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*Flawless Diamond
(India) Ltd.*

**16th ANNUAL REPORT
2004-2005**

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	Director
Deepak K.Parekh	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,
Mmubai- 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 : 2859 6060/2859 4060 FAX : 5692 4438

16TH ANNUAL GENERAL MEEING

ON
20th September, 2005
at 3.00 P.M.
at
Preview Theatre,
Novelty Chambers,
2nd Floor,
Grant Road,
Mumbai - 400 007

16TH ANNUAL REPORT 2004-2005**NOTICE :**

NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting of Flawless Diamond (India) Limited. will be held on 20th Day of September, 2005 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, 2005 and Profit and Loss Account for the year ended on that date and report of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri Uttamchand A. Jain who retires by rotation and being eligible offer himself for reappointment.
3. To appoint a Director in place of Shri Rajendra L. 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

By order of the Board of Directors

Place : Mumbai

Date : 10th August, 2005

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 10th September, 2005 to 20th September, 2005 (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.

FLAWLESS DIAMOND (INDIA) LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 16th Annual Report with the Audited Accounts for the financial year ended 31st March, 2005.

FINANCIAL RESULTS	(Rs. In Thousands)	
	Year Ended 31st March, 2005	Year Ended 31st March, 2004
Profit before Depreciation	4676	8799
Less : Depreciation	<u>1024</u>	<u>709</u>
Profit before Tax	3652	8090
Less : Provision for Taxation	<u>1402</u>	<u>2803</u>
Profit after Taxation	2250	5287
Less: Deferred Tax	4	199
Add : Balance Brought Forward from the previous year	<u>51758</u>	<u>46670</u>
Balance Carried to Balance Sheet	<u><u>54004</u></u>	<u><u>51758</u></u>

OPERATIONAL REVIEW

During the year under review, the Company has achieved turnover of Rs.16255.25 lakhs as compared to Rs.55614.14 lakhs in the previous year. The Business consists mainly of trading of Diamonds. The Net Profit of the Company before taxation is Rs.36.52.lakhs.

The Company has made an export turnover of Rs. 11685.69 Lakhs.

DIVIDEND

The management is doing their sincere efforts to improve the performance of the Company and expecting better results in the following year. The fluctuation in dollar is also affecting the performance of the Company. In order to strengthen the reserves and to meet the working capital requirement of the Company, the Board of Directors do not recommend the dividend.

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 :

- (i) That in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed.
- (ii) 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.
- (iii) 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.
- (iv) That the Directors had prepared the accounts for the financial year ended 31st March, 2005 on a going concern basis.

16TH ANNUAL REPORT 2004-2005**DIRECTORS:**

Pursuant to Article 164 of the Article of Association of the Company, Shri Uttamchand A. Jain, and Shri. Rajendra L. Jain Director of the Company 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.

AUDITORS :

M/s. Suresh Anchaliya & Co., Chartered Accountants, the Auditors of the Company who holds office, in accordance with the Provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves 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 :

40.42% Shares of total equity capital is held in dematerialised form with NSDL and 5.12% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2005.

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 2004-2005 are amounting to Rs.11685.69 Lakhs. The Company is concentrating more on export of high value added polished diamonds.

Total Foreign Exchange used & earned	:	(Rs. In Thousands)
Total Foreign Exchange used	:	2500691.82
Total Foreign Exchange earned	:	3262144.72

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.

On behalf of the Board of Directors

Place : Mumbai

Date : 10th August, 2005

UTTAMCHAND A. JAIN

CHAIRMAN

FLAWLESS DIAMOND (INDIA) LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS :-

The Indian Diamond Industry is witnessing a divergent trend in the demand for cut and polished diamonds and maintaining its Global Presence. 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 overall demand in the world market is excellent but due to problems faced by the U.S. economy the demand will be sluggish until and unless there is improvement in the oil price.

Revaluation of Yuan of China will have cost bearing effect in the labour market. This will open up the market for Indian Diamond and Jewellery and increase its presence.

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 improve its working in future.

The company's policy is to maintain goodwill in the market and flawless 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 endeavors 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 and maintain the transparency and accountability to all the concerns.

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 30.04.2004, 31.07.2004, 03.08.2004, 31.08.2004, 15.9.2004, 30.10.2004, 31.01.2005.

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 31.03.2005 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 Held #	
					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)	6	No	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