

MANAGEMENT DISCUSSION AND ANALYSIS

This report covers the operations and financial performance of the Company for the year ended March 31, 2021. The Company has two segments viz. jewellery manufacturing and investment activity. The contribution of Jewellery manufacturing segment to the total standalone turnover of the Company was 92.49% during the FY 2020-21 and residual portion was contributed by investment activity.

Business Segment:- Gold, silver Jewellery and diamonds

STRUCTURE AND DEVELOPMENTS:

India's gems and jewellery sector contributes about 14 per cent to India's total merchandise exports and is likely to employ 8.23 million persons by 2022, from 5 million in 2020 and is one of the largest in the world contributing 29 per cent to the global jewellery consumption. Gems and jewellery sector market size is about US\$ 60 billion as of 2017 and is expected to reach US\$ 100-110 billion by 2025.

India is one of the largest exporters of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it contributes a major chunk to the total foreign reserves of the country and also one of the fastest growing industries in the country, contributing around 7.5 per cent of the country's GDP. It is extremely export oriented and labour intensive.

During the Financial Year 2020-2021 the gems & jewellery sector gross exports contracted by 28.46 per cent to US\$ 25.31 billion in financial year 2020-21 as compared to gross exports amounting to US\$ 35.37 billion for the previous financial year, owing to demand slowdown in major markets, including the US.

NOVEL CORONAVIRUS

The COVID-19 pandemic that occurred in 2020 has crippled the World's economy. Due to COVID, industries across the globe are at a stalemate. Like many other industries, the jewelry industry underwent a catastrophic turn of events.

A few years back, the industry's surge predicted that 2020 would be a doorway to a plethora of business opportunities. The production, export, and supply were aligned to encounter the desired goals. Conversely, the outspread of coronavirus took everyone by shock. It turned the smooth manoeuvres upside down. The jewelry business dipped significantly. The high-value diamond pieces and the high-end chunky jewelry widely popular in the Middle-East and far-east agonized a huge downfall.

The lockdown period instigated the feeling of uncertainty. The uncertain economic future caused an imbalance in the sale and export in context with the gem and jewelry industry. The period from April 2020 – February 2021 reflected a decline of 34.58% in the overall gross exports of Gems & Jewellery as compared to the same period the previous year. The increased shortfall in the export is anticipated to recover in the upcoming year.

OPPORTUNITIES:

In the coming years, growth in Gems and Jewellery sector would be largely contributed by the development of large retailers/brands. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry.

Based on its potential for growth and value addition, the Government declared gems and jewellery sector as a focus area for export promotion. The Government has undertaken various measures recently to promote investment and upgrade technology and skills to promote 'Brand India' in the international market.

The Government has permitted 100% FDI in the sector under the automatic route, wherein the foreign investor or the Indian company do not require any prior approval from the Reserve Bank or Government of India.

In Union Budget 2021-22, the government announced reduction on import duty for precious metals (including gold and silver) to 7.5%, from 12%, that will help the gems and jewellery exports market in India become globally competitive. The Bureau of Indian Standards (BIS) has revised the standard on gold hallmarking in India from January 2018 to include a BIS mark, purity in carat and fitness, as well as the unit's identification and the jeweller's identification mark on gold jewellery. The move is aimed at ensuring stringent quality check on gold jewellery. The Government has made hallmarking mandatory for gold jewellery and artefacts and a period of one year is provided for its implementation.

The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry. Further the Company is planning to implement omni-channel approach with focus on digital strategy to boost sales.

THREATS:

The Company is exposed to risk in exchange rate fluctuations as the Company is dependent on exports sales. However, the Company closely monitors and takes appropriate steps to reduce such risks.

The key reason behind the heavy impact on the gems and jewels industry was the shutdown of physical retail stores worldwide. Another cause is that the industry is a highly labour-bounded and export-oriented sector. The labourers shifted back to their native places, and export also went down.

