



VAIBHAV GEMS LIMITED
15th Annual Report 2003-04

CAUTIONARY STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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STYLE SUBSTANCE

A king commanded the gold on his body. A queen became the star of the shine of her necklace. A celebrated court jeweller. Years passed. Empires tumbled. Kings changed. Court jewellers didn't. Only one remained from one craft-owning generation to another. Rajasthan is proud to have inherited this hallowed centuries-old legacy. The company has married its craft with the contemporary, the rich with the poor. Migrating from the protected to the public, the handful to the hundreds. And the values of the ages across a wider range of jewellery, preferences, customers and geographies.

STYLE & SUBSTANCE



STRATEGY

THE RATIONALE FOR A PRESENCE IN ANY BUSINESS IS INFLUENCED
BY ITS SCOPE FOR SUSTAINABLE GROWTH, A NATURAL
COMPETENCE, AVAILABLE INFRASTRUCTURE AND AN OPPORTUNITY
TO PROTECT COMPETITIVENESS THROUGH
SUPERIOR KNOWLEDGE.



Vaibhav Gems has emerged as one of India's largest organised jewellery-making entities with its products enjoying a presence in some of the most prestigious retail stores in the world. As an extension, the company's export revenues grew 29.92 per cent CAGR over a three year time frame.

At Vaibhav Gems, the decision to enter the gemstones and jewellery business has been patiently derived from the following drivers:

- A centuries-old tradition in jewellery craft running through the region of its presence.
- A wage structure that is among the most competitive in the world.
- A presence in the medium value jewellery segments, where ever-changing fashion trends create ongoing opportunities.
- A progressive migration to the higher end of the market.
- The availability of manufacturing facilities in Export Promotion Industrial Parks to avail of significant tax and duty benefits on imports, coupled with tax breaks for exports.
- An acquisition-led industry consolidation exercise resulting in enhanced economies of scale.
- The prudent financing of expansion plans through internal accruals.



STYLE & SUBSTANCE



INTEGRATION

SUCCESS IN ANY BUSINESS IS DERIVED FROM AN ABILITY TO MINIMISE
THE GAP BETWEEN THE ONE WHO UNDERSTANDS THE CONSUMER'S MIND,
THE ONE WHO DESIGNS WHAT THE CUSTOMER WANTS
AND THE ONE WHO CREATES, RESULTING IN A NEAR SEAMLESS INTEGRATION
THAT SATISFIES CUSTOMER REQUIREMENTS.



At Vaibhav Gems, the company has graduated beyond the industry's traditional outsourcing model to integrate its marketing with the manufacturing and creating a value chain with the following features:

- Vast industry knowledge to secure high yielding raw material at the most competitive cost, leading to a presence at most gemstone roughs mining locations to directly source raw material at competitive auctions.
- Creation of a fully equipped gemstone-processing centre to transform roughs into gems; a state-of-the-art jewellery manufacturing unit and a captive micro light-weight gold-chain manufacturing plant to complete the supply chain.
- Dedicated research and product development function to create unique products as a distinctive differentiator.
- Creation of a specialised marketing function.
- Retention of artisan skills by providing them with a rewarding career.

Vaibhav Gems possess one of the quickest mine-to-market turnaround times in its industry, resulting in a rapid customer accretion. As an extension the company now uses 42 per cent of its gemstone production captively for jewellery manufacture, as against 27 per cent three years ago.



