

Flawless Diamond (India) Limited

22nd Annual Report

2010-11



BOARD OF DIRECTORS

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

AUDITORS

Suresh Anchaliya & Co.
Chartered Accountants
Mumbai.

BANKERS

ICICI Bank Ltd.
Punjab & Sind Bank

REGISTERED OFFICE

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

WORKS

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

REGISTRAR & SHARE TRANSFER AGENTS

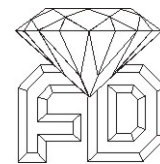
Adroit Corporate Services Pvt.Ltd.
19/20, Jaferbhoy Industrial Estate,
1st Floor, Makwana Road, Marol Naka,
Mumbai - 400 059.

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

22nd ANNUAL GENERAL MEETING

ON

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



NOTICE

NOTICE IS HEREBY GIVEN THAT the 22nd Annual General Meeting of Flawless Diamond (India) Limited will be held on **Friday, 30th Day of September, 2011 at 03.00 p.m. at Novelty Chambers, above Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007**, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on that date and report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Rajiv Kamdar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Kamal U. Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

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

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

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

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

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

Registered Office:

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

Place : Mumbai
Date : 25.08.2011

On behalf of the Board of Directors

KAMAL U. JAIN
Chairman

F
L
A
W
L
E
S
S

D
I
A
M
O
N
D
(
I
N
D
I
A)

L
I
M
I
T
E
D



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 **26th September to 30th September, 2011 (both days inclusive)**.
3. The Members are requested to:
 - (a) Intimate to the Company's Registrars and Share Transfer Agents - Adroit Corporate Services Pvt. Ltd. (for shares held in physical form) and to their Depository Participants (DP) (for shares held in dematerialized form) the changes, if any, in their Registered Address, Bank Account Number/details etc. at an earlier date;
 - (b) Quote ledger folio numbers / DP Identity and Client Identity Numbers in all their correspondences;
 - (c) Bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the Annual General Meeting;
 - (d) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company at the Registered Office address so as to reach at least seven days before the date of the Meeting, to enable the information required to be made available at the Meeting, to the best extent possible.
4. The Board recommends the resolution as proposed in the Notice for approval by the members.
5. **Green Initiative in the Corporate Governance-Registration of email address** - The members are requested to register email address with the Depository Participant/the Registrar and Share Transfer Agent of the Company, i.e. Adroit Corporate Services Pvt. Ltd., as the case may be, for service of documents.

ANNEXURE TO THE NOTICE

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

In Respect of Item No. 5:-

Pursuant to the Provision of Section 260 of the Companies Act, 1956 and Article 147(1) of the Articles of Association of the Company, the Board of Directors of the Company ("the Board") at its meeting held on 06.12.2010 appointed, Shri Ashok R. Chheda as an Additional Director of the Company.

In terms of the Provisions of Section 260 of the Companies Act, 1956. Shri Ashok R. Chheda shall hold office of director up to the ensuing Annual General Meeting of the Company.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Shri Ashok R. Chheda for the office of the Director of the Company. Shri Ashok R. Chheda is not disqualified from being appointed as a Director in terms of Section 274 (1)(g) of the Companies Act, 1956 and has complied with the requirements of obtaining Directors Identification Number (DIN) in terms of Section 266A of the said Act.

A brief resume of Shri Ashok R. Chheda, nature of his expertise in specific functional area are provided in the Report on Corporate Governance, forming part of this Annual Report.

The Board commends the resolution for appointment of Shri Ashok R. Chheda as a Director of the Company. Shri Ashok R. Chheda is liable to retire by rotation.

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

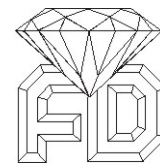
In Respect of Item No. 6 :-

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

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

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

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



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

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

On behalf of the Board of Directors

KAMALU.JAIN
Chairman

Place : Mumbai
Date : 25.08.2011



DIRECTORS' REPORT

TO THE MEMBERS,

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

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

DIVIDEND

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

CHANGE IN REGISTERED OFFICE OF THE COMPANY

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

RESEARCH AND DEVELOPMENT

Research and Development is a vital area of the Company's focus and has been a key factor in maintaining the company's growth. Leveraging on its strong research and development department, your Company is constantly developing new and latest designs of jewellery and lifestyle products. Your Company keeps abreast with the latest trends in the market and its users.

CONTRIBUTION OF EXPORT IN TOTAL REVENUE

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

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the stipulations set out in the Listing Agreement with the Stock Exchange and have implemented all the prescribed requirements. A separate report on Corporate Governance is enclosed as a part of this Annual Report of the Company. A certificate from Auditors of the Company regarding compliance of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

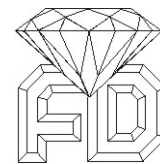
DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of the annual accounts, for the Financial Year ended 31st March, 2011, 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, 2011;
- 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, 2011 on 'going concern' basis.

