

*Flawless Diamond*  
*(India) Ltd.*

**15th ANNUAL REPORT**  
**2003-2004**

## 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.

### BONDED WAREHOUSE

4th Floor, Novelty Chambers,  
M. S. Road, 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 :5692 4437/ 5692 4439 FAX :5692 4438

### 15TH ANNUAL GENERAL MEETING

ON

24th September, 2004  
at 3.00 p.m.

at

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

FOR FLAWLESS DIAMOND (INDIA) LIMITED.

MANAGING DIRECTOR.

**15TH ANNUAL REPORT 2003-2004****NOTICE :**

NOTICE IS HEREBY GIVEN THAT the 15th Annual General Meeting of Flawless Diamond (India) Limited. will be held on 24<sup>th</sup> Day of September, 2004 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, 2004 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 Anil U. Jain who retires by rotation and being eligible offer himself for reappointment.
3. To appoint a Director in place of Shri Kamal U. Jain who retires 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.

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

**For and on Behalf of the Board of Directors**

Place : Mumbai  
Date : 3<sup>rd</sup> August, 2004

**(UTTAMCHAND A.JAIN)**  
**CHAIRMAN**

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**NOTES :**

1. A Member entitled to attend and vote is entitled to appoint a 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 14th September, 2004 to 24th September, 2004 (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) Bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the Annual General Meeting;
  - (d) 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.

**FOR FLAWLESS DIAMOND (INDIA) LIMITED.**

  
**MANAGING DIRECTOR.**

**FLAWLESS DIAMOND (INDIA) LIMITED****DIRECTORS' REPORT  
TO THE MEMBERS**

Your Directors have pleasure in presenting the 15th Annual Report and Audited Accounts for the financial year ended 31st March, 2004.

**FINANCIAL RESULTS**

|  | Year Ended<br>31st March, 2004<br>Rs. '000 | Year ended<br>31st March, 2003<br>Rs. '000 |
|--|--|--|
| Profit before Depreciation                           | 8799                                       | 2734                                       |
| Less : Depreciation                                  | 709  | 481  |
| Profit before Tax                                    | 8090                                       | 2253                                       |
| Less : Provision for Taxation                        | 2803                                       | 696  |
| Profit after Taxation                                | 5287                                       | 1557                                       |
| Less: Deferred Tax                                   | 199  | 123  |
| Less: Income Tax For Earlier Year                    | —  | 28   |
| Add : Balance Brought Forward from the previous year | 46670                                      | 45264                                      |
| Balance Carried to Balance Sheet                     | 51758                                      | 46670                                      |

**OPERATIONAL REVIEW**

During the year under review, the Company has achieved turnover of Rs.55614.14 lakhs as compared to Rs.10381.47 lakhs in the previous year. The Business consists mainly of trading of Diamonds.

**EXPORTS**

The Company has made an export turnover of Rs. 38426.09 Lakhs as compared to Rs.865.39 lakhs in the Previous Year. The exports growth is phenomenal and your Directors expect further growth in future.

**DIVIDEND**

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

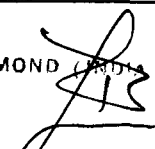
**CORPORATE GOVERNANCE :**

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, 2004, the applicable accounting standards had been followed.
- 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 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.
- That the Directors had prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

  
**MANAGING DIRECTOR.**

**15TH ANNUAL REPORT 2003-2004****DIRECTORS:**

Pursuant to Article 164 of the Article of Association of the Company, Shri Anil U. Jain and Shri. Kamal U. Jain retires by rotation at the forthcoming Annual General Meeting, and being eligible, offers themselves for reappointment.

**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:**

36.71% Shares of total equity capital is held in dematerialised form with NSDL and 2.40% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2004.

**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 2003-2004 amounting to Rs.38426.09 Lakhs. The Company is concentrating more on export of high value added polished diamonds.

|   |                       |
|---|-----------------------|
| <b>Total Foreign Exchange used &amp; earned :</b> | <b>Rs. (in lakhs)</b> |
| Total Foreign Exchange used :                     | 5891.65               |
| Total Foreign Exchange earned :                   | 11028.06              |

**ACKNOWLEDGEMENT**

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

**Registered Office**

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

Place : Mumbai

Date : 3<sup>rd</sup> August, 2004

For and on Behalf of the Board of Directors

(UTTAMCHAND A.JAIN)  
CHAIRMAN

FOR FLAWLESS DIAMOND (INDIA) LIMITED.

MANAGING DIRECTOR

**FLAWLESS DIAMOND (INDIA) LIMITED****MANAGEMENT DISCUSSION AND ANALYSIS :-**

The Indian Diamond Industry is maintaining its Global Presence and will continue to remain at the top in the field of Cut and Polished Diamond. The Jewellery Industry is also having its presence felt in the local as well as global market.

The new Government and its economic policies will have an impact on the economic reforms and also on the Gem and Jewellery Industry. The Rupees / Dollar fluctuation is having a lot of impact on the performance of the industry and continue to do so in future also because the exports are linked to dollar.

The exemption given to exports have been phased out however the reduction in interest rate and the pro-reform policies of new government will have overall positive effect on the diamond industry.

The cash flow of the company are very encouraging with the significant growth in terms of turnover as well as profitability. With the recognized Export House status and as a Merchant Exporter the company will touch new heights in future.

The company's policy is to maintain goodwill in the market and perfection at all levels. The Customer's satisfaction is the top most priority.

**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 endeavours to ensure that highest standards of ethics and transparency are met. The Company continues to review its Corporate Governance practice to ensure that this reflect the best Corporate Governance practices. It takes feed back into accounts in its periodic review of the guidelines so as to ensure its continued relevance.

**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 Seven Board Meetings were held on 28.04.2003, 31.07.2003, 08.08.2003, 15.09.2003, 30.10.2003, 15.11.2003, 30.01.2004.

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 31.03.2004 are as follows :

| Name of Directors       | Category of Directors         | No. of Board Meetings attended | Atte-nded Last AGM | No of other Directorship Held # | No of other Committee Membership |          |
|-------------------------|-------------------------------|--------------------------------|--------------------|---------------------------------|----------------------------------|----------|
|                         |                               |                                |                    |                                 | Member                           | Chairman |
| Shri Uttamchand A. Jain | Chairman (Non-Executive)      | 7                              | Yes                | None                            | None                             | One      |
| Shri Bhawar U. Jain     | Managing Director (Executive) | 7                              | Yes                | 6                               | None                             | None     |
| Shri Kamal U. Jain      | (Non Executive)               | 7                              | Yes                | 9                               | Two                              | One      |
| Shri Anil U. Jain       | (Non Executive)               | 7                              | Yes                | 5                               | Two                              | One      |
| Shri Rajendra L. Jain   | (Non Executive) Independent   | 7                              | Yes                | 2                               | Three                            | None     |
| Shri Deepak K. Parekh   | (Non Executive) Independent   | 7                              | Yes                | None                            | One                              | One      |

FOR FLAWLESS DIAMOND (INDIA) LIMITED.

MANAGING DIRECTOR.