

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

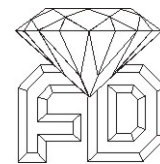
Adroit Corporate Services Pvt.Ltd.
19/20, Jaferbhoy Industrial Estate,
1st Floor, Makwana Road, Marol Naka,
Mumbai - 400 059.

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.

FINANCIAL RESULTS	(Rs. in Thousands)	
	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

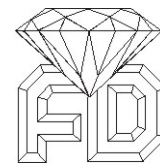
During the year, the Company has carried out the sub-division of existing 1 (One) Equity Share of face value of Rs. 10/- (Rupees Ten) each, into 10 Equity Shares of face value of Re. 1/-(Rupee One) each with effect from 04th December, 2009.

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.

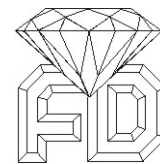
Registered Office:

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

Place : Mumbai
Date : 9th August, 2010

On behalf of the Board of Directors

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

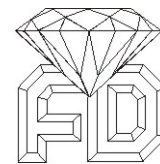
The Board of Directors comprises of **Seven** members, consisting of **Six** Non-Executive Directors and **One** Executive Director. No director is member in more than ten committees and chairman of more than five committees across all companies in which they are directors. During the year, eleven Board 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

- (i) The Committee comprises of Directors namely Shri Sujay N. Kantawala, Shri Deepak K. Parekh and Shri Kamal U. Jain.
- (ii) Shri Sujay N. Kantawala and Shri Deepak K. Parekh are Independent Directors and Shri Kamal U. Jain is Non-Executive Director.
- (iii) Shri Deepak K. Parekh is Chairman of the Audit Committee.
- (iv) The Audit Committee Meetings were held on 29th April 09, 31st July 09, 31st October 09 and 19th February, 2010.
- (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 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.



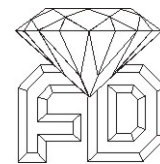
V. DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT

Details of the Directors seeking re-appointment at the ensuing Annual General Meeting fixed on Tuesday, the 21st day of September, 2010 are given hereunder:

1. Name : **Deepak K. 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 the functioning of treasury, investor relations, tax, internal audit and facilities. 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 : NIL
2. Name : **Sujay N. Kantawala**
Date of Appointment : **18.10.2007**
Expertise in Specific Functional Areas : A renowned practicing lawyer in the Bombay High Court handling Constitutional and Administrative Law relating to indirect taxation and legislation.
List of Directorship : Shirdi Industries Ltd.
3. Name : **Gopalakrishna Pillai**
Date of Appointment : **11.08.2008**
Expertise in Specific Functional Areas : Author of “Upanishads For The Modern Mind”, “Vision of the Greatest Mystic Unveiled”, book on scientific spirituality – “Mystic awareness for the Modern Mind”, Books on Value-Added-Tax like “A Way Out Of the Indian Tax Muddle” and “A Model For Indian Tax Reform”, a book on “An in depth study of Central Excise Duties in India” and numerous other articles. Shri Gopalakrishna Pillai is a well-known national level administrator, an established author with many outstanding publications, innovative thinker of futuristic scenarios and solutions and a creative person with immense capacity to take on new challenges.
Shri Gopalakrishna Pillai served Indian Revenue Services for 35 years and retired as Chief Commissioner in 2005. His valuable services included implementation of fiscal policies of the Union Government, administration of target bound mega units, taking semi-judicial decisions in original as well as appellate capacities and conveying competent feedback to the Government for formulating public policies.
List of Directorships : Global Boards Limited
TELK Limited.

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.

VIII. GENERAL BODY MEETING

The details of the Annual General Meetings held in last three years are as under :-

AGM	DAY	DATE	TIME	VENUE
18 th	Thursday	20.09.2007	11.00A.M.	Avsar Banquet Hall, Jyoti Studio Compound, Grant Road, Mumbai-400 007.
19 th	Saturday	20.09.2008	11.00 A.M.	Avsar Banquet Hall, Jyoti Studio Compound, Grant Road, Mumbai-400 007.
20 th	Thursday	20.08.2009	03.00 P.M.	Babasaheb Dahanukar Hall, C/o Maharashtra Chamber of Commerce, Oricon House, 6 th Floor, 12, K. Dubash Marg, Near Jahangir Art Gallery, Kala Ghoda, Mumbai – 400 001.

The details of Extra Ordinary General Meeting held in last three years are as under:-

EGM	DAY	DATE	TIME	VENUE
1.	Thursday	03.05.2007	11.30 A.M.	6 th Floor, Novelty Chambers, Grant Road, Mumbai – 400 007

Whether Special Resolution was put through Postal Ballot last year? No.

Are Special Resolution proposed to be put through Postal Ballot this year? No.

IX. DISCLOSURE

- (i) The Company has no significant material transactions with related parties' viz. Promoters, Directors or the Management, their subsidiaries or relatives conflicting with Company's interest.
- (ii) No penalties or strictures.

