

Flawless Diamond (India) Limited

23rd Annual Report

2011-12



BOARD OF DIRECTORS

Kamal U. Jain	Chairman
Bhawar U. Jain	Managing Director
Rajiv Kamdar	Director
Deepak K. Parekh	Independent Director
Ashok R. 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

23rd ANNUAL GENERAL MEETING

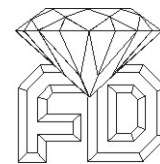
ON

Saturday,
29th September, 2012
at 11.00 A.M.
at
Novelty Chambers,
Above Novelty Theatre,
Maulana Shaukatali Road,
Grant Road (East),
Mumbai – 400 007.

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



NOTICE

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting of Flawless Diamond (India) Limited will be held on **Saturday, 29th Day of September, 2012 at 11.00 a.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 31st March, 2012 and Statement of Profit and Loss 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 at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Ashok Chheda who retires by rotation at the ensuing Annual general Meeting and being eligible offers himself for re-appointment.
4. To appoint M/s Suresh Anchaliya & Co., Chartered Accountants, Mumbai, as 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:
136, Panchratna,
Opera House,
Mumbai - 400 004.

Place : Mumbai
Date : 28/08/2012

On behalf of the Board of Directors

KAMAL U. JAIN
Chairman



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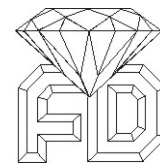
NOTES:

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. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
3. The register of members and Share Transfer Books of the Company will remain closed from **26th September to 29th September, 2012 (both days inclusive)**.
4. 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.
5. Since the securities of the Company are compulsorily tradable in electronic form, to ensure better investor service and elimination of risk of holding securities in physical form, it is requested that the members holding shares in physical form to get their shares dematerialized at the earliest.
6. **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.

On behalf of the Board of Directors

Place : Mumbai
Date : 28/08/2012

KAMAL U. JAIN
Chairman



DIRECTOR'S REPORT

TO THE MEMBERS OF

FLAWLESS DIAMOND (INDIA) LIMITED,

The Directors hereby present their 23rd Annual Report on the business and operations of the Company and the Financial Accounts for the year ended 31st March, 2012.

Particulars

	(Rs. in Thousands)	
	Year ended	Year ended
	31.03.2012	31.03.2011
Total Income	755908.32	3356671.75
Profit / (Loss) Before Depreciation & Taxes	(1930.03)	(15269.82)
Less: Depreciation	3558.12	4388.87
Profit / (Loss) Before Tax	(5488.15)	(19658.69)
Less: Provision for Current Tax	0	0
Less: Provision for Deferred Taxation	(8970.87)	(328.77)
Less: Earlier Tax	0	205.01
Profit / (Loss) After Tax for the year	3482.72	(19534.93)
Add: Balance in Reserves & Surplus	617918.66	637453.59
Less: Appropriations	0	0
Closing Balance	621401.38	617918.66

BUSINESS OPERATION

During the year the company has suffered a loss of Rs. 54.88 lakh before tax against loss of Rs. 196.58 lakh for previous year. The loss is due to global slowdown and lower economic growth resulting to non realization of exports proceeds from the overseas parties. The company is very hopeful that it will recover from the slowdown and achieve its past glory in near future.

DIVIDEND

In view of Loss during the year, the Board of Directors has decided to not to declare the dividend.

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, which will be useful in coming years.

CONTRIBUTION OF EXPORT IN TOTAL REVENUE

The total contribution of exports in the Company is 69.84% of total revenue of the company. During the year, export turnover was Rs. 4033.97 Lakhs.

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 31st March, 2012, 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 Loss of the Company for the year ended 31st March, 2012;
- 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 31st March, 2012 on 'going concern' basis. However the company's secured creditor 'ICICI Bank' has filed winding up petition u/s 439 of the Companies Act, 1956 in the Bombay High Court, which may affect the 'going concern' status.

DIRECTORS

Pursuant to Article 164 of the Article of Association of the Company Shri Deepak K.Parekh and Shri Ashok Chheda, 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 Gautam Banerjee Director of the Company resigned on 12.12.2011. The Board appreciate his association and contribution to the Company during his tenure as Director of the company.

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.

AUDITORS REPORT

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

MATERIAL CHANGES

- The Company's account with the banks has been declared NPA (Non Performing Assets) by the banks for non realization of export proceeds and non payment of loans and interest. The banks have moved the matter before Debt Recovery Tribunal and initiated recovery proceeding under SARFAESI Act, 2002 for recovery of their dues. The Directors of the company are trying their best to realize the export proceeds at the earliest and pay off the bank dues.
- During the year the company has closed its operation at Dehradun Unit. There is no manufacturing activities carried out during the year under review.
- The secured creditor 'ICICI Bank' has moved winding up petition u/s 439 of the Companies Act, 1956 before the Bombay High Court for dissolution of the company and the matter is pending before the Honorable High Court.

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

77.75% Shares of total equity capital is held in dematerialised form with NSDL and 16.93% Shares of total equity capital is held in dematerialised form with CDSL, as on 31.03.2012.

