

GARNET International Ltd.

**29<sup>th</sup> Annual Report  
2010-2011**

**BOARD OF DIRECTORS**

MR. SUERSH GAGGAR  
MR. DEVEN MEHTA  
MR. DINESH NANDWANA  
MR. SHARAD RATHI  
MR. RAMAKANT GAGGAR

**BANK**

HDFC BANK LIMITED

**AUDITORS**

M/S. R.S. AGRAWAL & ASSOCIATES

**REGISTERED OFFICE**

901, RAHEJA CHAMBERS  
NARIMAN POINT  
MUMBAI 400 021

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**NOTICE**

NOTICE IS HEREBY GIVEN THAT the 29<sup>th</sup> Annual General Meeting of Garnet International Limited will be held on Thursday, 29<sup>th</sup> day of September 2011 at 11.00 A.M at 901, Raheja Chambers, Nariman Point, Mumbai - 400 021 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Statement of Accounts for the year ended 31st March 2011 and Balance Sheet as on that date along with the Reports of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares of the Company for the year ended 31<sup>st</sup> March, 2011.
3. To appoint a Director in place of Mr. Suresh Gaggar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Deven Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

**By order of the Board**

**SURESH GAGGAR  
DIRECTOR**

Place: Mumbai  
Dated: 16<sup>th</sup> August 2011

**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, 2011.

**Financial Results**

₹.in Lacs

Particulars	Year ended 31 <sup>st</sup> March 2011	Year ended 31 <sup>st</sup> March 2010
Total Income	4253.60	2410.55
Profit/(Loss) before Depreciation and Tax	505.06	476.81
Less: Depreciation	4.79	1.95
Profit/(Loss) before Tax	500.27	474.87
Less: Provision for Tax	36.00	61.86
Net Profit /(Loss) after Tax	464.27	413.01

***Year and Period under review***

During the period under review, your Company registered a total income of ₹. 4253.60 lacs as against ₹.2410.55 lacs in the previous year. Profit before depreciation and tax stood at ₹. 505.06 lacs as against Profit of ₹. 476.81 lacs in the previous year. Your company reported net profit of ₹. 464.27 lacs.

***Dividend***

Your Directors have recommended a dividend of ₹.1.00 per equity share for the financial year ended on 31<sup>st</sup> March, 2011.

***Management's Discussion and Analysis Report***

Management's Discussion and Analysis Report for the year under review, which also deals with the opportunities, challenges and the future outlook for the Company as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange in India, is presented in a separate section forming part of the Annual Report.

***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, 2011 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, 2011 on a going concern basis.

### ***Subsidiary Company***

During the year under review, your Company acquired 50.21% stake in Sukartik Clothing Private Limited and thus it became a subsidiary of your company. The Balance Sheet, Profit and Loss Account and other statements of the Subsidiary Company are not being attached with the Annual Report of the Company. The Company will make available the Annual Accounts of the Subsidiary Company and the related detailed information to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the Subsidiary Company will also be kept open for inspection at the Registered Office of the Company. The consolidated Financial Statements presented by the Company include the financial results of its Subsidiary.

### ***Corporate Governance***

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the requirements set out by the Securities and Exchange Board of India, Corporate Governance practice and have implemented all the prescribed stipulations.

### ***Directors***

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Suresh Gaggar and Mr. Deven Mehta, 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 58A 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.

### ***Comments on Auditors' Report***

The company is in the process of taking remedial measures on the observations made by the Auditors in their Report.

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  
Date: 16<sup>th</sup> August 2011

Suresh Gaggar  
Director

Ramakant Gaggar  
Director

## 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. The company has recently launched its website [www.garnetint.com](http://www.garnetint.com) and is in the process of providing information useful to investors on the website. In the meantime the code of conduct is available at registered office of the company for inspection of shareholders.

