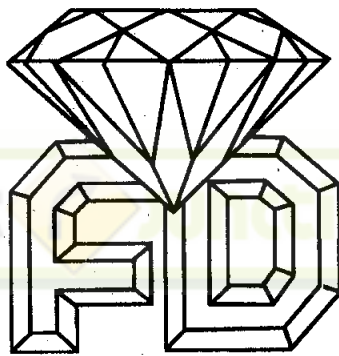


12th ANNUAL REPORT 2000-2001



*Flawless Diamond
(India) Ltd.*

FLAWLESS DIAMOND (INDIA) LIMITED

BOARD OF DIRECTORS

Uttamchand A.Jain	Chairman
Bhawar U.Jain	Managing Director
Bhanwarlal M.Sankhala	
Kamal U.Jain	
Ramesh Pilani	
Anil U.Jain	

AUDITORS

Suresh Anchaliya & Co.
Chartered Accountants
Mumbai.

BANKERS

The Bank Of Rajasthan Ltd.
State Bank Of India.

REGISTERED OFFICE

120, Prasad Chambers, Opera House,
Mumbai - 400 004.

WORKS

27, Manish Industrial Estate No.5,
Village Navghar, Vasai Road,
Dist.Thane (Mah.) - 401 202.

401, Harsh Park, Kalapesee Street,
Nanpura, Surat.

REGISTRAR & SHARE TRANSFER AGENTS

Adroit Corporate Services Pvt.Ltd.
19, Jaferbhoy Industrial Estate,
1st Floor, Makwana Road, Marol Naka,
Mumbai - 400 059.
Phone : 850 3748/859 0942 FAX : 859 0942

12th Annual General Meeting

on
20th September, 2001
at 2.30 p.m.

at

Preview Theatre,
Novelty Chambers,
2nd Floor, Grant Road,
Mumbai - 400 007.

NOTICE

NOTICE IS HEREBY GIVEN THAT the 12th Annual General Meeting of M/s.Flawless Diamond (India) Limited. will be held on 20th Day of September, 2001 at 2.30 P.M at Preview Theatre, Novelty Chambers, Grant Road, Mumbai - 400 007. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and Profit and Loss Account for the year ended on that date and report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri.Uttamchand A.Jain who retire by rotation and being eligible offer himself for reappointment.
3. To appoint a Director in place of Shri.Anil U.Jain who retire by rotation and being eligible offer himself for reappointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass, with or without modification, the following resolution AS SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals, if any, as may be required, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr.Bhawar U. Jain, as Managing Director of the Company, for a period of five years with effect from 1st April, 2001 on the terms and conditions as mentioned in Explanatory Statement annexed hereto".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter or vary the terms of re-appointment of Mr. Bhawar U.Jain, as it may, at its discretion, deem fit from time, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 (including any statutory modification or reenactment thereof for the time being in force) or any amendment made thereto".

6. To consider and if deemed fit, to pass with or without modification(s) the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act 1956, the Articles of Association of the Company be and are hereby amended to the extent and in the manner set out hereunder.

I. The following article 5(3) and 5(4) be added after Article 5(2) :

5 (3) Save as permitted by Section 77, 77A, 77AA, 77A and 79 of the Act, the funds of the Company shall not be employed in the purchase of or lent on the security or shares of the company and the Company shall not give, directly or indirectly any financial assistance, whether by way of loan, guarantee, the provision of security or otherwise, for the purpose of or in connection with any purchase of or subscription for shares in the Company or any Company of which it may, for the time being, be a subsidiary.

5(4) The Company may, from time to time, by Special Resolution reduce its capital by way of buy back of its shares or as may be allowed by law and Capital Redemption Reserve Account or Share Premium Account in any manner and subject to any incident authorised and Consent required by law.

II. After Article 22(III), a new Article 22(IV) be inserted :

22 (IV) Dematerialisation of securities :

1. Definitions : ..., For the purpose of this Article :

"Beneficial Owner" means a person whose name(s) is recorded as such with the Depository.

FLAWLESS DIAMOND (INDIA) LIMITED

"Depository" means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992.

"Security" means such security as may be specified by the SEBI from time to time.

2. Dematerialisation of Securities :

Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form in accordance with the Depositories Act, 1996.

3. Option to hold securities :

- (a) Every person subscribing to securities offered by the Company shall have the option to either receive the security certificates or to hold the securities through a depository.
- (b) If a person opts to hold his securities through a Depository, the Company shall intimate such Depository all details of such allotment and shall enter in its records.
- (c) Every person who is the beneficial owner of the securities may at any time opt out of a depository in the manner provided by the Depositories Act, 1996. The Company shall then, in the manner and within the time prescribed, issue requisite security certificates to the beneficial owner thereof.

