

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. INDUSTRY STRUCTURE AND DEVELOPMENTS

Most recently, it is in the jewellery sector that India has made a brilliant impact, emerging as the fastest growing jewellery exporter in the world, averaging a growth of nearly 40% \*each year in the last decade. Exports of gold jewellery in 2003-04 have touched US\$ 2.5\* billion from just US\$ 304 \*million in 1991-92. Today, India's export jewellery industry has made rapid strides in terms of machinery and design development. It's quality, designs and management are on par with world standards.

India's jewellery industry shone on the exports front to nudge the \$2.5\*billion mark in 2003-04, surpassing the commerce ministry's target of \$1.66\* billion. There are few industries in which it is clear that Indo- US trade holds much greater potential than currently realized one of which is Jewellery. Trade between the US and India has been growing by leaps and bounds. India has just about started out in studded jewellery, for which US is the biggest market. Jewellery exports to the USA from SEEPZ, Mumbai have jumped 36% over the past year, growing faster than software exports.

### 2. OPPORTUNITIES AND THREATS

#### OPPORTUNITIES

The G&J Industry has been a "Major thrust area" for the GOI and the policies have so far provided the required fillip to the sector. GOI has facilitated setting up of EPZ (Export processing zones) and providing finance promptly through financial institutions.

India has been exporting steadily to the USA. Exports of gold jewellery to the USA are now three times more than those to the next biggest market, the UAE. Technologically Indian jewellery industry compares well with other world centres, incorporating the most modern machinery and latest manufacturing processes. Building on the base of traditional skills, India's artisans have mastered contemporary techniques to provide the world with jewellery of international standards. Due to this more and more overseas buyers are looking to source their jewellery requirements from India.

#### THREATS

- Geographic concentration is a major threat. More than 50% of the sales were to USA. To reduce the dependence on US markets the Company has set up a UK arm to foray into wholesale and retail markets in UK to expand its geographical reach.
- Jewellery being a luxury item, recession is one of the threats faced by the Company, as this means less spending by the consumers and less sales for the Company.

### 3. SEGMENT- WISE PERFORMANCE

The Company is engaged in export of studded diamond jewellery. Majority of its exports is to the U.S.A. and to the Middle-East. During the year 2003-2004, net sales to USA were Rs.920.38 millions and countries other than USA were Rs. 260.23 millions.

The Fixed Assets & Expenditure used for the business, or liability committed for, are not identifiable, to one particular segment as these are used interchangeably between segments. Hence, the relevant data on segment Capital employed & expenses have not been quantified.

#### 4. OUTLOOK

The outlook for the Company appears bright. SB&T (UK) Ltd. (SB&T UK), a joint venture company, was formed in July 2003 to undertake the Company's foray in the UK markets alongwith Messers Gerald Ratner and Gary O'Brien. The Internet retail model, [www.geraldonline.com](http://www.geraldonline.com) of SB&T UK went live on 17th November 2003 and the new website had nearly one million hits in its first week of commencement. Messers Ratner and O'Brien, Directors of SB&T UK have extensive experience in the UK and USA jewellery retailing markets, both commercially and financially.

SB&T (UK) will initially focus on marketing jewellery manufactured in India by the Company by way of :

- Wholesaling and distribution of jewellery;
- Retailing of jewellery through a digital TV channel;
- Retailing of jewellery through an on-line business.

The UK market for jewellery, watches and fashion jewellery is estimated at £ 3.45 billion. Home shopping is a £ 26 billion market in the UK constituting 8% of the total retail sales and is growing at 20% per annum. SB&T will, therefore, gain direct access to the high mark-up segment in UK by eliminating the middleman.

#### 5. INTERNAL CONTROLS

The Company has adequate Internal Control systems, which provide, inter-alia, reasonable assurance of recording the transactions of its operations in all material respects and providing protection against misuse or loss of Company assets.

\* Source:- The Gem and Jewellery Export Promotion Council ( GJEPC)