

# **GARNET INTERNATIONAL LIMITED**

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**24th Annual Report  
2005 - 2006**

**GARNET INTERNATIONAL LTD.****BOARD OF DIRECTORS**

**MR. SURESH GAGGAR**  
**MR. JITENDRA MEHTA**  
**MR. DEVEN MEHTA**  
**MR. DINESH NANDWANA**  
**MR. PANKAJ GOEL**

**BANK**

**HDFC BANK LIMITED**

**AUDITORS**

**M/S. R.S.AGRawal & ASSOCIATES**  
**MUMBAI – 400 101**

**REGISTERED OFFICE**

**28, BOMBAY SAMACHAR MARG,**  
**3RD FLOOR**  
**FORT, MUMBAI – 400 023.**

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## GARNET INTERNATIONAL LTD.

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### NOTICE

NOTICE IS HEREBY GIVEN THAT the 24<sup>th</sup> Annual General Meeting of Garnet International Limited will be held on Friday, 22<sup>nd</sup> day of September 2006 at 4:30 P.M at the Registered office of the Company at 28, Bombay Samachar Marg, 3<sup>rd</sup> Floor, Fort, Mumbai - 400 023 to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Statement of Accounts for the year ended 31st March 2006 and Balance Sheet as on that date along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Jitendra Mehta who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Dinesh Nandwana who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. R.S. Agrawal & Associates, Chartered Accountants, the retiring Auditors as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

Report Junction.com

Place: Mumbai  
Dated: 6<sup>th</sup> July 2006

By order of the Board  
**SURESH GAGGAR**  
**CHAIRMAN**

#### **NOTES:**

1. ***A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.***
2. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours (fortyeight hours) before the time fixed for holding the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 21<sup>st</sup> September 2006 to Friday, 22<sup>nd</sup> September 2006 (both days inclusive).
4. Brief resume of persons proposed to be re-appointed as Director(s) is given under report on corporate governance attached to Directors Report.

**GARNET INTERNATIONAL LTD.****DIRECTOR'S REPORT****The Members**

The Directors of **Garnet International Limited** take pleasure in presenting the Annual Report on the operations of the company, together with the audited accounts for the year ended March 31, 2006.

**Financial Results*****Rs. in Lacs***

Particulars	Year ended 31 <sup>st</sup> March 2006	Year ended 31 <sup>st</sup> March 2005
Total Income	33.65	163.81
Profit/(Loss) before Depreciation and Tax	26.70	(12.79)
Less: Depreciation	1.45	10.78
Profit/(Loss) before Tax	25.25	(23.57)
Less: Provision for Tax	2.19	-
Net Profit /(Loss) after Tax	23.06	(23.57)

**Year and Period under review**

During the year under review, your Company did not undertake any business operations. The total income of earned during the year was on account of other income: The company registered a total income of Rs.33.65 lacs as against Rs.163.81 lacs in the previous year. Profit before depreciation and tax stood at Rs.26.70 as against Loss of Rs.12.79 lacs in the previous year. Your company reported net Profit of Rs.23.06 lacs

Your Company is in the process of identifying new business opportunities with better prospects and strong future outlook. Various new business proposals were examined by the Company during the year under review. With renewed investors confidence in the capital markets and strong economic factors, it is proposed that the Company do undertake activities pertaining to investments in equity capital of both listed and unlisted companies with promising future.

**Conversion of Partly paid up shares into fully paid up shares**

During the period under review an aggregate of 478800 partly paid up equity shares has been converted into fully paid up equity shares consequent to receipt of the balance call money.

**Allotment of Shares on Preferential Basis**

During the year under review, your Company made an allotment of 7,25,000 Equity Shares of Rs.10/- each representing 15.34% of the enhanced total issued equity share capital for cash at a premium of Rs.2/- per share aggregating Rs.87,00,000 to Resident Individuals and Bodies Corporate.

**Change of Name**

Your Company proposes to carry on business activities pertaining to dealing in goods and materials of various kind and nature. In view of the same, it was decided to change the name of the Company to

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**GARNET INTERNATIONAL LIMITED.** The Company has received the fresh certificate consequent to change of name of the Company dated 10<sup>TH</sup> November 2005 from the Registrar of Companies, Maharashtra. Bombay Stock Exchange Limited has taken necessary actions for change of name of the Company in its records.

### **Audit Committee**

The Audit Committee of the Company has been re-constituted with Mr. Dinesh Nandwana, Mr. Pankaj Goel and Mr. Suresh Gaggar as the Members of the Committee.

Mr. Dinesh Nandwana has been appointed as the Chairman of the Committee.

### **Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- The applicable standards have been followed in the preparation of the annual accounts.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2006 and the profit of the company for the year ended on that date.
- The Directors have taken appropriate and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- The Directors have prepared the attached Statement of Accounts for the year ended March 31, 2006 on a going concern basis.