DIRECTORS

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



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

DEPOSITS

Your Company has not invited or accepted any Fixed Deposits from the public during the year under review.

AUDITORS

M/s. Suresh Anchaliya & Co., Chartered Accountants, the retiring Auditors of the Company who holds Office in accordance with the provisions of the Companies Act, 1956 up to the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

The Company has received letter from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.

FLAWLESS JEWELLERY

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

AUDITORS REPORT

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

MATERIAL CHANGES

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

INSURANCE

The Company's assets and goods are fully insured.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

A detailed review of the progress of the project and the future outlook of the Company and its business as stipulated under clause 49 of the Listing Agreement with the Stock Exchange is presented in a separate section forming part of the Annual Report.

PARTICULARS OF EMPLOYEES

The overall industrial and employee relations remained healthy. There are no such employees pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988. Hence, no particulars are required to be appended to this report in this regard.

DEMATERIALISATION OF SHARES

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

The information pursuant to Section 217(i)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given as under.

- A. **Conservation of Energy:** As the Company is not covered in the list of industries required to furnish information in form 'A' in relation to conservation of energy, the same is not given.
- B. **Technology Absorption, Research and Development (R&D) :** The Company's manufacturing unit is set up with the ultra modern plant and machineries, with the latest and energy savvy technologies. As and when the need arises the Company will upgrade the technology.
- C. **Foreign Exchange Earning & Outgo:** The total exports for the year 2010-2011 amounts to Rs. 20745.57 lakhs. The Company is concentrating more on export of high value added Polished Diamonds and Designer Jewellery.

Total Foreign Exchange used & earned	:	Rs. (In Lakhs)
Total Foreign Exchange used	:	5135.08
Total Foreign Exchange earned	:	26011.87

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the consistent assistance and co-operation received from the Central and State Government Authorities, Company's Bankers, Outgoing Directors, Vendors, Members and dedicated Employees for the confidence in the Company and its management through the periods of prosperity and adversity.

Registered Office:

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

On behalf of the Board of Directors

KAMAL U. JAIN
Chairman



REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:-

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

II. BOARD OF DIRECTORS

(a) COMPOSITION OF THE BOARD

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

The composition of the Board of Directors with reference to Executive and Non-Executive Directors, meets the requirement of code of Corporate Governance.

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other Directorships and other Committee Membership/Chairmanship as on 31.03.2011 are as follows :

Name of Directors	Category of Directors	No. of Board Meetings attended	Attended Last AGM	No of other Directorship held	No. of other Committee Membership	
					Member	Chairman
Shri Kamal U. Jain	Chairman (Non-Executive)	10	Yes	11	Two	One
Shri Bhawar U. Jain	Managing Director (Executive)	10	Yes	9	None	None
Shri Ashok R. Chheda (Appointed on 06.12.10)	(Non-Executive) Independent	2	No	None	One	One
Shri Deepak K. Parekh	(Non-Executive) Independent	7	Yes	None	One	None
Shri Rajiv Kamdar	(Non-Executive)	10	Yes	02	None	None
Shri Gautam Banerjee	(Non-Executive)	7	No	02	None	None
Shri Sujay N. Kantawala* (Upto 20.11.2010)	(Non-Executive) Independent	4	No	01	One	One
Shri Gopalakrishna Pillai** (Upto 08.12.2010)	(Non-Executive) Independent	4	Yes	02	None	None

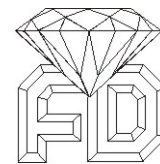
*Resigned from Directorship on 20.11.2010.

**Resigned from Directorship on 08.12.2010.

(b) REMUNERATION TO EXECUTIVE DIRECTORS

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

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



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

- (i) The Committee comprises of Directors namely Shri Deepak K. Parekh , Shri Sujay N. Kantawala (Upto 20.11.2010) Shri Ashok R. Chheda (From 06.12.2010) and Shri Kamal U. Jain.
- (ii) Shri Sujay N. Kantawala, Shri Deepak K. Parekh and Shri Ashok R. Chheda 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 30th April, 2010, 31st July, 2010, 30th October, 2010 and 31st January, 2011.
- (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(Upto 20.11.2010) and Shri Ashok R. Chheda (from 06.12.2010). The Committee normally meets twice a month as required. During the year ended 31st March, 2011, 5 Investor Complaints were received and as of 31st March, 2011 there were no complaint pending. There were no share transfers pending for registration for more than 30 days as on 31st March, 2011.

