

Flawless Diamond (India) Limited

23rd Annual Report

2011-12



BOARD OF DIRECTORS

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

AUDITORS

Suresh Anchaliya & Co.
Chartered Accountants
Mumbai.

BANKERS

ICICI Bank Ltd.
Punjab & Sind Bank

REGISTERED OFFICE

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

23rd ANNUAL GENERAL MEETING

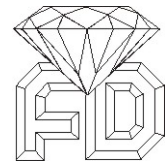
ON

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

REGISTRAR & SHARE TRANSFER AGENTS

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

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



NOTICE

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting of Flawless Diamond (India) Limited will be held on **Saturday, 29th Day of September, 2012 at 11.00 a.m. at Novelty Chambers, above Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007**, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Statement of Profit and Loss for the year ended on that date and report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Deepak K.Parekh who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Ashok Chheda who retires by rotation at the ensuing Annual general Meeting and being eligible offers himself for re-appointment.
4. To appoint M/s Suresh Anchaliya & Co., Chartered Accountants, Mumbai, as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office:

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

Place : Mumbai
Date : 28/08/2012

On behalf of the Board of Directors

KAMAL U. JAIN
Chairman





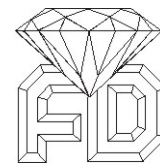
NOTES:

1. A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and Proxy need not be a member of the Company. However Proxy Forms should be deposited at the Registered Office of the Company not later than 48 hours before commencement of the meeting.
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
3. The register of members and Share Transfer Books of the Company will remain closed from **26th September to 29th September, 2012 (both days inclusive)**.
4. The Members are requested to:
 - (a) Intimate to the Company's Registrars and Share Transfer Agents - Adroit Corporate Services Pvt. Ltd. (for shares held in physical form) and to their Depository Participants (DP) (for shares held in dematerialized form) the changes, if any, in their Registered Address, Bank Account Number/details etc. at an earlier date;
 - (b) Quote ledger folio numbers / DP Identity and Client Identity Numbers in all their correspondences;
 - (c) Bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the Annual General Meeting;
 - (d) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company at the Registered Office address so as to reach at least seven days before the date of the Meeting, to enable the information required to be made available at the Meeting, to the best extent possible.
5. Since the securities of the Company are compulsorily tradable in electronic form, to ensure better investor service and elimination of risk of holding securities in physical form, it is requested that the members holding shares in physical form to get their shares dematerialized at the earliest.
6. **Green Initiative in the Corporate Governance- Registration of email address**
The members are requested to register email address with the Depository Participant/ the Registrar and Share Transfer Agent of the Company, i.e. **Adroit Corporate Services Pvt. Ltd.**, as the case may be, for service of documents.

On behalf of the Board of Directors

Place : Mumbai
Date : 28/08/2012

KAMAL U. JAIN
Chairman



DIRECTOR'S REPORT

TO THE MEMBERS OF FLAWLESS DIAMOND (INDIA) LIMITED,

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

Particulars

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

BUSINESS OPERATION

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

DIVIDEND

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

RESEARCH AND DEVELOPMENT

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

CONTRIBUTION OF EXPORT IN TOTAL REVENUE

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

CORPORATE GOVERNANCE

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of the annual accounts, for the Financial Year ended 31st March, 2012, the applicable accounting standards had been followed;
- The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for the year ended 31st March, 2012;
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts of the Company for the Financial Year ended 31st March, 2012 on 'going concern' basis. However the company's secured creditor 'ICICI Bank' has filed winding up petition u/s 439 of the Companies Act, 1956 in the Bombay High Court, which may affect the 'going concern' status.

DIRECTORS

Pursuant to Article 164 of the Article of Association of the Company Shri Deepak K.Parekh and Shri Ashok Chheda, Directors of the



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Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer them selves for re-appointment. During the year Shri Gautam Banerjee Director of the Company resigned on 12.12.2011. The Board appreciate his association and contribution to the Company during his tenure as Director of the company.

