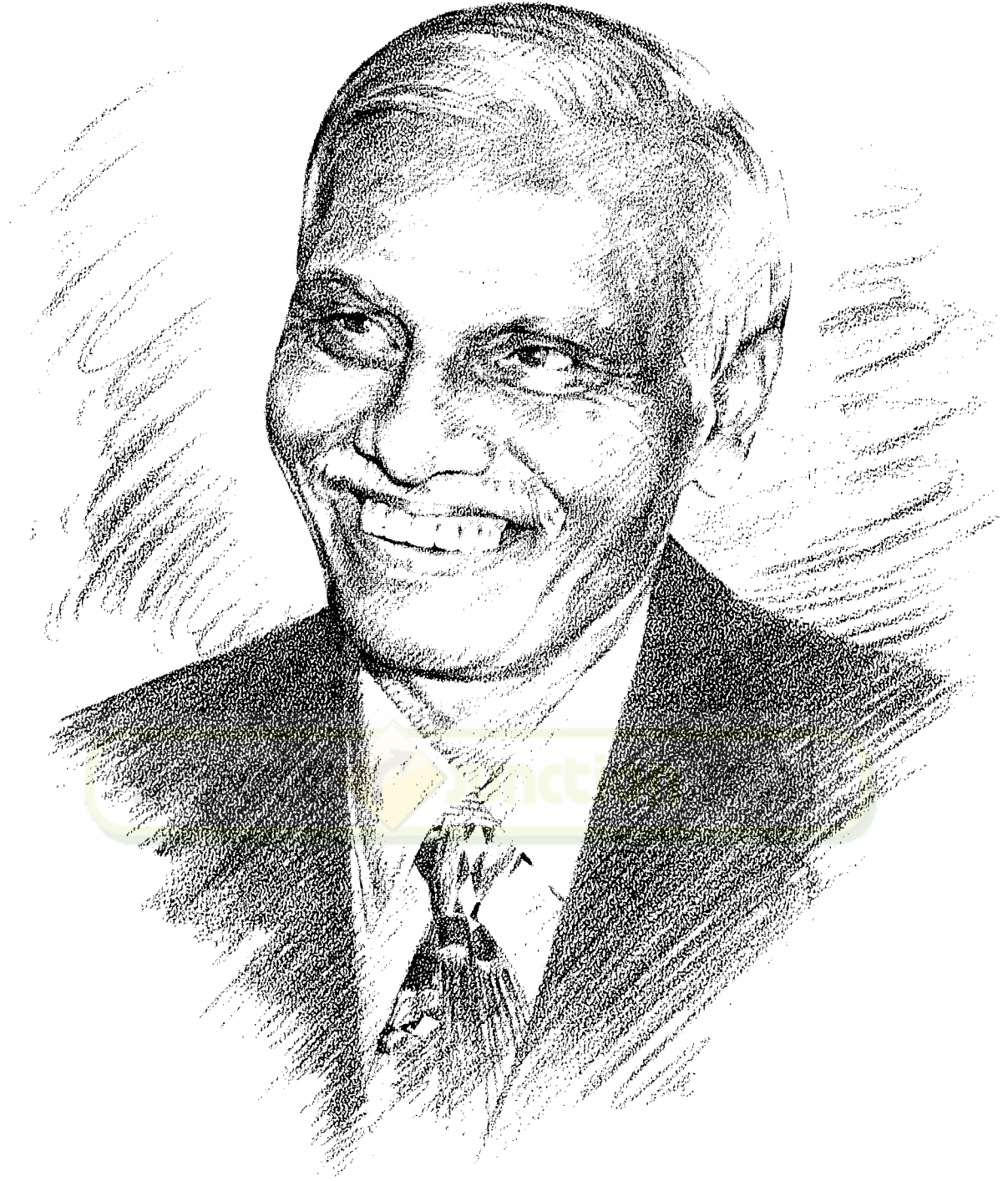


Flawless

Diamond (India) Limited



19th Annual Report
2007 - 2008



Founder Chairman

Shri. Uttamchandji Jain

(Now Arya Uttamchandji Maharaj)

FLAWLESS DIAMOND (INDIA) LIMITED

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

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTERANCE OF THE MEETING HALL

DP. Id *	
Client Id	

Folio No. :	
-------------	--

NAME AND ADDRESS OF THE SHAREHOLDER _____

No. of shares held : _____

I hereby record my presence at the 19th ANNUAL GENERAL MEETING of the Company held on Saturday, 20th September, 2008 at 11.00 a.m. at Avsar Banquet Hall, Jyoti Studio Compound, Nana Chowk, Grant Road (West), Mumbai - 400 007.