V. DETAILS OF DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

Details of the Directors seeking re-appointment at the ensuing Annual General Meeting fixed on Friday, the 30th day of September, 2011 are given hereunder:

1. Name : **Kamal U. Jain**
- Date of Appointment : **02.05.1989**
- Expertise in Specific Functional Areas : A visionary with great ideas and foresight has been behind the Company and nurtured it since it's inception. He is very passionate about research and development, which he feels is not just a step but a continuous process for innovation and enhancement of product line and brand equity. Knowledge and expertise across diverse industry disciplines viz; Project and Finance Management in reality and jewellery industry has contributed to the multi-dimensional growth of the company. A name to reckon with among distinguished business personalities of the corporate world.
- List of Directorship : Aaradhak Developers Private Limited
Aum Realtors Private Limited
Flawless Developers Private Limited
Goodwill Theatres Private Limited
Jalak Impex Private Limited
Kanir Constructions Private Limited
Karat Diamond Private Limited
Safe Heaven Builders Private Limited
Sanaudit Synthetics Private Limited
Secure Builders Private Limited



2. Name : **Rajiv Kamdar**
 Date of Appointment : **09.11.2006**
 Expertise in Specific Functional Areas : He is in the prime of his organizational life with a world of accolade in import-export and international business acumen behind him. Formulating marketing strategy is his forte. Mr. Kamdar integrates the group's Indianness with its global footprint. Articulate, Innovative and Market Savvy he is the fountain of new ideas, approaches and styles in driving the Company towards new horizons and unexplored shores.
 List of Directorship : Multiplus Holding Limited
3. 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.

VIII. GENERAL BODY MEETING

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

AGM	DAY	DATE	TIME	VENUE
19 th	Saturday	20.09.2008	11.00A.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, 6th Floor, 12, K. Dubash Marg, Near Jahangir Art Gallery, Kala Ghoda, Mumbai – 400 001.
21 th	Tuesday	28.09.2010	03.00 P.M.	Novelty Chambers, above Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007.

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

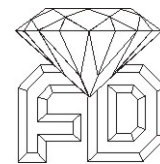
- (i) The Company has no significant material transactions with related parties' viz. Promoters, Directors or the Management, their subsidiaries or relatives conflicting with Company's interest.
 (ii) No penalties or strictures.

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 (Marathi.)
(iii)	Any website, where displayed	Yes, www.flawlessdiamond.co.in
(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 22nd Annual General Meeting will be held on **Friday, 30th Day of September, 2011 at 03.00 p.m. at Novelty Chambers, above Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007.**
- (b) **Financial Calendar 2011 – 2012 (Tentative):**
 Annual General Meeting : 30th September, 2011.
 First Quarterly Results : Before end of August 2011
 Second Quarterly Results : Before end of October 2011.
 Third Quarterly Results : Before end of January 2012.
 Fourth Quarterly Results : Before end of April, 2012.
 Audited yearly Results for the year ended 31st March, 2012 : Before end of September, 2012.
- (c) **Dates of Book Closure:**
 26th September, 2011 to 30th September, 2011 (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, Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.
Listing Fees has been paid to the above Stock Exchanges for the year 2010-11.

(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.

(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, 2010	3.20	2.80	5502864
May, 2010	2.96	2.25	3286767
June, 2010	2.69	2.30	1945839
July, 2010	3.20	2.30	3617328
August, 2010	3.31	2.50	3002724
September, 2010	3.49	2.43	3551632
October, 2010	2.89	2.22	4975797
November, 2010	2.69	1.65	3499286
December, 2010	2.19	1.55	1968839
January, 2011	1.99	1.36	1113827
February, 2011	1.71	1.00	1515139
March, 2011	1.24	0.91	1624957
TOTAL			35604999

(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, 2011:-

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1-500	1873	12.64	552027	0.33
501-1000	7955	53.71	7884607	4.73
1001-2000	1673	11.29	3095532	1.86
2001-3000	721	4.87	2026030	1.21
3001-4000	294	1.98	1117844	0.67
4001-5000	734	4.96	3626073	2.17
5001-10000	780	5.27	6488076	3.89
10001 & above	782	5.28	141989811	85.14
Grand Total	14812	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, 2011 about 94.52% 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
Mr. Prem Kumar Uppal (Compliance Officer) 136, Panchratna, Opera House, Mumbai - 400 004. Tel Nos.: 91 22 23637756 Fax No. : 91 22 23633578 E-mail: info@flawlessdiamond.co.in / prem@flawlessdiamond.co.in	Adroit Corporate Services Pvt. Ltd. 19/20, Jaferbhoy Industrial Estate, 1 st Floor, Makwana Road, Marol Naka, Mumbai- 400 059 Tel Nos. 91 22 28596060/28594060 Fax : 91 22 28503748 Email : adroits@vsnl.net

m) **Green Initiative**

The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011, has allowed companies to send Annual Report comprising of Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Report and Explanatory Statement etc., through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and the circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to provide their details (name, folio no, e-mail id) on the Company's e-mail address viz. info@flawlessdiamond.co.in Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.