DEPOSITS

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

AUDITORS

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

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

AUDITORS REPORT

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

MATERIAL CHANGES

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

INSURANCE

The Company's assets and goods are fully insured.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

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

PARTICULARS OF EMPLOYEES

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

DEMATERIALIZATION OF SHARES

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

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

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

- Conservation of Energy:** As the Company is not covered in the list of industries required to furnish information in form 'A' in relation to conservation of energy, the same is not given.
- Technology Absorption, Research and Development (R&D):** The Company's manufacturing unit is closed hence no information is required.
- Foreign Exchange Earning & Outgo:** The total exports for the year 2011-12 amounts to Rs. 4033.96 lakhs

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

ACKNOWLEDGEMENT

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

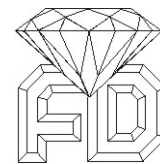
Registered Office:

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

Place : Mumbai
Date : 28/08/2012

On behalf of the Board of Directors

KAMAL U. JAIN
Chairman



REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

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

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:-

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

II. BOARD OF DIRECTORS

(a) COMPOSITION OF THE BOARD

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

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

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other Directorships and other Committee Membership/Chairmanship as on 31.03.2012 are as follows :

Name of Directors	Category of Directors	No. of Board Meetings attended	Attended Last AGM	No of other Directorship held	No. of other Committee Membership	
					Member	Chairman
Shri Kamal U. Jain	Chairman (Promoter Director)	9	Yes	11	Two	One
Shri Bhawar U. Jain	Managing Director (Executive)	9	Yes	9	None	None
Shri Ashok R. Chheda	(Non-Executive) Independent	7	No	None	One	One
Shri Deepak K. Parekh	(Non-Executive) Independent	7	Yes	None	One	None
Shri Rajiv Kamdar	(Non-Executive) (Non-Independent)	7	Yes	02	None	None
Shri Gautam Banerjee* (Upto 12.12.2011)	(Non-Executive)	5	No	02	None	None

*Resigned from Directorship on 12.12.2011.

(b) REMUNERATION TO EXECUTIVE DIRECTORS

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

The Company has not paid any sitting fees to Non-Executive Directors during the year.



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

Directors	No. of Shares
Shri Kamal U. Jain	4441902
Shri Ashok R. Chheda	NIL
Shri Deepak K. Parekh	NIL
Shri Rajiv Kamdar	336510
Shri Gautam Banerjee	NIL

The Company does not have any scheme for grant of stock options to its Directors or Employees.

The term of appointment and remuneration payable to Managing / Whole-Time Directors is approved by the members.

(c) **BOARD PROCEDURE**

The Members of the Board have been provided with the requisite information mentioned in the Listing Agreement well before the Board meetings and the same were dealt with appropriately.

All the Directors, who are on various Committees are within the permissible limits of the Listing Agreement. The Directors have intimated from time to time about their membership in the various Committees in other Companies.

III. AUDIT COMMITTEE

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

IV. SHAREHOLDERS' COMMITTEE

The Company has constituted a Share Transfer cum Shareholders / Investors Grievance Committee consisting of Executive and Non-Executive Directors comprise of Shri Kamal U. Jain, Shri Rajiv Kamdar and Shri Ashok R. Chheda. The chairman of the committee is Shri. Kamal U. Jain. The Committee normally meets twice a month as required. During the year ended 31st March, 2012, 1 Investor Complaints were received and as of 31st March, 2012 there were no complaint pending. There were no share transfers pending for registration for more than 30 days as on 31st March, 2012.

V. DETAILS OF DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

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

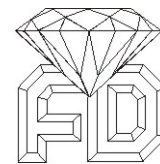
1. Name : **Deepak Parekh**
Date of Appointment : **07.03.2003**
Expertise in Specific Functional Areas : A financial management veteran, who has led the financial growth of many successful companies, he plays a key role in keeping the financial and audit functions of the company in line with Government policies. He oversees, treasury, investor relations, tax, internal audit and facilities function. A qualified corporate guru on taxation and legal issues he has contributed a lot to the corporate world in bringing about taxation and financial reforms.
List of Directorship : None
2. 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
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 st	Tuesday	28.09.2010	03.00 P.M.	Novelty Chambers, above Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007.
22 nd	Friday	30.09.2011	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 and 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 23rd Annual General Meeting will be held on Saturday, **29th Day of September, 2012 at 11.00 a.m. at Novelty Chambers, above Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007.**

(b) Financial Calendar 2012 – 2013 (Tentative):

Annual General Meeting : 29th September, 2012
First Quarterly Results : Before 15th August 2012
Second Quarterly Results : Before 15th November 2012.
Third Quarterly Results : Before 15th February 2013.
Fourth Quarterly Results : Before 15th May, 2013.
Audited yearly Results for : Before end of September, 2013.
the year ended 31st March, 2013.

