



# The Mission



Strive to be the best in our individual endeavors and make our organisation the best in the industry by

- **Exceeding Customer Expectations**
- **Commitment**
- **Positive Attitude**
- **Honesty**
- **Team Work**



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**Company Secretary**

Ashish Jain

**Auditors**

B. Khosla & Co., Jaipur

**Registrars & Share Transfers Agent**

Karvy Consultants Ltd., Hyderabad

**Registered Office :**

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

Tel. : 0141-2601020 • Fax : 0141-2603228

**Plants :**

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

Tel. : 0141-2601030 • Fax : 0141-2602010

E-68, EPIP, RIICO Ind. Area, Sitapura, Jaipur-303 905

Tel. : 0141-2770648 • Fax : 0141-277 0510

**14TH ANNUAL GENERAL MEETING**

Date	: 19 August, 2003
Day	: Tuesday
Time	: 10.00 AM
Place	: K-6B, Adarsh Nagar Fateh Tiba, Jaipur
Book Closure	: 16 to 19 August, 2003 (both days inclusive)



## MILESTONES ...

• 1980	Launching of Vaibhav Enterprises.
• 1984-85	Vaibhav Enterprises received 1st of its Highest Export Awards by GJEPC in Coloured Gemstones (Semi-Precious) Category.
• 1986-87	Highest Export Award by GJEPC in Coloured Gemstones (Semi-Precious) Category.
• 1989	Incorporation of Vaibhav Gems Limited, (VGL) on May, 8th, 1989.
• 1992-93	Highest Export Award by GJEPC in Coloured Gemstones (Semi-Precious) Category.
• 1994	VGL takes over Vaibhav Enterprises as a running concern in July, 1994.
• 1994-95	Highest Export Award by GJEPC in the Coloured Gemstones (Semi-Precious) Category.
• 1994-95	The State Award for Export Excellence by the Government of Rajasthan.
• 1995-96	Highest Export Award by GJEPC in the Coloured Gemstones Category.
• 1996-97	Maiden Public Issue of Rs. 709.50 Lacs which was over subscribed 1.85 times.
• 1996-97	Set-up a Studded Gold Jewellery manufacturing unit.
• 1996-97	Highest Export Award by GJEPC in the Coloured Gemstones Category.
• 1996-97	Export Company Award by the Institute of Marketing & Management, New Delhi.
• 1997-98	Highest Export Award by GJEPC in the Coloured Gemstones Category.
• 1998-99	Highest Export Award by GJEPC in the Coloured Gemstones Category.
• 1999-2000	Highest Export Award by GJEPC in Coloured Gemstones Category & Second Highest Export Award in Studded Gold Jewellery (DTA) Category.
• 1999-2000	Set-up a 100% EOU status at EPIP, Sitapura.
• 2000-01	Highest Export Award by GJEPC in Coloured Gemstones Category & Second Highest Export Award in Studded Gold Jewellery (DTA) Category.
• 2001-02	Highest Export Award by GJEPC in Coloured Gemstones Category.
• 2002-03	Crossed Rs. 100 crore landmark in Export Turnover.

*GJEPC : The Gem and Jewellery Export Promotion Council, Sponsored by Ministry of Commerce, Government of India.*

**DIRECTOR'S REPORT**

Dear Members,

Your Directors are pleased to present their 14<sup>th</sup> Annual Report on the state of your Company's affairs together with the audited accounts for the year ended March 31, 2003.

**FINANCIAL HIGHLIGHTS** (Rs. in Lacs)

	2002-03	2001-02
Sales and Other Income	10,101.82	9,071.92
Less : Cost of Sales	9,315.81	8,426.41
Operating Profit/PBDIT	786.01	645.51
Less : Interest	108.15	134.88
Less : Depreciation & Amortisation	71.00	76.58
Profit before taxes	606.86	434.05
Less : Provision for Taxes	29.08	32.08
Profit after taxes	577.78	401.97
Add/(Less) : Prior period adjustments	6.98	(1.02)
Net Profit for the year	584.76	400.95
Add : Balance brought forward from the previous year	2,370.74	2,265.00
<b>Total available for appropriations</b>	<b>2,955.50</b>	<b>2,665.95</b>
Appropriations :		
Proposed Dividend	168.97	145.21
Tax on Dividend	21.64	-
General Reserve	150.00	150.00
<b>Total</b>	<b>340.61</b>	<b>295.21</b>
<b>Balance to be carried forward</b>	<b>2,614.89</b>	<b>2,370.74</b>

**DIVIDEND**

The Board of Directors signified its intention to recommend a dividend of Rs. 1.50 (15%) per Equity Share for the financial year 2002-2003, at the time of issuing Bonus Shares, keeping in view the dividend of Rs. 2.75 paid for the year 2001-2002 on pre-bonus Capital. Later the Budget 2003 has imposed dividend distribution tax of 12.5% and a surcharge of 2.5% thereon.

Your Directors are pleased to recommend a dividend of Rs. 1.60 (16%) per Equity Share for the year 2002-2003. Actual payout considering the dividend distribution tax and surcharge shall be Rs. 1.805 per Equity Share as compared to Rs. 1.375 per Equity Share (adjusted to 1:1 Bonus Issue) of the previous year.

**YEAR IN RETROSPECT**

The gems & jewellery exports of India has registered a credible performance despite uncertainties like Iraq

war, which had an adverse effect on the already slowed down economy of US.

Your Company too has achieved a turnover of Rs. 10060 Lacs as compared to Rs. 9049 Lacs of the previous year crossing the Rs. 100 Crore mark for the first time. Turnover of jewellery has increased from Rs. 4132 lacs to Rs. 6847 Lacs. Total production value of gemstone division has also increased from Rs. 5539 Lacs to Rs. 6060 Lacs out of which production worth Rs. 2816 Lacs (Previous year Rs. 731 Lacs) has been used captively for jewellery manufacture.

Net profit of Rs. 578 Lacs as compared to Rs. 402 lacs of the previous year shows an improvement of 44% approximately.

**FINANCE**

Keeping in view the depreciation in US\$, the Company has switched over to availing the working capital facilities in US\$. This has resulted into a saving of Rs. 27 Lacs approximately in the interest cost.

With a view to reduce the overall cost of working capital funds, the Company has introduced State Bank of Bikaner and Jaipur as a consortium member to take over the share of IDBI Bank Ltd. for the working capital facilities.

**EXPANSION**

The Company has undertaken a substantial expansion of its manufacturing facilities at its Sitapura EOU unit. For this purpose a new state of art, centrally air-conditioned building having most modern surveillance, security and access control systems is under construction and is likely to be completed by end September 2003. The Company expects to reduce invisible losses considerably and thus resulting into substantial savings.

**INCREASE IN SHARE CAPITAL**

During the financial year 2002-2003, Company has issued 52,80,300 fully paid Equity Shares of Rs. 10/- each as Bonus Shares in the ratio of 1:1. Due to this, the issued, subscribed and paid up capital of the Company has increased from 5,28,03,000 to Rs. 10,56,06,000 as at 31<sup>st</sup> March 2003.

**AWARDS**

The Company has continued to win the coveted GJEPC Export Awards and has won its 8<sup>th</sup> award in succession in coloured Gems Stones. In jewellery exports, since the Company's exports now falls in EOU/EPZ category, where the competition is from diamond jewellery units of SEEPZ, your Company could not stake its claim in that category.



**PROSPECTS**

Your Company has been able to post approximately 22% growth in sales at Rs. 3202 Lacs for the first quarter ended on 30<sup>th</sup> June 2003 as compared to Rs. 2633 lacs of the corresponding period of the previous year.

The Government of India has announced some concessions and relaxation for the Gems and Jewellery industry in it's Budget for year 2003-2004 and in Export and Import policy 2002-2007, which will definitely support the Gems and Jewellery Industry as a whole.

As the Iraq war is over and fear of SARS has subsided considerably, the Company expects to better the results further in the forth-coming periods.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**A. CONSERVATION OF ENERGY**

The Company has a policy of identifying areas of energy conservation and implements the same immediately. The impact of above measures however cannot be measured objectively.

**B. TECHNOLOGICAL ABSORPTION**

The Company is having in-house Research and Development Team, continuously working for better and efficient Gems and Jewellery production process and designs. The Company has not imported any technology for its manufacturing process and therefore the question adaptation/absorption does not arise.

**C. FOREIGN EXCHANGE EARNINGS & OUTGO**

The Company is exporting coloured gemstones and Studded Gold Jewellery. It is continuously focussing on newer markets with bulk demands to avail economies of scale. The Company has very ambitious plans to increase its exports by tapping new markets. The foreign exchange earnings and outgo (FOB basis) of the Company is as follows:

	2002-03	2001-02
	Rupees	Rupees
Earnings	1,00,81,77,107	87,44,86,550
Outgo	52,09,70,288	48,76,71,362

**DIRECTORS**

Shri Sunil Agrawal, due to his occupations abroad, has expressed his inability to continue as Managing Director and has relinquished the office of Managing Director with effect from July 30, 2002. He continues as Chairman of the Company.

Mr. Rahimullah was appointed as Managing Director by the Board at its meeting held on 30<sup>th</sup> July 2002 and shareholders approved the appointment at the 13<sup>th</sup> Annual General Meeting held on 2<sup>nd</sup> September 2002.

As per Article 61 of Articles of Association of the Company, Shri Anandi Lal Roongta and Shri Sanjeev Agrawal, retire by rotation at the ensuing Annual General Meeting. Being eligible, they offer themselves for reappointment.