STYLE & SUBSTANCE



STANDARDISATION

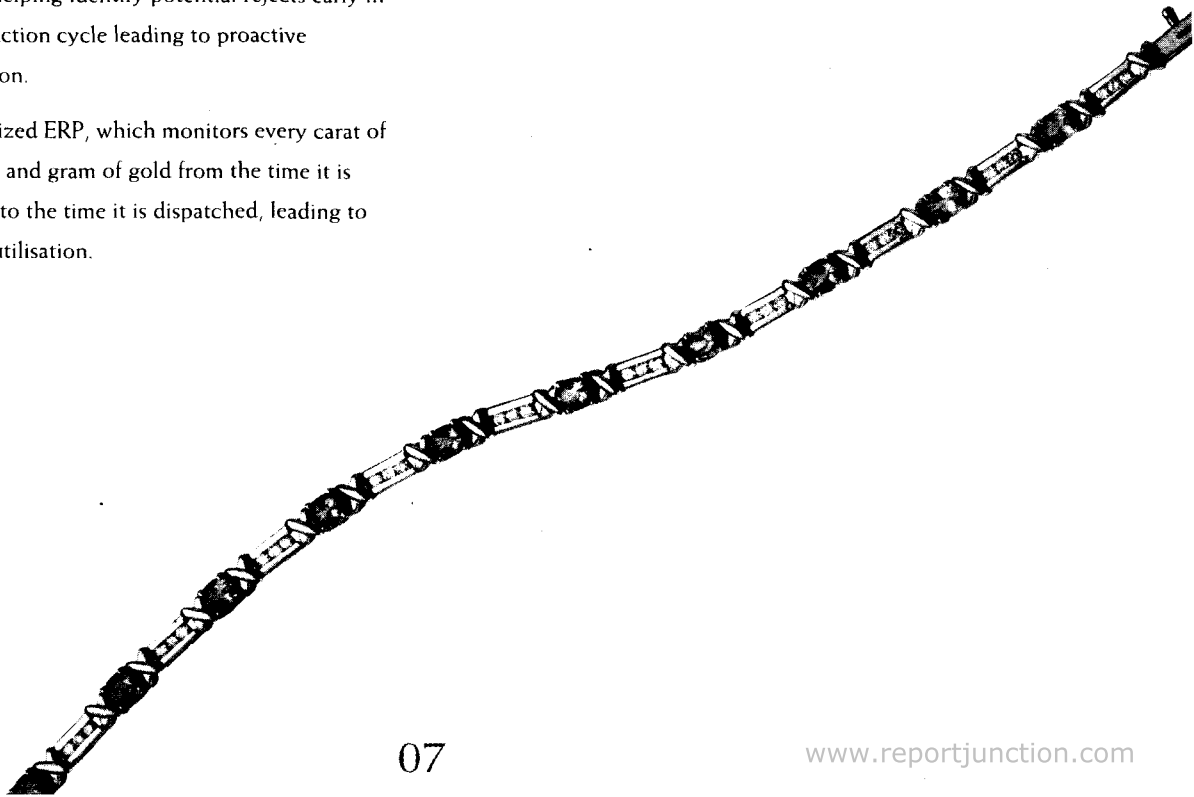
CUSTOMER GOODWILL IN ANY BUSINESS IS DERIVED FROM AN
ABILITY TO PRODUCE AN ITEM IN LINE WITH STRINGENT CUSTOMER
REQUIREMENTS AND THEN DO SO UNIFORMLY TIME AND AGAIN,
RESULTING IN A DEPENDABLE QUALITY STANDARDISATION.



Vaibhav Gems is one of the lowest cost global producers of jewellery. As an extension, the company has consistently achieved a positive divergence in its revenues and operating margins. While revenues for 2003-04 have grown by 28 per cent over the last year, operating margin has grown by 41 per cent.

At Vaibhav Gems, we have reinforced decades of expertise with cutting-edge technologies and a manufacturing discipline reflected in the following:

- A gemstone processing division with the annual capability to process 20 lac carats.
- A 30,000 sq. ft. state-of-the-art jewellery manufacturing division with an annual capacity to produce more than five lac pieces, one of the largest in India.
- A world-class micro-weight (0.4 to 2 grams) gold chain manufacturing unit, probably the only such plant outside the USA.
- An institutionalised, multi-step quality assurance process, helping identify potential rejects early in the production cycle leading to proactive rectification.
- A customized ERP, which monitors every carat of gemstone and gram of gold from the time it is procured to the time it is dispatched, leading to efficient utilisation.



STYLE & SUBSTANCE



INDUSTRIAL

FOR ANY GROWING BUSINESS, IT IS IMPERATIVE TO EXTEND AN
INDIVIDUAL EXPERTISE INTO CORPORATE SUSTAINABILITY
THROUGH AN INTELLIGENT USE OF SYSTEMS, TECHNOLOGY AND
KNOWLEDGE TRANSFER.