4. Securities in Depositories to be in fungible form

- (a) All Securities held by a Depository shall be dematerialized and be in fungible form.
- (b) Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.

5. Rights of Depositories and Beneficial Owners

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for effecting the transfer of a security on behalf of a beneficial owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner, shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner thereof, in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of Securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository.

6. Service of Documents

Notwithstanding anything contained in the Act or the Articles, where securities are held by a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or disc.

7. Transfer of Securities

Nothing contained in Section 108 of the Act or the Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

8. Allotment of securities dealt within a depository

Notwithstanding anything contained in the Act or the Articles, where securities are dealt with by a depository, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

9. Distinctive numbers of securities held in a depository

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Nothing contained in the Act or the Articles, regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

10. Register and index of beneficial owners

The Register and Index of beneficial owners maintained by a depository under the depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purpose of the Articles.

NOTES :

1. The Explanatory Statement setting out the material facts in respect of special business under Item Nos.5 and 6 is annexed hereto.
2. A Member entitled to attend and vote is entitled to appoint proxy to attend and vote instead of himself and proxy need not be a member of the Company. However proxy forms should be deposited at the registered office of the company not later than 48 hours before commencement of the meeting.
3. The register of members and share transfer books of the company will remain closed from 10th September, 2001 to 20th September 2001 (both days inclusive).
4. Members are requested to bring their attendance slip, duly filled in and signed for attending the meeting.

Registered Office :
120, Prasad Chambers,
Opera House,
Mumbai - 400 004.

For and on Behalf of the Board of Directors

UTTAMCHAND A. JAIN
Chairman

Dated : 8th August, 2001

ANNEXTURE TO THE NOTICE

(EXPLANATORY STATEMENT (PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)

ITEM NO.5

With the introduction of the Depositories Act, 1996 and the Depository System some of the provisions of the Companies Act, 1956 relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate implementation of the new system.

It is proposed to amend the Article of Association of the Company suitable to incorporate therein necessary provisions relating the Depository System.

ITEM NO.6 :

In view of increase in the business activities of the Company and as also for good corporate governance the Board of Directors of the company at their meeting held on 30th April, 2001 have re-appointed Mr. Bhawar U. Jain as a Managing Director for a period of five years with effect from 1st April, 2001.

Mr. Bhawar U. Jain is an Industrialist and has the vast knowledge and varied experience of over 15 years in the business of Diamond Trade and Jewellery and his appointment will be beneficial to the Company.

By virtue of the explanation to Section 269 of the Companies Act, 1956, Mr. Bhawar U. Jain's appointment is to be construed as an appointment of a Managing Director attracting the provisions of the said section. Accordingly, the appointment of and payment of remuneration to Mr. Bhawar U. Jain is in accordance with Schedule XIII of the Companies Act, 1956. As required by Part II of the said schedule, the matter is placed before the members for their approval.

FLAWLESS DIAMOND (INDIA) LIMITED

The main terms and conditions of his appointment are as under :

I) OVERALL REMUNERATION :

Subject to the provision of Section 198, 269 and Section 309 of the Companies Act, 1956 and other applicable provisions of the Act and modifications/amendments thereof, if any, the remuneration payable to the Managing Director shall be as follows.

1. Salary :

Rs.7000/- per month (With Annual Increment of Rs.1000 per month effective from 1st April of each financial year coming from 1st April 2002.)

2. Perquisites :

- a. Medical Benefits : Reimbursement of medical expenses for himself and his family actually incurred during his tenure subject to a limit of one month's salary per year for the period of his tenure.
- b. Leave Assistance : Return business class air fare, once in every year of service for himself and his family.
- c. Personal Accident Insurance : Amount equal to actual accident premium subject to maximum of one month's salary.
- d. Club Fees : Actual fees of clubs, subject to maximum of 2 clubs.

II) MINIMUM REMUNERATION :

Wherein any financial year during the continuance of the tenure of the Managing Director, the Company has no profits or its profits are inadequate the remuneration payable to the Managing Director by way of salary and perquisites shall not exceed the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956.

The Managing Director will not be entitled to sitting fees for the meeting of the Board/Committee attended by him.

III) TERMINATION OF AGREEMENT :

If the Managing Director shall at any time be incapacitated by illness or otherwise from performing his duties for three consecutive months or in the opinion of the Board of Directors, if he becomes unfit to act as such Managing Director, the Company may terminate the agreement by giving two month's notice in writing or by paying an amount equivalent to two months salary.

The Managing Director may also resign from his office by giving to the Company two months notice in writing.

Mr. Bhawar U. Jain as the recipient of the remuneration may be regarded as concerned with or interested in the resolution.

Mr. Uttamchand Jain, Mr. Kamal U. Jain, Mr. Anil U. Jain being the relatives of Mr. Bhawar U. Jain may also be regarded as concerned with or interest in the resolution.