

*Flawless Diamond (India) Limited*

*22<sup>nd</sup> Annual Report*

*2010-11*



## BOARD OF DIRECTORS

Kamal U. Jain	Chairman
Bhawar U. Jain	Managing Director
Gautam Banerjee	Director
Rajiv Kamdar	Director
Deepak K. Parekh	Independent Director
Ashok Chheda	Independent Director

## AUDITORS

Suresh Anchaliya & Co.  
Chartered Accountants  
Mumbai.

## BANKERS

ICICI Bank Ltd.  
Punjab & Sind Bank

## REGISTERED OFFICE

136, Panchratna,  
Opera House,  
Mumbai - 400 004.  
Email : - info@flawlessdiamond.co.in  
www.flawlessdiamond.co.in

## WORKS

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

## REGISTRAR & SHARE TRANSFER AGENTS

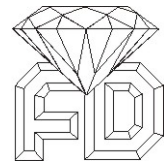
Adroit Corporate Services Pvt.Ltd.  
19/20, Jaferbhoy Industrial Estate,  
1st Floor, Makwana Road, Marol Naka,  
Mumbai - 400 059.

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

## 22<sup>nd</sup> ANNUAL GENERAL MEETING

ON

**Friday,**  
30<sup>th</sup> September, 2011  
at 03.00 P.M.  
at  
Novelty Chambers,  
Above Novelty Theatre,  
Maulana Shaukatali Road,  
Grant Road (East),  
Mumbai - 400 007.



## NOTICE

NOTICE IS HEREBY GIVEN THAT the 22<sup>nd</sup> Annual General Meeting of Flawless Diamond (India) Limited will be held on **Friday, 30<sup>th</sup> Day of September, 2011 at 03.00 p.m. at Novelty Chambers, above 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 31<sup>st</sup> March, 2011 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 Rajiv Kamdar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Kamal U. Jain who retires by rotation and being eligible offers himself for re-appointment.
4. 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:

5. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Ashok R. Chheda, who was appointed as an Additional Director of the Company pursuant to the provisions Section 260 of the Companies Act, 1956 be and is hereby appointed as the Director of the Company, liable to retire by rotation, in terms of the provisions of the Articles of Association of the Company.”

6. **Re-Appointment of Mr. Bhawar U. Jain as the Managing Director.**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 and 311 of the Companies Act, 1956 and further subject to the provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) and further subject to such other approvals as may be necessary, the Company hereby approves the Re-appointment of Mr. Bhawar U. Jain as the Managing Director of the Company for the term of five years commencing from 1<sup>st</sup> April, 2011 and ending on 31<sup>st</sup> March, 2016 upon the terms and conditions including remuneration as set out in the draft agreement submitted to the meeting duly initialled, for the purpose of identification, which draft agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or the Agreement so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Bhawar U. Jain.”

**“RESOLVED FURTHER THAT** Mr. Kamal U. Jain, Director of the Company be and is hereby authorized to obtain necessary approvals to file with the Register of Companies, Mumbai, Maharashtra all the necessary forms/documents to carry out the effect of the above resolution and further to initiate and undertake all such steps as may be deemed expedient by him to give effect to this resolution for and on behalf of the Board of Directors of the Company.”

### Registered Office:

136, Panchratna,  
Opera House,  
Mumbai - 400 004.

Place : Mumbai  
Date : 25.08.2011

On behalf of the Board of Directors

**KAMAL U. JAIN**  
Chairman

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**NOTES:**

1. A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and Proxy need not be a member of the Company. However Proxy Forms should be deposited at the Registered Office of the Company not later than 48 hours before commencement of the meeting.
2. The register of members and Share Transfer Books of the Company will remain closed from **26<sup>th</sup> September to 30<sup>th</sup> September, 2011 (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.
4. The Board recommends the resolution as proposed in the Notice for approval by the members.
5. **Green Initiative in the Corporate Governance-Registration of email address** - The members are requested to register email address with the Depository Participant/the Registrar and Share Transfer Agent of the Company, i.e. Adroit Corporate Services Pvt. Ltd., as the case may be, for service of documents.

**ANNEXURE TO THE NOTICE**

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

**In Respect of Item No. 5:-**

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 06.12.2010 appointed, Shri Ashok R. Chheda as an Additional Director of the Company.

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

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

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

At the 17<sup>th</sup> Annual General Meeting held on 20<sup>th</sup> September 2006, the members of the Company had approved the appointment and terms of remuneration of Mr. Bhawar U.Jain as Managing Director for a period of five years from 1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2011.

