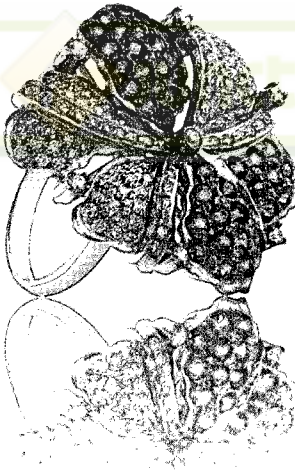


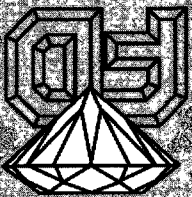


*Flawless*  
*Diamond (India) Limited*



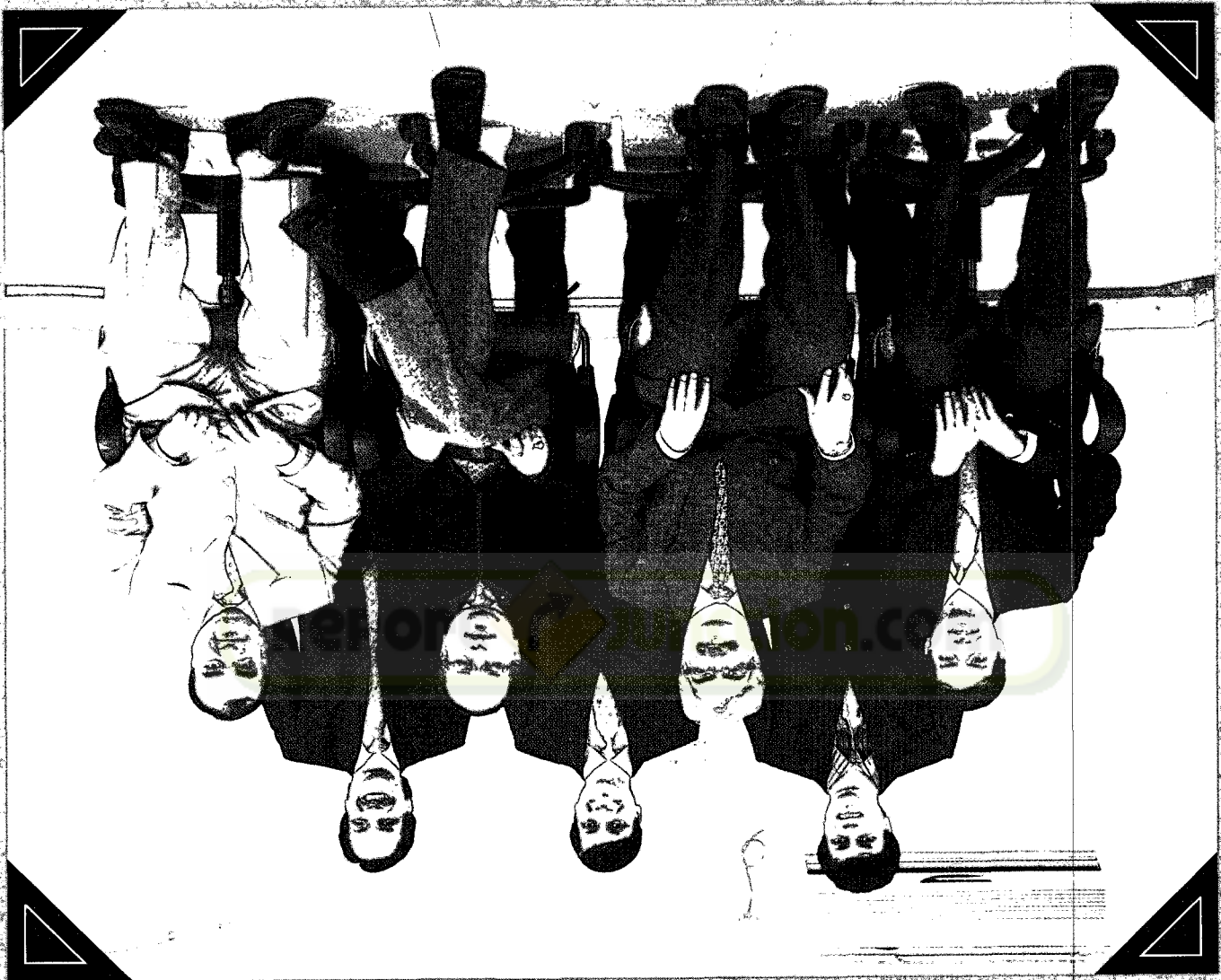
*18th Annual Report*  
*2006 - 2007*





*Sansco Services (India) Limited*

BOARD OF DIRECTORS



L to R (Standing) : Mr. Anil U. Jain, Mr. Kamal U. Jain, Mr. Bhawar U. Jain  
L to R (Sitting) : Mr. Gautam Bannerjee, Mr. Rajiv Kamdar,  
Mr. Deepak Parekh, Mr. Rajendra L. Jain



## BOARD OF DIRECTORS

Kamal U. Jain	Chairman
Bhawar U. Jain	Managing Director
Anil U. Jain	Director
Gautam Banerjee	Director
Rajendra L. Jain	Director
Deepak K. Parekh	Director
Rajeev Kamdar	Director

## AUDITORS

Suresh Anchaliya & Co.  
Chartered Accountants  
Mumbai.

## BANKERS

The Bank of Rajasthan Ltd.

## REGISTERED OFFICE

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

## WORKS

G-53, UPSIDC, Industrial Area,  
Selaqui District, Dehradun -248197,  
Uttaranchal.

## REGISTRAR & SHARE TRANSFER AGENTS

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

Phone: + 91-22-28596060/28594060 Fax: + 91-22-28503748

## 18<sup>TH</sup> ANNUAL GENERAL MEETING

ON

Thursday 20<sup>TH</sup> September, 2007  
at 11.00 A.M.

at

Avsar Banquet Hall,  
Jyoti Studio Compound,  
Nana Chowk,  
Grant Road (West),  
Mumbai - 400 007.

FLAWLESS DIAMOND (INDIA) LIMITED





## NOTICE

NOTICE IS HEREBY GIVEN THAT the 18<sup>th</sup> Annual General Meeting of Flawless Diamond (India) Limited will be held on Thursday, 20<sup>th</sup> Day of September, 2007 at 11.00 a.m. at Avsar Banquet Hall, Jyoti Studio Compound, Nana Chowk, Grant Road (West), Mumbai - 400 007 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and Profit and Loss Account for the year ended on that date and report of Directors and Auditors thereon.
2. To confirm the payment of Interim Dividend for the financial year 2006-07 on equity shares.
3. To appoint a Director in place of Kamal U. Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Rajendra L. Jain who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