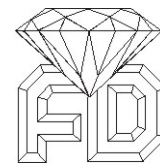
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Gems and Jewellery has been part and parcel of Indians since ages, both for its aesthetic and as well as investment value. The Indian Gem & Jewellery can be classified into various segments like diamond, colour stone, silver jewellery, pearls and Gold studded jewellery. Looking at the trends in India, it is still gold and diamonds for any occasion like birthdays, wedding anniversaries, weddings and many festivals, where Indians have sentimental value for diamonds and gold.

India is dominating with exports, out of which every eleven out of twelve diamonds are being cut and polished in India. India accounts for highest consumption of gold approximately 700 to 800 tonnes p.a. The Gem and Jewellery industry has a backing of the government and its difference policies which in advertly helped India achieve the largest exports and highest gross earner of foreign exchange.

Due to high labour cost out of India the outsourcing of jewellery making and diamond cutting are directed to low cost countries like India and China. The incentive which the government gives to modern diamond manufacturing units located in SEZ, which have been specifically designed to increase exports.

The increasing gold prices may effect the jewellery making industry and slow down the consumption of diamonds to some extent.



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 31.03.11.

Place : Mumbai

Bhawar U. Jain

Date : 25th August, 2011

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

Bhawar U. Jain

Date : 25th August, 2011

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, 2011 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 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 : 25th August, 2011

FOR SURESH ANCHALIYA & CO.,

Chartered Accountants

Firm Regn. No : 112492W

SURESH ANCHALIYA

Partner.

Membership No. 44960

F
L
A
W
L
E
S
S

D
I
A
M
O
N
D
(
I
N
D
I
A)

L
I
M
I
T
E
D



AUDITOR'S REPORT

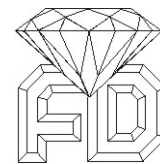
TO THE MEMBERS OF FLAWLESS DIAMOND (INDIA) LIMITED

1. We have audited the attached Balance Sheet of FLAWLESS DIAMOND (INDIA) LIMITED as at 31st March, 2011 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, 2011 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the companies Act, 1956 nor has it issued any rules under any section, prescribing the manner in which the cess is to be paid, no cess is due and payable by the Company.
 - g) 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, 2011;
 - (ii) In the case of the Profit and Loss Account, of the Loss 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 : 25th August, 2011

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), 3 (g) 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:**
- a. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection 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, 2011 for a period of more than six months from the date they became due.
 - b. 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. The company has incurred cash losses during the financial year covered by our audit and has not incurred cash losses 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 except delayed payments for non realization of exports proceeds.
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 : 25th August, 2011

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

SURESH ANCHALIYA
Partner.
Membership No. 44960

**F
L
A
W
L
E
S
S
D
I
A
M
O
N
D
I
A
N
D
I
A
L
I
M
I
T
E
D**



BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedules	(Rs.)	AS AT 31ST MARCH, 2011	AS AT 31ST MARCH, 2010
(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		617918.66	770018.66	637453.59
			<u>936798.66</u>	<u>956333.59</u>
(2) Loan Funds :				
(a) Secured Loans	B		566536.49	611171.13
			<u>566536.49</u>	<u>611171.13</u>
(3) Deferred Tax Liability :			1134.55	1463.28
Total of (1), (2) & (3)			<u>1504469.70</u>	<u>1568968.00</u>
II. APPLICATION OF FUNDS :				
(1) Fixed Assets :-	C			
Gross Block		52876.80		50460.40
Less : Depreciation		<u>30606.64</u>		<u>26345.79</u>
Net Block			22270.16	24114.61
(2) Investments :-	D		5476.04	1694.21
(3) (a) Current Asstes, Loans and Advances :-	E			
(i) Inventories		316315.07		330821.93
(ii) Sundry Debtors		2197282.07		2997572.64
(iii) Cash and Bank Balances		12682.38		48989.80
(iv) Loans and Advances		<u>49570.41</u>		<u>67751.25</u>
		<u>2575849.93</u>		<u>3445135.62</u>
Less :				
(b) Current Liabilities and Provisions :-	F			
(i) Current Liabilities		1099319.32		1865266.51
(ii) Provisions		<u>0.00</u>		<u>36756.43</u>
		<u>1099319.32</u>		<u>1902022.94</u>
Net Current Assets (a) - (b)			1476530.61	1543112.68
(4) Miscellaneous Expenditure :-				
(to the extent of not written off or adjusted)				
Preliminary Expenses			192.89	46.50
Total of (1), (2), (3) & (4)			<u>1504469.70</u>	<u>1568968.00</u>

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

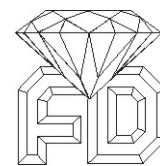
SURESH ANCHALIYA
Partner
Membership No. 44960

