



*Flawless Diamond  
(India) Ltd.*

**14th ANNUAL REPORT  
2002-2003**

**FBI FLAWLESS DIAMOND (INDIA) LIMITED,**

**MANAGING DIRECTOR**

A handwritten signature in black ink, appearing to be 'A. K. Singh', is written over the printed name of the Managing Director.

## FLAWLESS DIAMOND (INDIA) LIMITED

### BOARD OF DIRECTORS

Uttamchand A.Jain	Chairman
Bhawar U.Jain	Managing Director
Kamal U.Jain	Director
Anil U.Jain	Director
Rajendra L.Jain	Independent Director
Deepak K.Parekh	Independent Director

### AUDITORS

Suresh Anchaliya & Co.,  
Chartered Accountants  
Mumbai.

### BANKERS

The Bank Of Rajasthan Ltd.

### REGISTERED OFFICE

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

### BRANCH OFFICE

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

### WORKS

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

### 14TH ANNUAL GENERAL MEETING

ON

19th September, 2003  
at 3.00 P.M.

at

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

### REGISTRAR & SHARE TRANSFER AGENTS

Adroit Corporate Services Pvt.Ltd.  
19, Jaferbhoy Industrial Estate,  
1st Floor, Makwana Road, Marol Naka,  
Mumbai - 400 059.

Phone : 2850 3748/2859 0942 FAX : 2859 0942

**14TH ANNUAL REPORT 2002-2003****NOTICE**

NOTICE IS HEREBY GIVEN THAT the 14th Annual General Meeting of Flawless Diamond (India) Limited. will be held on 19th Day of September, 2003 at 3.00 p.m. at Preview Theatre, Novelty Chambers, Grant Road, Mumbai - 400 007 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 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 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:**

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Rajendra L. Jain who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office upto the date of this Annual General Meeting, pursuant to the provisions of Section 260 of the Companies Act, 1956, is eligible for appointment "and the Company has received notice in writing pursuant to the provisions of Section 257 of the Companies Act 1956 proposing his candidature for the office of Director of the Company, and who has consented, if appointed, to act as a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Deepak K. Parekh who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956, is eligible for appointment "and the Company has received notice in writing pursuant to the provisions of Section 257 of the Companies Act 1956 from a member of the Company proposing his candidature for the office of Director of the Company, and who has consented, if appointed, to act as a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation."

6. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution.

"RESOLVED THAT subject to the provisions of the applicable Laws, Guidelines, Rules and Regulation and subject to such approvals as may be required from the Stock Exchanges with which the securities of the Company are listed and/or any other relevant authority, the approval of the Company be and is hereby accorded to the delisting of the shares of the Company from any one or more of the Stock Exchanges where the Company's shares are presently listed, and in particular, from Ahmedabad and Delhi Stock Exchanges at such time as the Board of Directors (which term shall be deemed to include a Committee of the Board or any other person authorised by the Board) may, in their absolute discretion, consider appropriate and on the terms and conditions as may be stipulated and mutually agreed to in the best interest of the Company, after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fee payable to Stock Exchange(s) and volume of trading on the relevant Stock Exchange(s).

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, appropriate or desirable and execute all such applications, documents and writings as it may consider necessary or proper for giving effect to this Resolution."

**Registered Office**

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

Dated : 8th August, 2003

For and on Behalf of the Board of Directors

(UTTAMCHAND A. JAIN)  
CHAIRMAN

3 FOR FLAWLESS DIAMOND (INDIA) LIMITED,

MANAGING DIRECTOR.

**FLAWLESS DIAMOND (INDIA) LIMITED****NOTES :**

1. 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.
2. The register of members and share transfer books of the Company will remain closed from 9th September, 2003 to 19th September 2003 (both days inclusive).
3. The Members are requested to :
  - (a) Intimate to the Company's Registrars and Share Transfer Agents M/s. Adroit Corporate Services Pvt. Ltd. (for shares held in physical form) and to their Depository Participants (DP) (for shares held in dematerialized form) the changes, if any, in their registered address, Bank Account Number/details etc. at an early date;
  - (b) Quote ledger folio numbers/DP Identity and Client Identity Numbers in all their correspondences;
  - (c) Approach the Company for consolidation of folios, if shareholdings are under multiple folios;
  - (d) Get the shares transferred in joint names, if they are held in single name to avoid inconvenience;
  - (e) Bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the Annual General Meeting;
  - (f) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company at the registered office address so as to reach at least seven days before the date of the Meeting, to enable the information required to be made available at the Meeting, to the best extent possible.