6. To consider and if thought fit to pass, with or without modification(s), the following resolution as **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 255 and other applicable provisions, if any, of the Companies Act 1956, or any statutory modification(s) or re-enactment thereof for the time being in force and Article 147(1) of the Articles of Association of the Company, Shri Rajeev Kamdar who was appointed as an Additional Director of the Company pursuant to the Provisions of Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member in writing proposing his candidature for the Office of Director, be and is hereby appointed as a Director of the Company liable for retire by rotation."

7. To consider and if thought fit to pass, with or without modifications, the following resolution as **Ordinary Resolution**:

"RESOLVED THAT pursuant to or provisions of Section 255 and other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification(s) re-enactment thereof for the time being in force and Article 147(1) of the Articles of Association of the Company, Shri Gautam Banerjee who was appointed as an Additional Director of the Company pursuant to the Provisions of Section 260 of the Companies Act, 1956 and who hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member in writing proposing his candidature for the Office of Director, be and is hereby appointed as Director of the Company liable for retire by rotation."

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

Place: Mumbai  
Date : 10<sup>th</sup> August, 2007

On behalf of the Board of Directors

**KAMAL U. JAIN**  
CHAIRMAN

**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 10<sup>th</sup> September, 2007 to 20<sup>th</sup> September, 2007 (both days inclusive).
3. The Members are requested to:
  - (a) Intimate to the Company's Registrars and Share Transfer Agents - 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 earlier 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.