**PARTICULARS OF EMPLOYEES**

There were no employees in the Company employed throughout the year and in receipt of remuneration more than Rs. 24,00,000/- per annum or employed part of the year and in receipt of remuneration more than Rs. 2,00,000/- per month. As such, disclosure of particulars required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect of the Directors' responsibility statement, it is hereby confirmed :

- i. That in the preparation of the annual accounts for the financial year ended March 31, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departure.
- ii. That the directors have adopted such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and profit and loss account of the company for that period.
- iii. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.



- iv. That the directors have prepared the annual accounts on a going concern basis.

### APPRECIATION

Your directors are extremely grateful to the Company's customers, vendors, investors and bankers for their continued support during the year, which enabled the Company to maintain the high level of growth.

Your Director's also place on record their appreciation of the contribution made by employees, at every level. The growth of the Company was possible due to their active support, dedication and solidarity towards the Company.

On behalf of the Board of Directors

**Sanjeev Agrawal**  
Director

**Ikramullah**  
Executive Director

Jaipur, 30th June, 2003

## MANAGEMENT DISCUSSION AND ANALYSIS

### *i. Industry structure and developments*

The Indian gems & Jewellery industry has been regarded as one of the largest gems and jewellery industry in the world. In value terms, the country accounts for approximately 55 percent of global polished diamond market and nearly 9 percent of the jewellery market.

The financial year 2002-2003 witnessed various uncertainties in the form of slowdown in the US economy, middle east tensions resulting into Iraq war etc. After reaching Rs. 49.06 in May 2002, the US \$ has been weakening against Rupee and stood at Rs. 46.70 at the end of June 2003, indicating a depreciation of 4.81% over this period.

Gems and Jewellery exports from India in 2002-2003 stood at US\$ 9106 millions as compared to US\$ 7533 millions in 2001-2002, recording an increase of 20.88% in spite of adverse conditions. Export of Coloured gemstones witnessed 5.08% increase to US\$ 192 millions from previous comparable period's US\$ 183 millions. The gold jewellery export rose to US\$ 1512 millions from US\$ 1167 millions in the previous year. The adequate support provided by the Government in Budget and EXIM policy has paved the way for the Indian gems and jewellery industry to look forward for the leadership position in the global market.

### *ii. Opportunities and threats*

The Company enjoys unstinted confidence from its valued customers for providing superior quality products. In order to meet the challenging market realities, your Company has been following the philosophy of providing the highest quality products at most economical prices. Your Company faces the challenge of normal market competition from domestic as well as International companies especially in South Asian countries in its existing business of exporting coloured gemstones and gold studded jewellery. Keeping in view the strong consumer base and expertise acquired, it definitely has a competitive edge.

### *iii. Segment-wise performance*

Production value has shown improvements in both segments. Production value of gemstones has increased from Rs. 5539 lacs to Rs. 6060 lacs (increased by 9.4%) of which Rs. 2816 lacs (previous year Rs. 731 lacs) has been used for Jewellery production. Similarly the turnover of jewellery segment has increased from Rs. 4228 lacs to Rs. 6809 lacs (increased by 61.05%) which includes a value addition of Rs. 3993 lacs (previous year Rs. 3497 Lacs).

The Company has continued its emphasis on increasing exports of Studded Gold Jewellery, as the contribution is higher in this segment. The ratio between Gems and Jewellery, which was 53:47, has changed to 32:68.

Total exports have amounted to Rs. 10,018 lacs (Previous Year Rs. 8949 lacs) and Domestic Sales Rs 51.64 lacs (Previous year Rs. 101 lacs). Exports now constitute 99.59% of total sales as against 98.88% of previous year.

Although Employees costs have increased in proportion to the increase in production, the Company has been able to reduce Job work charges and other manufacturing expenses. Stores and consumables are incurred mainly in Jewellery manufacturing and are generally incurred in proportion to production.

The Company has been able to check the controllable costs viz. Bank Charges, Insurance, Post and Telephones. Interest cost has also been reduced by Rs. 27 lacs approximately.

### *iv. Outlook*

The Government of India has announced some concessions to Gems and Jewellery Industry such as:

- Period of utilisation of raw materials prescribed for EOUs increased from 1 year to 3 years.
- Gems and Jewellery EOUs are now being permitted sub-contracting in DTA.



- Export/Import of all products through post parcel/courier by EOUs allowed.
- EOUs will now allowed to sell all products including Gems and Jewellery through exhibitions and duty free shops set up abroad.
- Foreign bound passengers allowed to carry goods from EOUs to promote trade, tourism and exports.

With the stand off in Iraq and fear of SARS being over, the Industry outlook appears to be positive.

**v. Risks and concerns**

Your Company is engaged in the field of exporting coloured gemstones and gold studded jewellery. This business is entirely dependent on international market and economic conditions, which are subject to change frequently.

Being an Exporter Company, it is also exposed to the risk of foreign exchange fluctuations. However these risks are normal business risks and in the last few years, the Company has built up a strong portfolio of business assets and requisite financial strength to tackle these normal business risks. To address the risk of foreign Exchange fluctuation the Company has balanced the inflow and outflow of foreign exchange with forward contracts and borrowing in foreign currency.

Most of the customers of the Company have a sound financial track record and dealing with the Company for a long time.

The Company has a separate jewellery designing department for jewellery designing according to latest international requirements and for conducting research and development in jewellery designing & techniques.

**vi. Internal control systems and their adequacy**

The Company has an internal control system that is geared towards achieving efficiency in operations, optimum utilisation of resources, effective monitoring and compliances with all applicable laws and regulations. An extensive programme of internal audits, reviews by management and documented policies, guidelines and procedures, supplements the internal control

systems that are designed to ensure reliability of financial and all other records to prepare financial statements and other data, and to maintain accountability of assets.

**vii. Financial**

Traditionally, the Company's financial management has been governed by prudent and conservative policies. In fact, the financial strength of the Company today must be seen in the backdrop of this conservatism of the past, which is essential in an industry characterized by its capital intensive and cyclical nature.

Facilitated by lower inflation, interest rates continued to soften during the year. RBI reduced the bank rate from time to time. At its present level the interest rate is at its lowest since 1973.

**viii. Material developments in human resources/ industrial relations front, including number of people employed**

The growth of a Company depends upon the growth & quality of its human resources. The Company takes immense pride in providing an equal opportunity work environment, and places great emphasis on identifying and nurturing the talent. The company believes in empowering colleagues through greater knowledge, opportunity, responsibility, accountability and reward.

Your Company has moved towards key result area oriented performance appraisal system and a performance linked incentive scheme. It encourages individuals to go beyond the scope of their work, undertake voluntary projects that enable them to learn and contribute innovative ideas in meeting goals of the Company.

It has been the Company endeavour to build a strong relationship with everyone associated with the Company and this object has been achieved.

Your Director's take this opportunity to thank all the employees of the Company for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees is responsible for this rapid growth of the Company.

**CAUTIONARY STATEMENT**

*All statements that address expectations or projections about the future, product development, market position, expenditures and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future conditions. The Company cannot guarantee about the accuracy of these assumptions and expectations. Therefore actual performance may differ from the projected performance as there are certain factors affecting the Company's performance such as international market conditions, Government policies & Laws, changes in the economic conditions affecting demand and supply etc. The Company does not take any responsibility to change/modify any forward looking statement on the basis of any subsequent developments or events.*



## CORPORATE GOVERNANCE

**1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Vaibhav Gems Limited believes that for a Company to succeed on a sustained basis, it must maintain global standards of corporate conduct towards its employees, consumers and society. It has always focused on good corporate governance which is a key driver of sustainable corporate growth and long term value creation for our shareholders.

The Company's philosophy on the Code of Corporate Governance is:

- (i) To ensure that the best possible team is in place at the helm of affairs of the Company;
- (ii) To ensure that the Board retains its objectivity with non-executive directors who are independent and represent the interest of shareholders;
- (iii) To ensure that adequate control systems exist to enable the Board to effectively discharge its responsibilities to the stakeholders;
- (iv) To ensure the fullest commitment of the Management and the Board to the maximization of shareholder value;
- (v) To ensure that the Company follows globally recognized corporate governance practices.

**2. BOARD OF DIRECTORS**

The composition of the Board of Directors of the Company represents an appropriate mix of executive and independent directors to maintain the independence of the board, and to separate the board functions of Governance and management. To ensure the independence of the board, the members of the Audit committee, Remuneration Committee and the Shareholder's/Investor's Grievance committee are composed entirely of Independent Directors.

During the Financial Year ended on March 31, 2003 the Board of Directors of the Company held 10 meetings of the Board.

The meetings were held on April 22, 2002, April 30, 2002, July 1, 2002, July 30, 2002, August 31, 2002, October 31, 2002, December 9, 2002, December 14, 2002, January 7, 2003, February 26, 2003. The maximum interval between any two meetings was 2 months.

The information required to be given in terms of Annexure 1 to Clause 49 of the Listing Agreement were circulated to all the Directors with Detailed Agenda Notes. The Directors, including the Non-Executive Directors, actively participated at the Board Meetings. All the resolutions were passed unanimously at the Board meetings.