X. MEANS OF COMMUNICATION

(i)	Half-yearly report sent to each household of shareholders	No
(ii)	Quarterly results: Which newspapers normally published in	The Free Press Journal, Navashakti, Economic Times (Mumbai) and Maharashtra Times.
(iii)	Any website, where displayed	No
(iv)	Whether it also displays official news releases and presentations made to Institutional investors / analysts	No
(v)	Whether MD & A is a part of Annual Report	Yes

XI. GENERAL SHAREHOLDER INFORMATION**(a) Annual General Meeting to be held:**

The 21st Annual General Meeting 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.



(b) Financial Calendar 2010 – 2011 (Tentative):

Annual General Meeting : 28th September, 2010.
 First Quarterly Results : Before end of July, 2010.
 Second Quarterly Results : Before end of October, 2010.
 Third Quarterly Results : Before end of January, 2011.
 Fourth Quarterly Results : Before end of April, 2011.
 Audited yearly Results for the year ended 31st March, 2011 : Before end of September, 2011.

(c) Dates of Book Closure:

23rd September, 2010 to 28th September, 2010 (Both days inclusive).

(d) Stock Exchange Listing:

The Company's shares are presently listed at The Bombay Stock Exchange Ltd, Mumbai. The Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. Listing Fees has been paid to the above Stock Exchanges for the year 2009-10.

(e) Stock Code:

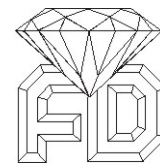
Equity Shares are listed on The Bombay Stock Exchange Ltd, Mumbai (Stock Code **BSE: 523576**) under the Depository System, the ISIN allotted to the Company's equity share is **INE 345E01021** after stock split.

(f) Stock Market Data:

The monthly high and low quotations and volume of equity shares traded at The Stock Exchange, Mumbai is as follows.

Period	Bombay Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume (Nos.)
April, 2009	29.00	16.00	140782
May, 2009	37.75	24.40	331576
June, 2009	40.45	33.05	1072966
July, 2009	36.85	30.35	369985
August, 2009	37.15	30.45	1675830
September, 2009	38.00	32.30	2337140
October, 2009	39.60	32.05	2361122
November, 2009	36.95	29.00	1803732
December, 2009*	35.65	02.80	11968669
January, 2010	04.10	02.85	10416802
February, 2010	03.75	02.95	4065161
March, 2010	03.26	02.26	13411156
TOTAL			49954921

*split of share from Rs. 10/- per share to Rs. 1/- per share



(g) **Registrar and Transfer Agents:**

The Registrar and Transfer Agents of the Company are Adroit Corporate Services Pvt. Ltd. and they look after physical as well as electronic transfer. They have their office at :

19/20, Jaferbhoy Industrial Estate, 1st Floor,
Makwana Road, Marol Naka,
Mumbai- 400 059.
Tel Nos. 91 22 28596060/28594060.
Fax : 91 22 28503748.
Email: adroits@vsnl.net

(h) **Share Transfer System:**

Share transfer requests received in Physical Form are registered within 30 days from the date of receipt and Demat requests are normally confirmed within an average period of 10 days from the date of receipt.

(i) **Shareholder Statistics and Distribution of Shareholdings as on 31st March, 2010:-**

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1-500	1639	11.50	487010	0.29
501-1000	8074	56.66	8004893	4.80
1001-2000	1580	11.09	2933015	1.76
2001-3000	666	4.67	1889013	1.13
3001-4000	257	1.80	985589	0.59
4001-5000	672	4.72	3330452	2.00
5001-10000	686	4.81	5680886	3.41
10001 & above	677	4.75	143469142	86.02
Grand Total	14251	100.00	166780000	100.00

(j) **Dematerialization of Equity Shares:**

The Company's Equity Shares are included in the list of Companies whose scrips have been mandated by SEBI for settlement only in dematerialized form by all institutions and all investors. The Company had signed agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to offer depository services to its shareholders. As on 31st March, 2010 about 95.30% of Equity Share capital of the Company has been dematerialized.

(k) **Nomination Facility:**

Individual Shareholders can now avail of the facility of nomination. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of the shares shall vest in the event of the death of shareholder(s). A minor also can be a nominee provided the name of the guardian is given in the Nomination Form. The facility of nomination is not available to non-individual shareholders such as Bodies' Corporate, Financial Institutions, Karta's of Hindu undivided families and holders of Power of Attorney.

(l) **Address for correspondence:**

Company's Registered Office	Registrar and Transfer Agents
Shri Prem Kumar Uppal (Compliance Officer) 120, Prasad Chambers, Opera House, Mumbai - 400 004. Tel Nos.: 91 22 23669309, 91 22 23637756 Fax No. : 91 22 23669308 E-mail: info@flawlessdiamond.co.in / prem@flawlessdiamond.co.in	Adroit Corporate Services Pvt. Ltd. 19/20, Jaferbhoy Industrial Estate, 1st Floor, Makwana Road, Marol Naka, Mumbai- 400 059 Tel Nos. 91 22 28596060/28594060 Fax : 91 22 28503748 Email : adroits@vsnl.net



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DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, it is hereby declared that all the Board Members of the Company have affirmed compliance with the Code of Conduct for the year ended 31st March 2010.