Place : Mumbai
Date : 25th August, 2011

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
ASHOK CHHEDA Director

22
ND
A
N
N
U
A
L
R
E
P
O
R
T
2
0
1
0
-
2
0
1
1



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in Thousands)

	Schedules	(Rs.)	FOR THE YEAR ENDED 31 ST MARCH, 2011	FOR THE YEAR ENDED 31 ST MARCH, 2010
I. INCOME :				
(a) Sales			3314410.35	6104894.47
(b) Other Income	G		2994.91	3236.56
(c) Increase/(decrease) in Finished Goods			(14506.86)	(198212.42)
(d) Exchange Difference			39266.49	192259.13
			<u>3342164.89</u>	<u>6102177.74</u>
II. EXPENDITURE				
(a) Cost of Material and Purchases			3251704.31	5781699.92
(b) Manufacturing and Import Expenses	H		896.41	3169.12
(c) Payment to and Provisions for Employees	I		7602.22	11980.15
(d) Selling and Administrative Expenses	J		18173.53	40129.94
(e) Interest and Finance Charges			79058.24	76979.76
(f) Depreciation			4260.87	4738.69
(g) Preliminary Expenses Written Off			128.00	112.00
TOTAL			<u>3361823.58</u>	<u>5918809.58</u>
III. Profit Before Taxation			(19658.69)	183368.16
IV. Provision For Taxation				
Current		0.00		34052.09
Deferred		(328.77)		(367.75)
Income Tax For Earlier Year		205.01	(123.76)	2704.34
V. Profit After Taxation			(19534.93)	146979.48
VI. Balance brought Forward from last year			637453.59	490474.11
VII. Balance Carried To Balance Sheet			<u>617918.66</u>	<u>637453.59</u>
Basic and Diluted Earning Per Share of Rs.1/- each (Rs.)			-0.12	0.88

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 : 25th August, 2011

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
ASHOK CHHEDA Director

F
L
A
W
L
E
S
S

D
I
A
M
O
N
D
(
I
N
D
I
A)

L
I
M
I
T
E
D



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(Rs. in Thousands)

	FOR THE YEAR ENDED 31ST MARCH, 2011	FOR THE YEAR ENDED 31ST MARCH, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax And Extraordinary Items	(19658.69)	183368.16
Adjustment for :		
Depreciation	4260.87	4738.69
Interest (Net)	77605.99	74150.91
Preliminary Expenses W/o	128.00	112.00
Operating Profit Before Working Capital And Receivables	62336.17	262369.76
Adjustment for :		
(Increase) / Decrease in trade and other receivables	818471.41	(174193.20)
(Increase) / Decrease in Inventories	14506.86	198212.42
Increase / (Decrease) in Trade Payables and other liabilities	(802703.62)	(158619.27)
Cash Generated From Operations	92610.82	127769.71
Interest (Paid)	(79058.24)	(76979.76)
Income Tax Earlier Year	(205.01)	(2704.34)
Provision For Income Taxes	0.00	(34052.09)
Cash Flow Before Extra-Ordinary Items	13347.57	14033.52
Extra-Ordinary Items		
Preliminary Expenses	(274.38)	(46.50)
Net Cash From Operating Activities : a	13073.19	13987.02
B CASH FLOW FROM INVESTING ACTIVITIES		
Sale / (Purchase) of Fixed Assets	(2416.40)	(143.94)
Investment in capital of Partnership Firm	(3781.82)	(1694.21)
Interest Received	1452.25	2828.85
Net Cash Used In Investment Activities b	(4745.97)	990.70
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds From Short-Term Borrowings	(44634.64)	(5306.18)
Net Cash Used In Financing Activities c	(44634.64)	(5306.18)
Net Increase In Cash And Cash Equivalents (a) + (b) + (c)	(36307.42)	9671.54
Cash And Cash Equivalents As At The Commencement of the Year (Opening Balance)	48989.80	39318.26
Cash And Cash Equivalents As At The End of the Year	12682.38	48989.8
Net Increase / (Decrease) As Disclosed Above	(36307.42)	9671.54

Note : All figures in brackets are outflows

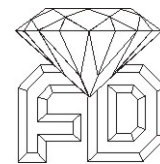
As per our report of even date
For **SURESH ANCHALIYA & CO.**
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner
Membership No. 44960

Place : Mumbai
Date : 25th August, 2011

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
ASHOK CHHEDA Director



SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in Thousands)
AS AT 31ST **AS AT 31ST**
MARCH, 2011 **MARCH, 2010**

SCHEDULE 'A'
SHARE CAPITAL

Authorised :

200000000 Equity Shares of Rs.1/- each	200000.00	200000.00
250 Preference Shares of Rs.100/- each	25.00	25.00
	200025.00	200025.00