(c) Dates of Book Closure:

26th September, 2012 to 29th September, 2012 (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 2012-13

(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 Bombay Stock Exchange Ltd., Mumbai is as follows:

Period	Bombay Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume (Nos.)
April, 2011	1.34	0.92	1093848
May, 2011	1.16	0.87	964123
June, 2011	1.98	0.80	6164268
July, 2011	2.07	1.05	1761388
August, 2011	1.08	0.76	664448
September, 2011	1.19	0.80	575063
October, 2011	0.95	0.76	454148
November, 2011	0.86	0.50	802937
December, 2011	0.77	0.50	652775
January, 2012	1.05	0.58	1244870
February, 2012	0.93	0.73	591698
March, 2012	0.82	0.53	917039
TOTAL			15886605

(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 :

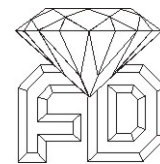
19/20, Jaferbhoy Industrial Estate, 1st Floor,
Makwana Road, Marol Naka,
Mumbai- 400 059.
Tel Nos. 91 22 28596060/28594060.
Fax : 91 22 28503748.
Email: adroits@vsnl.net

(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, 2012:-

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
UPTO-500	1988	13.15	583311	0.35
501-1000	7982	52.79	7904513	4.74
1001-2000	1696	11.22	3128760	1.88
2001-3000	738	4.88	2071884	1.24
3001-4000	317	2.10	1202946	0.72
4001-5000	781	5.17	3854270	2.31
5001-10000	803	5.31	6587061	3.95
10001 & above	813	5.38	141447255	84.81
Grand Total	15118	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, 2012 about 94.68% 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 23682444 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, Statement of Profit and Loss, 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

The India is an economic powerhouse with strong GDP growth, rising disposable incomes, huge inspirational population, and is the 4th largest economy in the world. The Gem and Jewellery is one of the largest contributors to Indian Foreign Exchange earner for the country with a staggering 13% to its credit. One of india's leading foreign exchange earning sectors has witnessed a considerable growth in the volume of exports. The world is eyeing India for trade across various sectors be it Diamonds, Colourstone or Jewellery.

The Gem and Jewellery Export Promotion Council (GJEPC) said the Indian Gem and Jewellery industry has witnessed a marginal decline of 0.36% in of FY 2011-2012 owing to the decrease in trading exports of diamonds. The total Gem & Jewellery Industry Exports were recorded at \$42839 million in FY 2011-12 as compared to \$ 42995 million in FY 2010-2011. The Gem & Jewellery sector accounted for 14% of India's total merchandise exports in FY 2011-2012.

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



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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 31.03.12.

Place : Mumbai
Date : 28/08/2012

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 : 28/08/2012

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, 2012 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 has been limited to a review of 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.

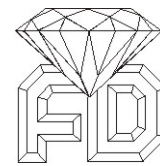
We state that no Investor Grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee as at the year end.

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 : 28/08/2012

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

SURESH ANCHALIYA
Partner.
Membership No. 044960



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, 2012 and also the Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet, Statement of Profit and Loss 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, 2012 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2012 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, 2012;
 - (ii) In the case of the Statement of Profit and Loss, 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 : 28/08/2012

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

SURESH ANCHALIYA
Partner.
Membership No. 044960

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**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. The inventories have been physically verified by the management at regular intervals during the year. In our opinion frequency of verification is reasonable
- 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. a. The Company has not granted any secured or unsecured loan to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1961.
- b. In respect of loans, secured or unsecured taken by the company from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1961
 - i. the Company has taken loan from 2 parties and the amount involved is Rs.400000/-
 - ii. the rate of interest and other terms and conditions of loan taken are not prejudicial to the interest of the Company.
 - iii. the payment of interest on loan and principal is regular

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. In our opinion, and according to information and explanation given to us, there is no continuing failure to correct major weakness in the internal control system.

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.

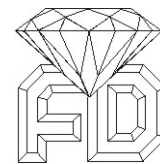
6. The Company has not accepted any deposits from the public in contravention of provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.

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, there are no dues of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues which has not deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues which were outstanding as at 31st March, 2012 for a period of more than six months from the date they became due except a sum of Rs. 31,90,460/- due in respect of Income Tax demand for A.Y. 2010 -11



- b. The disputed statutory dues aggregating of Rs.10.98 Crore that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Sr. No.	Name of Statute	Nature of Dues	Amount (Rs. In crore)	Period to which the amount relates	Forum where dispute is pending
1	Income Tax Act, 1961	Income Tax	7.51	A. Y. 2008-09	Income Tax Appellate Tribunal
2	Income Tax Act, 1961	Income Tax	3.47	A. Y. 2009-10	Commissioner of Income Tax (Appeal)

10. The Company does not have accumulated losses. The company has incurred cash losses during the financial year covered by our audit and also 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 defaulted in repayment of below mentioned dues to its bankers.