### **Corporate Governance**

As required under the Listing Agreement with Bombay Stock Exchange Limited, a report on Corporate Governance is given in Annexure –A to this Report

### **Directors**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jitendra Mehta and Mr. Dinesh Nandwana, Directors of the Company, shall retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The Board of Directors recommends their re-appointment.

### **Fixed Deposits**

During the year under review, the company had neither accepted nor renewed any deposit from public within the meaning of Section 58 A of the Companies Act, 1956.

### **Auditors**

M/s. R.S. Agrawal & Associates, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment under Section 224(1B) of the Companies Act, 1956 and have indicated their willingness to continue in the said office.

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### Auditors' Comments

The observations made by the Auditors in their Report read with relevant notes as given in the Notes on Accounts annexed to the Accounts, are self explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

### Conservation of Energy, Research & Development, Technology absorption, Foreign exchange Earnings and Outgo:

#### (A) Conservation of Energy and Technology Absorption

Considering the Company's business activities, the Directors have nothing to state in connection with Conservation of Energy and Technology Absorption.

#### (B) Foreign Exchange Earnings And Outgo

During the year under review, the Company did not have any Foreign Exchange Earnings or Outgo.

### Particulars as per section 217(2A) of Companies Act, 1956

Statement containing particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is not given as none of the employees of the Company is covered under the provisions of the said section.

### Acknowledgements

The Directors greatly value the support and co-operation received during the year from the Financial Institution, the Company's Bankers, Statutory Authorities and all organizations connected with its business. The Directors also take pleasure in commending the valuable contributions made by the Company's employees at all levels during the year under review.

For and on behalf of the Board

Place : Mumbai

Dated 6<sup>th</sup> July, 2006

Suresh Gaggar  
Director

Dinesh Nandwana  
Director

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### REPORT ON CORPORATE GOVERNANCE

#### 1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. Corporate Governance assumes a great deal of importance in the business life of the Company through adoption of best governance practices and its adherence in the true spirit at all times. The Company believes that proper Corporate Governance facilitates effective management and control of business. The Company's goal is to find creative and productive ways of delighting its stakeholders, while fulfilling the role of a responsible corporate representative committed to best practices. The Company has implemented the mandatory requirements of the 'Code of Corporate Governance' as mentioned in the clause 49 of the Listing Agreement.

#### 2. Board of Directors

##### a) Composition of the Board

The Board comprises of Five Directors all of whom are Non-Executive Directors. The Chairman of the Board is a Non-executive Director and one third of the Board comprises of independent Directors.

All the Directors are liable to retire by rotation.

The composition of the Board and other relevant details relating to Directors are given below:

Name of the Director	Designation	Category of Directorship	No. of Other Directorships*	No. of Other Committee Memberships #	
				Chairman	Member
Mr. Suresh Gaggar	Chairman	Promoter, Non-Executive; Non Independent	2	Nil	Nil
Mr. Jitendra Mehta @	Director	Promoter; Non- Executive; Non-Independent	2	Nil	Nil
Mr. Deven Mehta	Director	Promoter; Non-Executive; Non-Independent	2	Nil	Nil
Mr. Dinesh Nandwana @	Director	Non-Executive; Independent	2	Nil	Nil
Mr. Pankaj Goel \$	Director	Non-Executive; Independent	1	Nil	1

\* Directorships in Private and Foreign Companies, if any are excluded.

# Memberships of only Audit Committee, Shareholders' Grievance Committee and Remuneration Committee have been considered.)

\$ Appointed with effect from 20<sup>th</sup> June 2005

@Appointed with effect from 1<sup>st</sup> April 2005

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b) Reappointment of Directors:

Resume of the Directors whose re-appointment is proposed at the forthcoming Annual General meeting is as under:

i) **Mr. Jitendra Mehta**

Mr. Jitendra Mehta has in-depth knowledge of more than 40 years of Export & Import Licenses. He has sound exposure in DEPB Licenses, DFRC Licenses and Export and Import Policies.

Mr. Jitendra Mehta is also Director in Jyoti Bright Bar Limited, Sigma Credit & Capital Services Pvt. Ltd., Amgis Holdings Pvt. Ltd., Pals Overseas Pvt. Ltd., Banzai Steel Pvt. Ltd., Senorita Impex Pvt. Ltd. and Jayavant Products Limited.

Mr. Mehta does not hold Chairmanship/Membership in committees of any other Companies.

Mr. Jitendra Mehta holds 195000 equity shares in the Company as on 30<sup>th</sup> June 2006

ii) **Mr. Dinesh Nandwana**

Mr. Dinesh Nandwana is a Chartered Accountant having over 20 years experience of administration. He is Chairman of Vakrangee Softwares Limited, a company involved in development of administrative aspect of both digitized photo and multilingual technology.