Issued, Subscribed and Paid Up:

166780000 Equity Shares of Rs.1/- 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	362798.71	408854.25
b) Cash Credit	202103.41	201287.70
c) Car Finance	1634.37	1029.18
	566536.49	611171.13

- 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 01.04.10	Addition/ Deduction during the year	As On 31.03.11	As On 01.04.10	Depreciation during the year	Total As on 31.03.11	As On 31.03.11	As On 31.03.10
Air Conditioners	799.91	0.00	799.91	426.59	51.93	478.52	321.39	373.32
Computers	5076.77	61.91	5138.68	3807.96	527.53	4335.49	803.19	1268.79
Motor Cars	6895.76	2342.56	9238.32	4536.49	1067.76	5604.25	3634.07	2359.27
Furniture & Fixtures	3698.59	0.00	3698.59	1519.83	383.07	1902.90	1795.69	2178.76
Residential Flat	412.00	0.00	412.00	251.82	8.01	259.83	152.17	160.18
Office Premises	3624.85	0.00	3624.85	1561.29	103.18	1664.47	1960.38	2063.56
Office Equipments	10791.28	11.93	10803.21	9134.82	231.90	9366.72	1436.49	1656.46
Factory Premises	2592.77	0.00	2592.77	680.82	191.19	872.01	1720.76	1911.95
Fire Extinguishers	57.12	0.00	57.12	30.31	6.94	37.25	19.87	26.81
Inverter & Batteries	68.86	0.00	68.86	19.83	6.82	26.65	42.21	49.03
Plant & Machineries	15206.05	0.00	15206.05	3964.64	1563.68	5528.32	9677.73	11241.41
Motor Cycles	82.62	0.00	82.62	48.53	8.83	57.36	25.26	34.09
Electronic Installation	1153.82	0.00	1153.82	362.84	110.03	472.87	680.95	790.98
Total	50460.40	2416.40	52876.80	26345.79	4260.87	30606.64	22270.16	24114.61
Previous Year Total	50316.46	143.94	50460.40	21607.10	4738.67	26345.77	24114.63	28709.36



22
ND
A
N
N
U
A
L
R
E
P
O
R
T
2
0
1
0
-
2
0
1
1

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in Thousands)

AS AT 31ST MARCH, 2011 AS AT 31ST MARCH, 2010

**SCHEDULE 'D'
INVESTMENTS**

In Capital of Partnership Firm	4251.34		1632.00
Add : Share of Profit from Firm	<u>1224.70</u>	<u>5476.04</u>	<u>62.21</u>
		<u>5476.04</u>	<u>1694.21</u>

**SCHEDULE 'E'
CURRENT ASSETS, LOANS AND ADVANCES**

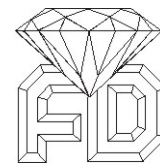
a) INVENTORIES: (As Valued and Certified by the Management)			
i) Raw Materials	50080.71		151287.61
ii) Finished Goods	<u>266234.36</u>		<u>179534.32</u>
		316315.07	330821.93
b) SUNDRY DEBTORS: (Unsecured and considered good) Debt outstanding for a period			
i) Exceeding six months	1768594.28		599399.76
ii) Other Debts	<u>428687.79</u>		<u>2398172.88</u>
		2197282.07	2997572.64
c) CASH AND BANK BALANCE:			
i) Cash in Hand	10170.64		8979.53
Balance with Scheduled Banks:			
ii) In Current Accounts	2434.57		3295.54
iii) In Fixed Deposit Accounts	74.91		33474.89
iv) Accrued Interest on Fixed Deposit	<u>2.26</u>		<u>3239.84</u>
		12682.38	48989.80
d) LOANS AND ADVANCES: (Unsecured and considered good) Advances recoverable in cash or in kind or for value to be received			
		<u>49570.41</u>	<u>67751.25</u>
		<u>2575849.93</u>	<u>3445135.62</u>

**SCHEDULE 'F'
CURRENT LIABILITIES AND PROVISIONS**

CURRENT LIABILITIES:			
i) Sundry Creditors	1093987.75		1862343.78
ii) Other Liabilities	<u>5331.57</u>		<u>2922.73</u>
		1099319.32	1865266.51
PROVISIONS:			
i) Taxation		<u>0.00</u>	<u>36756.43</u>
		<u>1099319.32</u>	<u>1902022.94</u>

**SCHEDULE 'G'
OTHER INCOME**

Miscellaneous Income		317.96	345.50
Interest on Fixed Deposits		1452.25	2828.85
Profit from Partnership firm - Flawless Jewellery		<u>1224.70</u>	<u>62.21</u>
		<u>2994.91</u>	<u>3236.56</u>