* Applicable for investors holding shares in Eletronic From.

** Strike out whichever is not applicable.

SIGNATURE OF THE SHAREHOLDER OR PROXY**

Proxy form**FLAWLESS DIAMOND (INDIA) LIMITED.**

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

DP. Id *	
Client Id	

Folio No. :	
-------------	--

I/We

being a Member/Members of FLAWLESS DIAMOND (INDIA) LIMITED. hereby appoint

_____ of _____

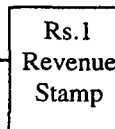
(or failing him) _____ of _____

(or failing him) _____ of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 19th ANNUAL GENERAL MEETING of the Company held on Saturday, 20th September, 2008 at 11.00 a.m. and at any adjournment thereof.

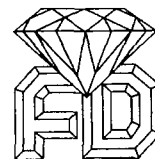
As WITNESS my hand/our hands that _____ day of _____ 2008.

Signature _____



* Applicable for investors holding shares in Electronic From.

Note : The Proxy must be deposited at the Registered Office of the Company at 120, Prasad Chambers, Opera House, Mumbai-400 004. not less than 48 hours before the time of holding the Meeting. The Proxy need not be a member of the Company.



BOARD OF DIRECTORS

Kamal U. Jain	Chairman
Bhawar U. Jain	Managing Director
Anil U. Jain	Director
Gautam Banerjee	Director
Rajiv Kamdar	Director
Deepak K. Parekh	Independent Director
Sujay N. Kantawala	Independent Director
Gopalakrishna Pillai	Independent Director

AUDITORS

Suresh Anchaliya & Co.
Chartered Accountants
Mumbai.

BANKERS

The Bank of Rajasthan Ltd.
Punjab & Sind Bank

REGISTERED OFFICE

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

WORKS

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

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

19TH ANNUAL GENERAL MEETING

ON
Saturday,
20TH September, 2008
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 19th Annual General Meeting of Flawless Diamond (India) Limited will be held on **Saturday, 20th Day of September, 2008 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, 2008 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 2007-08 on equity shares.
3. To appoint a Director in place of Anil U.Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Deepak K.Parekh 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 Sujay N. Kantawala** 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 modification(s), the following resolution as **Ordinary Resolution**:

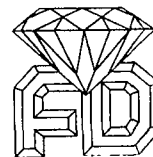
"RESOLVED THAT pursuant to the provisions of Section 255 and other applicable provisions, if any, of the Companies Act 1956, or any statutory modification(s) or re-enactment thereof for the time being in force and Article 147(1) of the Articles of Association of the Company, **Shri Gopalakrishna Pillai**, 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."

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

Place: Mumbai
 Date : 18.08.2008

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 **10th September, 2008 to 20th September, 2008 (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 Provisions 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 18.10.2007 appointed, Shri Sujay N. Kantawala as an Additional Director of the Company.

In terms of the Provisions of Section 260 of the Companies Act, 1956 Shri Sujay N. Kantawala 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 Sujay N. Kantawala for the office of the Director of the Company. Shri Sujay N. Kantawala 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 Sujay N. Kantawala, 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 Sujay N. Kantawala as a Director of the Company. Shri Sujay N. Kantawala is liable to retire by rotation.

Save and except Shri Sujay N. Kantawala, 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 Provisions 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 11.08.2008 appointed, Shri Gopalakrishna Pillai as an Additional Director of the Company.

