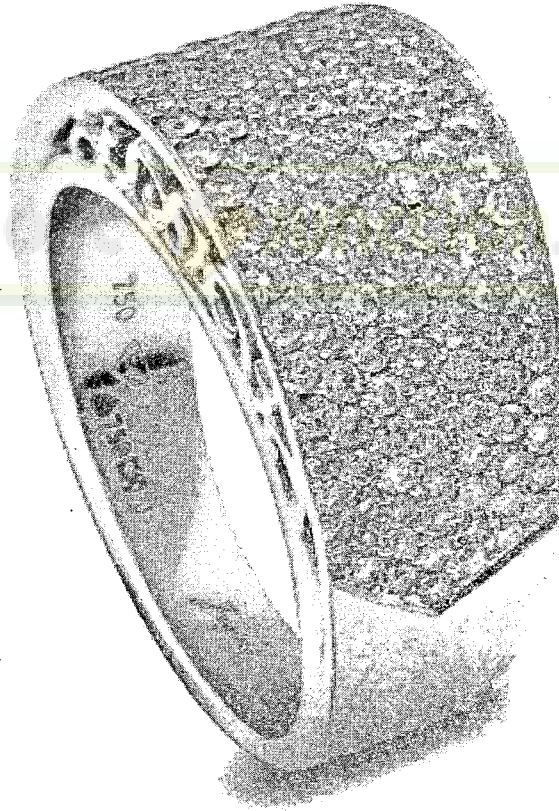
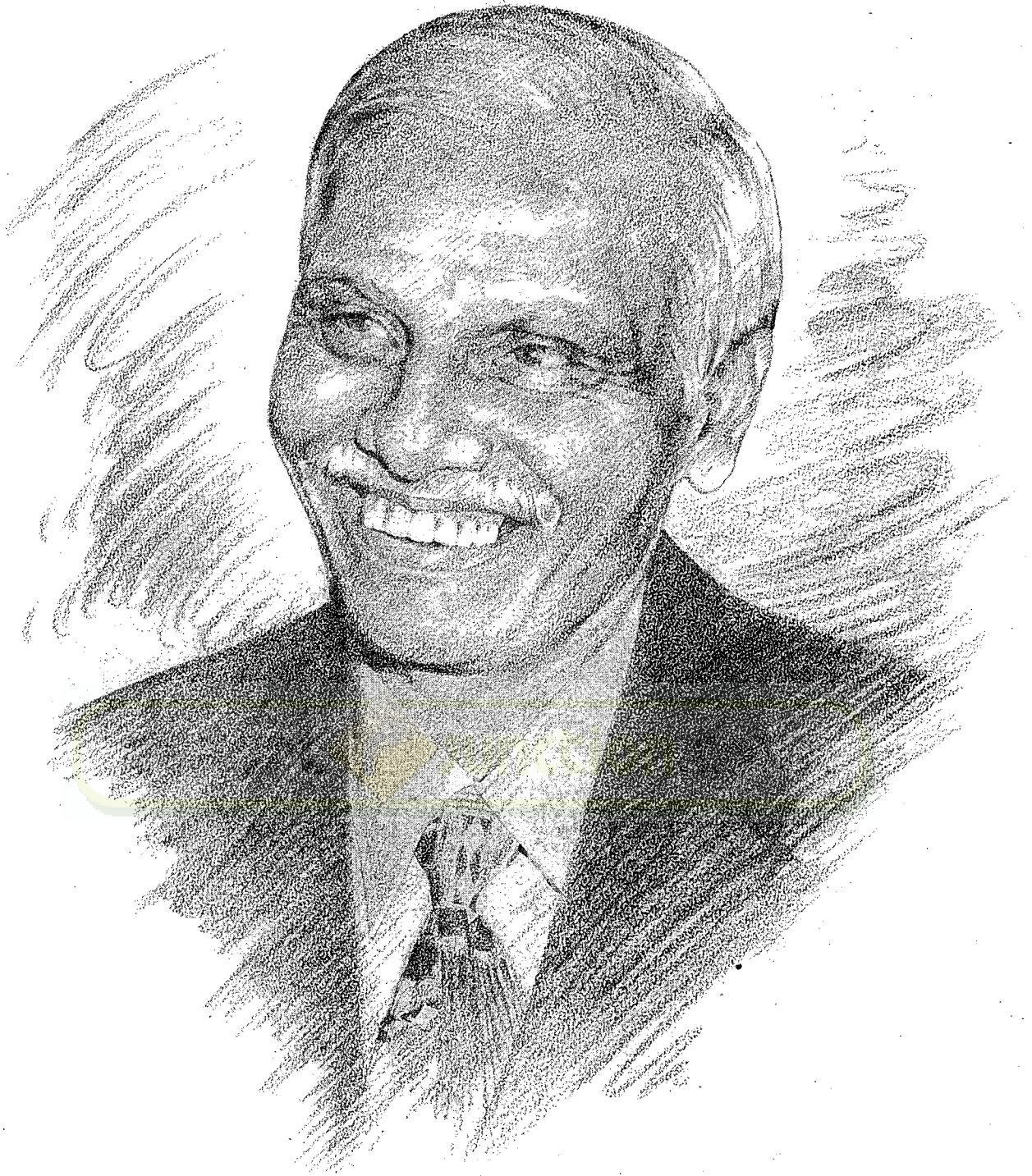