**ANNEXURE TO THE NOTICE**

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

**In Respect of Item No. 6:-**

Pursuant to the Provision of Section 260 of the Companies Act, 1956 and Article 147(1) of the Articles of Association of the Company, the Board of Directors of the Company ("the Board") at its meeting held on 9.11.2006 appointed, Shri Rajeev Kamdar as an Additional Director of the Company.

In terms of the Provisions of Section 260 of the Companies Act, 1956 Shri Rajeev Kamdar shall hold office of Director up to the ensuing Annual General Meeting of the Company.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Shri Rajeev Kamdar for the office of the Director of the Company. Shri Rajeev Kamdar is not disqualified from being appointed as a Director in terms of Section 274 (1)(g) of the Companies Act, 1956 and has complied with the requirements of obtaining Directors Identification Number (DIN) in terms of Section 266A of the said Act.

A brief resume of Shri Rajeev Kamdar, nature of his expertise in specific functional area are provided in the Report on Corporate Governance, forming part of this Annual Report.

The Board commends the Resolution for appointment of Shri Rajeev Kamdar as a Director of the Company. Shri Rajeev Kamdar is liable to retire by rotation.

Save and except Shri Rajeev Kamdar, none of the other Directors of the Company are, in any way, concerned or interested in the resolution.

**In Respect of Item No. 7:-**

Pursuant to the Provision of Section 260 of the Companies Act, 1956 and Article 147(1) of the Articles of Association of the Company, the Board of Directors of the Company ("the Board") at its meeting held on 9.11.2006 appointed, Shri Gautam Banerjee as an Additional Director of the Company.

In terms of the Provisions of Section 260 of the Companies Act, 1956 Shri Gautam Banerjee shall hold office of Director up to the ensuing Annual General Meeting of the Company.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Shri Gautam Banerjee for the office of the Director of the Company. Shri Gautam Banerjee is not disqualified from being appointed as Director in terms of Section 274 (1)(g) of the Companies Act, 1956 and has complied with the requirements of obtaining Director Identification Number (DIN) in terms of Section 266A of the said Act.

A brief resume of Shri Gautam Banerjee, nature of his expertise in specific functional area are provided in the Report on Corporate Governance, forming part of this Annual Report.

The Board Commends the Resolution for appointment of Shri Gautam Banerjee as a director of the Company. Shri Gautam Banerjee is liable to retire by rotation.

Save and except Shri Gautam Banerjee, none of the other Directors of the Company are, in any way, concerned or interested in the resolution.



## DIRECTORS' REPORT

### TO THE MEMBERS,

The Directors hereby present their 18<sup>th</sup> annual report on the business and operations of the Company and the financial accounts for the year ended 31<sup>st</sup> March 2007.

### FINANCIAL RESULTS

	(Rs. In Thousands)	
	Year ended 31 <sup>st</sup> March, 2007	Year ended 31 <sup>st</sup> March, 2006
Profit before Depreciation	90342.21	10217.93
Less: Depreciation	<u>1290.83</u>	<u>982.41</u>
<b>Profit before Tax</b>	<b>89051.38</b>	<b>9235.52</b>
Less: Provision for Taxation		
Current	16225.20	3545.61
Deferred Tax	1.57	(246.01)
Income Tax for Earlier Year	NIL	70.06
Fringe Benefit Tax	<u>176.83</u>	<u>458.73</u>
<b>Profit after Taxation</b>	<b>72647.78</b>	<b>5407.13</b>
Add: Balance Brought Forward from the previous year	<u>59409.79</u>	<u>54002.66</u>
Amount Available for Appropriation	132057.57	59409.79
<b>Appropriations</b>		
Interim Dividends	5413.29	NIL
Dividends Distribution Tax	<u>759.21</u>	<u>NIL</u>
<b>Balance carried to Balance Sheet</b>	<b><u>25885.07</u></b>	<b><u>59409.79</u></b>

### DIVIDEND

In view of profitable performance during the year, the Directors of the Company in their meeting held on 05.02.2007 declared Interim Dividend of Rs.1/- per share on 57,90,000 equity shares of the Company on Prorata basis involving cash outflow of Rs.54,13,287/- towards payment of Interim Dividend and Rs.7,59,214/- towards Dividend Distribution Tax.

