

# Think the world of us!

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Vaibhav Gems Limited

Annual Report 2005-06

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Vaibhav Gems is a fashion jewellery multinational of Indian origin with operations in more than 12 countries across 5 continents.



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The world of gemstones is not only full of shine and colours.  
It is full of opportunity as well.

Proposal. Marriage. Anniversary. Special moment.

Happiness has, is and will be most fittingly expressed  
through a gemstone or a piece of jewellery.

Vaibhav Gems is attractively placed to capitalise on this  
intrinsic human emotion.

The company is one of the fastest growing gemstones

and jewellery companies in the global fashion segment.  
And the largest exporter of coloured gemstones from  
India.

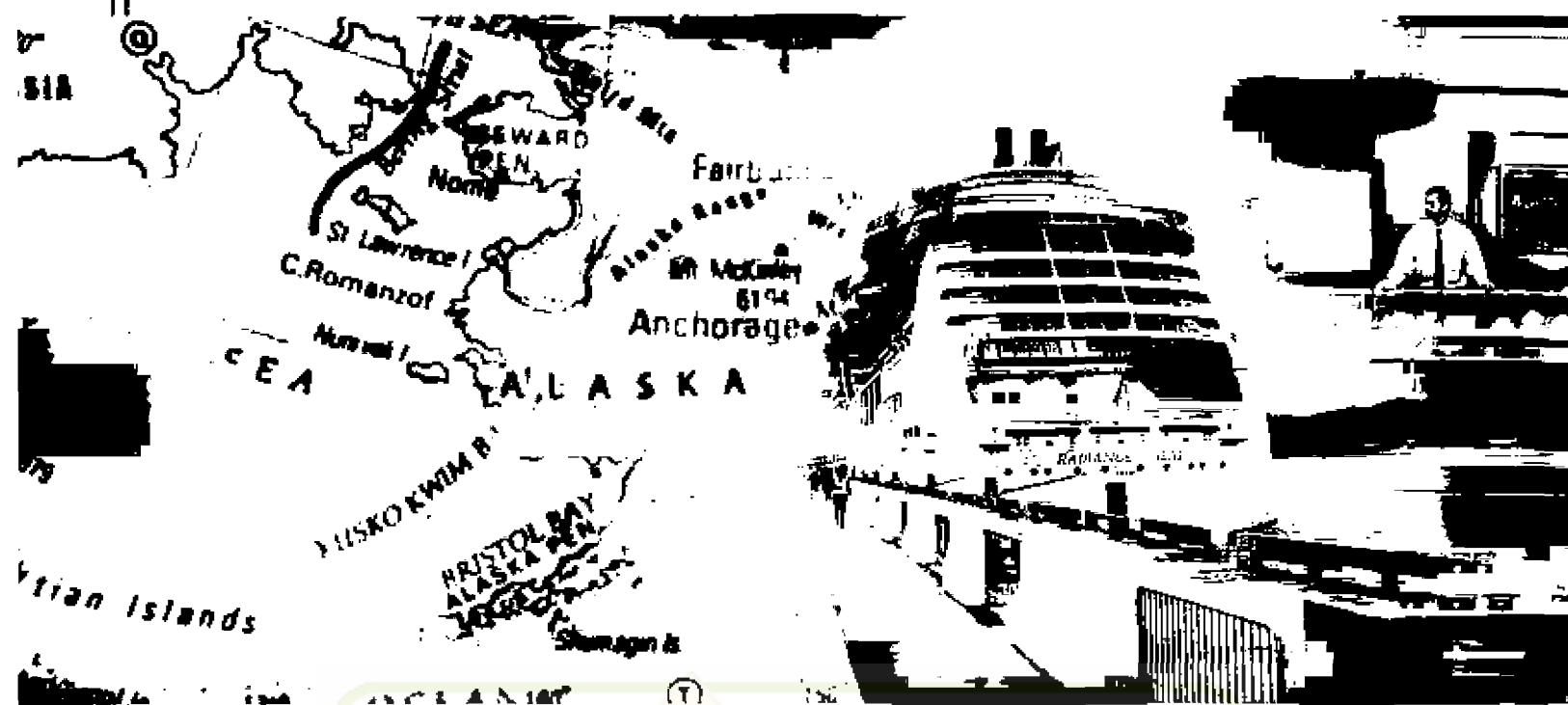
What makes it special in a select business is its most  
extensive presence straddling the entire value chain  
across the world.