**Other details required in terms of Clause 49 of listing Agreement :**

Name of the Director	Category	Board meetings attended during the year	Whether attended last AGM	No. of other Director-ship	No. of member-ship of board commi-ttees	No. of Board commi-ttees for which chair-person
*Mr. Sunil Agrawal	Chairman and Non-executive Director	4	Yes	3	Nil	Nil
*Mr. Rahimu-llah	Non-independent Managing Director	10	Yes	2	Nil	Nil
Mr. Ikramu-llah	Non-independent Executive Director	10	Yes	1	Nil	Nil
Mr. A.L. Roongta (Retd. IAS)	Independent Non-executive Director	8	Yes	2	3	1
Mr. Nirmal Kumar Bardiya	Independent Non-executive Director	6	Yes	2	2	Nil
Mr. Rajiv Jain	Independent Non-executive Director	7	No	2	1	Nil
Mr. Sanjeev Agrawal	Independent Non-executive Director	7	Yes	3	3	Nil
Mr. Suresh Punjabi	Independent Non-executive Director	0	No	1	3	1

\* Mr. Sunil Agrawal vacated the office of Managing Director w.e.f. July 30, 2002 but continued as Chairman.

\* Mr. Rahimullah was appointed as Managing Director w.e.f. July 30, 2002. His Appointment was approved by the shareholders at Annual General Meeting held on September 2, 2002.

**3. COMMITTEES OF THE BOARD****Audit Committee****Terms of Reference**

The terms of reference of the Audit Committee include the following:

- Reviewing the Company's financial reporting process and the disclosure of its financial information
- Recommending the appointment and removal of statutory auditors, fixation of audit fees and also to approve payment for other services.
- Reviewing the quarterly and annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements concerning financial statements.



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- Reviewing the adequacy of internal control systems and internal audit function, ensuring compliance of internal control systems and reviewing the Company's financial and risk management policies.
- Reviewing the reports furnished by the internal auditors and statutory auditors and ensure suitable follow up thereon.

### Composition of Committee, no. of meetings and attendance during the year

The audit committee consists of 4 members who all are independent non-executive directors.

Name of the Director	Position held in the Committee	No. of Meetings Attended
Mr. Anandi Lal Roongta	Chairman	4
Mr. Sanjeev Agrawal	Member	4
Mr. Suresh Punjabi	Member	Nil
Mr. Rajiv Jain	Member	4

The committee held its meetings on April 26, 2002, July 1, 2002, October 30, 2002, and January 7, 2003. The maximum time gap between two meetings was 3 months and 29 days.

### Remuneration Committee

#### Terms of Reference

The broad terms of reference of the Remuneration Committee is to determine on behalf of the Board and on behalf of the shareholders, the remuneration to be paid to Executive director/Managing director & Other Directors, Policy in respect of Annual Increment, perquisites and commission to be paid to the Company's Managing Director/Executive Director and other senior officials of the Company, within the overall ceiling fixed by the Board. Now as per requirements of the Schedule XIII, Payment of remuneration to Managing Director, Executive Director and Manager under Schedule XIII is required to be approved by the Remuneration committee by passing an appropriate resolution.

### Composition of Committee and attendance during the year

Name of the Director	Position held in the Committee	No. of Meetings Attended
Mr. Suresh Punjabi	Chairman	Nil
Mr. A. L. Roongta	Member	2
Mr. Sanjeev Agrawal	Member	2
Mr. Nirmal Kumar Bardiya	Member	1

During the year, the committee members meet twice on July 30, 2002 and Feb. 20, 2003.

### Remuneration of Directors during the Year 2002-03 :

Name of Director	Sitting Fees	Salary	Total	Terms
Sunil Agrawal*	2,000	1,58,710	1,60,710	Retirement by rotation
A.L. Roongta	8,000	NA	8,000	Retirement by rotation

N.K. Bardiya	6,000	NA	6,000	Retirement by rotation
Rajiv Jain	7,000	NA	7,000	Retirement by rotation
Sanjeev Agrawal	7,000	NA	7,000	Retirement by rotation
Suresh Punjabi	Nil	NA	Nil	Retirement by rotation
Ikramullah	NA	3,00,000	3,00,000	Contractual
Rahimullah	NA	4,60,161	4,60,161	Contractual

The contractual appointment was for the period of 5 years from the date of appointment, which may be terminated, by a notice of three months on either side.

\* Mr. Sunil Agrawal vacated the office of Managing Director w.e.f. July 30, 2002 but continued to remain as Chairman.

### Shareholder's / Investor's Grievance Committee

#### Reference

The broad terms of reference of the Shareholder's/ Investor's grievance committee include the monitoring of performance of share transfer committee, keeping track on the shareholder's complaints received and resolved, ensuring timely payment of dividend to Shareholders etc.

#### Committee Members

Name of the Director	Position held in the Committee	No. of Meetings Attended
Mr. Sanjeev Agrawal	Chairman	1
Mr. Anandi Lal Roongta	Member	1
Mr. Suresh Punjabi	Member	Nil
Mr. Nirmal Kumar Bardiya	Member	1

During the year the committee held its meeting on 21<sup>st</sup> February 2003 to discuss the performance of the share transfer committee, shareholders complaints received and resolved, Payment of Dividend to shareholders etc.

### Name & Designation of the Compliance Officer

Mr. Girdhari Lal Sharma : Deputy General Manager (Accounts & Finance)

### Details of shareholders/Investors complaints received

Nature of complaints/requests	Opening	Receipt	Resolved	Pending
Change of Address	Nil	6	6	Nil
Dividend	Nil	4	4	Nil
Relating to transfer, transmission etc.	Nil	4	4	Nil
Demat-Remat	Nil	1	1	Nil
Non-receipt of share certificates	Nil	3	3	Nil
Non receipt of Bonus Shares	Nil	5	5	Nil
Others	Nil	1	1	Nil
<b>Total</b>	Nil	24	24	Nil

These are routine complaints and are redressed at the earliest. The Share Transfer Committee reviews the action taken on routine complaints. On and



average the problems were solved within 7 days of the receipt.

#### PROCEDURE AT COMMITTEE MEETINGS OF BOARD

Committee meetings are held in same manner as of the Board meetings as far as may be practicable. Minutes of all the committee meetings are circulated to the Members of the Board, as an Agenda of Board Meeting, for their information and noting.

#### 4. GENERAL BODY MEETINGS

##### Date, time and venue of the last three Annual General Meetings:

Year	Date	Time	Venue
1999-00	August 12, 2000	4:00 P.M.	K-6B, Fateh Tiba, Adarsh Nagar Jaipur-302 004
2000-01	Sept. 26, 2001	10:00 A.M.	K-6B, Fateh Tiba, Adarsh Nagar Jaipur-302 004
2001-02	Sept. 2, 2002	10:00 A.M.	K-6B, Fateh Tiba, Adarsh Nagar Jaipur-302 004

##### Date, Time and Venue of the Extra-Ordinary General Meetings held during the year

Year	Date	Time	Venue
2002-03	Oct. 16, 2002	4:00 P.M.	K-6B, Fateh Tiba, Adarsh Nagar Jaipur-302 004
2002-03	Nov. 25, 2002	4:00 P.M.	K-6B, Fateh Tiba, Adarsh Nagar Jaipur-302 004

##### Special Resolutions passed in General Meetings :

Date of Meeting	Subject matter of Resolution
August 12, 2000	Nil
September 26, 2001	1. Appointment of Mr. Sunil Agrawal as Chairman & Managing Director of the Company. 2. Appointment of Mr. Ikramullah as Executive Director of the Company. 3. Voluntary delisting of shares from Ahmedabad Stock Exchange and Delhi Stock Exchange.
September 2, 2002	1. Increase in authorised capital to Rs. 16 Crore form Rs. 5.50 Crore. 2. Appointment of Shri Rahimullah as Managing Director of the Company. 3. Alteration of provisions of articles relating to common seal provisions .
November 25, 2002	Voluntary Delisting of securities form Delhi & Ahmedabad Stock Exchange.

During the financial year 2002-03 no resolution was put through postal ballot.

#### 5. DISCLOSURES

- For disclosure regarding related party transactions please refer to note no. 13 of Notes on Accounts (Schedule XXII).
- The Company has complied with the requirements of regulatory authorities i.e. Stock

Exchanges, SEBI and other Statutory Authorities related to Capital Markets during the year.

#### 6. MEANS OF COMMUNICATION OF UNAUDITED/AUDITED FINANCIAL RESULTS

The Company is regular in intimating unaudited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. Further, wide coverage is given for the benefit of the shareholders and public by publication of the Financial Results in the Economic Times and Dainik Bhaskar. In addition to that, financial results are also displayed on web site [www.vaibhavgems.com](http://www.vaibhavgems.com).

#### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

*To the Members of Vaibhav Gems Limited*

We have examined the compliance of conditions of corporate governance by VAIBHAV GEMS LIMITED, for the year ended 31<sup>st</sup> March, 2003, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the Company as per the information and explanations provided by the Shareholders/Investors' Grievance Committee and the Registrar and Share Transfer Agent of the Company.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **B. KHOSLA & CO.**  
*Chartered Accountants*

**G. G. MUNDRA**  
*Partner*

Jaipur, 30th June, 2003



## GENERAL INFORMATION TO SHAREHOLDERS AND INVESTORS

### (a) Financial Calendar :

(Tentative and subject to change)

Financial reporting for the quarter

- ending June 30th, 2003 – end July, 2003
- ending Sept. 30th, 2003 – end Oct., 2003
- ending Dec. 31st, 2003 – end Jan., 2004
- ending March 31st, 2004 – end April, 2004

### (b) Dividend Payment Date :

20th August, 2003 onwards

### (c) Stock Exchanges where listed and Stock code :

1. The Stock Exchange, Mumbai (532156)
2. The Stock Exchange, Ahmedabad (64574)
3. The Delhi Stock Exchange Association Ltd. (9008)
4. Jaipur Stock Exchange Limited (987)

### (d) ISIN Code No. INE884A01019

### (e) Share Price Data and its comparison with BSE Sensex

Month	Sensex		VGL		Volume at BSE
	High	Low	High	Low	
April 02	3,538.49	3,296.88	27.40	21.00	22,597
May 02	3,478.02	3,097.73	26.75	17.85	30,363
June 02	3,377.88	3,148.57	30.00	20.00	47,778
July 02	3,366.74	2,932.35	55.60	27.25	2,39,351
Aug. 02	3,185.08	2,931.78	62.90	41.90	1,04,376
Sept. 02	3,227.62	2,973.97	63.00	43.05	66,286
Oct. 02	3,038.92	2,828.48	48.95	42.40	8,774
Nov. 02	3,245.98	2,928.63	51.00	24.00*	21,203
Dec. 02	3,413.83	3,186.62	26.00*	22.05*	16,691
Jan. 03	3,416.92	3,199.18	27.00*	21.55*	12,175
Feb. 03	3,341.61	3,218.37	23.25*	17.50*	10,595
Mar. 03	3,311.57	3,039.83	25.50*	17.30*	1,23,268

\* Ex 1:1 Bonus issue dated 14th December, 2002

### (f) Registrar & Share Transfer Agent :

Karvy Consultants Limited,  
'Karvy House'  
46, Avenue 4, Street No. 1  
Banjara Hills, Hyderabad-500 034

### Share Transfer System

All share transfers in physical form and other matters related to shares are dealt by Karvy Consultants Limited, Hyderabad, our Registrar and Share Transfer Agents. Presently the share transfers received in physical form are processed and registered within 30 days from the date of receipt

subject to the documents being valid and complete in all respects. As per SEBI guidelines, facility of transfer cum Demat option is provided to transferee wherein he has the option to receive the shares after transfer in physical form or in D-mat form as opted by him. Share transfer in D-mat Mode are controlled by Depositories.

### (g) Distribution of shareholding as on March 31, 2003

Distribution of Shareholding according to no. of shares

No. of Equity Shares Held	Number of shares held	% of shareholding	Number of shareholders	% of shareholders
1 to 100	9717	0.09	139	15.29
101 to 200	41,667	0.39	212	23.32
201 to 500	75,463	0.71	192	21.12
501 to 1000	1,25,835	1.19	151	16.61
1001 to 5000	3,54,321	3.36	149	16.39
5001 to 10000	1,74,642	1.65	25	2.75
10001 and above	97,78,955	92.60	41	4.51
<b>TOTAL</b>	<b>1,05,60,600</b>	<b>100.00</b>	<b>909</b>	<b>100.00</b>

### (h) Dematerialization of Shares and Liquidity

About 95.60% of the Total shares of the Company have been dematerialized as on March 31, 2003. The Company's shares were available for dematerialization with effect from November 25, 1999. Trading in Equity shares of the Company is permitted only in dematerialised form. In view of the numerous advantage offered by the Depository system, members are requested to avail of the facility of the dematerialisation of the Company's shares.

### (i) ECS Mandate

Company is providing the facility of ECS as per the stipulated guidelines issued by RBI. ECS mandate form is attached with the Annual Report.

### (j) Company has not issued any ADRs/GDRs/Warrants or any convertible instruments.

### (k) Address for correspondence :

Shareholders correspondence should be addressed to the Company's Registrar & Share Transfer Agent at the address given in (f) above.

Shareholders can also contact the Compliance Officer :

Shri Girdhari Lal Sharma  
Dy. General Manager – Accounts and Finance  
K-6B, Adarsh Nagar, Fateh Tiba  
Jaipur-302 004.  
Tele. : +91-141-2601020 (extn. 205)  
Fax : +91-141-2603228  
email : gls@vaibhavgems.com

**AUDITORS' REPORT**

To the Shareholders of  
**VAIBHAV GEMS LIMITED, Jaipur**

We have audited the attached Balance Sheet of **VAIBHAV GEMS LIMITED** as at 31<sup>st</sup> March 2003 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Companies Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matter specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above :
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company

so far as appears from our examination of the books of accounts;

- (c) The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion, the Profit and Loss account and the Balance Sheet of the company comply with the Accounting Standards as referred in Sub-Section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- (e) As per information and explanations given to us, none of the directors of the Company are disqualified from being appointed as a director under clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to explanations given to us, the said accounts, read together with Significant Accounting Policies and Notes to Accounts, give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) In case of Balance Sheet, of the state of the affairs of the Company as at 31<sup>st</sup> March, 2003;
  - (ii) In case of Profit and Loss Account, of the **PROFIT** of the Company for the year ended on that date; and
  - (iii) In case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **B. KHOSLA & CO.**  
**Chartered Accountants**

**G. G. MUNDRA**  
Partner

Jaipur, 30th June, 2003

**ANNEXURE TO THE AUDITORS' REPORT**

*(Referred to in paragraph (1) of our report of even date)*

1. The Company has maintained proper records of all Fixed Assets from 1<sup>st</sup> April 1998 showing full particulars including quantitative details and location thereof. As regarding Fixed Assets acquired prior to above date, the Company has compiled only item-wise lists of its fixed assets. The value shown by these list generally tallies with the gross value shown in the books of accounts. Further, we are informed that during the year the management has physically verified these assets and no material discrepancies were noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The stock of finished goods, semi-finished goods, spare parts and raw materials have been physically verified during the year by the management except for certain stock with third parties which we are informed by the management could not be verified due to practical difficulties. In our opinion, the frequency of verifications is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.



5. According to information and explanation given to us, the discrepancies noticed on physical verification of stock as compared to books records are not material and same have been properly dealt with in the books of Accounts.
6. Considering various types of raw material and peculiar nature of stock and manufacturing process used by the Company and relying to explanations and information given to us, we are of the opinion that valuation of closing stock is fair and proper in accordance with normally accepted accounting principles and is on the same basis as followed in preceding year.
7. In our opinion the rate of interest and other terms and condition on which loans have been taken from companies, firms, other parties listed in register maintained under Section 301 of the Companies Act, 1956, are in our opinion not prima-facie prejudicial to the interest of the Company. There is no loan taken from the Companies under the same management as defined under Sub-section (1B) of Section 370 of the said Act.
8. The Company has not granted any loan to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 and to the companies under the same management as defined under Section (1B) of Section 370 of the said Act.
9. The parties and employees to whom loans and advances in the nature of loan have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable. However, Company had given a loan in a case where principal amount and interest is not being received as stipulated, adequate provision and reasonable steps have been taken by the Company for recovery of principal and interest.
10. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with size of the Company and the nature of its business with regard to the purchases of stores, raw materials including components, Plant & Machinery, equipments and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of purchases of goods and material and sale of goods, material and services made in pursuance of contracts or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable, having regard to the prevailing market prices at which transaction for similar goods or service have been made with other parties.
12. As explained to us, the Company has a regular procedure to determine unserviceable or damage stores, raw material and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. According to the information and explanations given to us, the Company has not accepted any deposit to which provision of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.
14. The sale or disposal of scrap is not significant and the Company's production process does not generate any realisable by-products.
15. The internal audit work is entrusted to a firm of Chartered Accountants and in our opinion the same is commensurate with the size of the Company and nature of its business.
16. Maintenance of cost records under Section 209 (1) (d) of the Company Act, 1956 has not been prescribed by the Central Government for the Company.
17. In our opinion, and as per information and explanations given to us the Company is regular in depositing of the Employees State Insurance and the Provident Fund dues with appropriate authorities.
18. According to the information and explanations given to us no undisputed amounts payable in respect of Income Tax, Sales Tax, Custom Duty and Excise Duty were outstanding at 31<sup>st</sup> March, 2003 for the period of six month from the date it becomes payable.
19. According to the information and explanations given to us no personal expenses of employees or director have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not Sick Industrial Company within the meaning of Clause (O) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.
21. In respect of the trading activities, it is explained that the Company has a system of determination of damaged goods and provision for loss/write off has accordingly been made.

**For B. KHOSLA & CO.**  
Chartered Accountants

**G. G. MUNDRA**  
Partner

Jaipur, 30th June, 2003

**Balance Sheet as at 31<sup>st</sup> March, 2003**

	Schedule	As at 31st March, 2003		As at 31st March, 2002	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	I	10,56,06,000		5,28,03,000	
Reserves & Surplus	II	34,11,34,122	<b>44,67,40,122</b>	35,45,22,699	40,73,25,699
<b>Loan Funds</b>					
Secured Loans	III	16,45,72,839		14,00,48,068	
Unsecured Loan	IV	26,60,000	<b>16,72,32,839</b>	1,96,32,395	15,96,80,463
<b>Deferred Tax Liability</b>					
			<b>7,94,005</b>		8,85,686
<b>Total</b>			<b>61,47,66,966</b>		<b>56,78,91,848</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	V	8,68,37,421		8,47,85,638	
Less : Accumulated Depreciation		3,67,61,764		3,02,08,686	
Net Block		5,00,75,657		5,45,76,952	
Capital Work-in-progress		15,40,000	<b>5,16,15,657</b>	—	5,45,76,952
<b>Investments</b>					
	VI		<b>58,97,400</b>		56,80,400
<b>Current Assets, Loans &amp; Advances</b>					
Stock-in-Trade	VII	26,19,22,568		19,36,30,812	
Sundry Debtors	VIII	38,39,59,532		34,04,93,468	
Cash & Bank Balance	IX	1,93,35,297		1,20,62,851	
Loans & Advances	X	1,47,21,109		1,45,90,752	
		67,99,38,506		56,07,77,883	
<b>Less : Current Liabilities &amp; Provisions</b>					
Current Liabilities	XI	10,10,98,625		3,66,74,384	
Provisions	XI	2,20,61,883		1,74,20,825	
		12,31,60,508		5,40,95,209	
<b>Net Current Assets</b>					
			<b>55,67,77,998</b>		50,66,82,674
<b>Miscellaneous Expenditure</b>					
	XII		<b>4,75,911</b>		9,51,822
<b>Total</b>			<b>61,47,66,966</b>		<b>56,78,91,848</b>
<b>Notes on Accounts</b>					
	XXII				
<b>Significant Accounting Policies</b>					
	XXIII				

