

VAIBHAV GEMS LIMITED

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VAIBHAV GEMS LIMITED : MILESTONES

Year	Event
1980	Launching of Vaibhav Enterprises. Aim: Manufacturing and trading of Coloured Gem Stones, mainly for exports.
1984-85	Vaibhav Enterprises received 1st of its Highest Export Awards by The Gem and Jewellery Export Promotion Council in Coloured Gemstones (Semi-Precious) Category.
1985	Launching of M/s Vikas, a partnership concern for manufacturing of high value coloured gemstones.
1986-87	Highest Export Award by The Gem and Jewellery Export Promotion Council in Coloured Gemstones (Semi-Precious) Category.
1989	Incorporation of Vaibhav Gems Ltd., (VGL) for the purpose of manufacturing studded gold jewellery on May, 8, 1989.
1992-93	Highest Export Award by The Gem and Jewellery Export Promotion Council in Coloured Gemstones (Semi-Precious) Category.
1994	VGL takes over Vaibhav Enterprises as a running concern in July, 1994.
1994	VGL takes over Vikas as a running concern in November, 1994 thereby completely integrating all activities of gemstones and jewellery manufacturing under one roof.
1994-95	VGL receives Highest Export Award by the Gem and Jewellery Export Promotion Council in the Coloured Gemstones (Semi-Precious) Category.
1994-95	VGL receives the State Award for Export Excellence by the Government of Rajasthan.
1995-96	VGL receives yet another Highest Export Award by the Gem & Jewellery Export Promotion Council in the Coloured Gemstones Category.
1996-97	VGL announces its maiden Public Issue of Rs. 709.50 Lacs which is subscribed 1.85 times.
1996-97	VGL sets up a studded gold jewellery manufacturing unit at Jaipur.
1996-97	VGL starts commercial production in the Jewellery Unit.
1996-97	VGL bags the Export Company Award by the Institute of Marketing & Management, New Delhi.
1997-98	VGL bags the Highest Export Award by GJEPC in the Coloured Gemstones Category.
1997-98	Production started at Sitapura Unit.
1997-98	VGL Softech – the new Software Development Division started.
1998-99	VGL bags the Highest Export Award by GJEPC in the Coloured Gemstones Category.
1998-99	The Software Development Division hived off into a separate company, VGL Softech Ltd.
1998-99	Efforts began to develop Sitapura unit as a major silver jewellery manufacturing unit.

Action & Reaction, Ebb & Flow, trial & error, change – this is the rhythm of living. Out of our over-confidence, fear, out of our fear, clearer vision, fresh hope. And out of hope, progress.

— Bruce Barton





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Board of Directors

Mr. Sunil Agrawal
Chairman

Mr. Rajiv Jain
Managing Director

Mr. Rahimullah
Director

Mr. Suresh Panjabi
Director

Mr. Sanjeev Agrawal
Director

Mr. A. L. Roongta
Director

Company Secretary :
Mr. Suresh Kumar Dalmia

Auditors :
B. Khosla & Co.
Chartered Accountants
M. I. Road
Jaipur

Bankers :
• Punjab National Bank
International Banking Branch
C-Scheme, Jaipur
• IDBI Bank Ltd.
Saraf House, M. I. Road, Jaipur

Registered & Corporate Office :

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

Works :

K-6B, Fateh Tiba, Adarsh Nagar, Jaipur-302 004
E-68, EPIP, RIICO Industrial Area, Sitapura, Sanganer

Telephone : 141-601020, 601030, 608380

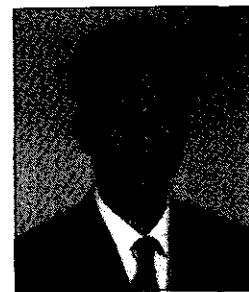
Fax : 141-603228, 602010 • **E-Mail :** vgl@vaibhavgems.com

URL : www.vaibhavgems.com



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CHAIRMAN'S MESSAGE



Dear Shareholders,

I welcome you all to the 10th Annual Meeting of your Company. It is an opportunity to interact with you and to share with you the developments that have taken place and the landmarks that have been reached by your Company in the bygone year.

The beginning of the year was marked by a calamity. Merelani hills in Tanzania, the only source of Tanzanite, was struck with heavy floods that claimed the lives of around 100 miners. My sincere sympathies to the near and dear ones of the bereaved souls. This tragedy led to shortage of rough supply in the market putting a heavy pressure on the margins. Moreover, attracted by the bright prospects, several players entered the market which led to increased competition.