### EXPANSION

During the year the Company has ventured into retail chain business of Designer Jewellery and opened retail showrooms under the brand name "AUM". The Company plans to have Pan India presence in the retail chain of branded Designer Jewellery through owned showrooms and franchisee by the end of next financial year.

The Company has also set up Jewellery and Diamond manufacturing plant at Uttaranchal, where the diamond cutting and Jewellery manufacturing facilities will be carried out to facilitate the Company's retail business and to provide the benefits of in house research and development in the upgraded designs.

### CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the stipulations set out in the Listing Agreement with the Stock Exchange and have implemented all the prescribed requirements. 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:

- (i) in the preparation of the annual accounts, for the Financial Year ended 31<sup>st</sup> March 2007, the applicable accounting standards had been followed;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 ended 31<sup>st</sup> March, 2007;
- (iii) 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) the Directors have prepared the annual accounts of the company for the financial year ended 31<sup>st</sup> March, 2007 on 'going concern' basis.

### **DIRECTORS**

Pursuant to Article 164 of the Article of Association of the Company Shri Rajendra L. Jain and Shri Kamal U. Jain, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Pursuant to the provision of section 260 of the Companies Act, 1956 and Article 147(1) of the Articles of Association of the Company Shri Rajeev Kamdar and Shri Gautam Banerjee were appointed as Additional Directors w.e.f. 09.11.2006. They shall hold office upto the date of the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a member proposing the candidature of Shri Rajeev Kamdar and Shri Gautam Banerjee for the office of the director liable to retire by rotation.

### **DEPOSITS**

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

### **CAPITAL**

During the year the Company has allotted 500000 equity shares of Rs.10/- each at a premium of Rs.10/- per share on Preferential Allotment basis to the allottees of Share Warrants who exercised their option of conversion of Share Warrants into equal number of equity shares.

### **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 up to the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

The Company has received letter from the auditors to the effect that their re-appointment, if made, would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

A detailed review of the progress of the project and the future outlook of the Company and its business as stipulated under clause 49 of the Listing Agreement with the Stock Exchange is presented in a separate section forming part of the Annual Report.



18  
THA  
N  
N  
U  
A  
LR  
E  
P  
O  
R  
T2  
0  
0  
6  
-  
2  
0  
0  
7**PARTICULARS OF EMPLOYEES**

There are no such employees pursuant to Section 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 required to be appended to this report in this regard.

**DEMATERIALISATION OF SHARES**

70.00% Shares of total equity capital is held in dematerialized form with NSDL and 9.28% Shares of total equity capital is held in dematerialized form with CDSL, as on 31.03.2007.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO**

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

- 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) :** The Company has started manufacturing activity during the year with the ultra modern plant and machineries with the latest and energy savvy technologies. As and when the need arises the Company will upgrade the technology.

The Company continues to do the research and development in the field of designs and market surveys to read the mindset of the consumers. The Company has design bank of large number of latest and upgraded designs, keeping in view the future demands and the benefits of which will arise in the following years.

- C. Foreign Exchange Earning & Outgo:** The total exports for the year 2006-2007 amounts to Rs.14713.64 Lakhs. The Company is concentrating more on export of high value added Polished Diamonds and Designer Jewellery.

Total Foreign Exchange used & earned : Rs. (In Lakhs)

Total Foreign Exchange used	:	16921.94
Total Foreign Exchange earned	:	14713.64

**ACKNOWLEDGEMENT**

The Directors wish to place on record their appreciation for the consistent assistance and co-operation received from the Central and State Government Authorities, Company's Bankers, Vendors, Members and dedicated Employees for the confidence in the Company and its management through the periods of prosperity and adversity.