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	(Rs. in Thousands)	
	AS AT 31ST	AS AT 31ST
SCHEDULE 'H'		
MANUFACTURING AND IMPORT EXPENSES		
Import Expenses	112.76	264.68
Manufacturing Expenses	14.94	109.91
Power and Fuel Expenses	338.95	947.05
Tools and Consumables	0.00	29.25
Making and Labour Charges	276.59	1476.68
Handling Charges	0.00	19.96
Security Expenses	153.17	321.59
	896.41	3169.12
SCHEDULE 'I'		
PAYMENT TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Other Benefits	7213.70	11295.64
Contribution to Provident Fund and ESIC	197.78	483.08
Staff welfare expenses	8.14	39.32
Gratuity	182.60	162.11
	7602.22	11980.15

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	(Rs. in Thousands)	
	AS AT 31ST	AS AT 31ST
	MARCH, 2011	MARCH, 2010
SCHEDULE 'J'		
SELLING AND ADMINISTRATIVE EXPENSES		
Advertisement and Publicity Expenses	96.62	2452.41
Assortment Charges	791.81	434.13
Auditor's Remuneration	182.00	143.39
Bank Charges	3012.89	9203.59
Books and Periodicals	0.00	12.71
Commission and Brokerage	3386.94	6487.33
Computer Expenses	114.14	87.50
Conveyance Expenses	379.43	549.18
Director's Sitting Fees	17.00	312.00
Exhibition Expenses	30.94	1180.04
Export Expenses	2945.40	5836.26
Insurance Expenses	921.29	1043.95
Managerial Remuneration	336.00	109.00
Membership Fees and Subscription	154.42	254.74
Miscellaneous expenses	2228.90	3729.84
Motor Car Expenses	84.10	307.37
Packing Material	0.00	135.00
Postage and Telegrams	325.66	314.69
Printing and Stationary	431.52	517.97
Professional Fees	724.36	1109.09
Profession Tax	2.77	0.00
Rent, Rates and Taxes	359.94	1208.16
<u>Repair & Maintenance</u>		
-Building	96.10	303.48
-Others	113.76	105.43
Security Expenses	0.00	157.47
Telephone and Electricity	774.09	1874.39
Travelling Expenses	663.45	2499.48
	18173.53	40368.59



**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 methods except in the case of inventory of Rough Diamond Rejection where the value is carried at the net realizable value. 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.

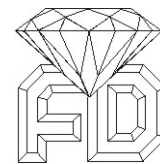
7. Taxation:-

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.

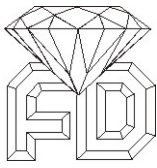
13. Earning Per Share:-

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, 2011	As at 31ST March, 2010
2. Contingent Liabilities		
i) Income Tax demand for A. Y. 2008-09 not paid and the matter is pending before CIT (A)	78189.00	NIL
ii) Income Tax demand for A. Y. 2009-10 and not paid on or before the end of financial year	1613.48	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' Remuneration	336.00	312.00
Directors Sitting Fees	17.00	109.00
	<hr/> 353.00 <hr/>	<hr/> 421.50 <hr/>
6. Payments to Auditors:-		
(i) Audit Fees	125.00	100.00
(ii) Tax Audit Fees	20.00	20.00
(iii) Certification and Taxation Matters	20.00	10.00
(iv) Service Tax	16.99	13.39
	<hr/> 181.99 <hr/>	<hr/> 143.39 <hr/>



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	3337783	4305053
Deferred Tax Liability @ 33.99%	1134513	1463287

8. Segment Reporting:-

The Company has been operating significantly in a single segment of Diamond and 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".

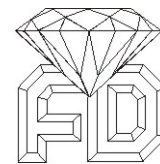
11. Related Party Disclosure as per AS 18 (As identified by the Management) :

(i) Related Party Relationship

(a) Where Control Exists	1) Jalak Impex Private.Limited 2) Sumona Jewels Private Limited 3) 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 :

Type of Related Party	Description of the Nature of Transaction	(Rs. in Thousands)	
		Volume of Transaction 2010-11	2009-10
(a) Where Control Exists	(a) Net Investment (Withdrawal) in Partnership Firm "Flawless Jewellery"	2557.13	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	12.00	192.00
	(e) Profit recd. from Partnership Firm	1224.70	62.21
	(f) Traded Goods with Sumona Jewels Pvt Ltd	-	-
(b) Key Management Personnel	(a) Total Loans / Advances Paid	-	-
	(b) Total Loans / Advances Recd.	-	-
	(c) Managing Directors Remuneration	336.00	312.00
(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)	
		2010-11	2009-10
(a) Where Control Exists	(a) Capital with Partnership Firm and share of Profit for the year.	5476.04	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 (19534.93)	Previous Year 146979.48
(a) Net profit available for Equity Shareholders (Rs. Thousand) (Numerator used for calculation)		
(b) Weighted Average number of equity shares used as denominator for calculating EPS (in 000)	166780000	166780000
(c) Basic and Diluted Earnings per share of Rs.1 each (Rs.) :	- 0.12	0.88