To sustain sufficient profits in this scenario, your Company emphasised on larger volumes through extensive marketing.

The Jewellery scenario was also upbeat during the year. Jewellery turnover of your Company registered a growth of over 36% with a turnover of Rs. 1468.26 lakhs. USA continued to be the major buyer. There is a lot of optimism about the US market in 1999-2000 leading me to believe in bright growth prospects of your Company.

The showroom that was started on the factory premises about a year back has also received a good response.

It met the jewellery demand of the localities of Jaipur and the foreign tourists.

I have a firm belief that the Jewellery Division of your Company, still in its infant stage after it began three years ago, will see brighter days in the future with a welcome addition. With great pleasure, I introduce the members to Mr. Rahimullah, who joined the Board of Directors of your Company w.e.f. January 25th, 1999. He needs no introduction for all those who are associated with the Gems and Jewellery Industry in any way. With his experience of 25 years in the Gemstone business, it will be our privilege to have the support of his experience and goodwill for the promotion of your Company. During the past few months, he has been actively involved in the day-to-day activities. He brings in a tremendous enthusiasm and energy to your Company.

One major development during the year under review has been the installation of a Computer Aided Jewellery Design Software (JCAD) and SLA Jewellery Prototype Building Machine. It is the first of its type to be installed anywhere in India and the third such machine to be installed in Asia. The JCAD has an in-built library of varieties of stones and designs which supplements the clients own library. The designs can be transferred to the prototype machine for model



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making. This is the fastest model making machine. It can make up to 10 master models in one day. The precision level of this machine is incomparable. The objective of installation of this machine is to produce goods at a faster pace and of a quality that meets the international standards.

I am also pleased to inform you that yet again your Company was declared the winner of the Highest Export Award in the Category of Cut and Polished Coloured Gemstones for 1997-98 by the Gems and Jewellery Export Promotion Council. This was the seventh such award from the Council and the fourth in a row.

On software division front, I am pleased to inform the members that the software division was floated as a separate Company — VGL Softech Limited. This Company is a 100% subsidiary of your Company with an authorised capital of Rs. 100 lakhs. This Company has been formed with the object of leading the group into the next millennium. The Company has acquired technical competence in the fields of client-server business applications; Internet related solutions & networking. VGL Softech Ltd. is currently in the process of developing specialized business application products for Gems & Jewellery Industry, traders and large & medium sized hospitals. The Company has already bagged assignments from some of the big and prestigious concerns for working on their computerisation programme. The Company has hired Software engineers & Management experts from the country's premier institutes who have an across the

spectrum experience of the Industry. We are hopeful that this Company will achieve the same level of success as its parent Company.

It has been decided to develop the premises at the Sitapura unit as a 100% Export Oriented Unit for the export of Gold and Silver Jewellery. The application for a 100% EOU status has already been submitted. Training of the workers has also started on a large scale to ensure the achievement of a target of production of Gemstones and Jewellery worth Rs. 2.5 crores in the first year of operation. It is expected that full-fledged production will start shortly at the Sitapura unit.

I would like to convey my congratulations to the staff of Vaibhav who have put in a tremendous effort to make this Company a success and I am confident that they will continue to do so in coming years to achieve the growth targets set by your Company.

In the end, I want to assure the members of the continuous efforts on the part of management to continuously introduce new ideas to increase the market size of our products, increase our market share, and as a result, enhance the shareholder value to great heights.

With kind regards,

Yours' Sincerely

(Sunil Agrawal)



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DIRECTORS' REPORT

To
The Members,

Your Directors take pleasure in presenting the Tenth Annual Report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

The highlights of the financial results are given below :

	<i>(Rs. In Lakhs)</i>	
	1998-99	1997-98
Turnover and Other Income	7369.75	4432.77
Profit before Depreciation and Tax	769.57	581.62
Less : Depreciation	47.42	39.89
Profit before Tax	722.14	541.73
Provision for Taxation/ Income Tax	5.05	6.50
Profit after Tax	717.09	535.23
Profit brought forward from previous year	889.63	555.93
Amount available for Appropriation	1606.72	1091.16
Amount transferred to General Reserve	75.00	60.00
Proposed Dividend and Tax	144.31	141.53
Profit carried over to Balance Sheet	1395.13	889.63
	<u>1614.44</u>	<u>1091.16</u>

PERFORMANCE AND FINANCIAL REVIEW

Financial Year 1998-99 has shown signs of revival in the performance of the Gemstone industry, which had been passing through a recession for sometime, primarily due to the South-East Asian crisis and the steep rise in the prices of rough. Coloured Gemstone exports have shown a smart improvement in dispatches abroad in the year under review.