In terms of the Provisions of Section 260 of the Companies Act, 1956 Shri Gopalakrishna Pillai 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 Gopalakrishna Pillai for the office of the Director of the Company. Shri Gopalakrishna Pillai 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 Gopalakrishna Pillai, 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 Gopalakrishna Pillai as a Director of the Company. Shri Gopalakrishna Pillai is liable to retire by rotation.

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

F L A W L E S S D I A M O N D (I N D I A) L I M I T E D

**DIRECTORS' REPORT****TO THE MEMBERS,**

The Directors hereby present their 19th annual report on the business and operations of the Company and the Financial Accounts for the year ended 31st March, 2008.

(Rs. in Thousands)

FINANCIAL RESULTS

	Year ended 31 st March, 2008	Year ended 31 st March, 2007
Profit before Depreciation	276355.96	90342.21
Less: Depreciation	3423.04	1290.83
Profit before Tax	272932.92	89051.38
Less: Provision for Taxation		
Current	30903.76	16225.20
Deferred Tax	639.05	1.57
Income Tax for Earlier Year	74.16	NIL
Fringe Benefit Tax	222.83	176.83
Profit after Taxation	241093.13	72647.78
Add: Balance Brought Forward from the previous year	125885.07	59409.79
Amount Available for Appropriation	366978.19	132057.57
Appropriations		
Interim Dividend	8339.00	5413.29
Tax on Dividend	1417.21	759.21
Balance carried to Balance Sheet	357221.98	125885.07

DIVIDEND

The Directors of the Company in their meeting held on 28.01.2008 declared Interim Dividend of Re.0.50/- per share on 1,66,78,000 equity shares of the Company, involving cash outflow of Rs.83,39,000/- towards payment of Interim Dividend and Rs.14,17,210/- towards Dividend Distribution Tax. This dividend is tax free in the hands of the shareholders. The declared dividend is commensurate with the profit of the Company for the year 2007-08.

EXPANSION

During the year, the Company opened 16 showrooms and the Company plans to open many more Showrooms and Outlets to have the AUM BRAND presence across Pan India.

The Company has its own Jewellery and Diamond manufacturing plant at Uttaranchal, where the diamond cutting and jewellery manufacturing facilities is carried out to facilitate the Company's retail business and to provide the benefits of in house research and development in the upgraded designs. The Company has its own R & D and also has well-trained Designer Jewellers, where the Company has more than 10,000 Jewellery Designs and further the Company plan to have more skilled-staff for its Designer Jewellery. The Company intends to enhance its capacity and also plans to have marketing set-up in Middle East.

RESEARCH AND DEVELOPMENT

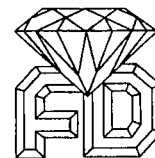
Research and Development is a vital area of the Company's focus and has been a key factor in maintaining the company's growth. Leveraging on its strong research and development department, your Company is constantly developing new and latest designs of jewellery and lifestyle products. Your Company keeps abreast with the latest trends in the market and its users.

GROWTH IN EXPORT

The contribution of exports in the total revenue of the Company has shown buoyant trend. During the year, export turnover was Rs. 18385.22 lakhs and has shown 37% growth over the last year.

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 31st March, 2008, 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 31st March, 2008;
- (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 31st March, 2008 on 'going concern' basis.

DIRECTORS

Pursuant to Article 164 of the Article of Association of the Company Shri Anil U. Jain and Shri Deepak K.Parekh, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer them selves for re-appointment.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 147(1) of the Articles of Association of the Company, Shri Sujay N. Kantawala was appointed as an Additional Director w.e.f.18.10.2007. He holds office upto the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Sujay N. Kantawala for the office of the Director liable to retire by rotation.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 147(1) of the Articles of Association of the Company, Shri Gopalakrishna Pillai was appointed as an Additional Director w.e.f.11.08.2008. He holds office upto the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Shri Gopalakrishna Pillai for the office of the Director liable to retire by rotation.

During the year, Shri Rajiv Kamdar expressed his desire to extend his services as Non-Executive Director, as against an Independent Director. He was appointed as Non-Executive Director (Finance) w.e.f.11.08.08.

During the year, Mr. Rajendra L. Jain, Independent Director of the Company resigned on 11.08.2008. The Board appreciates his association and services rendered by him during his tenure as a Director of the Company.

