



Vaibhav Gems Limited
Annual report 2004-2005

A woman's fascination
is our strength

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● Vaibhav Gems Limited is India's largest exporter of colored gemstones and one of the largest exporters of studded jewellery.

● The company is vertically integrated with all operations from gemstone manufacture to jewellery manufacture being conducted at world-class, in-house facilities. The company recently made its foray into jewellery retail with its first three stores commencing operations in May 2005 in Alaska, USA.

● Vaibhav's facilities include a gemstone processing unit, a jewellery manufacturing plant, a state-of-the-art micro-weight gold chain manufacturing plant and a diamond-processing unit. It possesses a skilled product development team that is backed by the latest machinery. It also possesses a research team with

detailed know-how of the most advanced technology.

● The company's products are sold in all major retail outlets in developed markets like the USA as well as through telemarketing channels and popular holiday destinations.

● Vaibhav Gems is headquartered in Jaipur with branch offices in Mumbai. It has its wholly-owned subsidiary, Jewel Gem USA Inc., in USA.

● It employs (directly and indirectly) more than 2000 people. Its research, marketing and product development teams travel worldwide to track trend changes, develop new products and drive demand.

● The company's shares are listed on Mumbai and National stock exchanges.

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The ancients founded the industry of Vaibhav Gems.

Based on the principle that if men make something that will endure, then the women of the world will go to great lengths to buy it.

Based on the conviction that if men make something that will shine, then the women of the world will vie to wear it.

And based on the belief that if men make

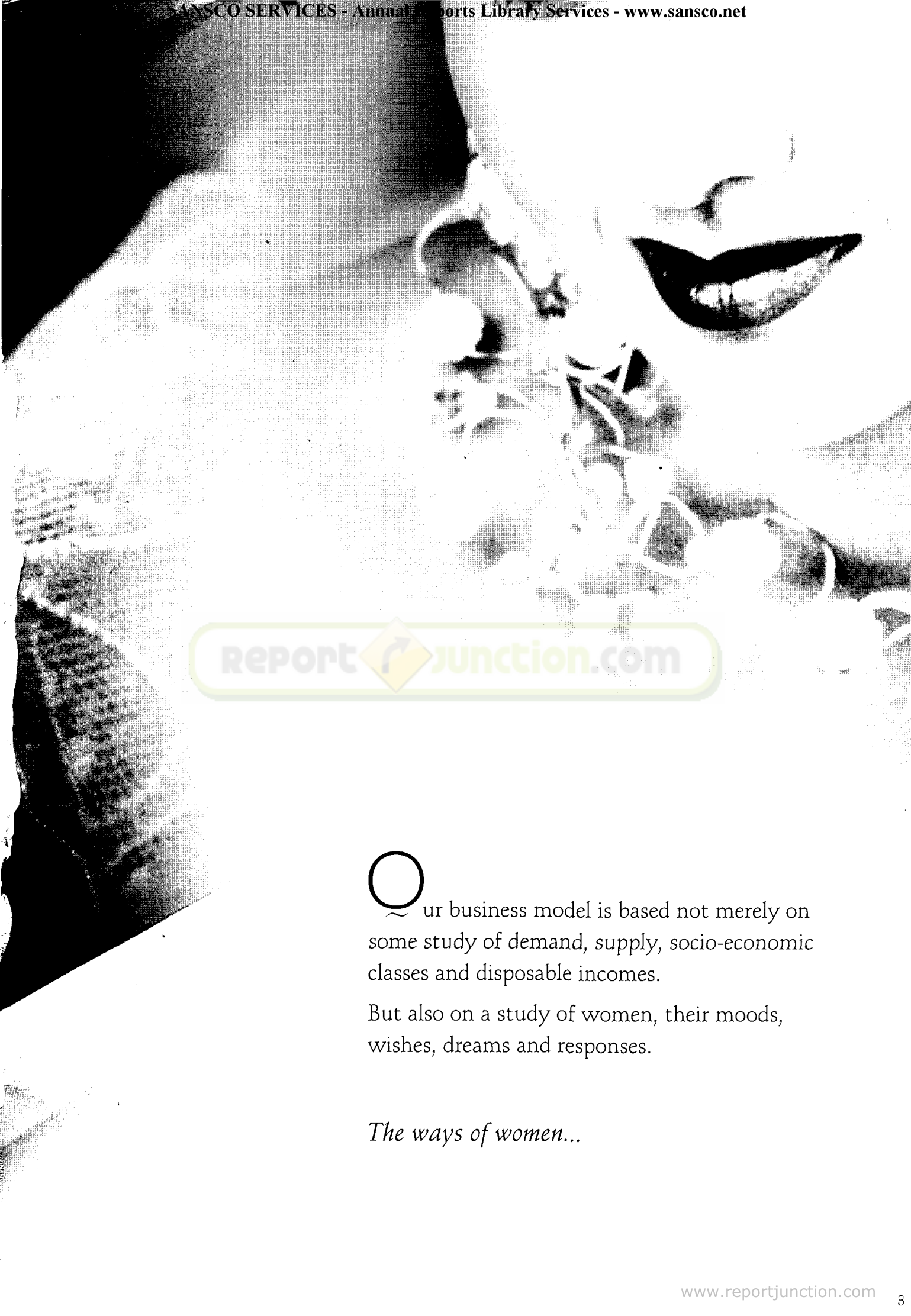
something that will appreciate in value, then the women of the world will queue to invest in it.

Vaibhav Gems sold Rs 168 cr of shining and enduring gems and jewellery to the women of the world in 2004-05 and reported a Rs 15 cr profit from its endeavours.

There must have been something in the wisdom of those ancients.



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Our business model is based not merely on some study of demand, supply, socio-economic classes and disposable incomes.

But also on a study of women, their moods, wishes, dreams and responses.

The ways of women...



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| *The ways of women* |

Jewellery is bought for a woman on her birthday, anniversary, Valentine's Day, Christmas and Mother's Day. And some other 360 days in between.

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The Vaibhav response

That's the making of a business model with low cyclicalities or seasonal influences.

Our results are proof.

When we entered into the business with a small manufacturing facility in India, we did so with a bigger vision. To become market leaders with a sparkling presence across the world.

With a rich understanding of the power of

women who are at home, working women, appearance-conscious women, glamorous women and value-conscious women.

The result: We grew our turnover from Rs 73 cr in 2000-01 to Rs 168 cr in 2004-05, a CAGR of 23.24 per cent.

Evolving us into a prominent, respectable, fast-growing and vertically integrated global organisation.



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 | *The ways of women* |

What women wear today, they
 wouldn't want to wear forever.

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The Vaibhav response

That's the origination of a business approach that reconciles value with volume.

For instance, Vaibhav Gems has consciously selected to be present in the large and dynamic mid-value segment.

Where likings are driven by the colour of the clothes that she already possesses in her wardrobe. Where preferences are dictated by the emerging collections in the world of fashion. Where tastes are influenced by who wore what on what occasion.

So this mid-value segment is always in

creative ferment; it comprises wardrobes reflecting newer stones, styles and shapes.

So, interestingly, this mid-value segment is also always in profitable ferment; it generates the best returns for value-driven producers with large volume capabilities.

The result: Our bottomline grew from Rs 5 cr in 2000-01 to Rs 15 cr in 2004-05, a CAGR of 32.43 per cent.

Evolving us from a modest company into one of the most profitable jewellery producers in India today.