13. Additional information pursuant to the provisions of paragraph 3,4C and 4D of part II of the Schedule VI of he 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.	5733.69	93955.49	391091.14	3247632.00	363062.72	3182063.55	36622.83	234224.47
(B)	Rough Diamonds	Cts.	5138.57	32165.68	NIL	NIL	2038.84	3088.84	NIL	NIL
(C)	Gold	Gms.	3359.86	5818.35	2304.03	4005.10	7390.35	15271.20	1292.52	1810.87
(D)	Jewellery	Gms.	50717.83	194586.47	46.39	67.21	26375.42	114813.22	23759.79	78157.44
		Cts.	7368.72				2605.17		2903.71	

(E) Capacity and Production: -

Product	Unit	Capacity	Production During	
			Current Year	Previous Year
Cut and Polished Diamonds	Cts.	108000	1274.14	26291.38

(F) Value of Imports on CIF basis

	Current Year	Previous Year
Traded Goods	500112.97	1064159.11

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

	Current Year	Previous Year
Dividend	NIL	NIL
Travelling	101.53	526.35
Purchase of Goods on CIF Basis	500011.44	1063632.76

(H) Earning in foreign exchange

	Current Year	Previous Year
Export of goods on FOB basis	2074556.66	4393327.32



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	31.03.2011

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. 1504469.70		RS.1504469.70	
(B) Sources Of Funds (Rs. in thousands)		Application Of Funds (Rs. in thousands)	
Paid Up Capital	166780.00	Net Fixed Assets	22270.16
Reserve & surplus	770018.66	Investments	5476.04
Secured loan	566536.49	Net current assets	1476530.61
Deferred tax liabilities	1134.55	Misc. Expenditure	192.89
	<u>1504469.70</u>		<u>1504469.70</u>

IV. Performance of Company (Rs. in thousands)

	2010-11	2009-10
Turnover	3342164.89	6102177.74
Total Expenditure	3361823.58	5918809.58
Profit Before Tax	(19658.69)	183368.16
Profit After Tax	(19534.93)	146979.48
EPS In Rupees	(0.12)	0.88
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

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

SURESH ANCHALIYA
Partner
Membership No. 44960

Place : Mumbai
Date : 25th August, 2011

On behalf of the Board of Directors

KAMAL U. JAIN Chairman
BHAWAR U. JAIN Managing Director
GAUTAM BANERJEE Director
DEEPAK K. PAREKH Director
ASHOK CHHEDA Director
RAJIV KAMDAR Director

FLAWLESS DIAMOND (INDIA) LIMITED

Registered Office: 136, Panchratna 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 22nd ANNUAL GENERAL MEETING of the Company held on Friday, 30th September, 2011 at 03.00 p.m. at Novelty Chambers, above 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**

FLAWLESS DIAMOND (INDIA) LIMITED

Proxy Form

Registered Office : 136, Panchratna Chambers, Opera House, Mumbai - 400 004.

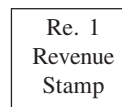
DP.Id *	
Client Id	

Folio No. :	
-------------	--

I/We _____
being a Member/Members of FLAWLESS DIAMOND (INDIA) LIMITED. Hereby appoint _____
(or failing him)

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company, to be held on Friday, 30th September, 2011 at 03.00 p.m. and at any adjournment thereof.

Signature _____ day of _____ 2011.



* Applicable for investors holding shares in Electronic Form.

Note: The Proxy must be deposited at the Registered Office of the Company at 136, Panchratna 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.

FLAWLESS DIAMOND (INDIA) LIMITED

Registered Office : 136, Panchratna Chambers, Opera House, Mumbai - 400 004.

(For members holding shares in physical form)

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

Dear Sir,

Subject : Green Initiative in the Corporate Governance-registration of email address

Reference : Folio No.

I/we hereby give my/our consent to register the following email address (es) to receive documents such as, notice calling annual general meeting, annual report comprising of balance sheet, profit and loss account, cash flow statement, directors report, auditors' report etc. or to receive any other document prescribed under any law, through electronic mode.

Email Address : _____

Thanking you,

Yours faithfully,

Name : _____ Name : _____ Name : _____

Signature of First Shareholder

Signature of Second Shareholder

Signature of Third Shareholder

TEAR HERE

(For members holding shares in electronic form)

Members, who hold shares in electronic form, are requested **to register email address with the Depository Participant** by a written communication quoting your DP ID and Client ID, to receive documents such as notice calling annual general meeting, annual report comprising of balance sheet, profit and loss account, cash flow statement, directors' report, auditors' report, etc. or to receive any other document prescribed under any law, through electronic mode.

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