Competition which has always been a challenge is countered by better quality and designs, branding, catering to changing customer demands/styles and cost control measures. Increasing prices of raw materials have affected and can affect the profit margins. However, the Company continuously thrives for improved production efficiency to counter this risk as far as possible.

RISKS AND CONCERNS:

The nature of the Company's business exposes it to several inherent risks and concerns. The Company strives to closely monitor the risks and to mitigate them by adopting suitable, pragmatic strategies.

a) Bullion Risk:

The volatility in the gold prices exposes the Company to bullion risk as gold forms approximately 30% to 50% of the cost of the finished product.

b) Raw Material Supplies Risk:

Though India plays a dominant role in the Gems & Jewellery industry in terms of processing and consumption, mining of gold and diamond is amongst the lowest in the world.

India imports gold and rough diamonds along with other precious metals.

c) Labour's availability Risk:

Gems and jewels industry is a highly labour-bounded and export-oriented sector. The labourers shifted back to their native places due to Covid-19 and lockdown, which is resulted non-availability of Labour's

c) Currency Risk:

Currency risk arises from exposure to foreign currencies and the volatility associated therewith. 100% of our exports have been transacted in US Dollars. While the Company hedges majority of its receivables, any sharp fluctuation in currency is likely to affect the cash flow of the Company as well as its profitability.

d) Geography Risk:

Dependence on any geographic location makes the Company's business in that region vulnerable to the economic slowdown therein. While USA continues to be our prime export destination.

OUTLOOK:

Financial Year 2021-22 has started on an uncertain note due to the lock-down on account of Covid -19. In the coming years, growth in gems and jewellery sector would largely be contributed by the development of large retailers/brands. Established brands are guiding the organised market and are opening opportunities to grow. Increasing penetration of organised players provides variety in terms of products and designs. Online sales are expected to account for 1-2% of the fine jewellery segment by 2021-22. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry. The improvement in availability along with the reintroduction of low-cost gold metal loans and likely stabilisation of gold prices at lower levels is expected to drive volume growth for jewellers over short to medium term. The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry.

INTERNAL CONTROL AND ITS ADEQUACY:

The Company has proper and adequate systems of internal controls in order to ensure that all assets are safeguarded against loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly. Regular internal audits and checks are carried out to ensure that the responsibilities are executed effectively and that adequate systems are in place. The Management continuously reviews the internal control systems and procedures to ensure orderly and efficient conduct of business. The emphasis of internal control will be further strengthened across functions and processes, covering the entire gamut of activities including manufacturing, finance, supply chain sales & distribution, marketing etc. The Company has adopted Risk management policy.

FINANCIAL PERFORMANCE:

During the financial year ended March 31, 2021, your Company recorded a consolidated turnover of ₹40600.28 lakhs as compared to the turnover of ₹ 36450.79 lakhs in the previous financial year ended March 31, 2020 thereby consolidated turnover reflects a growth of 11.38% over previous year. The consolidated Profit before tax and exceptional items were ₹9716.39 lakhs as against ₹ 6200.30 lakhs of the previous year resulted in growth of consolidated profit approximately by 56.71% over previous year. The consolidated Profit after tax stood at ₹6710.67 lakhs as compared to the profit of ₹ 4519.85 lakhs in the previous year.

The Company has achieved a standalone turnover of ₹21605.54 lakhs during the FY 2020-2021 as compared to ₹ 16209.07 lakhs during the previous year reflects a growth of 33.29% over the corresponding financial year ended March 31, 2020. The standalone profit after tax of the Company decreased by 2.74% from ₹1957.91 lakhs to ₹ 1904.21lakhs in the current year.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS:

The Company considers its human resources as amongst its most valuable assets and continues to place emphasis on their development. It has been Company's constant endeavour to impart requisite training and thereby develop and hone the skills and talent of its personnel and enable them to realize their potential.

The overall Industrial Relations in the Company have been quite peaceful and cordial.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis describing Company's objective, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations.

Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws, statutes and other incidental factors.