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Tanzanite, our speciality in gemstones, continued to mesmerise the gems market leading to increased demand. To exploit this demand, several manufacturers of gems started dealing in Tanzanite. This increased the intensity of competition in the market. The supply of rough from Tanzania was badly hit due to floods in Tanzania. This led to the rise in the rough prices, thereby putting a pressure on the margins. However, significant efforts on the part of your Company to increase the turnover in a scenario of lower margins resulted in an increase in the profit of the Company.

The search for new markets and new clientele continued in order to achieve the targets that the Company had set for itself. In 1998-99, the turnover of the Gemstone Division of the company witnessed a growth of around 61% to reach the level of Rs. 5276.64 lakhs.

The Jewellery turnover of your company also increased in 1998-99 to Rs. 1468.26 lakhs, an increase of around 36% over the previous year. USA continued to be the main market for export of jewellery. We hope that you can now fully appreciate the decision of your Company to implement this forward integration into manufacture of studded gold jewellery. It has not only supported the company's growth plans but also strengthened its competitive edge.



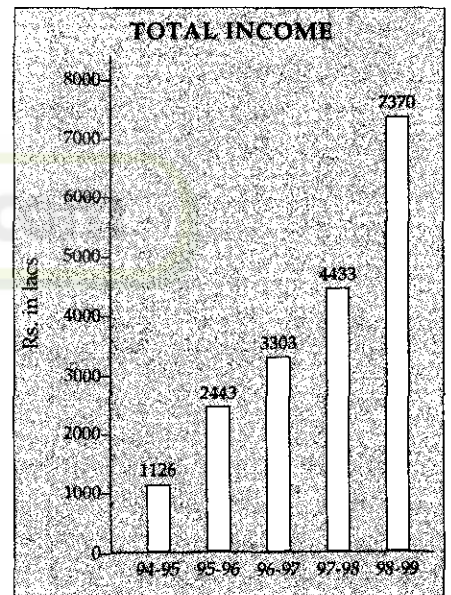
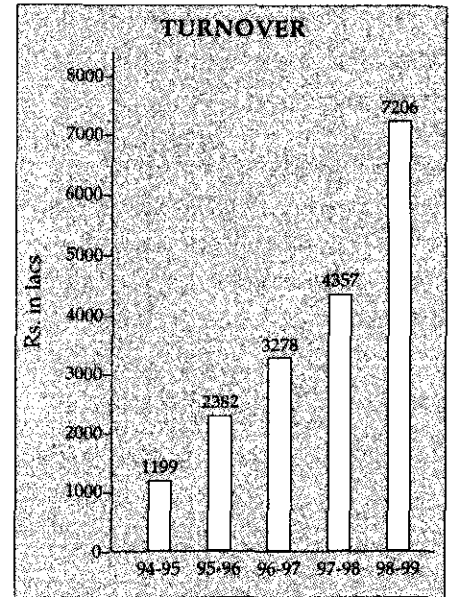
PROMISES Vs PERFORMANCE

Pursuant to Clause 43 of the Listing Agreement with the Stock Exchanges, the comparison of the projections made by IFCI with the actual performance for the year ended March 31st, 1999 is given below :

(Rs. in Lacs)

Particulars	Projections	Actuals
Turnover	5313.50	7369.75
Profit before Tax	626.47	722.14
Profit after Tax	626.47	717.09

The actual performance of your Company has been better than the projections made by Industrial Finance Corporation of India. This has been





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the result of the pursuance of the Company policy to aim for longer term gains, which has manifested itself in the policy of aiming to build market share and reputation.

FUND MANAGEMENT

One important development in Financial Year 1998-99 was the beginning of Multiple Banking, with the inclusion of IDBI Bank Ltd. among our bankers. IDBI Bank Ltd. sanctioned limits of Rs. 620 lakhs. The willingness of IDBI Bank to sanction funds to us in a scenario of conservative lending is enough indication of our sound financial position.

