

Flawless

Diamond

(India) Ltd.



21st Annual Report

2009-10



BOARD OF DIRECTORS

Kamal U. Jain	Chairman
Bhawar U. Jain	Managing 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

ICICI Bank - E - BOR
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

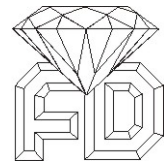
Adroit Corporate Services Pvt.Ltd.
19/20, Jaferbhoy Industrial Estate,
1st Floor, Makwana Road, Marol Naka,
Mumbai - 400 059.

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

21ST ANNUAL GENERAL MEETING

ON

Tuesday,
28TH September, 2010
at 03.00 P.M.
at
Novelty Chambers,
Novelty Theatre,
Maulana Shaukatali Road,
Grant Road (East),
Mumbai – 400 007.



NOTICE

NOTICE IS HEREBY GIVEN THAT the 21st Annual General Meeting of Flawless Diamond (India) Limited will be held on Tuesday, 28th Day of September, 2010 at 03.00 p.m. at **Novelty Chambers, Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007**, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 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 Deepak K. Parekh who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Sujay N. Kantawala who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Gopalakrishna Pillai 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.

Registered Office:

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

Place : Mumbai

Date : 9th August, 2010

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 **23rd September to 28th September, 2010 (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.

The Board recommends the resolution as proposed in the Notice for approval by the members.

On behalf of the Board of Directors

Place : Mumbai

Date : 9th August, 2010

KAMAL U. JAIN
Chairman



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DIRECTORS' REPORT

TO THE MEMBERS,

The Directors hereby present their 21st Annual Report on the business and operations of the Company and the Financial Accounts for the year ended 31st March, 2010.

(Rs. in Thousands)

FINANCIAL RESULTS

	Year ended 31 st March, 2010	Year ended 31 st March, 2009
Profit before Depreciation	188106.85	159925.09
Less: Depreciation	4738.69	5231.72
Profit before Tax	183368.16	154693.37
Less: Provision for Taxation		
Current	34052.09	18582.25
Deferred Tax	-367.75	288.24
Earlier Year	2704.34	2302.46
Fringe Benefit Tax	000.00	268.29
Profit after Taxation	146979.48	133252.13
Add: Balance brought forward from the previous year	490474.11	357221.98
Amount available for appropriation	637453.59	490474.11
Appropriations		
Dividend	0.00	0.00
Tax on Dividend	0.00	0.00
Balance carried to Balance Sheet	637453.59	490474.11

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

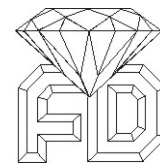
During the year, the Company has carried out the sub-division of existing 1 (One) Equity Share of face value of Rs. 10/- (Rupees Ten) each, into 10 Equity Shares of face value of Re. 1/- (Rupee One) each with effect from 04th December, 2009.

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. 439.33 Crores and has shown 195.03% 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, 2010, 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, 2010;
- (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, 2010 on 'going concern' basis.

DIRECTORS

Pursuant to Article 164 of the Article of Association of the Company, Shri Deepak K. Parekh, Shri Sujay N. Kantawala and Shri Gopalakrishna Pillai, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year, Shri Anil U. Jain Director of the Company resigned on 11.02.2010. The Board appreciated his association and contribution to the Company during his tenure as Director.

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.

FLAWLESS DIAMOND DMCC

The Company has setup a wholly owned subsidiary in Dubai Multi Commodity Centre, Dubai, U.A.E by the name of "Flawless Diamond DMCC" and intend to tap the growing demand of diamonds / diamond jewellery in the Middle East through the Diamond hub of Gulf i.e. Dubai. The Company intends to start the operations of the wholly owned subsidiary by the middle of this financial year.

FLAWLESS JEWELLERY

The Company has incorporated a Partnership Firm named "Flawless Jewellery" for diamond cutting and polishing, with its holding of 99% share in the capital of the firm. Flawless Jewellery has setup its plant at Dehradun. The funds required for the firm will be contributed from internal accruals. The firm has begun its operations from March, 2010.

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

75.94% Shares of total equity capital is held in dematerialised form with NSDL and 18.36% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2010.

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's manufacturing unit is set up 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 2009-2010 amounts to Rs. 43933.27 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 : 16259.43

Total Foreign Exchange earned : 34548.08

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:

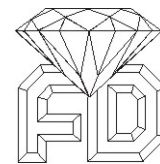
120, Prasad Chambers, Opera House,
Mumbai - 400 004.

On behalf of the Board of Directors

Place : Mumbai

Date: 9th August, 2010

KAMAL U. JAIN
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

According to a research publication, the year 2009 was probably the best year in a decade for India's diamond industry. In terms of polished diamond exports, India's \$15.16 billion in 2009 was only 1.7 percent below the \$15.42 billion of the 2008 calendar year. Measured in polished carats, the volume of exports was actually up some 13 percent, reaching a staggering 51.9 million carats. It was equally a good year for Indian exports. Traditionally, Israel, India and Belgium are responsible for 90 percent of US imports. Looking at the comparative positions of these three major competitors, imports from Israel to USA declined by 41 percent of diamonds, from Belgium by 30 percent, and from India, only by 21 percent. India was able to stem the declines and weather the storm better than others. In terms of market share, India rose from the 20 percent level that it has held for most of this decade to 25 percent. In one year, India increased its market share by 25 percent. On a global scale, India was far less impacted by the financial crisis than most other countries. The country's diamond industry enjoyed extremely supportive government policies backed by an equally supportive banking system.

