plans to enter into European and Australian market besides consolidating its position further in the US and Far East Asian markets.

Corporate Governance

Keeping in view of the concept of Corporate Governance, the company has constituted several committees for smooth functioning and efficient management of the affairs of the company viz. Project Management Committee for monitoring the jewellery unit, Audit Sub-Committee and Share Transfer Committee. There is clear delegation of authority at all levels with full accountability in order to ensure quick and efficient decision-making.

Social Responsibilities

The company is helping the local bodies and associations in the direction of establishing a National level institute of Jewellery Designing at Jaipur. The proposed institute will greatly help the industry, in general, with its trained artisans, designers and craftsmen.

Before I conclude, I wish to extend our appreciation for the sincere and dedicated service rendered by our employees and workers at all levels. We are thankful for their kind cooperation and look forward to their continued support.

With kind regards,

Yours' Sincerely


(Sunil Agrawal)



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BUSINESS OVERVIEW & RISK MANAGEMENT

PRODUCTION PROCESS IN GEMSTONE MANUFACTURING

A. Purchase of raw materials

The Company's directors and trained personnel are responsible for procuring good quality raw materials directly from the country of origin. Rough gemstones are mainly imported from Tanzania, Zambia, Kenya and Brazil.

B. Manufacturing Process

Manufacturing process of gemstones involves a considerable amount of labour with significant skill and craftsmanship. Rough Gemstones are first assorted on the basis of expected yield and size and then pre-shaped by the Sawing/Grinding process. Pre-shaped stones are then sent for Calibration within specified tolerances. The next stage involves final finishing of gemstones by the process of faceting and polishing. Here, the stones are cut at particular angles to impart brilliance and sparkle and then polished. Finished stones are then graded for quality. The entire manufacturing process is closely monitored and supervised by experienced personnel to ensure for maximum yield with emphasis on quality control.

C. Computerized Inventory Management

Inventory Management System is fully computerized right from the stage of raw material procurement to the receipt of finished goods and their final sale. Valuation of gemstones is done at various stages of manufacturing on the basis of their weight and value. Constant efforts are made to maintain strict internal control thereby ensuring efficient management.

Inventory is maintained at cost or market price, whichever is lower. At the Work-in-process level, labour costs and rejection costs; if any, are added to the cost of stones.

PRODUCTION PROCESS IN JEWELLERY MANUFACTURING

The gold jewellery is being manufactured by Lost Wax Process. The process involves several stages:

A. Master Making

The approved designs are first crafted into a silver model which serves as a 'Master Piece' for further production.

B. Mould Making & Vulcanizing

This master is then packed in rubber and vulcanised to get an exact replica in the form of a rubber mould.

C. Waxing

In this stage, the rubber moulds are injected with wax to obtain wax pieces.

D. Sprueing

The wax models are fixed on Wax-Sprues to form a tree-like structure.

E. Investment

The Wax tree so made is placed in a steel vessel and filled with 'investment plaster' under vacuum in "Vacuum Investment Machine".

F. Burnout

The investment flasks are heated in Burnout Furnaces at a temperature of approx. 1399 degree