As per our report of even date

For and on behalf of  
**B. KHOSLA & CO.**  
Chartered Accountants

**SANJEEV AGRAWAL**  
Director

**IKRAMULLAH**  
Executive Director

**G. G. MUNDRA**  
Partner

**G. L. SHARMA**  
Dy. Gen. Manager (A/cs & Fin.)

**ASHISH JAIN**  
Company Secretary

Jaipur, 30th June, 2003

Jaipur, 30th June, 2003

**14th Annual Report 2002-03****Profit and Loss Account for the Year ended 31<sup>st</sup> March, 2003**

	Schedule	Year ended 31st March, 2003 Rupees	Year ended 31st March, 2002 Rupees
<b>TURNOVER</b>			
Sales (Net of Returns)	XIII	1,00,60,03,030	90,49,15,901
Other Income	XIV	41,78,939	22,75,598
		<b>1,01,01,81,969</b>	<b>90,71,91,499</b>
<b>EXPENDITURE</b>			
Materials Costs	XV	81,00,82,501	70,23,50,143
Semi Finished & Finished Goods	XVI	1,33,65,548	3,76,70,400
Manufacturing Expenses	XVII	3,84,07,217	4,13,35,217
Employees Costs	XVIII	4,25,61,448	3,43,98,957
Administrative & Selling Expenses	XIX	2,71,64,318	2,68,86,451
Interest	XX	1,08,14,627	1,34,87,535
		<b>94,23,95,659</b>	<b>85,61,28,703</b>
<b>Profit before Depreciation and Amortisation</b>		<b>6,77,86,310</b>	<b>5,10,62,796</b>
Depreciation	V	66,23,991	71,81,459
Amortisation of Deferred Revenue Expenditure		4,75,911	4,75,909
<b>Profit for the year before Tax</b>		<b>6,06,86,408</b>	<b>4,34,05,428</b>
Provision for Income Tax		30,00,000	29,00,000
Net Deferred Tax Charge/(Credit) for the year		(91,681)	3,07,936
<b>Profit for the year after Tax</b>		<b>5,77,78,089</b>	<b>4,01,97,492</b>
Add/(Less) : Prior Period Adjustments		(8,351)	(26,108)
Excess Provisions of earlier years		7,06,568	5,01,744
<b>Net Profit for the Year</b>		<b>5,84,76,306</b>	<b>4,06,73,128</b>
Balance brought forward		23,70,74,499	22,64,99,946
Less : Net Deferred Tax Charge as at 31.03.2001		–	5,77,750
<b>Profit available for Appropriation</b>		<b>29,55,50,805</b>	<b>26,65,95,324</b>
<b>Appropriations</b>			
Proposed Dividend		1,68,96,960	1,45,20,825
Tax on Dividend		21,64,923	–
General Reserve		1,50,00,000	1,50,00,000
		<b>3,40,61,883</b>	<b>2,95,20,825</b>
<b>Balance carried to Balance Sheet</b>		<b>26,14,88,922</b>	<b>23,70,74,499</b>
Basic and Diluted Earnings Per Share of Rs. 10 each		5.54	3.85
<b>Additional Information</b>	XXI		
<b>Notes on Accounts</b>	XXII		
<b>Significant Accounting Policies</b>	XXIII		

As per our report of even date

For and on behalf of  
**B. KHOSLA & CO.**  
Chartered Accountants**SANJEEV AGRAWAL**  
Director**IKRAMULLAH**  
Executive Director**G. G. MUNDRA**  
Partner**G. L. SHARMA**  
Dy. Gen. Manager (A/cs & Fin.)**ASHISH JAIN**  
Company Secretary

Jaipur, 30th June, 2003

Jaipur, 30th June, 2003

**Schedules Forming Part of Accounts**

	As at 31st March, 2003		As at 31st March, 2002	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - I</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
1,60,00,000 (55,00,000) Equity Shares of Rs. 10 each		16,00,00,000		5,50,00,000
<b>Issued, Subscribed and Fully Paid-up</b>				
1,05,60,600 (52,80,300) Equity Shares of Rs. 10 each		10,56,06,000		5,28,03,000
<i>Of the above shares 72,94,920 (20,14,620) shares are allotted as fully paid up by way of Bonus Shares by capitalisation of General Reserve.</i>				
<b>SCHEDULE - II</b>				
<b>RESERVES &amp; SURPLUS</b>				
Securities Premium Account		5,85,98,200		5,85,98,200
General Reserve :				
As per last Balance Sheet	5,88,50,000		4,38,50,000	
Less : Capitalised during the year	5,28,03,000		—	
	60,47,000		4,38,50,000	
Add : Transferred from Profit & Loss Account	1,50,00,000	2,10,47,000	1,50,00,000	5,88,50,000
Balance in Profit & Loss Account		26,14,88,922		23,70,74,499
		<b>34,11,34,122</b>		<b>35,45,22,699</b>
<b>SCHEDULE - III</b>				
<b>SECURED LOANS</b>				
<b>From Banks*</b>				
Secured by hypothecation of Stocks	5,65,98,185		5,01,17,479	
Secured by hypothecation of Export receivables	10,79,74,654	16,45,72,839	8,99,30,589	14,00,48,068
		<b>16,45,72,839</b>		<b>14,00,48,068</b>
<b>* Further Secured by</b>				
(a) <i>Equitable Mortgage of Land and Buildings situated at K-6A &amp; K-6B, Adarsh Nagar and E-68, EPIP, Sitapura, Jaipur and a property situated at Mumbai owned by a Guarantor.</i>				
(b) <i>Hypothecation of Plant and Machineries.</i>				
(c) <i>Fixed Deposits of Rs. 26,25,854 (Previous Year Rs. 23,16,178).</i>				
(d) <i>Guarantees of Chairman, Managing Director, a Director and three Shareholders.</i>				
<b>SCHEDULE - IV</b>				
<b>UNSECURED LOANS</b>				
<b>Other than short term</b>				
From Directors		—		3,00,000
From Others		26,60,000		1,93,32,395
		<b>26,60,000</b>		<b>1,96,32,395</b>



## 14th Annual Report 2002-03

### Schedules Forming Part of Accounts

#### SCHEDULE - V FIXED ASSETS

	Additions 2002-2003 <i>Rupees</i>	Deductions 2002-2003 <i>Rupees</i>	Balance as at 31 March, 2003 <i>Rupees</i>	Balance as at 31 March, 2002 <i>Rupees</i>
<b>Gross Block</b>				
Land	-	-	<b>90,53,545</b>	90,53,545
Buildings	13,324	1,04,673	<b>2,05,92,580</b>	2,06,83,929
Plant and Machinery	6,57,519	-	<b>3,07,45,617</b>	3,00,88,098
Computers	7,23,326	-	<b>74,03,941</b>	66,80,615
Electric Installation	48,276	-	<b>31,47,315</b>	30,99,039
Furniture and Fixtures	3,10,807	-	<b>87,20,346</b>	84,09,539
Office Equipment	1,59,675	-	<b>52,13,355</b>	50,53,680
Vehicles	2,43,529	-	<b>19,60,722</b>	17,17,193
	<b>21,56,456</b>	<b>1,04,673</b>	<b>8,68,37,421</b>	<b>8,47,85,638</b>
<i>Previous year</i>	<b>86,75,601</b>	<b>3,66,252</b>	<b>8,47,85,638</b>	<b>7,64,76,289</b>
<b>Accumulated Depreciation</b>				
Land	-	-	-	-
Buildings	14,85,884	70,913	<b>65,45,468</b>	51,30,497
Plant and Machinery	26,93,365	-	<b>1,37,77,132</b>	1,10,83,767
Computers	8,56,011	-	<b>57,03,638</b>	48,47,627
Electric Installation	2,79,558	-	<b>14,14,065</b>	11,34,507
Furniture and Fixtures	6,61,168	-	<b>55,93,482</b>	49,32,314
Office Equipment	4,29,990	-	<b>25,09,819</b>	20,79,829
Vehicles	2,18,015	-	<b>12,18,160</b>	10,00,145
	<b>66,23,991</b>	<b>70,913</b>	<b>3,67,61,764</b>	<b>3,02,08,686</b>
<i>Previous year</i>	<b>71,81,459</b>	<b>2,90,952</b>	<b>3,02,08,686</b>	<b>2,33,18,179</b>
<b>Net Block</b>				
Land			<b>90,53,545</b>	90,53,545
Buildings			<b>1,40,47,112</b>	1,55,53,432
Plant and Machinery			<b>1,69,68,485</b>	1,90,04,331
Computers			<b>17,00,303</b>	18,32,988
Electric Installation			<b>17,33,250</b>	19,64,532
Furniture and Fixtures			<b>31,26,864</b>	34,77,225
Office Equipment			<b>27,03,536</b>	29,73,851
Vehicles			<b>7,42,562</b>	7,17,048
			<b>5,00,75,657</b>	<b>5,45,76,952</b>
Capital Work-in-Progress			<b>15,40,000</b>	—
			<b>5,16,15,657</b>	<b>5,45,76,952</b>

#### Notes :

- (a) Building Includes building of Rs. Nil (Rs. 69,255), acquired on take over of business of M/s Vaibhav Enterprises, not registered in the name of the Company and Rs. 12,20,370 (Rs. 12,20,370) registered in the name of two Directors of the Company.
- (b) Additions to Fixed Assets during the year have decreased by Rs. 1,510 (Rs. Nil) on account of foreign exchange fluctuation
- (c) Capital Work-in-Progress includes advance given against Capital Expenditure.