Mr. Nandwana is also a Director of Vakrangee Press Limited.

Mr. Nandwana does not hold Chairmanship/Membership in committees of any other Companies.

Mr. Dinesh Nandwana does not hold any equity shares in the Company as on 30<sup>th</sup> June 2006

c) Board Meetings and Annual General Meeting:

During the financial year 2005-06, 11 Board Meetings were held on – 1<sup>st</sup> April 2005, 5<sup>th</sup> April 2005, 20<sup>th</sup> June 2005, 30<sup>th</sup> June 2005, 18<sup>th</sup> July 2005, 30<sup>th</sup> July 2005, 14<sup>th</sup> September 2005, 10<sup>th</sup> October 2005, 18<sup>th</sup> November 2005, 31<sup>st</sup> January 2006 and 27<sup>th</sup> February 2006. The last Annual General Meeting of the Company was held on 13<sup>th</sup> August 2005. The details of attendance of Directors in Board Meetings and the last Annual General Meeting are as follows.

Name of the Director	No. of Board Meetings Attended	Attendance at Last Annual General Meeting
Mr. Suresh Gaggar	11	Yes
Mr. Jitendra Mehta	8	Yes
Mr. Deven Mehta	9	No
Mr. Dinesh Nandwana	9	Yes
Mr. Pankaj Goel *	7	Yes

\* Appointed with effect from 20<sup>th</sup> June 005.

d) Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the company. The Company has obtained the confirmation of the Compliance with the Code from all its Board members and senior management personnel.



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### 3. Audit Committee

#### a) Constitution of Audit Committee:

The Committee comprises three Non-executive Directors majority of whom are independent directors. All members of the Committee are financially literate. The Chairman of the Committee is a member of the Institute of Chartered Accountants of India.

#### b) Composition of Audit Committee and Number of Meetings Attended:

During the Financial year 2005-06, Four Audit Committee Meetings were held on 30<sup>th</sup> June 2005, 30<sup>th</sup> July 2005, 10<sup>th</sup> October 2005 and 31<sup>st</sup> January 2006. The composition of the Audit Committee and the number of meeting attended were as under:

Committee Members Attending the Meeting	Designation	No. of Meetings Attended
Mr. Dinesh Nandwana *	Chairman	1
Mr. Pankaj Goel *	Member	2
Mr. Suresh Gaggar	Member	4
Mr. Jitendra Mehta @	Member	1
Mr. Deven Mehta @	Member	1

\* Mr. Dinesh Nandwana and Mr. Pankaj Goel were inducted as Members of the Committee with effect from 14<sup>th</sup> September 2005

@ Mr. Jitendra Mehta and Mr. Deven Mehta have ceased to be members of the Committee with effect from 14<sup>th</sup> September 2005.

#### c) Attendees:

The Audit Committee invites such of the executives, as it considers appropriate to be present at its meetings. The Executive- Accounts attend such meetings. The Statutory Auditors are also invited to these meetings.

#### d) The Terms of Reference of the Audit Committee:

The terms of reference of the Audit Committee as defined by the Board are as under:

- i) Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- ii) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- iii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- v) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.

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- (b) Changes, if any, in accounting policies and practices and reasons for the same.
- (c) Major accounting entries involving estimates based on the exercise of judgement by management.
- (d) Significant adjustments made in the financial statements arising out of audit findings.
- (e) Compliance with listing and other legal requirements relating to financial statements.
- (f) Disclosure of any related party transactions.
- (g) Qualifications in the draft audit report.
- vi) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- vii) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- viii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- ix) Discussion with internal auditors on any significant findings and follow up there on.
- x) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- xi) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- xii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- xiii) Review of information as prescribed under Clause 49 (II)(E) of the listing agreement.
- e) Powers of the Audit Committee:  
The Board has delegated the following powers to the Audit Committee:
  - i) Investigating any activity within its terms of reference as above, or in relation to the items specified in Section 292A of the Companies Act, 1956, or as may be referred to it by the Board, from time to time and for this purpose, it shall have full access to information contained in the records of the Company and external professional advice, if necessary
  - ii) Seek information from any employee.
  - iii) Obtain outside legal or other professional advice, if necessary.
  - iv) Secure attendance of outsiders with relevant expertise, if it considers necessary.

#### 4. Remuneration Committee

- a) Constitution of Remuneration Committee:  
The Remuneration Committee was re-constituted on 14<sup>th</sup> September 2005. Presently, the committee comprises of three members. All the members are Non-Executive Directors.
- b) Composition of Remuneration Committee and the number of meetings attended:  
During the financial year 2005-06, there were no meetings of the remuneration committee held.