*Flawless*  
*Diamond (India) Limited*



*20th Annual Report*  
*2008 - 2009*



Founder Chairman

**Shri. Uttamchandji Jain**

(Now Arya Uttamchandji Maharaj)



## 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,  
Andheri (East), Mumbai - 400 059.

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

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

ON

**Thursday,**  
20<sup>TH</sup> August, 2009  
at 3.00 P.M.

at

Babasaheb Dahanukar Hall,  
C/o Maharashtra Chamber of Commerce,  
Oricon House, 6<sup>th</sup> Floor,  
12, K. Dubash Marg,  
Near Jahangir Art Gallery,  
Kala Ghoda,  
Mumbai - 400 001.

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*Flawless Diamond (India) Limited*

## NOTICE

NOTICE IS HEREBY GIVEN THAT the 20<sup>th</sup> Annual General Meeting of Flawless Diamond (India) Limited will be held on **Thursday, 20<sup>th</sup> Day of August, 2009 at 3.00 p.m. at Babasaheb Dahanukar Hall, C/o Maharashtra Chamber of Commerce, Orion House, 6<sup>th</sup> Floor, 12, K. Dubash Marg, Near Jahangir Art Gallery, Kala Ghoda, Mumbai – 400 001** to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 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 Kamal U. Jain who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Rajiv Kamdar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Gautam Banerjee 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 modifications, the following resolution as a Special Resolution:

**RESOLVED THAT** pursuant to the provisions of Section 94 and all other applicable provisions, if any of the Companies Act, 1956 and relevant provisions of the Memorandum and Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities and/or regulatory bodies, each and every existing fully paid equity shares of the Company of the nominal value of Rs. 10/- each be divided into Ten fully paid-up equity shares of Re. 1/- each.

**RESOLVED FURTHER THAT** the Board of Directors of the Company ("the Board", which expression shall also include a committee thereof) be and are here authorised to issue new share certificates representing the sub-divided equity shares, with new distinctive numbers, consequent to the sub-division of share as aforesaid and / or credit the shareholders' account maintained with the respective depositories, subject to the applicable rules and regulations read with Companies (Issue of Shares Certificates) Rules, 1960 and the Articles of Association of the Company and inform the respective Depositories and execute all such documents, instruments and writing as may be required in this connection and to delegate all or any of the powers herein vested in the Board, to any committee thereof or to any Director or Company Secretary, to give effect to the aforesaid resolution."