Place : Mumbai
Date : 9th August, 2010

Bhawar U. Jain
Managing Director (CEO & CFO)

CEO/CFO CERTIFICATION

The Managing Director and CFO heading the finance function have certified to the Board that:

- (a) I have reviewed the Financial Statements and the Cash Flow Statement for the year and that to the best of my knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the period which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls and I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- (d) I have indicated to the Auditors and the Audit Committee:
- (i) Significant changes in the internal control during the year;
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the Financial Statements; and
 - (iii) Instances of significant fraud of which I become aware and the involvement therein, if any, of the Management or an Employee having a significant role in the Company's internal control system.

Place : Mumbai
Date : 9th August, 2010

Bhawar U. Jain
Managing Director (CEO & CFO)

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Member of Flawless Diamond (India) Limited

We have examined the compliance of the conditions of corporate governance by Flawless Diamond (India) Limited (the Company) for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

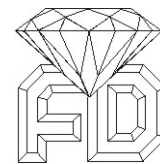
We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee as at the year end.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Mumbai
Date : 9th August, 2010

FOR SURESH ANCHALIYA & CO.,
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner.
Membership No. 44960

**AUDITOR'S REPORT****TO THE MEMBERS OF FLAWLESS DIAMOND (INDIA) LIMITED**

1. We have audited the attached Balance Sheet of **FLAWLESS DIAMOND (INDIA) LIMITED** as at 31st March, 2010 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon, gives the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Place : Mumbai
Date : 9th August, 2010

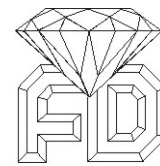
FOR SURESH ANCHALIYA & CO.,
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner.
Membership No. 44960

**ANNEXURE REFERRED TO IN PARA 3 OF OUR REPORT OF EVEN DATE****Re :- Flawless Diamond (India) Limited (“the company”)**

In terms of information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

1. **In respect of its fixed assets:**
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. As explained to us, the fixed assets have been physically verified by the Management during the year in a periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. **In respect of its inventories:**
 - a. In our opinion frequency of verification is reasonable, the inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The Company has neither granted nor taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained u/s.301 of the Companies Act, 1956. Consequently clause 3 (b), 3 (c), 3 (d), 3 (e), 3 (f) of paragraph 4 of the order are not applicable.
4. In our opinion and according to the information and explanations given to us and as verified by us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956, in our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956, have been so entered. The transaction made pursuant to the contracts have been made at prices which are reasonable having regards to prevailing market price at the relevant time.
6. The Company has not accepted any deposits from the public. Therefore, the provisions of clause vi of paragraph 4 of the order are not applicable to the Company.
7. In our opinion, the internal audit system of the Company is in commensurate with its size and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.



9. **In respect of statutory dues:**
- According to the records of the Company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2010 for a period of more than six months from the date they became due.
 - There are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax and Service Tax, which have not been deposited on account of any dispute.
10. The Company does not have accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. The Company is not dealing or trading in securities, debentures and other investments. Therefore the provisions of Clause 4(iv) of the CARO are not applicable to the Company.
15. The Company has not given guarantees for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans were applied by the Company during the year for the purposes for which the loans were obtained.
17. According to the Cash Flow Statement and others records examined and the information and explanation given to us on overall basis, funds raised for short-term basis have *prima-facie* not been used during the year for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the companies act, 1956.
19. The Company has not raised any money by way of issue of debentures.
20. The Company has not raised any money by way of Public Issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the Financial Statements to be materially misstated.

Place : Mumbai
Date : 9th August, 2010

FOR SURESH ANCHALIYA & CO.,
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner.
Membership No. 44960



BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedules	(Rs.)	AS AT 31ST MARCH, 2010	AS AT 31ST MARCH, 2009
(Rs. in Thousands)				
I. SOURCES OF FUNDS :				
(1) Shareholders' funds				
(a) Share Capital :				
Equity Shares	A		166780.00	166780.00
(b) Reserves and Surplus				
Security Premium Account		152100.00		152100.00
Surplus in Profit and Loss Account		637453.59	789553.59	490474.11
			956333.59	809354.11
(2) Loan Funds :				
(a) Secured Loans	B		611171.13	616477.31
(3) Deferred Tax Liability :			1463.28	1831.03
Total of (1) , (2) & (3)			1568968.00	1427662.45
II. APPLICATION OF FUNDS :				
(1) Fixed Assets :-	C			
Gross Block		50460.40		50316.46
Less : Depreciation		26345.79	24114.61	21607.10
Net Block				28709.36
(2) Investments :-	D		1694.21	0.00
(3) (a) Current Asstes, Loans and Advances :-	E			
(i) Inventories		330821.93		529034.35
(ii) Sundry Debtors		2997572.64		2822294.92
(iii) Cash and Bank Balances		48989.80		39318.26
(iv) Loans and Advances		67751.25		68835.77
		3445135.62		3459483.30
Less :				
(b) Current Liabilities and Provisions :-	F			
(i) Current Liabilities		1865266.51		2041791.67
(ii) Provisions		36756.43		18850.54
		1902022.94		2060642.21
Net Current Assets (a) - (b)			1543112.68	1398841.09
(4) Miscellaneous Expenditure :- (to the extent of not written off or adjusted)				
Preliminary Expenses			46.50	112.00
Total of (1), (2), (3) & (4)			1568968.00	1427662.45