**Multiple banking with
PNB & IDBI Bank**

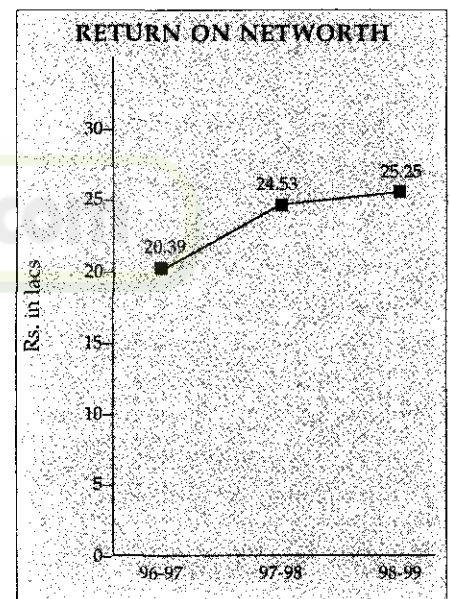
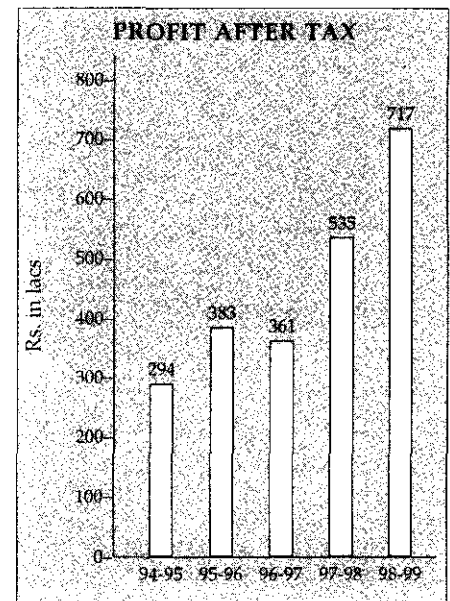
LISTING ON STOCK EXCHANGE

During the year, the shares of your Company were listed on the following Stock Exchanges :

1. **The Stock Exchange, Mumbai**
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai-400 001
2. **The Stock Exchange, Ahmedabad**
Kamdhenu Complex, Panjara Pole
Near Old Sachivalaya, Ahmedabad-21
3. **The Delhi Stock Exchange Association Ltd.**
West Plaza, Indira Gandhi Stadium
Indraprastha Estate, New Delhi-110 002
4. **Jaipur Stock Exchange Limited**
Jawaharlal Nehru Marg, Malviya Nagar
Jaipur-302 017

The Board confirms that the Listing Fees of all the above Exchanges have been duly paid up to the year 1999-2000 and there is no balance lying due with any of the above Stock Exchanges.

**Listing on Mumbai, Delhi, Jaipur
& Ahmedabad Stock Exchanges**





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The trading in the shares of your Company remained suspended during the period between 7/9/98 to 4/10/98 in Mumbai Stock Exchange on the grounds of non-compliance of Clause 15/16 of the Listing Agreement. The Board confirms submission of all the details required by the Stock Exchanges. Sufficient proof of our compliance was produced, subsequent to which the Exchange resumed trading in our shares w.e.f. 5/10/98.

YEAR 2000

Your Company deals in Gemstones and Jewellery and Y2K compliance of these products is not relevant. However, the computers utilised for office services are being upgraded to be Y2K compliant. Your Company has appointed VGL Softech Ltd. as consultants. VGL Softech Ltd. is a Systems Integration company, with over 20 professionals with more than 45 man years of experience in Business Software and Consultancy services.

All the systems in operation are being completely re-built and the new systems are continuously being put into place. All systems shall be installed by 30th June, 1999 and shall be fully tested by 31st August, 1999. No old systems (which may have suffered from the Y2K problem) shall remain in place after 1st September, 1999.

The consultants are also drawing up a detailed contingency plan to avoid disruption of operations and/or other costs. These plans are to be finalised by 31st August, 1999. The consultants shall also be making available a team of experts around 1st January, 2000 to immediately act upon any unforeseen failure due to Y2K phenomenon.

The cost involved in this exercise is negligible as compared to the scale of operations of your Company.

Your Company does not critically depend upon any vendor, in a manner where the vendor's system being non-compliant would impact on the company's operations in any significant way.