7. To consider and, if thought fit, to pass with or without modification (s) the following resolution as a Special Resolution :  
**"RESOLVED THAT** pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956 the existing Clause V of the Memorandum of Association of the Company dealing with Capital Clause be and is hereby altered by substituting with the following Clause:

V The Authorised Share Capital of the Company is Rs.20,00,25,000/- (Rupees Twenty Crores Twenty Five Thousand Only) divided into 20,00,00,000 (Twenty Crores Only) Equity Shares of Re. 1/- (Rupee One Only) each and 250 (Two Hundred Fifty Only) Preference Shares of Rs. 100/- (Rupees One Hundred Only) each (and such Preference Shares may be either Convertible or Non-convertible, Cumulative or Non-cumulative, Redeemable or Non-redeemable and may carry such dividend as may be decided by the Board of Directors from time to time, with powers to the Company to convert the same into Equity Shares at any time) and from time to time to increase, reduce or modify its capital and to divide all or any of the shares in the capital of the Company, for the time being, classify and reclassify such shares from shares of one class into shares of other class or classes including Share Warrants, with or without option to subscribe for equity Shares, and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by the Company and to vary modify or abrogate any such rights, privileges, conditions or restrictions in such manner and by such persons as may, for the time being, be permitted under the provisions of the Articles of Association of the Company or legislative provisions, for the time being in force in that behalf."

- 8 To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

**"RESOLVED THAT** pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 195 the Articles of Association of the Company be and is hereby altered by substituting the existing Article 4 of the Articles of Association with following:

4. The Authorised Share Capital of the Company is Rs.20,00,25,000/- (Rupees Twenty Crores Twenty Five Thousand Only) divided into 20,00,00,000 (Twenty Crores Only) Equity Shares of Rs. 1/- (Rupee One Only) each and 250 (Two Hundred Fifty Only) Preference Shares of Rs. 100/- (Rupees Hundred Only) each. (Rupees One Hundred Only) each (and such Preference Shares may be either Convertible or Non-convertible, Cumulative or Non-cumulative, Redeemable or Non-redeemable and may carry such dividend as may be decided by the Board of Directors from time to time,



with powers to the Company to convert the same into Equity Shares at any time) and from time to time to increase, reduce or modify its capital and to divide all or any of the shares in the capital of the Company, for the time being, classify and reclassify such shares from shares of one class into shares of other class or classes including Share Warrants, with or without option to subscribe for Equity Shares, and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by the Company and to vary modify or abrogate any such rights, privileges, conditions or restrictions in such manner and by such persons as may, for the time being, be permitted under the provisions of the Articles of Association of the Company or legislative provisions, for the time being in force in that behalf."

**Registered Office:**

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

On behalf of the Board of Directors

**KAMAL U. JAIN**  
CHAIRMAN

Place: Mumbai

Date : 13.07. 2009

**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 **17<sup>th</sup> August to 20<sup>th</sup> August, 2009 (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 dematerialised 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)

Item Nos. 6 to 8

**Subdivision of Equity Shares and amendment to the Memorandum and Articles of Association of the Company.**

The nominal value of the equity shares of the company is Rs. 10/- each. In order to improve the liquidity of the Company's shares in the stock market and to make it affordable to the small investors, the Board of Directors of the Company ("the Board"), considered it desirable to sub-divide the nominal value of the equity capital of the Company.

Consequent to the sub-division, each equity shares of Rs. 10/- each will be divided into 10 (Ten) equity shares of Rs. 1/- each. The date on which this sub-division would become effective, will be decided after obtaining the shareholders' approval, which will be notified through the Stock Exchange.

In view of the aforesaid subdivision of shares, the existing Capital Clause in the Memorandum and Articles of Association of the Company are proposed to the suitable alteration as set out at item 6 to 8 in the Company's Notice.