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS K

As per our report of even date

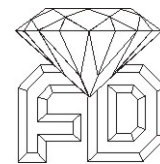
On behalf of the Board of Directors

For **SURESH ANCHALIYA & CO.**
Chartered Accountants
Firm Regn. No : 112492W

KAMAL U. JAIN Chairman
BHAWAR U. JAIN Managing Director
GAUTAM BANERJEE Director
DEEPAK K. PAREKH Director
RAJIV KAMDAR Director
SUJAY N. KANTAWALA Director

SURESH ANCHALIYA
Partner
Membership No. 44960

Place : Mumbai
Date : 9th August, 2010



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedules	(Rs.)	FOR THE YEAR ENDED 31ST MARCH, 2010	FOR THE YEAR ENDED 31ST MARCH, 2009
(Rs. in Thousands)				
I. INCOME :				
(a) Sales			6104894.47	6152712.41
(b) Other Income	G		3236.56	6480.24
(c) Increase/(decrease) in Finished Goods			-198212.42	-167134.48
(d) Exchange Difference			192259.13	-344363.30
			<u>6102177.74</u>	<u>5647694.87</u>
II. EXPENDITURE				
(a) Cost of Material and Purchases			5781699.92	5337200.85
(b) Manufacturing and Import Expenses	H		3169.13	9501.97
(c) Payment to and Provisions for Employees	I		11980.15	14096.17
(d) Selling and Administrative Expenses	J		40129.94	32402.64
(e) Interest and Finance Charges			76979.76	94456.15
(f) Depreciation			4738.69	5231.72
(g) Preliminary Expenses Written Off			112.00	112.00
TOTAL			<u>5918809.58</u>	<u>5493001.50</u>
III. Profit Before Taxation			183368.16	154693.37
IV. Provision For Taxation				
Current		34052.09		18582.25
Deferred		-367.75		288.24
Income Tax For Earlier Year		2704.34		2290.04
FBT For Earlier Year		0.00		12.42
Fringe Benefit Tax		0.00	36388.68	268.29
V. Profit After Taxation			<u>146979.48</u>	<u>133252.13</u>
VI. Balance brought Forward from last year			490474.11	357221.98
VII. Balance Carried To Balance Sheet			<u>637453.59</u>	<u>490474.11</u>
Basic and Diluted Earning Per Share of Rs.1/- each (Rs.)			0.88	0.79

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS K

As per our report of even date

For **SURESH ANCHALIYA & CO.**
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner
Membership No. 44960

Place : Mumbai
Date : 9th August, 2010

On behalf of the Board of Directors

KAMAL U. JAIN Chairman
BHAWAR U. JAIN Managing Director
GAUTAM BANERJEE Director
DEEPAK K. PAREKH Director
RAJIV KAMDAR Director
SUJAY N. KANTAWALA Director

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Thousands)

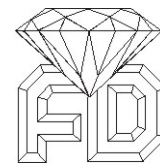
	FOR THE YEAR ENDED 31ST MARCH, 2010	FOR THE YEAR ENDED 31ST MARCH, 2009
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax And Extraordinary Items	183368.16	154693.37
Adjustment for :		
Depreciation	4738.69	5231.72
Interest (Net)	74150.91	89005.13
Preliminary Expenses W/o	112.00	112.00
Operating Profit Before Working Capital And Receivables	262369.76	249042.22
Adjustment for :		
(Increase) / Decrease in trade and other receivables	(174193.20)	(1277910.08)
(Increase) / Decrease in Inventories	198212.42	167134.48
Increase / (Decrease) in Trade Payables and other liabilities	(158619.27)	905656.82
Cash Generated From Operations	127769.71	43923.44
Interest (Paid)	(76979.76)	(94456.15)
Income Tax Earlier Year	(2704.34)	0.00
Provision For Income Taxes	(34052.09)	(21153)
Cash Flow Before Extra-Ordinary Items	14033.52	(71685.71)
Extra-Ordinary Items		
Preliminary Expenses	(46.50)	0.00
Net Cash From Operating Activities : a	13987.02	(71685.71)
B CASH FLOW FROM INVESTING ACTIVITIES		
Sale / (Purchase) of Fixed Assets	(143.94)	(9275.39)
Investment in capital of Partnership Firm	(1694.21)	0.00
Interest Received	2828.85	5451.01
Net Cash Used In Investment Activities b	990.70	(3824.38)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds From Short-Term Borrowings	(5306.18)	(126644.26)
Net Cash Used In Financing Activities c	(5306.18)	(126644.26)
Net Increase In Cash And Cash Equivalents (a) + (b) + (c)	9671.54	(202154.35)
Cash And Cash Equivalents As At The Commencement of the Year (Opening Balance)	39318.26	241472.61
Cash And Cash Equivalents As At The End of the Year	48989.80	39318.26
Net Increase / (Decrease) As Disclosed Above	9671.54	(202154.35)

Note : All figures in brackets are outflows

As per our report of even date
For **SURESH ANCHALIYA & CO.**
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner
Membership No. 44960
Place : Mumbai
Date : 9th August, 2010

On behalf of the Board of Directors
KAMAL U. JAIN Chairman
BHAWAR U. JAIN Managing Director
GAUTAM BANERJEE Director
DEEPAK K. PAREKH Director
RAJIV KAMDAR Director
SUJAY N. KANTAWALA Director



SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)
AS AT 31ST MARCH, 2010 AS AT 31ST MARCH, 2009

SCHEDULE 'A' SHARE CAPITAL

Authorised :

20000000 Equity Shares of Rs.10/- each
250 Preference Shares of Rs.100/- each

	200000.00	200000.00
	25.00	25.00
	<u>200025.00</u>	<u>200025.00</u>

Issued, Subscribed and Paid Up:

16678000 Equity Shares of Rs.10/- each fully paid-up

	166780.00	166780.00
	166780.00	166780.00

SCHEDULE 'B' SECURED LOANS

Short-term loan from Banks

- a) Post Shipment Export Finance
b) Cash Credit
c) Car Finance

	408854.25	239917.77
	201287.70	374830.16
	1029.18	1729.38
	<u>611171.13</u>	<u>616477.31</u>

- 1 The short-term loan against foreign bills for collection and Cash Credit loan from the banks is secured by hypothecation of book debts, stock in trade, further secured by collateral security of equitable mortgage of residential flats and office premises belonging to Smt. Sunita K. Jain, Shri. Kamal U. Jain, Smt. Malli B. Jain, Jalak Impex Pvt. Ltd., Sanaudit Synthetics Pvt. Ltd., Goodwill Theatres Pvt. Ltd. and additional equitable mortgage on the properties of the Company and personal guarantee by Shri. Bhawar U. Jain, Shri. Anil U. Jain, Shri. Kamal U. Jain, Smt. Sunita K. Jain, Shri. Abhishek B. Jain, Smt. Malli B. Jain and Corporate guarantee by Jalak Impex Pvt. Ltd., Sanaudit Synthetics Pvt. Ltd. and Goodwill Theatres Pvt. Ltd.
- 2 Car finance is secured by hypothecation of vehicles owned by the Company.

SCHEDULE 'C' FIXED ASSETS

(Rs. in Thousands)

NAME OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As On 01.04.09	Addition during the year	Deduction during the year	As On 31.03.10	As On 01.04.09	Depreciation during the year	Total As on 31.03.10	As On 31.03.10	As On 31.03.09
Air Conditioners	799.91	0.00	0.00	799.91	366.27	60.32	426.59	373.32	433.64
Computers	4999.99	76.78	0.00	5076.77	2986.41	821.57	3807.98	1268.79	2013.58
Motor Cars	6895.76	0.00	0.00	6895.76	3712.28	824.21	4536.49	2359.27	3183.48
Furniture and Fixtures	3698.59	0.00	0.00	3698.59	1054.32	465.51	1519.83	2178.76	2644.27
Residential Flat	412.00	0.00	0.00	412.00	243.39	8.43	251.82	160.18	168.61
Office Premises	3624.85	0.00	0.00	3624.85	1452.68	108.61	1561.29	2063.56	2172.17
Office Equipments	10724.12	67.16	0.00	10791.28	8870.54	264.28	9134.82	1656.46	1853.58
Factory Premises	2592.77	0.00	0.00	2592.77	468.38	212.44	680.82	1911.95	2124.39
Fire Extinguishers	57.12	0.00	0.00	57.12	20.95	9.36	30.31	26.81	36.17
Inverter and Batteries	68.86	0.00	0.00	68.86	11.91	7.92	19.83	49.03	56.95
Plants & Machineries	15206.05	0.00	0.00	15206.05	2148.31	1816.33	3964.64	11241.41	13057.74
Motorcycles	82.62	0.00	0.00	82.62	36.62	11.91	48.53	34.09	46.00
Electric Installations	1153.82	0.00	0.00	1153.82	235.04	127.80	362.84	790.98	918.78
Total	50316.46	143.94	0.00	50460.40	21607.10	4738.69	26345.79	24114.61	28709.36
Previous Year Total	41041.07	12528.45	3253.06	50316.46	16375.38	5231.72	21607.10	28709.36	24665.68



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SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)
AS AT 31ST MARCH, 2010 AS AT 31ST MARCH, 2009

SCHEDULE 'D'

INVESTMENTS

In Capital of Partnership Firm	1632.00		0.00
Add : Share of Profit	62.21		0.00
	1694.21		0.00
	1694.21		0.00

SCHEDULE 'E'

CURRENT ASSETS, LOANS AND ADVANCES

a) INVENTORIES:

(As Valued and Certified by the Management)

i) Raw Materials	151287.61		245021.84
ii) Finished Goods	179534.32		284012.51
	330821.93		529034.35

b) SUNDRY DEBTORS:

(Unsecured and considered good)

Debt outstanding for a period

i) Exceeding six months	599399.76		459038.60
ii) Other Debts	2398172.88		2363256.32
	2997572.64		2822294.92

c) CASH AND BANK BALANCE:

i) Cash in Hand	8979.53		10464.78
Balance with Scheduled Banks:			
ii) In Current Accounts	3295.54		1045.44
iii) In Fixed Deposit Accounts	33474.89		25013.33
iv) Accrued Interest on Fixed Deposit	3239.84		2794.71
	48989.80		39318.26

d) LOANS AND ADVANCES:

(Unsecured and considered good)