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 **10300000** 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, and **588000** equity shares of Rs.10/- each at a premium of Rs.75/- per share to Bennet Coleman & Co.Ltd.on Preferential Allotment basis.

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.

PARTICULARS OF EMPLOYEES

The overall industrial and employee relations remained healthy. 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.

F L A W L E S S D I A M O N D (I N D I A) L I M I T E D



DEMATERIALIZATION OF SHARES

69.09% Shares of total equity capital is held in dematerialised form with NSDL and 24.75% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2008.

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 2007-2008 amounts to Rs. 18385.22 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	: 38357.04
Total Foreign Exchange earned	: 15618.21

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.

On behalf of the Board of Directors

KAMAL U. JAIN
CHAIRMAN

Place: Mumbai

Date : 18.08.2008

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

THE RETAIL INDUSTRY

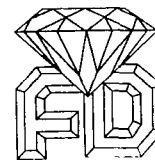
The Indian gems and Jewellery industry is a leading foreign exchange earner and occupies significant position in Indian economy.

Till now Indian Jewellery Market is dominated by traditional Jewellers and the presence of branded Jewellery is comparatively low. The Jewellery industry has shown increased awareness in India due to international travel and also due to advance in technology has made the customer astute and created more awareness in trend and the quality of Jewellery increased tremendously. In spite of having many brands in Jewellery, there is still space for other branded Jewellery. The professionally managed Jewellery brands have their presence due to sheer capability of their spending power in print media and television. The role of media has created awareness in the mind of the customer and the awareness has made the brands more cautious in branding the Jewellery. The young generation preferred light and trendy Jewellery for their daily use and with abundant purchasing power of new generation has shown tremendous increase in the retail sector. The Company is concentrating more on this segment.

The Company is getting very good response from overseas market and also from the local market, with better positioning in branded Jewellery, the management is very confidence about company's performance and looking for better performance in coming years.

Company has already well-established 21 retail outlets across the country and many number of franchises to market its product. To cater all class of customers, the Company has its own "state-of-the-art" designer studio with many numbers of skilled and unskilled work forces. To innovate and launch new designer Jewellery in time to time company has its own R & D division. The Company has very wide network for it B2B business and wholesale market to sell its branded and non-branded Designer Jewellery in Domestic and International Market.

The Company has launched new series of Designer Diamond Studded Jewellery. The series are AUM Elegant, AUM Signature, AUM Ethereal, AUM Solitaire, AUM Star, AUM Galaxy, AUM Exquisite and AUM Bridal. We have been participating in Jewellery fairs and shows, where we have received good response and we feel there is still a long way for our branded Jewellery.



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 Organisation. It endeavours 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 **Eight** members, consisting of **Seven** 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, eleven Board Meetings were held on **24.04.07, 03.05.07, 17.05.07, 22.06.07, 23.07.07, 10.08.07, 14.08.07, 18.10.07, 31.10.07, 12.12.07 and 28.01.08.**

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 31.03.2008 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 Kamal U. Jain	Chairman (Non-Executive)	11	Yes	11	Two	One
Shri Bhawar U. Jain	Managing Director (Executive)	11	Yes	10	None	None
Shri Anil U. Jain	(Non-Executive)	11	Yes	06	Two	One
Shri Rajendra L. Jain (Upto 11.08.2008)	(Non-Executive) Independent	11	Yes	02	Three	None
Shri Deepak K. Parekh	(Non-Executive) Independent	11	Yes	None	One	One
Shri Rajiv Kamdar***	(Non-Executive) Independent	11	Yes	None	None	None
Shri Gautam Banerjee	(Non-Executive)	11	Yes	01	None	None
Shri Sujay N. Kantawala*	(Non-Executive) Independent	03	No	01	None	None
Shri Gopalakrishna Pillai**	(Non-Executive) Independent	00	No	03	None	None

* Appointed as Additional Directors w.e.f. October 18, 2007.

** Appointed as Additional Director w.e.f. August 11, 2008.

*** Appointed Non Executive Director Finance w.e.f. August 11, 2008.