Think the world of us!

The VGL presence: From mine to market





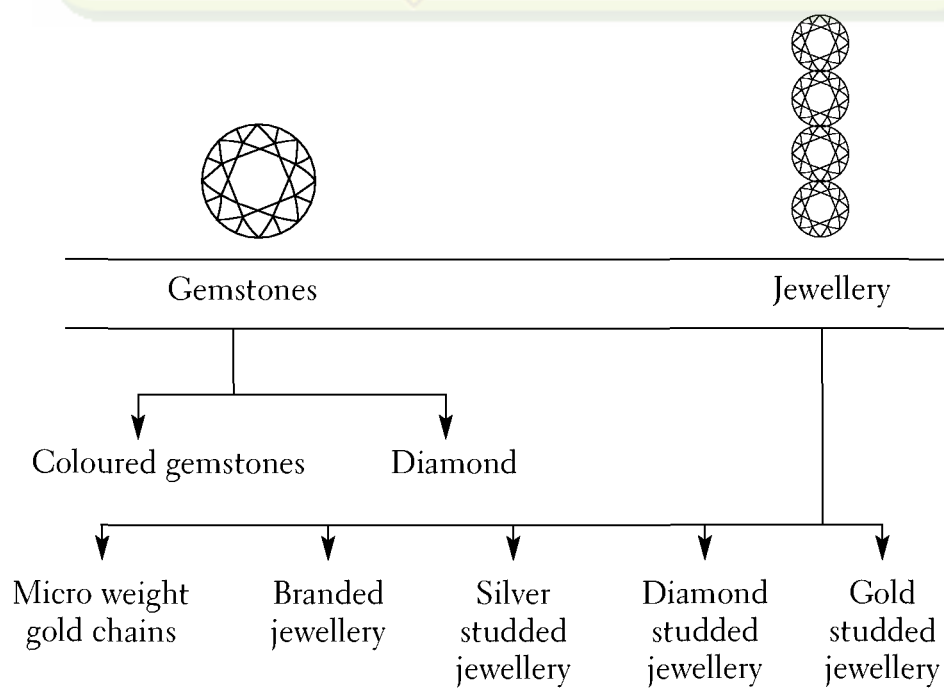


Fiona Ramirez has just walked into a stylish jewellery store at Alaska called GenoA Jewelers. She has zeroed in on the right gemstone - tanzanite - and must now blend it with the right jewellery type. She is fascinated by the delicate twist of the gold finger ring. But she is equally impressed with the bold curve of the silver ear rings.

*Vaibhav Gems can really make things difficult for its patrons.*



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At Vaibhav Gems, we believe that the global customer of today needs to be spoiled for choice.

In view of this, the company is not just a gemstone provider, it is gemstone-studded jewellery provider as well. Besides, the company is not just a jewellery provider, it is a provider of choice across gold and silver alternatives as well.

The methodical extension of what was once a small gemstone processing business into a comprehensive value chain has translated into a rich ability to identify potential winners at the nascent end of their growth cycle, forecast trends accurately and influence user as well as industry opinions.

Over the last two years, the company embarked on the following significant initiatives:

- In 2004-05, it leveraged its understanding of existing processes and practices; it extended into the production of diamond jewellery, widening the company's product range, increasing its coverage of price points and ability to reach out to a wider spread of global customers.
- In 2005-06, it acquired the STS Group of Companies that enjoyed an extensive presence in gold, silver-studded and branded jewellery. The STS Group manufactured and marketed Rhapsody, a range of exclusive jewellery targeted at the rapidly evolving high and mid-income

segments. By the virtue of this acquisition, the company acquired these brands and their respective distribution networks, the benefit of which will be available to the company from 2006-07 onwards.

- Besides, the company also expanded the presence of its retail chain GenoA Jewellers. Located in leading holiday destinations in the Caribbean, Mexico and Alaska, it addressed a well-to-do clientele. As on 31st March, 2006, the company operated 12 stores.
- Moreover, the newly formed Vaibhav Group also marketed products on the UK-based Jewellery TV channel (launched in April 2006) under the brand name of Iliana, FH (For Him) and Kara.

Through these initiatives, Vaibhav Gems emerged as one of the most exciting global proxies, positioned attractively to capture every demand upturn across diverse jewellery preferences and a number of countries.