Advances recoverable in cash or in kind or for value to be received

	67751.25		68835.77
	3445135.62		3459483.30
	3445135.62		3459483.30

SCHEDULE 'F'

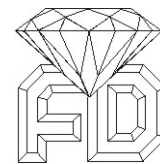
CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES:

i) Sundry Creditors	1862343.78		2027971.28
ii) Other Liabilities	2922.73		13820.39
	1865266.51		2041791.67

PROVISIONS:

i) Taxation			18850.54
	36756.43		2060642.21
	1902022.94		2060642.21

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

(Rs. in Thousands)
AS AT 31ST MARCH, 2010 AS AT 31ST MARCH, 2009

SCHEDULE 'G'**OTHER INCOME**

Miscellaneous Incomes	345.50	10.29
Interest on Fixed Deposits	2828.85	54.51
Profit from Partnership firm - Flawless Jewellery	62.21	0.00
	<u>3236.56</u>	<u>64.80</u>

SCHEDULE 'H'**MANUFACTURING AND IMPORT EXPENSES**

Import Expenses	264.68	120.57
Manufacturing Expenses	109.91	881.55
Power and Fuel	947.05	1070.45
Tools and Consumables	29.25	233.38
Making and Labour Charges	1476.68	3488.45
Handling Charges	19.96	317.79
Security Expenses	321.59	334.08
	<u>3169.12</u>	<u>6446.27</u>

SCHEDULE 'I'**PAYMENT TO AND PROVISIONS FOR EMPLOYEES**

Salaries, Wages and Other Benefits	11295.64	13114.86
Contribution to Provident Fund and ESIC	483.08	721.33
Staff welfare expenses	39.32	98.61
Gratuity	162.11	161.37
	<u>11980.15</u>	<u>14096.17</u>

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SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

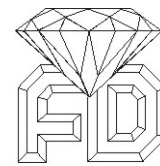
(Rs. in Thousands)
AS AT 31ST **AS AT 31ST**
MARCH, 2010 **MARCH, 2009**

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SCHEDULE 'J'

SELLING AND ADMINISTRATIVE EXPENSES

Advertisement and Publicity Expenses		2452.41	3129.72
Assortment Charges		434.13	465.78
Auditor's Remuneration		143.39	110.30
Bank Charges		9203.59	4702.56
Books and periodicals		12.71	2.51
Commission and Brokerage		6248.68	6487.33
Computer Expenses		87.50	1048.45
Conveyance Expenses		549.18	366.73
Director's Sitting Fees		312.00	71.50
Exhibition Expenses		1180.04	513.12
Export Expenses		5836.26	4137.38
Insurance		1043.95	1326.00
Managerial Remuneration		109.00	288.00
Membership Fees and Subscription		254.74	499.66
Miscellaneous expenses		3729.84	1861.21
Motor Car Expenses		307.37	395.20
Packing Material		135.00	153.94
Postage and Telegrams		314.69	357.32
Printing and Stationary		517.97	757.54
Professional Fees		1109.09	498.10
Rent, Rates and Taxes		1208.16	2410.61
Repair & Maintenance			
-Building	303.48		198.27
-Others	105.43	408.91	267.38
Security Expenses		157.47	357.51
Telephone and Electricity		1874.39	2031.04
Travelling Expenses		2499.47	3021.18
		<u>40129.94</u>	<u>35458.34</u>



**SCHEDULE 'K':
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting:-

The financial statements are prepared under the historical cost convention on accrual basis in accordance with the generally accepted accounting principles and provision of the Companies Act, 1956 as adopted consistently by the Company.

2. Use of Estimates:-

The preparation of financial statement requires the management of the Company to make estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statement of and reported amounts of income and expenses during the period. Examples of such estimate includes provision for doubtful debts, future obligation, employees retirement benefit plans, provision for income taxes, useful lives of fixed assets and intangible assets. Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonably estimated. Actual results may differ from such estimates.

3. Fixed Assets:-

All fixed assets are valued at cost less accumulated depreciation.

4. Depreciation:-

Depreciation on Fixed Assets is provided on written down value method in accordance with the Schedule XIV of the Companies Act, 1956 on pro-rata basis.

5. Inventories:-

Inventories of diamond are valued at cost on specific identification method. Inventories of jewellery are valued at cost, which includes cost of material used and proportionate expenses incurred to manufacture jewellery.

6. Foreign Currency Transactions:-

- (i) Transactions in foreign currencies are normally recorded at the average exchange rate prevailing during the period of transaction.
- (ii) Monetary item denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward exchange contracts are translated at the average rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognized over the life of the contract.
- (iii) Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account.

7. Taxation:-

Provision for current tax made after taking into consideration benefits admissible under the provisions of the Income-Tax Act, 1961.

Minimum Alternative Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period.

Deferred tax expense or benefit is recognized on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available to realize such assets. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.



8. Lease Accounting:-

Leasing where substantially all the risks and benefits of ownership are retained by the leaser, are classified as operating leases. Operating lease expenses/ income is recognized in the Profit and Loss Account on a straight line basis over the period of lease term.

9. Employee's Retirement Benefits:-

Company's contribution to Provident Fund and ESIC are charged to Profit and Loss Account. Liability for Gratuity is determined on the Balance Sheet date and charged to Profit and Loss Account.