The Board at its meeting held on 14th May 2011 re-appointed Mr Bhawar U Jain as Managing Director for a further period of five years from 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2016, subject to the approval of the Shareholders in AGM.

Mr Bhawar U. Jain is an industrialist and has vast knowledge and varied experience of over 25 years in the business of diamond and jewellery trade. He is the Managing Director of the Company for the last 20 years and carry vast experience and his appointment as Managing Director will be beneficial to the Company.

By virtue of the explanation to Section 269 of the Companies Act 1956, appointment of Shri Bhawar U. Jain to be construed as an appointment of a Managing Director attracting the provisions of the said section. Accordingly, the appointment and payment of remuneration to Mr.Bhawar U. Jain is in accordance with Schedule XIII of the Companies Act 1956, as required by Part II of the said Schedule, the matter is placed before the members for their approval.



The main terms and conditions of his appointment as Managing Director are as under:

CATEGORY	PARTICULAR
Basic Salary	Upto maximum Rs. 2,00,000/- (Rupees Two Lacs Only ) per month or 5% of Net profit of the company computed in the manner laid down in Sec. 349 and 350 whichever is lower based on merit and taking into account the Company's performance.
Perquisites and Allowances	<p><b>Category A</b> <b>Medical Reimbursement :</b> Medical expenses actually incurred for self and his family shall be reimbursed by the Company under the Mediclaim Policy. <b>Leave Travel Concession :</b> Company shall provide leave travel fare for the Managing Director and his family once in a year, anywhere in India as per the Rules applicable to the Company and as per Income Tax Rules.</p> <p><b>Category B</b> The Company shall contribute towards provident funds / Superannuation Fund / Annuity Fund, as agreed upon, provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the IT Act. The Company shall pay Gratuity, as agreed upon, at the rate not exceeding half month's salary for each completed year of service. Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of services. However, the leave accumulated but not availed of, will be, allowed to be encashed at the end of the terms as per company rules. The perquisites under this category shall not be included in the computation of ceiling on remuneration.</p> <p><b>Category C</b> The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company. Reimbursement of entertainment expenses actual and properly incurred in the course of business of the Company business shall be reimbursed. Any and all expenditure actually and properly incurred on Company's business shall be reimbursed to the Managing Director.</p>
Sitting Fees	The Managing Director shall not be entitled to sitting fees for attending meeting of the Board of Director or Committees thereof. He shall, however be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meeting of the Board of Directors and the Committees thereof.
Minimum Remuneration	The remuneration referred to above is subject to the limit of 5% of the annual net profit of the Company. Provided however that in the event of absence or inadequacy of profit, the Managing Directors shall be entitled to remuneration mentioned under above and perquisites as above within the minimum remuneration specified in schedule XIII of the companies Act, 1956. However Managing Director shall not be paid any sitting fees for attending the Board or Committee meeting.
Liable to retire by rotation	The office of the Managing Director shall not be liable to determination to retirement of Directors by rotation.

On behalf of the Board of Directors

**KAMAL U. JAIN**  
Chairman

Place : Mumbai  
Date : 25.08.2011



## DIRECTORS' REPORT

### TO THE MEMBERS,

The Directors hereby present their 22<sup>nd</sup> Annual Report on the business and operations of the Company and the Financial Accounts for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS

	Year ended 31 <sup>st</sup> March, 2011	(Rs. in Thousands) Year ended 31 <sup>st</sup> March, 2010
Profit before Depreciation	(15397.82)	188106.85
Less: Depreciation	<u>4260.87</u>	<u>4738.69</u>
<b>Profit before Tax</b>	<b>(19658.69)</b>	<b>183368.16</b>
Less: Provision for Taxation		
Current	<b>0.00</b>	34052.09
Deferred Tax	<b>(328.77)</b>	(367.75)
Earlier Year	<u><b>205.01</b></u>	<u>2704.34</u>
<b>Profit after Taxation</b>	<b>(19534.93)</b>	<b>146979.48</b>
Add: Balance brought forward from the previous year	<b>637453.59</b>	490474.11
Amount available for appropriation	<b>617918.66</b>	637453.59
<b>Appropriations</b>	<b>00.00</b>	<b>00.00</b>
<b>Balance carried to Balance Sheet</b>	<b><u>617918.66</u></b>	<b><u>637453.59</u></b>

### DIVIDEND

In view of Loss during the year the Management has decided to not to declare the dividend.