Looking into the effect of downturn in the consumers consumption pattern in the country, our Company has been concentrating more on the manufacturing, export and trading of diamonds. Out of the total turnover, Exports accounted to 71% of the total revenues as compared to last corresponding fiscal wherein it was 38% of the total revenues.

India possesses world's most competitive gems and jewellery market due to its low cost of production and availability of skilled labour. India and China accounts for one-third of the global demand for precious stones and other diamond studded jewellery. The market also plays a vital role in the Indian economy as it is a leading foreign exchange earner and accounts for more than 12% of India's total exports. Currently the Indian market remains highly fragmented, but is rapidly transforming into an organized sector.

Currently, the industry is facing a slowdown due to global economic turmoil. But due to various government efforts and incentives coupled with private sector initiatives, the Indian gems and jewellery sector is expected to grow at a CAGR of around 14% from 2009 to 2012. As per another research publication, "at present, the Indian gems and jewellery market is dominated by the unorganized sector; however, the trend is set to change in near future with the branded jewellery market growing at an expected CAGR of more than 41% in the coming four years. With its consumption pegged at nearly 20%, India remains world's largest gold consumer and this share is expected to grow further."

The size of the Indian gems and jewellery industry is expected to cross \$31 billion or Rs. 1.47 Lakh crore in 2010-2011. This is largely due to the improved demand for polished diamonds in the US, China, Hong Kong, UAE and Commonwealth of Independent States. The Company is quite optimistic to tap this increased demand and transform it into increase in its overall revenues.

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 with. The Company continues to review its Corporate Governance practice to ensure that these reflect the best Corporate Governance practices. It takes feedback 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

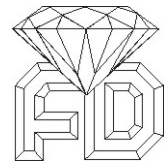
The Board of Directors comprises of **Seven** members, consisting of **Six** Non-Executive Directors and **One** Executive Director. No director is member in more than ten committees and chairman of more than five committees across all companies in which they are directors. During the year, eleven Board Meetings were held on **29.04.09, 28.05.09, 01.07.09, 13.07.09, 31.07.09, 01.09.09, 23.10.09, 31.10.09, 30.01.10, 15.02.10** and **19.02.10**.

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 31.03.2010 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)	11	Yes	11	Two	One
Shri Bhawar U. Jain	Managing Director (Executive)	11	Yes	10	None	None
Shri Anil U. Jain* (Up to 11.02.2010)	(Non-Executive)	09	Yes	06	One	None
Shri Deepak K. Parekh	(Non-Executive) Independent	08	Yes	None	One	None
Shri Rajiv Kamdar	(Non-Executive)	11	Yes	02	None	None
Shri Gautam Banerjee	(Non-Executive)	10	Yes	02	None	None
Shri Sujay N. Kantawala	(Non-Executive) Independent	10	Yes	01	One	One
Shri Gopalakrishna Pillai	(Non-Executive) Independent	11	Yes	02	None	None

*Resigned from Directorship on 11.02.2010.

**(b) REMUNERATION TO EXECUTIVE DIRECTORS**

The Company has paid the gross remuneration of Rs.312000/- to Shri Bhawar U. Jain, Managing and Whole-Time Director of the Company.

The Company has paid sitting fees of Rs.109000/- to Non-Executive Directors during the year.

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

Directors	No. of Shares
Shri Kamal U. Jain	4441902
Shri Anil U. Jain* (Up to 11.02.2010)	777000
Shri Deepak K. Parekh	NIL
Shri Rajiv Kamdar	336510
Shri Gautam Banerjee	NIL
Shri Sujay N. Kantawala	20000
Shri Gopalakrishna Pillai	NIL

*Resigned from Directorship on 11.02.2010.

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

- The Committee comprises of Directors namely Shri Sujay N. Kantawala, Shri Deepak K. Parekh and Shri Kamal U. Jain.
- Shri Sujay N. Kantawala and Shri Deepak K. Parekh are Independent Directors and Shri Kamal U. Jain is Non-Executive Director.
- Shri Deepak K. Parekh is Chairman of the Audit Committee.
- The Audit Committee Meetings were held on 29th April 09, 31st July 09, 31st October 09 and 19th February, 2010.
- 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.
- 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 Shri Kamal U. Jain, Shri Sujay N. Kantawala. The Committee normally meets twice a month as required. During the year ended 31st March, 2010, Twenty-five Investor Complaints were received and as of 31st March, 2010 there were no complaint pending. There were no share transfers pending for registration for more than 30 days as on 31st March, 2010.