10. Revenue Recognition:-

In appropriate circumstance, revenue is recognized when no significant uncertainty as to determination or realisation exists. Turnover includes sale of goods net of VAT and sales tax.

11. Contingent Liability:-

These are disclosed by way of notes on the Balance Sheet date. Provision is made wherever applicable for those contingencies which are likely to materialise into liabilities after the year end till the finalization of accounts and have material effect on the position stated in Balance Sheet.

12. Impairment:-

At each Balance Sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of assets net selling price and value in use. In assessing value in use, the estimated future cash flow expected from the continuing use of the assets and from its disposal is discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and risks specific to the assets. Reversal of impairment loss is recognized immediately as income in the Profit and Loss Account.

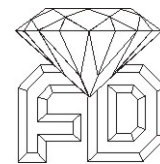
13. Earning Per Share:-

The earning considered in ascertaining EPS comprise the Net Profit after Tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.

(B) NOTES ON ACCOUNTS: -

1. Previous year figures have been regrouped, reworked, rearranged and reclassified whenever necessary.

	(Rs. in Thousands)	
	As at 31ST March, 2010	As at 31ST March, 2009
2. Contingent Liabilities	NIL	NIL
3. Estimated amount of contract remaining to be executed on Capital Account and not provided for the year	NIL	NIL
4. Amount Outstanding to SSI Units	NIL	NIL
5. Managerial Remuneration:-		
Managing Directors' Salary	312.00	288.00
Directors Sitting Fees	109.00	71.50
	421.00	359.50
6. Payments to Auditors:-		
(i) Audit Fees	100.00	75.00
(ii) Tax Audit Fees	20.00	20.00
(iii) Certification and Taxation Matters	10.00	5.00
(iv) Service Tax	13.39	10.30
	143.39	110.30



7. Deferred Tax:-

The Company has accounted for Deferred Taxation in respect of timing differences in accordance with the requirement of Accounting Standard 22 "Accounting for Taxes on Income". The Deferred Tax liability comprises the followings :

Deferred Tax Liabilities	Current Year	Previous Year
On account of fixed assets	4305053	5386977
Deferred Tax Liability @ 33.99%	1463287	1831034

8. Segment Reporting:-

The Company has been operating significantly in a single segment of Diamond & Jewellery.

9. There are no delays in payments to Micro, Small and Medium Enterprises as required to be disclosed under "The Micro, Small and Medium Enterprises Development Act, 2006."

10. Pursuant to Accounting Standard 19 "Leases", disclosure on leases is as follows:

The Company's significant leasing arrangements are in respect of showrooms taken on operating lease basis. The aggregate lease rentals payable are charged to rent and taxes under the head Selling and Administrative Expenses under "Schedule - J".

11. Related Party Disclosure as per AS 18 (As identified by the Management) :

(i) Related Party Relationship

(a) Where Control Exists	1) Jalak Impex Private.Limited 2) Goodwill Theatres Private Limited 3) Sumona Jewels Private Limited 4) Flawless Jewellery
(b) Key Management Personnel	1) Shri Bhawar U. Jain 2) Shri Kamal U. Jain 3) Shri Gautam T. Banerjee
(c) Relatives of Key Management Personnel	NIL
(d) Other Related Parties	NIL

(ii) Transaction with Related Parties :

(Rs. in Thousands)

Type of Related Party	Description of the Nature of Transaction	Volume of Transaction	
		2009-10	2008-09
(a) Where Control Exists	(a) Net Investment (Withdrawal) in Partnership Firm "Flawless Jewellery"	1632.00	-
	(b) Total Loans/ Advances / Deposits Paid or repaid	-	-
	(c) Total Loans / Advance Recd. or recovered		
	(d) Total Rent Paid to Jalak Impex Pvt. Ltd. and Goodwill Theatres Pvt. Ltd.	192.00	249.60
	(e) Profit recd. From Partnership Firm	62.21	-
	(f) Traded Goods with Sumona Jewels Pvt Ltd	-	307.78
(b) Key Management Personnel	(a) Total Loans / Advances Paid	-	93100.00
	(b) Total Loans / Advances Recd.	-	-
	(c) Managing Directors Remuneration	312.00	288.00
(c) Relatives of Key Management Personnel	(a) Total Loans / Advances Paid	-	-
	(b) Total Loans / Advances Recd.	-	-
(d) Other Related Parties		NIL	NIL



(iii) Amount outstanding at the end of year transaction with Related Parties :

Type of Related Party	Description / Nature of Account	(Rs. in Thousands)	
		Amount outstanding 2009-10	2008-09
(a) Where Control Exists	(a) Capital with Partnership Firm and share of Profit for the year.	1694.21	-
	(b) Total Loans/ Advances / Deposits (Rent Deposit with Jalak Impex Pvt. Ltd.)	850.00	850.00
(b) Key Management Personnel		-	-
(c) Relatives of Key Management Personnel		-	-
(d) Other Related Parties		NIL	NIL

12. Earning Per Share:-

The Earning Per Share has been computed by dividing the profit after tax by number of Equity Shares outstanding.