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.

- 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.
- Technology Absorption, Research and Development (R&D):** The Company's manufacturing unit is closed hence no information is required.
- Foreign Exchange Earning & Outgo:** The total exports for the year 2011-12 amounts to Rs. 4033.96 lakhs

Total Foreign Exchange used & earned	:	Rs. (In Lakhs)
Total Foreign Exchange used	:	778.87
Total Foreign Exchange earned	:	460.96

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

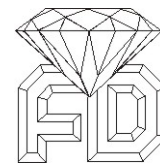
Registered Office:

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

Place : Mumbai
Date : 28/08/2012

On behalf of the Board of Directors

KAMAL U. JAIN
Chairman



REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

The Corporate Governance code introduced by Securities and Exchange Board of India ('SEBI') as adapted by incorporating a new clause No.49 in the listing agreement of the Stock Exchange and also by applicable provisions of the Companies (Amendment) Act, 2000, is being implemented by the company. A report on Corporate Governance is given below :

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:-

The Company believes that the Corporate Governance is aimed at achieving optimum performance at all levels in the Organization. It endeavors to ensure that highest standards of ethics and transparency are met with. The Company continues to review its Corporate Governance practice to ensure that these reflect the best Corporate Governance practices. It takes feed back into accounts in its periodic review of the guidelines so as to ensure its continued relevance and maintain the transparency and accountability to all the concerns.

II. BOARD OF DIRECTORS

(a) COMPOSITION OF THE BOARD

The Board of Directors comprises of Five members, consisting of two promoter directors, one non executive non independent director and two independent directors. No Director is member in more than ten Committees and Chairman of more than five committees across all companies in which they are Directors. During the year, Nine Board Meetings were held on 14.05.11, 29.07.11, 12.08.11, 25.08.11, 15.11.11, 25.11.11, 12.12.11, 25.01.12 and 15.02.12.

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 31.03.2012 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 (Promoter Director)	9	Yes	11	Two	One
Shri Bhawar U. Jain	Managing Director (Executive)	9	Yes	9	None	None
Shri Ashok R. Chheda	(Non-Executive) Independent	7	No	None	One	One
Shri Deepak K. Parekh	(Non-Executive) Independent	7	Yes	None	One	None
Shri Rajiv Kamdar	(Non-Executive) (Non-Independent)	7	Yes	02	None	None
Shri Gautam Banerjee* (Upto 12.12.2011)	(Non-Executive)	5	No	02	None	None

*Resigned from Directorship on 12.12.2011.

(b) REMUNERATION TO EXECUTIVE DIRECTORS

The Company has paid the gross remuneration of Rs.2,40,000/- to Shri. Bhawar U. Jain, Managing and Whole-Time Director of the Company.

The Company has not paid any sitting fees 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 Ashok R. Chheda	NIL
Shri Deepak K. Parekh	NIL
Shri Rajiv Kamdar	336510
Shri Gautam Banerjee	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

- The Committee comprises of Directors namely Shri Deepak K. Parekh, Shri Ashok R. Chheda and Shri Kamal U. Jain.
- Shri Deepak K. Parekh and Shri Ashok R. Chheda are Independent Directors and Shri Kamal U. Jain is Promoter Director.
- Shri Deepak K. Parekh is Chairman of the Audit Committee.
- The Audit Committee Meetings were held on 14th May, 2011, 12th August, 2011, 15th November, 2011 and 15th February, 2012.
- 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.
- The Chairman of the Audit Committee was present at the Annual General Meeting of the company held on 30/09/2011 to attend the shareholders queries.

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 Rajiv Kamdar and Shri Ashok R. Chheda. The chairman of the committee is Shri. Kamal U. Jain. The Committee normally meets twice a month as required. During the year ended 31st March, 2012, 1 Investor Complaints were received and as of 31st March, 2012 there were no complaint pending. There were no share transfers pending for registration for more than 30 days as on 31st March, 2012.

V. DETAILS OF DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

Details of the Directors seeking re-appointment at the ensuing Annual General Meeting fixed on Saturday, the 29th day of September, 2012 are given hereunder:

- Name :** Deepak Parekh

Date of Appointment : 07.03.2003

Expertise in Specific Functional Areas : A financial management veteran, who has led the financial growth of many successful companies, he plays a key role in keeping the financial and audit functions of the company in line with Government policies. He oversees, treasury, investor relations, tax, internal audit and facilities function. A qualified corporate guru on taxation and legal issues he has contributed a lot to the corporate world in bringing about taxation and financial reforms.

List of Directorship : None
- Name :** Ashok Chheda

Date of Appointment : 06.12.2010

Expertise in Specific Functional Areas : He has a vast experience in business administration and diamond trade of more than 20 years. He is well versed in export and import business.

List of Directorships : None

VI. REPORT ON CORPORATE GOVERNANCE

Compliance Certificate for Corporate Governance from Auditors of the Company is annexed herewith.

VII. CEO & CFO CERTIFICATION

The CEO and CFO certification of the Financial Statements and the Cash Flow Statements for the year is annexed herewith.