



# Vaibhav Gems Limited

## Annual Report 2006 - 07



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## Forward looking 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 realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, 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.



**VAIBHAV GEMS LIMITED**

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

DPID No.		L.F. No.	
Client ID No.		No. of Shares held	

**PROXY FORM**

I/We.....of.....in.....  
the district of.....being a member/members of Vaibhav Gems Limited, 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 Extra Ordinary General Meeting of the Company to be held on 27th September, 2007 at 11.00 A.M. at E-68,  
EPIP, Sitapura Industrial Area, Jaipur - 302 022 and at any adjournments thereof.

Affix  
Revenue  
Stamp

(Signature of the shareholder)

Signed this ..... day of ..... 2007 .....

**Note :**

1. The Proxy Form signed across revenue stamp should reach the Registered Office of the Company atleast 48 hours before the scheduled time of meeting.
2. Those members who have multiple folios with different joint holders may use copies of this Attendance Slip/ Proxy.

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**VAIBHAV GEMS LIMITED**

Regd. Office: K-6B, Fateh Tiba, Adarsh Nagar, Jaipur -302004

DPID No.		L.F. No.	
Client ID No.		No. of Shares held	

**ATTENDANCE SLIP**

I hereby record my presence at the Extra Ordinary General Meeting of the Company to be held on 27th September, 2007 at 11.00 A.M. at E-68, EPIP, Sitapura Industrial Area, Jaipur -302 022 .

.....  
Name of the Shareholder  
(in block capital letters)

Signature

.....  
Name of the Proxy  
(in block capital letters)

Signature

**Note :**

1. Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting venue.
2. Shareholder/ Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.



## Vaibhav Gems Limited

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

### NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the members of Vaibhav Gems Limited will be held at E-68 EPIP, Sitapura Industrial Area, Jaipur - 302 022, on 27th September, 2007 at 10 A.M. to transact the following business:

#### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares for the year ended March 31, 2007.
3. To appoint a Director in the place of Shri SS Bhandari who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri ML Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

#### Special Business:

6. To Re-appoint Shri Rahimullah as the Managing Director of the Company on the terms & Conditions as placed before the Meeting.

To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 311, 314 (1B) read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force) the consent of the Company be and is hereby accorded to the terms of reappointment of Mr. Rahimullah as Managing Director of the Company, for a further period of 5 years from 1st August, 2007 to 31st July, 2012 on the terms and conditions as set out in the agreement of reappointment submitted to the meeting and that he be paid remuneration by way of salary, perquisites, allowances and commission as approved by the Board of Directors of the Company and the Remuneration Committee and as set out in the Explanatory Statement annexed hereto.

**RESOLVED FURTHER THAT** the Board of Directors and the Remuneration Committee be and are hereby severally authorized to alter, amend, vary, enhance or modify the scope and quantum of remuneration of Mr. Rahimullah as they may deem proper from time to time considering the nature and scope of his activities as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956."

#### By order of the Board of Directors

Place: Jaipur  
Date: August 16, 2007

Mukesh Khetan  
Company Secretary

Registered Office:  
K-6B, Adarsh Nagar,  
Fateh Tiba,  
Jaipur 302 004



**Notes:**

1. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 with regard to the Resolutions mentioned above is enclosed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and proxy need not be a member of Company. A proxy may be sent in the form enclosed and in order to effective must reach the Registered Office of the Company at least 48 hours before the commencement of the meeting.
3. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.
4. Members are requested to bring their Attendance Slip alongwith their copy of Annual Report to the Annual General Meeting.
5. The Register of Members and Transfer Books of Company will be closed from 27<sup>th</sup> to 30<sup>th</sup> September 2006- (both days inclusive) for determining the names of members eligible for dividend, if declared at the Meeting.
6. Members who hold shares in dematerialized form are requested to notify the change in their address to depository Participants (if shares are held in electronic form) and to our Registrar and Share Transfer Agents, Karvy Computer Share (P) Limited, Hyderabad at Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034 (If shares are held in Physical form).
7. The Shareholders are requested to send their correspondence including transfer / transmission of shares in Physical form to Karvy Computer Share (P) Limited, Hyderabad.
8. In case of any query or comments relating to Annual Report, shareholders are requested to send the same at registered office of the company well in advance of the date of Annual General Meeting.