### 2. Board of Directors

#### a) Composition of the Board

The Board, during the year, comprised of 5 Directors all of whom are Non-Executive Directors. 2 out of them are independent Directors. The company does not have chairman. 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	Director	Promoter, Non-Executive; Non Independent	1	Nil	Nil
Mr. Ramakant Gaggar	Director	Promoter; Non- Executive; Non-Independent	1	Nil	Nil
Mr. Deven Mehta	Director	Promoter; Non-Executive; Non-Independent	1	Nil	3
Mr. Dinesh Nandwana	Director	Non-Executive; Independent	6	Nil	Nil
Mr. Sharad Rathi	Director	Non-Executive; Independent	0	Nil	Nil

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

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

**b) Reappointment of Directors:**

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

**i) Mr. Suresh Gaggar**

Mr. Gaggar is a very dynamic person having vast experience, in-depth knowledge and strong understandings of various intricacies of the securities and financial services. He has exhaustive and rich experience of securities business of more than 21 years and has an extensive expertise in analyzing and identifying potential investment opportunities in the Indian equity market.

Directorships held by Mr. Suresh Gaggar in other companies are as under:

Sr. No.	Name of the Company
1.	ARSS Engineering Limited
2.	Bhuta Investment P. Ltd.
3.	Maxwell Management Services P. Ltd.
4.	Sukartik Clothing P Ltd.
5.	Evergreen Infotech & Datacom P. Ltd.
6.	Reliable Realty Pvt Ltd
7.	Minex Explore Pvt. Ltd.

Mr. Suresh Gaggar does not hold any Chairmanship/Membership in committees of other companies.

Mr. Suresh Gaggar holds 487206 equity shares in the Company as on 31<sup>st</sup> March 2011.

**ii) Mr. Deven Mehta**

Mr. Deven Mehta has an in-depth knowledge of Capital Market. He has sound experience in investment and fund management and management consultancy, derivatives, fund mobilization, working capital arrangement etc.

Directorships held by Mr. Mehta in other companies are as under:

Sr. No.	Name of the Company
1	Amgis Holdings Pvt Ltd
2.	Pals Overseas Pvt Ltd
3.	Jyoti Bright Bar Pvt Ltd
4.	Sigma Credit & Capital Services P Ltd
5.	S.J. Capital Advisors Pvt Ltd
6.	Smart Card IT Solutions Ltd
7.	Jayavant Products Limited

Mr. Mehta is member of Share Transfer Committee, Audit Committee and Remuneration Committee in Jayavant Products Limited.



Mr. Mehta holds 100000 equity shares in the Company as on 31<sup>st</sup> March 2011

c) Board Meetings and Annual General Meeting:

During the financial year 2010-2011, 12 Board Meetings were held on 1<sup>st</sup> April 2010, 30<sup>th</sup> April 2010, 21<sup>st</sup> July 2010, 3<sup>rd</sup> August 2010, 16<sup>th</sup> August 2010, 8<sup>th</sup> September 2010, 13<sup>th</sup> September 2010, 30<sup>th</sup> October 2010, 26<sup>th</sup> November 2010, 25<sup>th</sup> January 2011, 7<sup>th</sup> February 2011 and 28<sup>th</sup> February 2011. The last Annual General Meeting of the Company was held on 29<sup>th</sup> September 2010. The details of attendance of Directors in Board Meetings and the last Annual General Meeting are as follows.

<b>Name of the Director</b>	<b>No. of Board Meetings Attended</b>	<b>Attendance at Last Annual General Meeting</b>
Mr. Suresh Gaggar	12	Yes
Mr. Deven Mehta	12	Yes
Mr. Dinesh Nandwana	12	Yes
Mr. Sharad Rathi	10	No
Mr. Ramakant Gaggar	12	Yes

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.

**3. Audit Committee**

a) Constitution of Audit Committee:

The Committee comprises three Non-executive Directors majority of them are independent directors. All members of the Committee are financially literate.

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

During the Financial year 2010-2011, Five Audit Committee Meetings were held on 1<sup>st</sup> April 2010, 30<sup>th</sup> April 2010, 3<sup>rd</sup> August 2010, 30<sup>th</sup> October 2010 and 25<sup>th</sup> January 2011. The composition of the Audit Committee and the number of meeting attended were as under:

<b>Committee Members Attending the Meeting</b>	<b>Designation</b>	<b>No. of Meetings Attended</b>
Mr. Sharad Rathi	Chairman	5
Mr. Dinesh Nandwana	Member	5
Mr. Suresh Gaggar	Member	5

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.
  - (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.