Name of the Bank	Period from which payment outstanding	Defaulted Amount (Rs. In Crore)
ICICI Bank	30.06.2011	44.02
Punjab and Sind Bank	30.06.2011	17.32

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 and according to the information and explanation given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. According to information and explanation given to us, the Company is not dealing or trading in securities, debentures and other investments.
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 Company has not taken any term loan during the year
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 shortterm 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 : 28/08/2012

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

SURESH ANCHALIYA
Partner.
Membership No. 044960



BALANCE SHEET AS AT 31ST MARCH, 2012

(Rs. in Thousands)

	Note	AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	1	166780.00	166780.00
Reserves and Surplus	2	773501.38	770018.66
Non - Current Liabilities			
Deferred Tax Liabilities (Net)	3	0.00	1134.55
Current Liabilities			
Short-Term Borrowings	4	614701.15	566536.49
Trade Payables	5	1097941.58	1093987.75
Other Current Liabilities	6	5102.83	5331.57
TOTAL		2658026.94	2603789.02
ASSETS			
Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	7	18712.04	22270.16
Deferred Tax Assets (Net)	8	7836.33	0.00
Current Assets			
Inventories	9	1869.51	316315.07
Trade Receivables	10	2616518.18	2197282.07
Cash and Cash Equivalents	11	1306.37	12682.38
Short - Term Loans and Advances	12	11719.62	55046.45
Other Current Assets	13	64.89	192.89
TOTAL		2658026.94	2603789.02

Significant Accounting Policies and Notes on Financial Statement 1 to 22

As per our report of even date

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

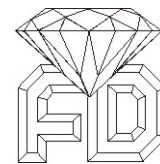
SURESH ANCHALIYA
Partner
Membership No. 044960

Place : Mumbai
Date : 28/08/2012

For and on behalf of the Board

KAMAL U. JAIN Chairman
BHAWAR U. JAIN Managing Director
RAJIV P. KAMDAR Director
DEEPAK K. PAREKH Independent Director
ASHOK R. CHHEDA Independent Director

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STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in Thousands)

	Note	FOR THE YEAR ENDED 31ST MARCH, 2012	FOR THE YEAR ENDED 31ST MARCH, 2011
I. INCOME :			
Revenue from Operations	14	577581.12	3314410.35
Other Income	15	174679.55	42261.40
Total Revenue		<u>752260.67</u>	<u>3356671.75</u>
II. EXPENDITURE			
Cost of Materials Consumed and Purchases	16	317474.29	3353807.62
Changes in Inventories of Finished Goods, Work-In-Progress and "Stock-in-Trade"	17	264364.85	(86700.04)
Employee Benefit Expense	18	1566.92	7602.22
Finance Cost	19	115057.28	79058.24
Depreciation and Amortization Expenses		3558.12	4388.87
Other Administrative Expenses	20	59375.01	18173.53
Total Expenses		<u>761396.47</u>	<u>3376330.44</u>
Profit Before Exceptional Items and Tax		(9135.80)	(19658.69)
Exceptional Items	21	3647.65	0.00
Profit Before Tax		(5488.15)	(19658.69)
Tax Expenses:			
(1) Current Tax		0.00	0.00
(2) Tax for Earliar Period		0.00	205.01
(3) Deferred Tax		(8970.87)	(328.77)
Profit/(Loss) For The Period		<u>3482.72</u>	<u>(19534.93)</u>
Earning Per Equity Share:			
(1) Basic		0.02	(0.12)
(2) Diluted		0.02	(0.12)

Significant Accounting Policies and Notes on Financial Statement 1 to 22

As per our report of even date

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

SURESH ANCHALIYA
Partner
Membership No. 044960

Place : Mumbai
Date : 28/08/2012

For and on behalf of the Board

KAMAL U. JAIN Chairman
BHAWAR U. JAIN Managing Director
RAJIV P. KAMDAR Director
DEEPAK K. PAREKH Independent Director
ASHOK R. CHHEDA Independent Director