**Schedules Forming Part of Accounts**

	As at 31st March, 2003		As at 31st March, 2002	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - VI</b>				
<b>INVESTMENTS</b>				
<i>(Other than trade - At Cost)</i>				
<b>Fully paid Equity Shares of Rs. 10 each</b>				
- <b>Quoted</b>				
26,300 (26,300) IDBI Bank Ltd. [Market Value Rs. 5,93,065 (Rs. 7,36,400)]		4,73,400		4,73,400
7,000 (Nil) Punjab National Bank [Market Value Rs. 7,12,950 (Rs. Nil)]		2,17,000		—
- <b>Unquoted</b>				
3,60,000 (3,60,000) VGL Softech Ltd.		52,07,000		52,07,000
		<b>58,97,400</b>		<b>56,80,400</b>
<b>SCHEDULE - VII</b>				
<b>STOCK IN TRADE</b>				
<i>(As taken, valued &amp; certified by the Management)</i>				
Material-in-process		23,51,93,976		15,73,64,348
Semi Finished Goods		1,56,62,820		—
Finished Goods		38,78,195		3,08,50,102
Stores & Consumables		71,87,577		54,16,362
		<b>26,19,22,568</b>		<b>19,36,30,812</b>
<b>SCHEDULE - VIII</b>				
<b>SUNDRY DEBTORS</b>				
<i>(Unsecured and Considered Good)</i>				
Outstanding for more than six months	96,22,398		32,04,250	
Others	37,43,37,134	38,39,59,532	33,72,89,218	34,04,93,468
		<b>38,39,59,532</b>		<b>34,04,93,468</b>
<b>SCHEDULE - IX</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on hand		6,75,147		2,32,709
Balance with Scheduled Banks				
In Current Account	1,03,37,107		61,96,045	
In Fixed Deposits (Pledged)	83,23,043	1,86,60,150	56,34,097	1,18,30,142
		<b>1,93,35,297</b>		<b>1,20,62,851</b>
<b>SCHEDULE - X</b>				
<b>LOANS &amp; ADVANCES</b>				
<i>(Unsecured and considered good unless otherwise stated)</i>				
Advances recoverable in cash or in kind or for value to be received		1,28,55,603		1,31,84,699
Advances to Staff		11,08,407		6,45,454
Security Deposits		7,57,099		7,60,599
		<b>1,47,21,109</b>		<b>1,45,90,752</b>



**Schedules Forming Part of Accounts**

	As at/Year ended 31st March, 2003		As at/Year ended 31st March, 2002	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - XI</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities :</b>				
Sundry Creditors Other than SSI Undertakings	8,92,58,855		3,02,48,353	
Outstanding Liabilities	1,17,92,998		62,88,123	
Advance Payments for which value is to be given	46,772	10,10,98,625	1,37,908	3,66,74,384
<b>Provisions :</b>				
Provision for Income Tax	30,00,000		29,00,000	
Proposed Dividend	1,68,96,960		1,45,20,825	
Tax on Dividend	21,64,923	2,20,61,883	-	1,74,20,825
		<b>12,31,60,508</b>		<b>5,40,95,209</b>
<b>SCHEDULE - XII</b>				
<b>MISCELLANEOUS EXPENDITURE</b>				
<i>(To the extent not written-off)</i>				
Deferred Revenue Expenditure		4,75,911		9,51,822
		<b>4,75,911</b>		<b>9,51,822</b>
<b>SCHEDULE - XIII</b>				
<b>SALES</b>				
Export Sales	1,01,10,10,009		87,44,60,018	
Domestic Sales	14,17,141	1,01,24,27,150	1,00,69,801	88,45,29,819
Exchange Gain/(Loss) on Exports		(64,24,120)		2,03,86,082
		<b>1,00,60,03,030</b>		<b>90,49,15,901</b>
<b>SCHEDULE - XIV</b>				
<b>OTHER INCOME</b>				
Sales of REP Licence		4,09,723		15,14,893
Dividends on Investment <sup>1</sup>		3,86,300		1,18,280
Interest on Bank FDRs <sup>2</sup>		5,91,192		5,75,221
Profit on Sale of Fixed Assets		2,05,240		4,700
Other Exchange Gain/(Loss)		25,84,414		-
Miscellaneous Income		2,070		62,504
		<b>41,78,939</b>		<b>22,75,598</b>
1. Income-tax deducted at source Rs. 40,562 (Rs. Nil)				
2. Income-tax deducted at source Rs. 1,62,574 (Rs. 80,095)				
<b>SCHEDULE - XV</b>				
<b>MATERIALS COSTS</b>				
<b>Materials Consumed</b>				
Opening Materials-in-process	15,73,64,348		11,16,17,736	
Add : Purchases	88,80,26,569		74,55,20,407	
	1,04,53,90,917		85,71,38,143	
Less : Closing Material-in-process	23,51,93,976	81,01,96,941	15,73,64,348	69,97,73,795
Add : Exchange (Gain)/Loss on Imports		(1,14,440)		25,76,348
		<b>81,00,82,501</b>		<b>70,23,50,143</b>

**Schedules Forming Part of Accounts**

	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - XVI</b>				
<b>SEMI FINISHED &amp; FINISHED GOODS</b>				
<b>Opening Stocks</b>				
Finished Goods	3,08,50,102		5,35,31,256	
		3,08,50,102		5,35,31,256
Purchases of Finished Goods		20,56,461		1,49,89,246
<b>Less : Closing Stocks</b>				
Semi Finished Goods	1,56,62,820		—	
Finished Goods	38,78,195	1,95,41,015	3,08,50,102	3,08,50,102
		<b>1,33,65,548</b>		<b>3,76,70,400</b>
<b>SCHEDULE - XVII</b>				
<b>MANUFACTURING EXPENSES</b>				
Job Work Charges		2,12,45,185		2,53,48,036
Stores and Consumables		90,71,396		71,96,089
Power and Fuel		37,87,018		34,48,407
Other Manufacturing Expenses		29,59,689		37,74,836
Repairs to Machinery		10,79,873		11,21,930
Repairs to Other assets		2,64,056		4,45,919
		<b>3,84,07,217</b>		<b>4,13,35,217</b>
<b>SCHEDULE - XVIII</b>				
<b>EMPLOYEES COSTS</b>				
Salaries, Wages, Bonus etc.		3,78,08,272		3,04,12,420
Contribution to Provident and Other Funds		27,19,408		24,11,217
Welfare Expenses		20,33,768		15,75,320
		<b>4,25,61,448</b>		<b>3,43,98,957</b>
<b>SCHEDULE - XIX</b>				
<b>ADMINISTRATIVE &amp; SELLING EXPENSES</b>				
Advertisement & Business Promotion		8,61,896		6,68,166
Auditors' Remuneration		97,200		73,500
Bank Charges		49,83,547		44,68,905
Director's Remuneration		9,18,871		11,90,645
Discounts, Brokerage and Commission		7,52,245		6,27,581
Donation		14,200		27,000
Insurance		7,75,253		21,48,932
Legal and Professional		27,87,896		16,43,585
Office Expenses		46,28,808		42,33,750
Packing and Forwarding		41,90,467		39,26,709
Post and Telephone		14,62,709		24,65,664
Printing and Stationery		8,70,264		6,02,000
Provision For Bad Debts		—		8,13,845
Rent, Rates and Taxes		1,66,625		3,63,235
Travelling and Conveyance		46,54,337		36,32,934
		<b>2,71,64,318</b>		<b>2,68,86,451</b>



**Schedules Forming Part of Accounts**

	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - XX</b>				
<b>INTEREST</b>				
On Fixed Loans		—		1,89,383
Other Interest		1,08,14,627		1,32,98,152
		<b>1,08,14,627</b>		<b>1,34,87,535</b>

**SCHEDULE - XXI**

**ADDITIONAL INFORMATION**

*(Pursuant to provision of Paragraph 3 and 4 of Part II of Schedule VI to the Companies Act, 1956)*

1. <b>Materials Consumed</b>	Quantity		Rupees	
	Quantity	Rupees	Quantity	Rupees
Rough (Grams)	28,75,600	37,47,11,535	58,33,334	46,22,09,948
Gold, Alloys and Accessories (Grams)	8,80,100	21,78,00,150	7,25,922	15,07,82,152
Gemstones (Carats)	6,55,049	13,19,21,094	4,41,624	4,85,51,053
Diamond (Carats)	12,085	8,57,64,162	5,844	3,82,30,642
		<b>81,01,96,941</b>		<b>69,97,73,795</b>