**EXPLANATORY STATEMENT :**

(Pursuant to Section 173(2) of the Companies Act, 1956)

**Item No.4**

Mr.Rajendra L.Jain was appointed as an additional Director of the Company by the Board of Directors with effect from 7th March, 2003. In terms of Section 260 of the Companies Act, 1956 Mr.Rajendra L.Jain holds office as Director only upto the date of the ensuing Annual General Meeting. However he is eligible for appointment under Section 257 of the Companies Act, 1956. A notice has been received from a member signifying his intention to propose Mr.Rajendra L.Jain as candidate for the office of Director. Accordingly the Board commends the resolution at Item No.4 of the notice for the approval of members. Mr. Rajendra L.Jain will be non-executive independent Director.

Except Mr.Rajendra L.Jain, none of the other Directors of the Company is in any way concerned or interested in the resolution.

**Item No.5**

Mr.Deepak K.Parekh was appointed as an additional Director of the Company by the Board of Directors with effect from 7th March, 2003. In terms of Section 260 of the Companies Act, 1956 Mr.Deepak K.Parekh holds office as Director only upto the date of the ensuing Annual General Meeting. However he is eligible for appointment under Section 257 of the Companies Act, 1956. A notice has been received from a member signifying his intention to propose Mr.Deepak K.Parekh as candidate for the office of Director. Accordingly the Board commends the resolution at Item No.5 of the notice for the approval of members. Mr. Deepak K. Parekh will be Non-Executive Independent Director.

Except Mr.Deepak K.Parekh, none of the other Directors of the Company is in any way concerned or interested in the resolution.

**Item No.6**

As the members are aware that the Company's shares are presently listed on several Stock Exchanges namely Mumbai, Ahmedabad, and Delhi.

Consequent to the recent rapid changes in the Capital Market and since a substantial volume of trading is carried on through the Mumbai Stock Exchange and in particular, on the Ahmedabad, and Delhi Stock Exchanges are gradually getting reduced to a substantial extent. No particular benefit is available to the shareholders of the Company by continuing the listing of the shares on these Stock Exchanges and incurring expenditure thereof. In view of this trading volumes at these Stock Exchanges, the Company is contemplating the possibility of delisting of its shares from Ahmedabad and Delhi Stock Exchanges. It is accordingly proposed to give the authority to the Directors to delist the shares of the Company from the aforesaid Stock Exchanges.

The Directors holding shares of the Company may be concerned or interested in the resolution.

**14TH ANNUAL REPORT 2002-2003****DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have pleasure in presenting their 14th Annual Report and Audited Accounts for financial year ended 31st March, 2003.

**FINANCIAL RESULTS**

	Year Ended 31st March, 2003 Rs. '000	Year ended 31st March, 2002 Rs. '000
Profit before Depreciation	2734	2292
Less : Depreciation	481	676
Profit before Tax	2253	1616
Less : Provision for Taxation	696	614
Profit after Taxation	1557	1002
Less: Deferred Tax	123	58
Less: Income Tax For Earlier Year	28	--
Add : Balance Brought Forward from the previous year	45264	44724
	<u>46670</u>	<u>45784</u>
<b>APPROPRIATION</b>		
1. Dividend	--	--
2. Transfer to Deferred Tax Liability	--	520
3. Balance Carried to Balance Sheet	46670	45264
	<u>46670</u>	<u>45784</u>

**OPERATIONAL REVIEW**

During the year under review, the Company has achieved turnover of Rs.10381.47 lakhs as compared to Rs.5673.02 lakhs in the previous year. The Business consist mainly of trading of Diamonds.

**EXPORTS**

The Company has made an export turnover of Rs. 865.39 lakhs as compared to Rs.2423.76 lakhs in the Previous Year. Your directors are doing their sincere effort to increase the exports.

**DIVIDEND**

The Board do not recommend dividend, in view of low profit during the year. The Earlier year profit has been retained for its working capital requirements, and to strengthen reserves.

**CORPORATE GOVERNANCE :**

A separate report on Corporate Governance is enclosed as a part of this Annual Report of the Company. A certificate from Auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- That in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 of the profit or loss of the Company for the year under review;
- That the directors had 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;

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**FOR FLAWLESS DIAMOND (INDIA) LIMITED,****MANAGING DIRECTOR.**

**FLAWLESS DIAMOND (INDIA) LIMITED**

(iv) That the directors had prepared the accounts for the financial year ended 31st March, 2003 on a 'going concern' basis.

**DIRECTORS :**

Pursuant to Article 164 of the Article of Association of the Company, Shri Uttamchand A. Jain retires by rotation at the forthcoming Annual General Meeting, and being eligible, offer himself for reappointment.

Pursuant to Clause 154 (f) of Article of Association of the Company Mr.Bhanwarlal M.Sankhala ceased to be Director w.e.f. 28.04.2003. The Board appreciates his valuable guidance and co-operation received during his tenure as Director.

During the year Mr.Rajendra L.Jain and Mr.Deepak K.Parekh are appointed as Additional Director.