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	(Rs. in Thousands)	
	FOR THE YEAR ENDED 31ST MARCH, 2012	FOR THE YEAR ENDED 31ST MARCH, 2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax And Extraordinary Items	(5488.15)	(19658.69)
Adjustment for :		
Depreciation	3558.12	4388.87
Profit on Sale of Office	(3647.65)	
Interest (Net)	115050.33	77605.99
Operating Profit Before Working Capital And Receivables	109472.65	62336.17
Adjustment for :		
(Increase) / Decrease in trade and other receivables	(418713.51)	818471.41
(Increase) / Decrease in Inventories	314445.56	14506.86
Increase / (Decrease) in Trade Payables and other liabilities	3725.09	(802703.62)
Cash Generated From Operations	8929.79	92610.82
Income Tax Paid	3107.70	205.01
Cash Flow Before Extra-Ordinary Items	5822.09	92405.81
Extra-Ordinary Items	0.00	(274.38)
Net Cash From Operating Activities	(a) 5822.09	92131.43
B CASH FLOW FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Investment	6360.74	(2416.40)
Investment in Partnership Firm	0.00	(3781.82)
Interest Received	6.95	1452.25
Net Cash Used In Investment Activities	(b) 6367.69	(4745.97)
C CASH FLOW FROM FINANCING ACTIVITIES		
Loan Received and Paid	91491.49	(44634.64)
Interest Paid	(115057.28)	(79058.24)
Net Cash Used In Financing Activities	(c) (23565.79)	(123692.88)
Net Increase In Cash And Cash Equivalents (a) + (b) + (c)	(11376.01)	(36307.42)
Cash And Cash Equivalents As At The Commencement of the Year (Opening Balance)	12682.38	48989.80
Cash And Cash Equivalents As At The End of the Year	1306.37	12682.38
Net Increase / (Decrease) As Disclosed Above	(11376.01)	(36307.42)

Note : All figures in brackets are outflows

As per our report of even date

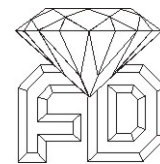
For **SURESH ANCHALIYA & CO.**
Chartered Accountants
Firm Regn. No : 112492W

SURESH ANCHALIYA
Partner
Membership No. 044960

Place : Mumbai
Date : 28/08/2012

For and on behalf of the Board of Directors

KAMAL U. JAIN Chairman
BHAWAR U. JAIN Managing Director
RAJIV P. KAMDAR Director
DEEPAK K. PAREKH Independent Director
ASHOK R. CHHEDA Independent Director



NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	(Rs. in Thousands)	
	AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011
Note No. 1		
Shareholder Fund		
Equity Share Capital		
a) Authorised Share:		
200000000 Equity Shares of Rs. 1/- each	200000.00	200000.00
250 Preference Shares of Rs. 100/- Each	<u>25.00</u>	<u>25.00</u>
	<u>200025.00</u>	<u>200025.00</u>
b) Issued, Subscribed and Paid Up:		
166780000 Equity Shares of Rs. 1/- each Fully paid-up	<u>166780.00</u>	<u>166780.00</u>
Total	<u>166780.00</u>	<u>166780.00</u>

c) Reconciliation of the Number of Equity Shares Outstanding at the beginning and at the end of the reporting period

Particulars	As at 31st March, 2012	As at 31st March, 2011
Outstanding at the Beginning of the Reporting Year	<u>166780000</u>	<u>166780000</u>
Outstanding at the End of the Reporting Year	<u>166780000</u>	<u>166780000</u>

d) Terms / Right Attached to Equity Shares

Equity Shares

In the event of liquidation of the company, the holder of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in the number of equity shares held by the shareholders at the time of liquidation

e) Details of Shareholders holding more than 5% share in the company

Equity Shares Fully Paid at Rs. 1/- each

S.No.	Name	As at 31st March, 2012		As at 31st March, 2011	
		No. of Shares	% of Holding	No. of Shares	% of Holding
1	Abhishek B. Jain	11001000	6.60	11001000	6.60
2	Jalak K. Jain	11001885	6.60	11001885	6.60
3	Ashok Kumar Geesulal Sethiya	11000000	6.60	11000000	6.60
4	Manmohan Gems Pvt Ltd	11000000	6.60	11000000	6.60
5	Sethia Gems Pvt Ltd	11000000	6.60	11000000	6.60

	(Rs. in Thousands)	
	AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011

Note No. 2

Reserve and Surplus

a) Securities Premium Reserve

Balance as per Last Financial Statement	<u>152100.00</u>	<u>152100.00</u>
Closing Balance	<u>152100.00</u>	<u>152100.00</u>

b) Surplus / (Deficit) in the Statement of Profit and Loss

Balance as per Last Financial Statement	<u>617918.66</u>	<u>637453.59</u>
Add : Profit/(Loss) for the Year	<u>3482.72</u>	<u>(19534.93)</u>
Net Surplus / (Deficit) in the Statement of Profit and Loss	<u>621401.38</u>	<u>617918.66</u>
Total Reserve and Surplus	<u>773501.38</u>	<u>770018.66</u>



NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in Thousands)
AS AT 31ST MARCH, 2012 AS AT 31ST MARCH, 2011

Note No. 3

Deferred Tax Liability

In Related to Fixed Assets

	0.00	1134.55
	0.00	1134.55

Note No. 4

Short-Term Borrowings

Secured

Post Shipment Export Finance

321495.87 362798.71

Cash Credit

292014.57 202103.41

Car Finance

790.71 1634.37

Unsecured

From Directors

	400.00	0.00
	614701.15	566536.49

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. 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.