**Note : Consumption includes quantity and cost of material sold.**

2. <b>Stocks, Turnover and Purchases</b>	Quantity		Rupees	
	Quantity	Rupees	Quantity	Rupees
<b>Opening Stocks :</b>				
Gem Stones (Carats)	2,13,300	2,40,78,560	3,69,115	2,74,53,323
Jewellery (Nos.)	2,679	67,71,542	9,925	2,60,77,933
		<b>3,08,50,102</b>		<b>5,35,31,256</b>
<b>Purchases :</b>				
Gem Stones (Carats)	21,445	14,44,108	47,822	1,39,89,526
Jewellery (Nos.)	214	1,59,697	211	1,63,014
Others (Nos.)	241	4,52,656	586	8,36,706
		<b>20,56,461</b>		<b>1,49,89,246</b>
<b>Turnover :</b>				
Gem Stones (Carats)	5,40,922	32,48,05,925	10,27,803	46,81,71,106
Jewellery (Nos.)	3,97,332	68,46,75,992	2,58,638	41,32,30,131
Roughs (Grams)	5,968	10,60,475	4,17,578	17,90,776
Diamond (Carats)	201	11,82,162	—	—
Others (Nos.)	244	7,02,596	586	13,37,806
		<b>1,01,24,27,150</b>		<b>88,45,29,819</b>
<b>Closing Stocks :</b>				
Gem Stones (Carats)	1,80,640	38,21,620	2,13,300	2,40,78,560
Jewellery (Nos.)	74	56,575	2,679	67,71,542
		<b>38,78,195</b>		<b>3,08,50,102</b>
<b>3. Managerial Remuneration</b>				
<i>(in accordance with Schedule XIII to the Companies Act, 1956)</i>				
Salaries		<b>9,18,871</b>		<b>11,90,645</b>



## Schedules Forming Part of Accounts

	<u>Year ended 31st March, 2003</u>	<u>Year ended 31st March, 2002</u>
SCHEDULE - XXI (Contd...)		
<b>4. Auditor's Remuneration</b>	<b>Rupees</b>	<b>Rupees</b>
a. Audit Fees	75,600	57,750
b. Tax Audit Fees	10,800	7,875
c. For Other Services	10,800	7,875
<b>5. Capacities and Production</b>	<b>Quantity</b>	<b>Quantity</b>
Licensed and Installed Capacities	Not Applicable	Not Applicable
<b>Actual Production :</b>		
a. Gem Stones* (Carats)	8,54,747	11,31,012
b. Studded Jewellery (Nos.)	3,94,513	2,51,181
c. Others (Nos.)	3	—
*Captive consumption (Carats)	3,67,930	3,06,846
<b>6. Value of Imports calculated on C.I.F. basis in respect of :</b>	<b>Rupees</b>	<b>Rupees</b>
a. Raw Materials (other than through canalising agencies)	51,30,59,404	48,49,29,278
b. Consumables and Stores	65,60,978	17,66,139
c. Capital Goods	4,96,614	—
<b>7. Expenditure in Foreign Currency on account of :</b>	<b>Rupees</b>	<b>Rupees</b>
Travelling	8,53,292	9,75,945
<b>8. Value and % of Material Consumption Raw Materials and Components :</b>	<b>Rupees</b>	<b>Rupees</b>
Imported	56.96 46,14,70,776	79.43 55,58,08,586
Indigenous	43.04 34,87,26,165	20.57 14,39,65,209
	<u>81,01,96,941</u>	<u>69,97,73,795</u>
<b>Consumables and Stores :</b>		
Imported	60.51 54,89,197	17.87 12,86,241
Indigenous	39.49 35,82,199	82.13 59,09,848
	<u>90,71,396</u>	<u>71,96,089</u>
<b>9. Remittance in foreign currency on account of Dividends :</b>		
a. Year to which the dividend relates	<b>2001-2002</b>	<b>2000-2001</b>
b. Number of non-resident shareholders to whom remittances were made	<b>5</b>	<b>7</b>
c. Number of shares on which remittances were made	<b>7,78,000</b>	<b>7,80,000</b>
d. Dividend Amount (Rupees)	<b>21,39,500</b>	<b>19,50,000</b>
<b>10. Earnings in Foreign Currency</b>	<b>Rupees</b>	<b>Rupees</b>
Export of goods calculated on F.O.B. basis	<b>1,00,81,77,107</b>	<b>87,44,86,550</b>

**Schedules Forming Part of Accounts**

## SCHEDULE - XXII

## NOTES ON ACCOUNTS

- Figures in brackets, wherever given are in respect of previous year unless stated otherwise.
- The deferred tax liability comprise of the following :

	As at 31.03.2003		As at 31.03.2002	
	Rupees	Rupees	Rupees	Rupees
<b>a. Deferred Tax Liability</b>				
(i) Related to Depreciation		18,44,150		21,25,574
<b>b. Deferred tax assets on account of :</b>				
(i) Provision for Doubtful Advances	6,20,134		7,32,738	
(ii) Public Issue Expenses	3,71,306		5,07,150	
(iii) Provision for Leave Encashment	58,705	10,50,145	Nil	12,39,888
<b>c. Deferred Tax Liability (Net)</b>		<b>7,94,005</b>		<b>8,85,686</b>

Net deferred tax credit for the year Rs. 91,681 has been recognised in the Profit and Loss Account for the year.

- In the opinion of the Board the Current Assets, Loans & Advances are approximate of the value as stated in Balance Sheet, if realised in the ordinary course and provision for all known liabilities has been made.
- Stock-in-trade includes of Rs. Nil (Rs. 57,17,910) held with third parties.
- Sundry Debtors considered good, includes Rs. 36,03,02,649 (Rs. 25,54,97,868) due from companies in which directors are interested.
- Advances recoverable in cash or kind of Rs. 17,28,597 (Rs. 19,93,845) are considered doubtful and are fully provided for.
- The Balances of Sundry Debtors, Loans and Advances and Sundry Creditors are subject to confirmation.
- Contingent Liabilities**
  - Guarantees given by Bank on behalf of the Company, which are counter guaranteed by the Company Rs. 90,00,000 (Rs. 47,95,000).
  - Guarantees given by the Company on behalf of other companies Rs. 2,55,00,000 (Rs. 2,55,00,000).
  - Income Tax Demand against the Company not acknowledged as debts and not provided for, in respect of which Company has preferred an appeal Rs. 13,81,000 (Rs. 13,81,000).
  - ESI Demand paid under protest by the Company Rs. 19,281 (Rs. Nil).
- Inter unit transfers has been eliminated from sales and purchases.
- In view of the adoption of accounting policy (Note no. 4(b) of Schedule XXIII) the figures for materials consumed and work-in-process in respect of the previous year has been re-arranged to make them comparable.
- Earnings per Share (EPS)**

	2002-03	2001-02
a. Net profit available for equity shareholdes (Rs.)	5,84,76,306	4,06,73,128
b. Weighted Average number of equity shares used as denominator for calculating EPS	1,05,60,600	1,05,60,600
c. Basic and Diluted Earnings per share of Rs. 10 each (Rs.)	5.54	3.85

**Schedules Forming Part of Accounts**

SCHEDULE - XXII (Contd...)

**12. Segment Information**

(In Rupees)

**A. BUSINESS SEGMENTS**

	<b>Gemstones</b>	<b>Jewellery</b>	<b>Elimination/ Unallocable</b>	<b>Total</b>
<b>1. Segment Revenue</b>				
External Revenue	32,44,57,777 (48,08,09,672)	68,08,65,768 (42,27,68,423)	— —	1,00,53,23,545 (90,35,78,095)
Inter-Segment Revenue	28,15,62,689 (7,30,73,528)	— —	28,15,62,689 (7,30,73,528)	— —
Total Revenue	60,60,20,466 (55,38,83,200)	68,08,65,768 (42,27,68,423)	28,15,62,689 (7,30,73,528)	1,00,53,23,545 (90,35,78,095)
<b>2. Segment Result</b>	2,33,88,600 (3,47,59,795)	7,23,06,219 (4,73,46,660)	— —	9,56,94,819 (8,21,06,455)
<b>3. Other Information</b>				
Segment Assets	24,43,52,375 (27,78,75,980)	44,59,17,868 (30,06,67,098)	4,71,81,320 (4,24,92,157)	73,74,51,563 (62,10,35,235)
Segment Liabilities	5,07,43,402 (25,46,350)	4,65,85,660 (3,32,16,388)	19,38,58,290 (17,88,98,620)	29,11,87,352 (21,46,61,358)
Capital Expenditure	5,71,611 (3,53,102)	31,24,845 (83,22,499)	— —	36,96,456 (86,75,601)
Depreciation and Amortisation	16,11,878 (20,99,877)	45,15,835 (44,53,752)	9,72,189 (11,03,739)	70,99,902 (76,57,368)
Non Cash Expenses other than Depreciation	5,88,288 (—)	30,83,239 (8,99,783)	— (—)	36,71,527 (8,99,783)
<b>4. Reconciliation of Results</b>			<b>20002-2003</b>	<b>2001-2002</b>
Total Segment Result before Interest and tax			9,56,94,819	8,21,06,455
Less : Unallocated expenditure net of unallocated income			2,47,93,327	2,58,14,821
<b>Operating Profits</b>			<b>7,09,01,492</b>	<b>5,62,91,634</b>
<i>Add/(Less) :</i>				
Interest Expenses			(1,08,14,627)	(1,34,87,535)
Interest Income			5,91,192	5,75,221
Excess Provisions of earlier years			7,06,568	5,01,744
Provision for Incoem Tax			(30,00,000)	(29,00,000)
Deferred Tax Credit/(Charge)			91,681	(3,07,936)
<b>Net Profit after Tax</b>			<b>5,84,76,306</b>	<b>4,06,73,128</b>

**B. GEOGRAPHICAL SEGMENTS**

The Company caters mainly to the need of overseas markets. Domestic turnover during the year being less than 10% of the total turnover, there are no reportable geographical segments.

**Notes :**

1. Segment has been identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organisation structure as well as the differential risks and returns of these segments.
2. The Company has disclosed Business Segment as the primary segment.
3. Inter-Segment revenues are recognised at sales and/or transfer price.
4. The Segment Revenues, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis. The amounts, which are not allocable to any segment, shown as Unallocable under respective heads.
5. Figures in brackets represent previous year's amount.