In accordance with the Articles of Association of the Company Mr.Rajendra L.Jain and Mr.Deepak K.Parekh are liable to retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**DEPOSITS :**

Your Company has not invited or accepted any fixed deposits from the public during the year under review.

**AUDITORS :**

You are requested to appoint Auditors for the current year and to fix their remuneration. M/s. SURESH ANCHALIYA & CO., CHARTERED ACCOUNTANTS, the retiring Auditors are eligible for re-appointment.

**PARTICULARS FOR EMPLOYEES :**

There are no employee covered pursuant to Sec 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies Amendment Act, 1988. Hence, no particulars are given.

**DEMATERIALISATION OF SHARES :**

29.64% Shares of total equity capital is held in dematerialised form with NSDL and 0.56% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2003.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING & OUTGO :**

The information pursuant to Section 217 (i) (a) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given below.

**A. Conservation of Energy :** As the Company is not covered in the list of industries required to furnish information in form 'A' in relation to conservation of energy, the same is not given.

**B. Technology Absorption, Research and Development (R&D) :**

As the Company is not engaged in any kind of manufacturing activities hence these particulars are not applicable.

**C. Foreign Exchange Earning & Outgo :**

The total exports for the year 2002-2003 amounting to Rs.865.39 lakhs. The Company is concentrating more on export of high value added polished diamonds.

Total Foreign Exchange used & earned	:	Rs. (in lakhs)
Total Foreign Exchange used	:	8381.80
Total Foreign Exchange earned (FOB)	:	816.89

**ACKNOWLEDGEMENT**

The Directors wish to thank the Company's Bankers, Employees for the consistent support received from them through periods of prosperity and adversity.

**Registered Office**

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

Dated : 8th August, 2003

For and on Behalf of the Board of Directors

(UTTAMCHAND A.JAIN)  
CHAIRMAN

FOR FLAWLESS DIAMOND (INDIA) LIMITED,  
MANAGING DIRECTOR.

## 14TH ANNUAL REPORT 2002-2003

**MANAGEMENT DISCUSSION AND ANALYSIS :-**

The Indian Diamond Industry has maintained its overall share of the Global Diamond Business and continues to be a world leader in the field of Cut and Polished Diamond. In a year of overall slowdown it has performed better than last year and with the improvement in the domestic as well international market. The Diamond Industry will definitely increase its growth in terms of carats and foreign exchange. Over the years India has forged strong trade with its major buyers and suppliers. Today the liberalization of policy has greatly bowled our industry and we have enormous potential to increase our trade with other countries.

The outlook of the Company for the future is encouraging. The cash flow of the Company is encouraging. The level of payment to creditors has increased. The performance of the Company during the year under review has improved as compared to previous year in terms of turnover and proved in the following years. However the Rupee Dollar variation will impact upon the overall performance of the Company.

**REPORT ON CORPORATE GOVERNANCE**

(Pursuant to clause 49 of the Listing Agreement)

**I Company's Philosophy on Corporate Governance :-**

The Company believes that the Corporate Governance is aimed at achieving optimum performance at all levels in the Organization. It endeavors to ensure that highest standards of ethics and transparency are met.

**II. Board of Directors****(a) Composition of the Board**

The Board of Directors comprises of six members, consisting of five Non-Executive Directors and one Executive Director. No Director is member in more than ten committees and Chairman of more than five committees across all companies in which they are Directors. During the year Six Board Meetings were held on 30.04.2002, 31.07.2002, 08.08.2002, 29.10.2002, 29.01.2003, 07.03.2003.

The composition of the Board of Directors with reference to Executive and Non Executive Directors, meets the requirement of Code of Corporate Governance.

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other Directorships and other Committee Membership/Chairmanship as on 31.03.2003 are as follows:

Name of Directors	Category of Directors	No. of Board Meetings attended	Atte-nded Last AGM	No of other Director -ship Held #	No. of other Committee Membership	
					Member	Chairman
Shri Uttamchand A. Jain	Chairman (Non-Executive)	6	Yes	None	None	None
Shri Bhawar U. Jain	Managing Director (Executive)	6	Yes	6	None	None
Shri Kamal U. Jain	(Non-Executive)	6	Yes	9	None	None
Shri Anil U. Jain	(Non-Executive)	6	Yes	5	None	None
Shri Rajendra L. Jain	(Non-Executive) Independent	N.A.	N.A.	2	None	None
Shri Bhanwarlal M. Sankhala*	(Non-Executive) Independent	3	Yes	2	None	None
Shri Deepak K. Parekh	(Non-Executive) Independent	N.A.	N.A.	N.A.	None	None

\* Ceased to be a Director on 28.04.2003.

# Including Private Limited Companies.

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FOR FLAWLESS DIAMOND (INDIA) LIMITED,

MANAGING DIRECTOR.