**Registered Office:**

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

Place: Mumbai

Date : 10<sup>th</sup> August, 2007

On behalf of the Board of Directors

**KAMAL U. JAIN**  
CHAIRMAN





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### THE RETAIL INDUSTRY

The Indian Domestic Diamond Jewellery market is estimated at more than Rs.8000 Crores. A large part of the growth in the Gem & Jewellery Industry is fuelled by the branded segment, which hurtled northwards at an amazing growth rate of more than 35%. The branded jewellery market in India is likely to touch USD 2.28 bn by 2010. Organized players still account for less than 5% of the total estimated market as traditionally Indians have relied on close relatives, friends or people known to them for procuring precious jewellery. However, this equation is expected to change gradually in favour of the organized players. For retailing of branded jewellery, the Company has geared itself for establishing a large and strong retail setup with a Pan India presence. The organized jewellery market is growing rapidly and consumers are increasingly willing to visit branded jewellery stores for even serious jewellery shopping. The exports potentials too are enormous. The gems and jewellery industry is the second largest net foreign exchange earners of India. India has several well-recognized strengths, which have made it a significant force in the global Gems & Jewellery business such as highly skilled, yet low cost labour, established manufacturing excellence in jewellery and diamond polishing, India is the most technologically advanced diamond cutting centre in the world, opportunity to address one of the world's largest and fastest growing Gems and Jewellery markets, opportunity to leverage India's strengths to address the global market.

In line with the Indian Government's Policy of making India a Global Hub for the Gems and Jewellery Business, the Company ventured into the business of designer diamond jewellery, to be marketed Internationally as well as Locally by launching an International exclusive Designer Class Jewellery Brand namely "AUM". The Company unveiled thousands of exclusive designer diamond jewellery, under its Brand AUM catering to different consumer segments and price points, both for the domestic and the international market, through various channels, both in the retail as well as wholesale space. Realigning the Company's focus towards retailing of Branded Jewellery in line with the changing demographic, socio-graphic and economic factors in the Indian Economy, for the domestic market, the Company chalked out aggressive plans for foraying into retailing of branded diamond jewellery. To augment it's visibility in the retail space and position its brand favorably, the Company inaugurated its retail venture, "AUM GALLERIA", a chain store for retailing of branded jewellery. The strategically located prestigious showroom covers approx. 5000 sq. ft. in the heart of South Mumbai. The Company finalized its retailing marketing strategies signing exclusive franchisee agreement with multi product retail outfits, having a Pan India presence. To support its retail initiatives, the Company created an extensive Design Bank to meets its current and future jewellery design requirements. This Design Studio is considered to give sufficient strength to the brand AUM jewellery for the local and overseas market. Also, the appointment of Mr. Gautam Banerjee, India's renowned jewellery designer, on the Board of the Company, to design the entire collection of AUM jewellery will further add to the Company's designing capabilities.



## 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 with. The Company continues to review its Corporate Governance practice to ensure that these 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 seven members, consisting of six 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 nine Board Meetings were held on 19.04.06, 31.07.06, 10.08.06, 15.09.06, 17.10.06, 09.11.06, 01.01.07, 22.01.07 and 05.02.07.

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 31.03.2007 are as follows :

Name of Directors	Category of Directors	No. of Board Meetings attended	Attended Last AGM	No of other Directorship Held	No. of other Committee Membership	
					Member	Chairman
Shri Kamal U. Jain	Chairman (Non Executive)	9	Yes	11	Two	One
Shri Bhawar U. Jain	Managing Director (Executive)	9	Yes	10	None	None
Shri Anil U. Jain	(Non Executive)	9	Yes	6	Two	One
Shri Rajendra L. Jain	(Non Executive) Independent	9	Yes	2	Three	None
Shri Deepak K. Parekh	(Non Executive) Independent	9	Yes	None	One	One
Shri Rajiv Kamdar*	(Non Executive) Independent	3	No	None	None	None
Shri Gautam Banerjee*	(Non Executive)	3	No	1	None	None

\*Appointed as Additional Directors on November 9, 2006.