The Directors of the Company are deemed to be concerned or interested in the Resolution only to the extent of share held by them in the Company.

In the beneficial interest of the Company, your Directors recommend the resolutions set out at Item Nos. 6 to 8 of the accompanying Notice for the approval of the Members.

On behalf of the Board of Directors

Place: Mumbai  
Date : 13.07.2009

**KAMAL U. JAIN**  
CHAIRMAN

# Flawless Diamond (India) Limited

## DIRECTORS' REPORT

### TO THE MEMBERS,

The Directors hereby present their 20<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, 2009.

### FINANCIAL RESULTS

	(Rs. in Thousands)	
	Year ended 31 <sup>st</sup> March, 2009	Year ended 31 <sup>st</sup> March, 2008
Profit before Depreciation	159925.09	276355.96
Less: Depreciation	5231.72	3423.04
<b>Profit before Tax</b>	<b>154693.37</b>	<b>272932.92</b>
Less: Provision for Taxation		
Current	18582.25	30903.76
Deferred Tax	288.24	639.05
Earlier Year Tax	2302.46	74.16
Fringe Benefit Tax	268.29	222.83
<b>Profit after Taxation</b>	<b>133252.13</b>	<b>241093.13</b>
Add: Balance Brought Forward from the previous year	357221.98	125885.07
Amount Available for Appropriation	490474.11	366978.20
<b>Appropriations</b>		
Dividend	0.00	8339.00
Tax on Dividend	0.00	1417.21
<b>Balance carried to Balance Sheet</b>	<b>490474.11</b>	<b>357221.98</b>

### DIVIDEND

The Management has decided to retain the profits for the working capital requirements and to strengthen the reserves for expansion

### 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.

### SUB-DIVISION OF EQUITY SHARES

The Directors, subject to the approval of the members, have proposed the sub-division of existing 1 (One) Equity Share of face value of Rs. 10/- (Rupees Ten) each, into 10 Equity Shares of face value of Re. 1/- (Rupee One) each.

### 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. 22525.93 lakhs and has shown 22.52% 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 :

- in the preparation of the annual accounts, for the Financial Year ended 31<sup>st</sup> March, 2009, the applicable accounting standards had been followed;
- 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, 2009;
- 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;
- the Directors have prepared the annual accounts of the Company for the Financial Year ended 31<sup>st</sup> March, 2009 on 'going concern' basis.

### DIRECTORS

Pursuant to Article 164 of the Article of Association of the Company Shri Kamal U. Jain and Shri Rajiv Kamdar and Shri. Gautam Banerjee, Directors of the Company, retire by rotation 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

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.

## AUM BRAND

The Bombay High Court has restrained the Company from Selling and promoting its Jewellery product under the 'Aum' Brand. The Company is in the process of developing the new brand, which will be in conformity with the product quality and name of the Company.

## AUDITORS REPORT

There is no adverse comment or qualification in the Auditors Report.

## INSURANCE

The Company's Assets and Goods are fully insured.

## 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.

## DEMATERIALISATION OF SHARES

69.14% Shares of total equity capital is held in dematerialised form with NSDL and 24.85% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2009.

## 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 2008-2009 amounts to Rs. 22525.93 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	: 14464.68
Total Foreign Exchange earned	: 21533.27

## 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, Customers, 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 : 13.07.2009

*Flawless Diamond (India) Limited***MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Gem & Jewellery industry by and large is still the highest foreign exchange earner. Due to the recession, the industry was reeling under great pressure due to lay off, shutting down of manufacturing units, global slow down in the economy of the world. But as of now the industry has shown some improvement.

The price of rough diamond has also increased and though the price of polished diamond has not increased but it will definitely increase in time of festive season. The impact of the recession has rather affected less than other economies.

The industry will be benefited by the budget, like abolition of excise duty on branded Jewellery, abolition of FBT. The retail industry has made a come back. The festival season is round the corner and the initiative taken by the Gem & Jewellery Trade federation to launch all India campaign for the promotion of Indian Diamond Jewellery will help to increase sales. The efforts of council and the support of retailers and manufactures will surely help the industry to grow.