	Current Year	Previous Year
(a) Net profit available for Equity Shareholders (Rs. Thousand) (Numerator used for calculation)	146979.49	133252.11
(b) Weighted Average number of equity shares used as denominator for calculating EPS (in 000)	166780.00	16678.00
(c) Basic and Diluted Earnings per share of Rs.1 each (Rs.) :	0.88	7.99

13. Additional information pursuant to the provisions of paragraph 3,4C and 4D of part II of the Schedule VI of the Companies Act, 1956 in respect of significant items. (Rs. in Thousands)

Sr. No.	Product Description	Unit	Opening Stock		Purchases		Sales		Closing Stock	
			Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
(A)	Polished Diamonds	Cts.	26333.24	201672.55	812869.77	4740764.44	854804.41	5784024.43	5733.69	93955.49
(B)	Rough Diamonds	Cts.	7805.01	80076.53	188111.83	1008849.71	99586.86	144799.72	5138.57	32165.68
(C)	Gold	Gms.	10331.82	14890.36	17493.90	26055.13	0.000	0.000	3359.86	5818.35
(D)	Jewellery	Gms.	69162.97	229863.38	335.86	5179.46	45595.41	176070.32	50717.83	194586.47
		Cts.	7859.94		273.16		5720.01		7368.72	

(E) Capacity and Production: -

Product	Unit	Capacity	Production During	
			Current Year	Previous Year
Cut and Polished Diamonds	Cts.	108000	26291.38	188322.68

(F) Value of Imports on CIF basis

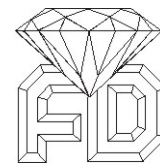
	Current Year	Previous Year
Traded Goods	1064159.11	1911782.92

(G) Amount remitted during the year in foreign currency on account of :-

	Current Year	Previous Year
Dividend	NIL	NIL
Travelling	526.35	653.42
Purchase of Goods on CIF Basis	1063632.76	1932901.82

(H) Earning in foreign exchange

	Current Year	Previous Year
Export of goods on FOB basis	4393327.32	2258156.97



14. Additional information Pursuant to the provisions of part IV of the Schedule VI of the Companies Act, 1956. Balance Sheet abstracts and Company's General Business Profile: -

I. Companies Registration Details

Registration Number	State Code	Balance Sheet Date
CIN-U36911MH1989PLC051577	11	31.03.2010

II. Capital raised during the year: (Rs. in thousands)

1. Public issue -	Nil	2. Right issue	-	Nil
3. Bonus issue -	Nil	4. Private placement		Nil

III. Details of mobilisation and deployment of funds (Rs. in thousands)

(A)	Total Liabilities		Total Assets	
	RS.1568968.00		RS.1568968.00	
		(Rs. in thousands)		(Rs. in thousands)
(B)	Sources Of Funds		Application Of Funds	
	Paid Up Capital	166780.00	Net Fixed Assets	24114.61
	Reserve & surplus	789553.59	Investments	1694.21
	Secured loan	611171.13	Net current assets	1543112.68
	Deferred tax liabilities	1463.28	Miscellaneous Expenditure	46.50
		<u>1568968.00</u>		<u>1568968.00</u>

IV. Performance of Company (Rs. in thousands)

		2009-10	2008-09
Turnover		6102177.74	5647694.87
Total Expenditure		5918809.58	5493001.50
Profit Before Tax		183368.16	154693.37
Profit After Tax		146979.48	133252.13
EPS In Rupees		0.88	0.79
Dividend Rate %		0.00%	0.00%

V. Generic names of three principle products/services of Company (as per monetary terms)

(i)	Item Code Number	: -	71-0239-01
	Product Description	: -	Diamond
(ii)	Item Code Number	: -	71.13
	Product Description	: -	Jewellery

15. The amounts in the Balance Sheet and Profit and Loss Account are rounded off to the nearest one thousand rupees.

As per our report of even date

On behalf of the Board of Directors

For **SURESH ANCHALIYA & CO.**
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner
Membership No. 44960

Place : Mumbai
Date : 9th August, 2010

KAMAL U. JAIN	Chairman
BHAWAR U. JAIN	Managing Director
GAUTAM BANERJEE	Director
DEEPAK K. PAREKH	Director
RAJIV KAMDAR	Director
SUJAY N. KANTAWALA	Director



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FLAWLESS DIAMOND (INDIA) LIMITED

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

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE 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 21st ANNUAL GENERAL MEETING of the Company held on Tuesday, 28th September, 2010 at 03.00 p.m. at Novelty Chambers, Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007.

* Applicable for investors holding shares in Electronic Form.

** 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 _____

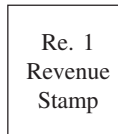
(or failing him) _____ of _____

(or failing him) _____ of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 21st Annual General Meeting of the Company, to be held on Tuesday, 28th September, 2010 at 03.00 p.m. and at any adjournment thereof.

As WITNESS my hand/our hands that _____ day of _____ 2010.

Signature _____



* Applicable for investors holding shares in Electronic Form.

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.

BOOK - POST

Adroit Corporate Services Pvt.Ltd.
(UNIT : FLAWLESS DIAMOND (INDIA) LIMITED
19/20, Jaferbhoy Industrial Estate,
1st Floor, Makwana Road, Marol Naka,
Mumbai - 400 059.
Tel.: 2859 6060 / 2859 4060