**Explanatory Statement required under Section 173 (2) of the Companies Act, 1956 in respect of special business.****Item No.1**

Resolution under Item No. 6 of the Notice relates to the reappointment of Mr. Rahimullah as Managing Director of the Company for a further period of 5 years from 1st August, 2007 to 31st July, 2012 and approval of his remuneration and terms of reappointment.

The Remuneration Committee, at its meeting held on 27th July, 2007, had recommended terms of remuneration payable to Mr. Rahimullah. The Board of Directors, at their meeting held on 27th July, 2007 had approved the same and also recommended the reappointment of Mr. Rahimullah for a further period of 5 years w.e.f. 1<sup>st</sup> August 2007. The Board of Directors of the Company is of the opinion that he is fit and proper person to hold the said office and his reappointment will be in the interest of the Company.

The material terms of remuneration payable to Mr. Rahimullah are as under:

**Remuneration****(a) Basic Salary :**

Rs. 4,46,250/- (Rupees Four Lacs Forty Six Thousand Two Hundred and Fifty) per month with such increases as may be decided by the Board of Directors (which includes any committee thereof) from time to time, but subject to maximum limit specified under sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said act as may, for the time being, be in force.

**(b) Perquisites and Allowances:**

In addition to salary, the following perquisites / allowances shall be payable to the Managing Director.

The Company shall pay total perquisites and allowances at the rate of 58.73% of the Basic Salary.

Mr. Rahimullah will be entitled to reimbursement of expenses actually and properly incurred in connection with the business of the Company.

The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or committee thereof. He shall not be liable to retire by rotation as a Director.

The Managing Director shall, during the tenure of his office as Managing Director of the Company on the remuneration herein above mentioned and upon and subject to terms and conditions hereinafter contained, use his best efforts and endeavor to promote the interests and business of the Company.

The above perquisites, benefits and allowances will be evaluated in terms of the relevant rules under the Income Tax, Act, 1961 and in the absence of such rules at the cost of the Company.

**Terminal Benefits:**

Payment of Gratuity in accordance with the LIC Gratuity Scheme at a rate not exceeding one-half month's salary for each completed year of service and encashment of leave at the end of the tenure, as per the rules of the Company shall not be included in the computation of limits for the remuneration.

**Overall Limit:**

The aforesaid remuneration in any one financial year shall not exceed the limits prescribed under sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said act as may, for the time being, be in force. Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of the managing Director, the

Company has no profits or its profits are inadequate, the Company will pay remuneration for a period not exceeding three years by way of salary, commission and perquisites as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors (which includes any committee thereof) subject to approval of Central Government, if required, as Minimum Remuneration.

The above mentioned remuneration may be altered, amended, varied, enhanced or modified from time to time by the Board of Directors (which includes any committee thereof) of Company as it may, in its discretion, deem fit, within the maximum amount payable to Managing and Whole time Directors in accordance with the provisions of the Companies Act, 1956, or any amendments thereto made hereafter in this regard.

#### Memorandum of Interest:

Except Shri Rahimullah himself and Shri Ikramullah, being related to him may be deemed to be interested/concerned in the resolution contained under Item No. 6 of the Notice. None of the other directors is deemed to be interested /concerned in the Resolution contained under Item No. 6 of the Notice.

The address for the 18<sup>th</sup> Annual General Meeting will be:

E-68, EPIR, Sitapura, Jaipur - 302022

#### By order of the Board of Directors

Place: Jaipur  
Date: August 16, 2007

Mukesh Khetan  
Company Secretary

Registered Office:  
K-6B, Adarsh Nagar,  
Fateh Tiba,  
Jaipur 302 004

#### Details of Directors in terms of listing agreement, seeking reappointment at 18<sup>th</sup> Annual General Meeting

Name of Director	Date of Birth	Date of Appointment	Expertise in specific functional areas	Qualifications	Name of Companies in which Directorship held on 31.3.2007	Member of the committees of the Board of other Companies as on 31.3.2007	No. of Equity Share Held in the company as on 31.3.2007
Shri Surendra Singh Bhandari	January 20, 1948	September 27, 2004	He is one of the senior most chartered accountants of Rajasthan and a senior partner of S.Bhandari & Co. Besides handling audit assignments in various renowned companies and financial institutions, he is one of the leading management consultants to various companies in the areas of banking and tax assignments, corporate restructuring, amalgamation and mergers.	He is a Commerce Graduate and a Fellow Chartered Accountant.	1. Reliance Capital trustees Co. Ltd. 2. Asian Hotels Limited 3. Spectrum Power Generation Limited.	3	NIL
Shri Mitha lal Mehta	January 01, 1939	September 27, 2004	He is a Retired IAS officer and a renowned public administrator, social activist and human resource developer. A gold medalist and a Post Graduate in Physics from the University of Rajasthan, he is PG diploma holder in urbanisation from the University of London with merit and graduate from the National Defence College in New Delhi. Served in senior govt. positions such as the Chief Secretary of the Govt. of Rajasthan, Additional Secretary of Ministry of Home Affairs and Director of NABARD.	He is a Post Graduate in Physics and a Diploma holder in Urbanisation.	NIL	Nil	NIL

# ENCHANTING

The enduring spirit of gemstones is reflected in their very existence. Fashioned in the depths of the earth under tremendous heat and pressure, they are testimonials to endurance and longevity.

Their colours are evocative and emotive. They influence and capture our imagination, enthrall us and heighten our senses.

They are the ultimate objects of pleasure, both aesthetic and sensual. Their very possession is a statement of achievement. It is the announcement of the ability to surmount the heights of success...

For a company that handles millions of pieces of gemstones and jewellery every year, this spirit manifests itself in every aspect of business.

Report

At Vaibhav Gems, gemstones are not just our raw material. They are a reflection of our spirit. An indicator of our commitment, and the power behind our will to succeed - the fire within.

Our enterprise is an example of transcending obstacles and achieving new heights. Our achievements and accomplishments shine just as bright. In different lights. In different colours.

# THE SPIRIT OF GEMS

# RADIATING THE SPIRIT OF GEMSTONES

We began this journey three decades ago, as a small company trading in coloured gemstones. In time we evolved into a global organization with an imposing presence across the value chain of the coloured jewellery segment.

During our journey, we faced many difficulties. Our response to these was always competent, and we emerged from all adversities stronger and richer with experience. We adopted strategic initiatives through the course of the year to fortify our business against customer concentration and geographical risk. We broke new ground in television marketing, consolidated and further right sized our operations and added muscle to our retail business.

In the process we emerged stronger and better prepared for the next level of growth. We reinforced our stakeholder commitments, and of course, exemplified the spirit of the gemstones that we work with. *Everyday*.

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# A GLIMPSE INTO THE WORLD OF VAIBHAV

## Evolution

At Vaibhav Gems, we have over twenty five years of experience in this industry and are the largest exporter of coloured gemstones from India. Having invested in continuous improvement and broadening of vision, we now have fully integrated state-of-art production facilities at Jaipur, Mumbai, Bangkok and China. Our manufacturing set up covers the entire gamut of processes from rough gemstones to polished jewellery. Our entrenched presence in the entire value chain propels us toward a successful future.

In testimony to our achievements, we received the Highest Export Award (Coloured Gemstone Category) for the fifteenth time. This is the twelfth time in succession that we achieved this distinction. We were also short-listed by the Institute of Company Secretaries of India as one of the top 25 Companies in India adopting good corporate governance practices, for the third time in succession in 2005-06. We also received the ISO 9001:2000 certification in June 2007.

## Our Business

As one of the few companies integrated across the jewellery value chain, our sound business model has established us firmly in existing jewellery markets while allowing us to diversify and explore fresh initiatives.

For more than 15 years we have consistently been the largest exporters of coloured gemstones from India and also figured as one of the largest studded jewellery exporters in India.

## Our Product Portfolio

- ◆ Gemstones and Diamonds
- ◆ Gold chains, post and filing
- ◆ Coloured gemstone studded jewellery
- ◆ Diamond studded jewellery
- ◆ Silver studded jewellery

## Our Marketing Strategy

Our product marketing involves a three-pronged strategy, spanning 14 countries.

- ◆ We sell in bulk to brand enhancing front-end stores such as Wal-Mart, JC Penney and Macy's, in addition to specialty jewellery stores.
- ◆ Our retail sales are primarily affected through owned Company stores named as "Milano Diamond Gallery" in Alaska, Mexico and the Caribbean.
- ◆ We also sell directly to the customer through our recently established 24 hour online jewellery shopping TV channels.