Note No. 5

Trade Payables

Micro, Small and Medium Enterprises

0.00 0.00

Others

	1097941.58	1093987.75
	1097941.58	1093987.75

Note No. 6

Other Current Liabilities

Creditors for Expenses

225.50 184.00

Other Payables

	4877.33	5147.57
	5102.83	5331.57

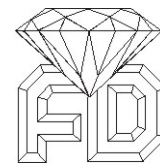
Note: - Other Payables include Statutory Dues and Payable for Expenses

Note No. 7

Fixed Assets

(Rs. in Thousands)

NAME OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As On 01.04.11	Addition/ Deduction during the year	As On 31.03.12	As On 01.04.11	Depreciation during the year	Total As on 31.03.12	As On 31.03.12	As On 31.03.11
Air Conditioners	799.91	0.00	799.91	478.52	44.71	523.23	276.68	321.39
Computers	5138.68	0.00	5138.68	4335.49	321.28	4656.77	481.91	803.19
Motor Cars	9238.32	0.00	9238.32	5604.25	940.86	6545.11	2693.21	3634.07
Furniture & Fixtures	3698.59	0.00	3698.59	1902.90	315.31	2218.21	1480.38	1795.69
Residential Flat	412.00	0.00	412.00	259.83	7.61	267.44	144.56	152.17
Office Premises	3624.85	0.00	3624.85	1664.47	98.02	1762.49	1862.36	1960.38
Office Equipments	10803.21	0.00	10803.21	9366.72	199.81	9566.53	1236.68	1436.49
Factory Premises	2592.77	0.00	2592.77	872.01	172.08	1044.09	1548.68	1720.76
Fire Extinguisher	57.12	0.00	57.12	37.25	5.14	42.39	14.73	19.87
Inverter & Batteries	68.86	0.00	68.86	26.65	5.87	32.52	36.34	42.21
Plant & Machineries	15206.05	0.00	15206.05	5528.32	1346.17	6874.49	8331.56	9677.73
Motor Cycles	82.62	0.00	82.62	57.36	6.54	63.90	18.72	25.26
Electronic Installation	1153.82	0.00	1153.82	472.87	94.72	567.59	586.23	680.95
Total	52876.80	0.00	52876.80	30606.64	3558.12	34164.76	18712.04	22270.16
Previous Year Total	50460.40	2416.40	52876.80	26345.77	4260.87	30606.64	22270.16	24114.63



NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	(Rs. in Thousands)	
	AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011
Note No. 8		
Deferred Tax Assets		
Related to Business Loss	8604.29	0.00
Related to Fixed Assets	(767.96)	0.00
	<u>7836.33</u>	<u>0.00</u>
Note No. 9		
Inventories		
Raw Materials	0.00	50080.71
Finished Goods	1869.51	266234.36
	<u>1869.51</u>	<u>316315.07</u>
Note No. 10		
Trade Receivables (Unsecured and Considered Good)		
For period exceeding 6 months	2616518.18	1768594.28
For period upto 6 months	0.00	428687.79
	<u>2616518.18</u>	<u>2197282.07</u>
Note No. 11		
Cash and Cash Equivalent		
Balances with Banks	263.58	2434.57
Cash on hand	958.67	10170.64
In Fixed Deposit Accounts	74.91	74.91
Accrued Interest on Fixed Deposit	9.21	2.26
	<u>1306.37</u>	<u>12682.38</u>
Fixed deposits of Rs. 74.91 (Thousands) with banks having maturity of more than 12 month		
Note No. 12		
Short term Loans and Advances (Unsecured and Considered Good)		
Deposits	1051.30	47506.24
Other amount recoverable in cash or kind *	10668.32	7540.21
	<u>11719.62</u>	<u>55046.45</u>
*Other amount recoverable include refundable from sales tax and advnces to suppliers		
Note No. 13		
Other Current Assets		
Preliminary Expenses not Written Off	64.89	192.89
	<u>64.89</u>	<u>192.89</u>

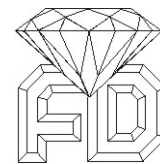


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NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

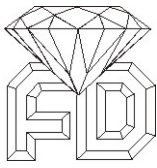
(Rs. in Thousands)

	AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011
Note No. 14		
Revenue From Operation		
Sale of Goods	577581.12	3314410.35
Less: Excise Duty/VAT/Service Tax	<u>0.00</u>	<u>0.00</u>
	<u><u>577581.12</u></u>	<u><u>3314410.35</u></u>
Note No. 15		
Other Income		
Interest Income on FDRs	6.95	1452.25
Profit from Partnership firm (Flawless Jewellery)	0.00	1224.70
Exchange Difference	170973.86	39266.49
Government Grant	2597.08	0.0
Miscellaneous Income	<u>1101.67</u>	<u>317.96</u>
	<u><u>174679.55</u></u>	<u><u>42261.40</u></u>
Note No. 16		
Cost of Material Consumed		
Particulars		
Purchase of Goods	266980.47	3251704.31
Import Expenses	0.00	112.76
Manufacturing Expenses	0.00	14.94
Power & Fuel Expenses	413.10	338.95
Making & Labour Charges	0.00	276.59
Security Expenses	0.00	153.17
Add:- Opening Stock		
Raw Material	<u>50080.71</u>	<u>151287.61</u>
	<u><u>317474.29</u></u>	<u><u>3403888.33</u></u>
Less:- Closing Stock		
Raw Material	<u>0.00</u>	<u>50080.71</u>
Raw Material Consumed	<u><u>317474.29</u></u>	<u><u>3353807.62</u></u>
Note No. 17		
(Increase)/Decrease in Inventory		
Opening Balance of Inventory	266234.36	179534.32
Less: Closing Balance of Inventory	<u>(1869.51)</u>	<u>(266234.36)</u>
	<u><u>264364.85</u></u>	<u><u>(86700.04)</u></u>
Note No. 18		
Employees Benefit Expenses		
Salaries and Wages	1456.24	7213.7
Contribution to Provident Fund & ESIC	110.67	197.78
Staff welfare Expenses	0.00	8.14
Gratuity	<u>0.00</u>	<u>182.6</u>
	<u><u>1566.92</u></u>	<u><u>7602.22</u></u>



NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	(Rs. in Thousands)	
	AS AT 31ST MARCH, 2012	AS AT 31ST MARCH, 2011
Note No. 19		
Finance Cost		
Interest	115057.28	79058.24
	<u>115057.28</u>	<u>79058.24</u>
Note No. 20		
Other Expenses		
Advertisement Expenses	15.23	96.62
Assortment Charges	0.00	791.81
Auditor's Remuneration	258.69	182.00
Bank Charges	199.97	3012.89
Bad Debts	12285.76	0.00
Books and Periodicals	0.90	0.00
Commission & Brokerage	0.00	3386.94
Computer Expenses	0.00	114.14
Conveyance Expenses	33.35	379.43
Directors Sitting Fees	0.00	17.00
Exhibition Expenses	0.00	30.94
Export Expenses	153.23	2945.40
Insurance Expenses	147.76	921.29
Managerial Remuneration	240.00	336.00
Membership Fees & Subscription	111.34	154.42
Miscellaneous Expenditure	234.54	2228.90
Motor Car Expenses	32.46	84.10
Postage & Telegram	113.92	325.66
Printing & Stationery	244.71	431.52
Loan Processing Fees	457.75	0.00
Preliminary Expenses w/o	128.00	0.00
Professional Fees	818.97	724.36
Profession Tax	5.00	2.77
Rent Rates & Taxes	240.72	359.94
Repair and Maintenance		
Building	44.24	96.1
Other	<u>57.75</u>	113.76
Sundry Balance W/off	43360.01	0.00
Telephone Expenses	178.83	774.09
Travelling Expenses	11.89	663.45
	<u>59375.01</u>	<u>18173.53</u>
Note No. 21		
Exceptional Items		
Profit on Sale of Office	3647.65	0.00
	<u>3647.65</u>	<u>0.00</u>

**NOTE : 22****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 except where there is no virtual certainty of recovery of export proceeds, 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 Statement of Profit and Loss.

7. Taxation:-

Provision for current tax made after taking into consideration benefits admissible under the provisions of the Income-Tax Act, 1961. Deferred tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred tax asset is recognized and carried forward only to extent that there is virtual certainty that the asset will be realized in future.

8. Government Grant

Subsidies granted by the Government for providing employment in notified area are recognized as Other Operating Income in accordance with the relevant terms and conditions of the scheme.

9. Employee's Retirement Benefits:-

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

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:-

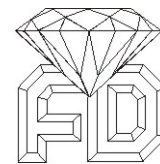
These are disclosed by way of notes on the Balance Sheet date. Provision is made wherever applicable for those contingencies which are likely to materialize into liabilities after the year end till the finalization of accounts and have material effect on the position stated in Balance Sheet.