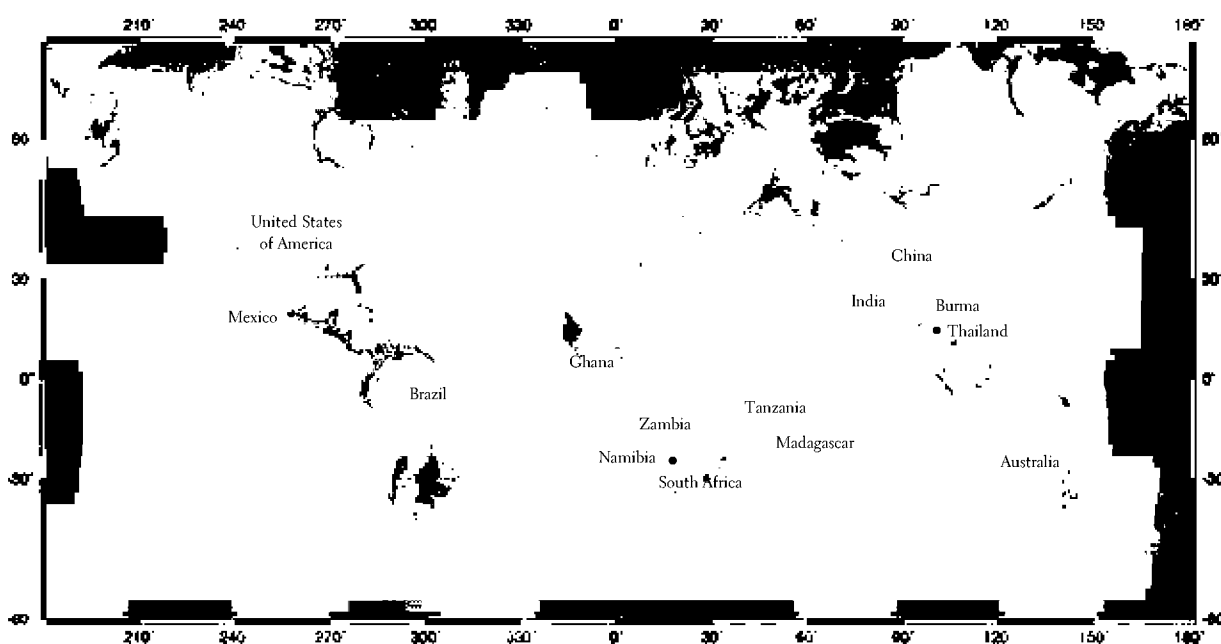




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**K**ipchoge Bikila, a mine owner near Arusha, Tanzania, analyses a quality stone he has found in one of the newly excavated mines. Months of rigour have paid off. When cleaned, refined and polished, it could be something really exciting.

*He immediately calls Vaibhav Gems.*



At Vaibhav Gems, we believe that most clients buy on trust; the trust that our creations are not just genuine but also fairly priced.

Over the years, we have vindicated this trust through a number of initiatives, primary among them being our ability to source coloured gemstones in a raw form directly from the mines. This direct access makes it easier to ascertain the quality of roughs, gemstones and diamonds based on a credible knowledge of their sources of mineral origin.

This practice of direct sourcing has helped the company eliminate the role of intermediaries, engage miners directly in product development, reduce costs, sample first-hand feedback and customise our selection of source material in line with evolving customer preferences in the marketplace.

These are how the benefits have played out for the company over the last number of years:

- The large scale procurement of roughs has translated into a significant cost advantage leading to the development of value-for-money products.
- The comprehensive product portfolio has helped the company enter into enduring relationships with broad-based mining companies, enabling the company to economically procure a variety of products at a single point.
- The company deals with hundreds of miners who possess vast terrestrial experience, enabling it to link

mineral characteristics with commercialisation prospects.

- The company is a respected sight holder for tanzanite, enabling it to emerge as a preferred bidder.
- The company was one of the earliest promoters of mandarin garnet, enjoying market visibility for more than a decade.
- On account of its knowledge of the US and European TV markets, the company was one of the few to take early positions in emerald, kunzite, fire opal and tsavorite as the company marketed these stones through TV programs. The company also marketed gemstones like fire opal, emerald and tsavorite garnet, already birthstones for October, May and January respectively. Kunzite was promoted on the basis of rarity and beauty.

Over the years, the company has also reinforced its ability to mobilise the widest variety of gemstones in the quickest time at the lowest cost through its locational coverage.