### CHANGE IN REGISTERED OFFICE OF THE COMPANY

During the year, the registered office of the company has been shifted from, 120, Prasad Chambers, Opera House, Mumbai – 400004 to 136, Panchratna, Opera House, Mumbai – 400004 with effect from 31st March, 2011 for better working.

### 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.

### CONTRIBUTION OF EXPORT IN TOTAL REVENUE

The total contribution of exports in the Company is 62.59% of total revenue of the company. During the year, export turnover was Rs. 207.46 Crores.

### 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

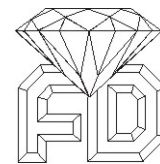
Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, It is hereby confirmed that :

- (i) In the preparation of the annual accounts, for the Financial Year ended 31st March, 2011, 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 Loss of the Company for the year ended 31st March, 2011;
- (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, 2011 on 'going concern' basis.

### DIRECTORS

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





During the year Shri. Sujay N. Kantawala and Shri. Gopalakrishna Pillai directors of the Company resigned on 20.11.2010 and 08.12.2010 respectively. The Board appreciated their association and contribution to the Company during their short tenure as Directors.

#### 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 retiring 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 re-appointment.

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 JEWELLERY

During the year, the Company retired from the Partnership Firm named "Flawless Jewellery" with effect from 31st March, 2011.

#### AUDITORS REPORT

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

#### MATERIAL CHANGES

The Company's account where they were having limits with the banks has been declared NPA (Non Performing Assets) by the bank for non realization of export proceeds. The bank has moved the matter to Debt Recovery Tribunal. The Directors of the company are trying their best to realize the export proceeds at the earliest.

#### 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

76.93% Shares of total equity capital is held in dematerialised form with NSDL and 17.59% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2011.

#### 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.
- C. **Foreign Exchange Earning & Outgo:** The total exports for the year 2010-2011 amounts to Rs. 20745.57 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	:	5135.08
Total Foreign Exchange earned	:	26011.87

#### 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, Outgoing Directors, Vendors, Members and dedicated Employees for the confidence in the Company and its management through the periods of prosperity and adversity.

#### Registered Office:

136, Panchratna, Opera House,  
Mumbai - 400 004.  
Place : Mumbai  
Date : 25<sup>th</sup> August, 2011

On behalf of the Board of Directors

**KAMAL U. JAIN**  
Chairman

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## 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 feed back into accounts in its periodic review of the guidelines so as to ensure its continued relevance and maintain the transparency and accountability to all the concerns.

### II. BOARD OF DIRECTORS

#### (a) COMPOSITION OF THE BOARD

The Board of Directors comprises of Six members, consisting of Five Non-Executive Directors and one Executive Director. No Director is member in more than ten Committees and Chairman of more than five committees across all companies in which they are Directors. During the year, Ten Board Meetings were held on **30.04.10, 31.07.10, 09.08.10, 21.08.10, 30.10.10, 20.11.10, 06.12.10, 31.01.2011, 15.03.11 and 31.03.11.**

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 31.03.2011 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
<b>Shri Kamal U. Jain</b>	Chairman (Non-Executive)	10	Yes	11	Two	One
<b>Shri Bhawar U. Jain</b>	Managing Director (Executive)	10	Yes	9	None	None
<b>Shri Ashok R. Chheda</b> (Appointed on 06.12.10)	(Non-Executive) Independent	2	No	None	One	One
<b>Shri Deepak K. Parekh</b>	(Non-Executive) Independent	7	Yes	None	One	None
<b>Shri Rajiv Kamdar</b>	(Non-Executive)	10	Yes	02	None	None
<b>Shri Gautam Banerjee</b>	(Non-Executive)	7	No	02	None	None
<b>Shri Sujay N. Kantawala*</b> (Upto 20.11.2010)	(Non-Executive) Independent	4	No	01	One	One
<b>Shri Gopalakrishna Pillai**</b> (Upto 08.12.2010)	(Non-Executive) Independent	4	Yes	02	None	None

\*Resigned from Directorship on 20.11.2010.

\*\*Resigned from Directorship on 08.12.2010.

#### (b) REMUNERATION TO EXECUTIVE DIRECTORS

The Company has paid the gross remuneration of Rs 3,36,000/- to Mr. Bhawar U. Jain, Managing and Whole-Time Director of the Company.

The Company has paid sitting fees of Rs.17000/- to Non-Executive Directors during the year.