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 Statement of Profit and Loss.

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.
2. The company is in default for making payment to banks. The banks have declared company's bank account as NPA and also started recovery proceeding and filed an application in Debt Recovery Tribunal for recovery of loan amount.
3. The company had applied for settlement with banks and arrived the final settlement with Punjab and Sind Bank and in process of settlement with ICICI Bank.
4. The secured creditors of the company 'ICICI Bank' has filed winding up petition u/s 439 of the Companies Act, 1961 in the Bombay High Court. The matter is pending before Honorable Bombay High Court. The said petition may affect the company's "going concern" status.
5. The interest on outstanding loan from bank provided at the rate specified by the bank in the loan recovery letter. However the final settlement with the bank may change the actual liability of interest.

(Rs. in Thousands)

	As at 31 ST March, 2012	As at 31 ST March, 2011
6. Contingent Liabilities	NIL	NIL
7. Estimated amount of contract remaining to be executed on Capital Account and not provided for the year	NIL	NIL
8. Amount Outstanding to SSI Units	NIL	NIL
9. Managerial Remuneration:-		
Managing Directors' Salary	240.00	336.00
Directors Sitting Fees	0.00	17.00
	240.00	353.00
10. Payments to Auditors:-		
(i) Audit Fees	155.00	125.00
(ii) Tax Audit Fees	20.00	20.00
(iii) Certification and Taxation Matters	56.55	20.00
(iv) Service Tax	27.14	16.99
	258.69	181.99

11. 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 :

	Current Year	Previous Year
Deferred Tax Assets		
On Account of Business Loss	27845605	0
On account of fixed assets	(2485295)	(3337783)
Deferred Tax Assets	7836336	(1134513)

12. Segment Reporting:-

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

13. 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."

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

(i) Related Party Relationship

- | | |
|---|---|
| (a) Where Control Exists | 1) Kamal & Co.
2) Sumona Jewels Private Limited |
| (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	
		2011-12	2010-11
(a) Where Control Exists	(a) Net Investment (Withdrawal) in Partnership Firm "Flawless Jewellery"	-	2557.13
	(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
	(e) Profit recd. from Partnership Firm	-	1224.70
	(f) Rent paid to Kamal & Co.	180.00	-
(b) Key Management Personnel	(a) Total Loans / Advances Paid	-	-
	(b) Total Loans / Advances Recd.	400.00	-
	(c) Managing Directors Remuneration	240.00	336.00
(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)	
		2011-12	2010-11
(a) Where Control Exists	(a) Capital with Partnership Firm and share of Profit for the year.	-	5476.04
	(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
15. Earning Per Share:-			
	The Earning Per Share has been computed by dividing the profit after tax by number of Equity Shares		
		Current Year	PreviousYear
(a)	Net profit available for Equity Shareholders (Rs. Thousand) (Numerator used for calculation)	3482.72	(19534.93)
(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.) :	0.02	(0.12)
16. (a) Value of Imports on CIF basis		Current Year	PreviousYear
	Traded Goods	NIL	500112.97
b) Amount remitted during the year in foreign currency on account of :-			
	Dividend	NIL	NIL
	Travelling	NIL	101.53
	Purchase of Goods on CIF Basis	77887.11	500011.44
c) Earning in foreign exchange			
	Export of goods on FOB basis	4033.97	2074556.66

17. The amounts in the Balance Sheet and Statement of Profit and Loss 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

KAMAL U. JAIN	Chairman
BHAWAR U. JAIN	Managing Director
RAJIV P. KAMDAR	Director
DEEPAK K. PAREKH	Independent Director
ASHOK R. CHHEDA	Independent Director

SURESH ANCHALIYA
Partner
Membership No. 044960

Place : Mumbai
Date : 28/08/2012

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 23rd ANNUAL GENERAL MEETING of the Company held on Saturday, 29th September, 2012 at 11.00 a.m. at Novelty Chambers, above Novelty Theatre, Maulana Shaukatali Road, Grant Road (East), Mumbai – 400 007.

* 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.

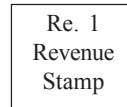
DP.Id *	
Client Id	

Folio No. :	
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I/We _____
being a Member/Members of FLAWLESS DIAMOND (INDIA) LIMITED. Hereby appoint _____

(of) _____
as my/our Proxy to attend and vote for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company, to be held on Saturday, 29th September, 2012 at 11.00 a.m. and at any adjournment thereof.

Signature _____ day of _____ 2012.



* 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