**Schedules Forming Part of Accounts**

## SCHEDULE - XXII (Contd...)

**13. Related Party Disclosure****A. List of related parties with whom transactions have taken place and relationships :**

1. Amrin Gems	}	Associate Companies and Firms
2. Aziz Enterprises		
3. Aziz Gems Trading Co.		
4. Reengus Exim Private Limited		
5. Shivram Properties Private Limited		
6. Vaibhav Diamonds		
7. VGL Softech Limited		
8. Shri Ikramullah	}	Key Management Personnel (KMP)
9. Shri Rahimullah		
10. Shri Sunil Agrawal (Upto 30th July, 2002)		

**B. Transactions during the year with related parties :**

	<u>Associates</u>	<u>KMP</u>	<u>Total</u>
<i>(In Rupees)</i>			
<b>I. Unsecured Loans</b>			
a. Balance as at 01.04.2002	16,32,228	—	16,32,228
b. Taken during the year	70,40,000	—	70,40,000
c. Repaid during the year	74,12,228	—	74,12,228
d. Balance as at 31.03.2003	12,60,000	—	12,60,000
<b>II. Sundry Creditors as at 31.03.2003</b>	1,35,550	—	1,35,550
<b>III. Sales</b>	12,010	—	12,010
<b>IV. Dividend on Investment</b>	3,60,000	—	3,60,000
<b>V. Purchase</b>	34,75,574	—	34,75,574
<b>VI. Expenditure</b>			
a. Director's Remuneration	—	9,18,871	9,18,871
b. Sitting Fees	—	2,000	2,000
c. Rent	60,000	—	60,000
d. Software Expenses	21,21,534	—	21,21,534
<b>VII. Guarantees given by Company</b>	2,55,00,000	—	2,55,00,000

14. Managing Director, Mr. Rahimullah, being abroad on 30th June 2003, could not sign the accounts as required under section 215 of the Companies Act, 1956.

15. Previous year figures have been reworked, regrouped, rearranged and reclassified wherever considered necessary, to make them comparable to those of the current year.

## SCHEDULE - XXIII

**SIGNIFICANT ACCOUNTING POLICIES****1. System of Accounting**

- (a) The Company follows Mercantile system of Accounting and recognizes Income and Expenditure on accrual basis.
- (b) Accounts have been prepared on historical cost basis and comply with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

**Schedules Forming Part of Accounts**

## SCHEDULE - XXIII (Contd...)

**2. Fixed Assets**

Fixed Assets are stated at cost of acquisition or construction inclusive of freight, duties and taxes and incidental expense, less accumulated depreciation. Exchange difference in respect of liabilities incurred, to acquire fixed assets are adjusted to the carrying amount of such fixed assets.

**3. Depreciation**

Depreciation on Fixed Assets is being provided on written down value method at the rate specified in Schedule XIV to the Companies Act, 1956.

**4. Inventories**

- (a) Inventories are valued at lower of cost and estimated net realisable value. Cost is determined on 'First-in, First-out', 'Specific Identification', or 'Weighted Averages' basis as applicable. Cost Comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of semi-finished and finished goods is determined on absorption costing method.
- (b) Materials-in-process includes raw materials issued for production and work-in-process. Semi-finished Goods are goods manufactured and pending for pre-shipment inspection. Materials consumed are materials used in production of semi-finished and finished goods only.

**5. Investment**

Investments are stated at cost. Provision for diminution in the value of investment is made, only if the diminution is other than temporary.

**6. Foreign Currency Transactions**

- (a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- (b) Monetary items denominated in foreign currencies at the year-end are translated at year-end rates. In respect of forward exchange contracts the difference between the forward rate and the exchange rate at the inception of contract is recognised as income and expense over the period of the contract.
- (c) Any income and expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**7. Retirement Benefits**

Contributions are made to the Provident Fund on actual liability basis and to the Employees' Gratuity Fund established by the Life Insurance Corporation of India by way of taking policy covering all eligible employees. Liability for outstanding leaves to the credit of employees has been provided on actual basis.

**8. Miscellaneous Expenditure**

Deferred Revenue expenses are amortised equally over a period of 5 years.

**9. Provision for Current and Deferred Taxation**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from "timing difference" between book and taxable profit is accounting for using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The deferred tax assets are recognised if there is a reasonable certainty of realisation.

**Signatures to Schedules I to XXIII**

As per our report of even date

For and on behalf of

**B. KHOSLA & CO.**

*Chartered Accountants*

**G. G. MUNDRA**

*Partner*

Jaipur, 30th June, 2003

**SANJEEV AGRAWAL**

*Director*

**G. L. SHARMA**

*Dy. Gen. Manager (A/cs & Fin.)*

**IKRAMULLAH**

*Executive Director*

**ASHISH JAIN**

*Company Secretary*

Jaipur, 30th June, 2003

**Balance Sheet Abstract and General Business Profile****I. Registration Details**

Registration No.	4 9 4 5	State Code	17
Balance Sheet Date	31.03.2003		

**II. Capital Raised During the Year (Amount in Rs. Thousands)**

Public Issue	Nil	Right Issue	Nil
Bonus Issue	52,803	Private Placement	Nil

**III. Position of mobilisation and development of funds (Amount in Rs. Thousands)**

Sources of Funds	Total Liabilities	6,14,767	Total Assets	6,14,767
	Paid-up Capital	1,05,606	Secured Loans	1,64,573
	Reserve & Surplus	3,41,134	Unsecured Loans	2,660
Application of Funds	Deferred Tax Liability (net)	794		
	Net Fixed Assets	51,616	Investments	5,897
	Net Current Assets	5,56,778	Miscellaneous Expenditure	476

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover	10,10,182	Total Expenditure	9,49,496
Profit/(Loss) before Tax	60,686	Profit/(Loss) after Tax	58,476
Earning per Shares in Rs.	5.54	Dividend Rate %	16.00

**V. Generic Names of three principal products of the Company (As per monetary terms)**

Product Description	Other Precious Stones	Gold Studded Jewellery
Item Code No.	7 1 0 3 1 9 . 0 9	7 1 1 3 1 9 . 0 3
Item Code No.	7 1 0 3 1 0 . 1 1	7 1 1 3 1 9 . 0 4
Item Code No.	7 1 0 3 1 0 . 1 9	

**Cash Flow Statement for the Year ended 31st March, 2003**

	Year ended 31st March, 2003	Year ended 31st March, 2002
	Rupees	Rupees
<b>A. Cash Flow from Operating Activities :</b>		
Net Profit before tax and extraordinary items	6,06,86,408	4,34,05,428
<i>Adjustment for :</i>		
Depreciation	66,23,991	71,81,459
Unrealised Foreign Exchange Difference	26,92,905	(25,58,845)
Profit on sale of Fixed Assets	(2,05,240)	(4,700)
Prior Period Items	(8,351)	(26,108)
Deferred Revenue Expenditure written-off	4,75,911	4,75,909
Interest and Dividend received	(9,77,492)	(6,93,501)
Interest paid on borrowings	1,08,14,627	1,34,87,535
<b>Operating Profit before working capital changes</b>	<b>8,01,02,759</b>	<b>6,12,67,177</b>
<i>Adjustment for</i>		
Trade and other receivables	(4,54,42,053)	1,26,59,039
Trade payables	6,41,05,865	4,77,263
Stock-in-trade	(6,82,91,756)	(2,04,67,840)
<b>Cash generated from Operations</b>	<b>3,04,74,815</b>	<b>5,39,35,639</b>
Direct Taxes paid	25,19,933	34,98,256
<b>Net Cash from operating activities</b>	<b>2,79,54,882</b>	<b>5,04,37,383</b>
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(36,96,456)	(86,75,601)
Sale of Fixed Assets	2,39,000	80,000
Purchases of Shares	(2,17,000)	-
Interest and Dividend received	9,77,492	6,93,501
<b>Net Cash used in Investing Activities</b>	<b>(26,96,964)</b>	<b>(79,02,100)</b>
<b>C. Cash flow from Financing Activities :</b>		
Proceeds from/(Repayment of) Long Term Borrowings	73,49,980	(79,56,870)
Dividend & Tax on Dividend paid	(1,45,20,825)	(1,45,47,227)
Interest Paid on Borrowings	(1,08,14,627)	(1,34,87,535)
<b>Net Cash used in Financing Activities</b>	<b>(1,79,85,472)</b>	<b>(3,59,91,632)</b>
Net Increase in Cash & Cash Equivalents	72,72,446	65,43,651
Opening Balance of Cash and Cash Equivalent	1,20,62,851	55,19,200
<b>Closing Balance of Cash and Cash Equivalent</b>	<b>1,93,35,297</b>	<b>1,20,62,851</b>

**G. L. SHARMA**  
Dy. Gen. Manager  
(A/cs & Fin.)

**ASHISH JAIN**  
Company Secretary

**SANJEEV AGRAWAL**  
Director

**IKRAMULLAH**  
Executive Director  
Jaipur, 30th June, 2003

**AUDITORS' CERTIFICATE**

To the Board of Directors of Vaibhav Gems Limited,

We have examined the above Cash Flow Statement of VAIBHAV GEMS LIMITED for the year ended 31st March, 2003. The Statement has been prepared by the Company in accordance with the requirement of clause 32 of the Company's Listing Agreement with various Stock Exchanges. The Statement is based on and is derived from the Profit and Loss Account and the Balance Sheet of the Company for the year ended 31st March, 2003 covered by our report dated 30th June, 2003 to the members of the Company.

For **B. KHOSLA & CO.**

Chartered Accountants

**G. G. MUNDRA**

Partner

Jaipur, 30th June, 2003