**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, seven Board Meetings were held on **28.04.08, 31.07.08, 11.08.08, 18.08.08, 31.10.08, 31.01.09 and 25.03.09.**

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 31.03.2009 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)	7	Yes	11	Two	One
Shri Bhawar U. Jain	Managing Director (Executive)	7	Yes	10	None	None
Shri Anil U. Jain	(Non- Executive)	7	Yes	06	Two	One
Shri Rajendra L. Jain (upto 11.08.2008)	(Non-Executive) Independent	2	No	02	Three	None
Shri Deepak K. Parekh	(Non- Executive) Independent	7	Yes	None	One	One
Shri Rajiv Kamdar	(Non- Executive) Independent	7	Yes	02	None	None
Shri Gautam Banerjee	(Non- Executive)	7	Yes	02	None	None
Shri Sujay N. Kantawala	(Non- Executive) Independent	7	Yes	01	None	None
Shri Gopalakrishna Pillai (from 11.08.2008)	(Non- Executive) Independent	4	Yes	02	None	None





## (b) REMUNERATION TO EXECUTIVE DIRECTORS

The Company has paid the gross remuneration of Rs.288000/- to Mr. Bhawar U. Jain, Managing and Whole-Time Director of the Company.

The Company has paid sitting fees of Rs.71500/- to Non-Executive Directors during the year.

Shareholding Pattern of Non-Executive Directors in the Company are as follows:

Directors	No. of Shares
Mr. Kamal U. Jain	287600
Mr. Anil U. Jain	77700
Mr. Deepak K. Parekh	NIL
Mr. Rajiv Kamdar	33651
Mr. Gautam Banerjee	NIL
Mr. Sujay N. Kantawala	2000
Mr. Gopalakrishna Pillai	NIL

The Company does not have any scheme for grant of stock options to its Directors or Employees.

The term of appointment and remuneration payable to Managing / Whole-Time Directors is approved by the members.

## (c) BOARD PROCEDURE

The Members of the Board have been provided with the requisite information mentioned in the Listing Agreement well before the Board meetings and the same were dealt with appropriately.

All the Directors, who are on various Committees are within the permissible limits of the Listing Agreement. The Directors have intimated from time to time about their membership in the various Committees in other Companies.

## III. AUDIT COMMITTEE

- (i) The Committee comprises of Directors namely Mr. Sujay N. Kantawala, Mr. Deepak K. Parekh and Mr. Kamal U. Jain.
- (ii) Mr. Sujay N. Kantawala and Mr. Deepak K. Parekh are Independent Directors and Mr. Kamal U. Jain is Non-Executive Director.
- (iii) Mr. Sujay N. Kantawala is Chairman of the Audit Committee.
- (iv) The Audit Committee Meetings were held on 28<sup>th</sup> April 08, 31<sup>st</sup> July 08, 18<sup>th</sup> August 08, 31<sup>st</sup> October 08 and 31<sup>st</sup> January, 09.
- (v) The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee under Clause 49 of Listing Agreement as well as in Section 292A of the Companies Act, 1956.
- (vi) The Audit Committee reviews the information periodically.

## IV. SHAREHOLDERS' COMMITTEE

The Company has constituted a Share Transfer cum Shareholders / Investors Grievance Committee consisting of Executive and Non-Executive Directors Comprise of Mr. Kamal U. Jain, Mr. Anil U. Jain and Mr. Sujay N. Kantawala. The Committee normally meets twice a month as required. During the year ended 31<sup>st</sup> March, 2009, 45 Investor Complaints were received and as of 31<sup>st</sup> March, 2009 there were no complaint pending. There were no share transfers pending for registration for more than 30 days as on 31<sup>st</sup> March, 2009.