

GARNET INTERNATIONAL LTD.

30th ANNUAL REPORT
2011-2012

GARNET INTERNATIONAL LTD.

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

Contents	Page No.
Notice	03
Directors Report	05
Corporate Governance	07
Auditors Certificate	17
Analysis Report	18
Auditors Report	19
Annexure	20
Balance Sheet – Garnet International Ltd	22
Notes on Account	26
Balance Sheet – Consolidated	33
Notes on Account	36

NOTICE

NOTICE IS HEREBY GIVEN THAT the 30th Annual General Meeting of Garnet International Limited will be held on Saturday, 29th day of September 2012 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 Balance sheet as at 31st March 2012, the Statement of Profit and Loss for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares of the Company for the year ended 31st March, 2012.
3. To appoint a Director in place of Mr. Sharad Rathi who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ramakant Gaggar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors of the company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

By order of the Board

Place: Mumbai
Dated: 3rd September 2012

**SURESH GAGGAR
DIRECTOR**

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 (forty eight hours) before the time fixed for holding the meeting.
3. Additional information pursuant to Clause 49 of the Listing Agreement with Stock Exchanges in respect of Directors appointed/re-appointed is appearing in the Corporate Governance Report forming part of this Annual Report.
4. Corporate Members intending to send their authorized representatives to attend the Annual General Meeting are requested to send a duly certified copy of their Board Resolution authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
5. Members/Proxies/Representatives are requested to bring the enclosed Attendance Slip, duly filled in for attending the Annual General Meeting.
6. Relevant documents referred in the accompanying Notice are available for inspection at the Registered Office of the Company on all working days except Saturday, between 11.00 a.m. to 1.00 p.m. up to the date of the meeting.

7. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, 28th September 2012 to Saturday, 29th September 2012 (both days inclusive).
8. There was no unclaimed dividends declared up to the financial year ended 31st March, 1995 as such company has not transferred any fund to the General revenue Account of the Central Government as required by the companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 (the Rules).
9. Pursuant to the provision of section 205A (5) and 205C of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remains unclaimed for a period of 7 years, will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Financial Year ended	Date of declaration of Dividend	Last Date for claiming unpaid Dividend	Due date for transfer to IEPF
31-03-2010	29-09-2010	28-09-2017	28-10-2017
31-03-2011	29-09-2011	28-09-2018	28-10-2018

Members, who have not so far encashed the dividend Warrant(s), are requested to seek issue of duplicate Warrant(s)/Demand Draft by writing to the company or to the company's R&TA immediately.

10. Members, who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names, are requested to send the Share Certificates to the Company's R &TA for consolidation into a single folio.
11. A Member desirous of getting any information on the account or operation of the company, is required to forward his/her queries to the Company at least seven days prior to the meeting so that the required information can be made available by the Management at the meeting.
12. Copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies of the Annual Report to the meeting.
13. The ministry of corporate affairs has undertaken a "Green Initiative" in the field of corporate governance by permitting paperless compliance by companies vide its Circular No. 17/2011 dated 21st April, 2011 and Circular No.18/2011 dated 29th April, 2011 and has issued circulars stating that the service of notice/documents including Annual Report can be sent by E-mail to its members. In pursuance of the same, we take immense pleasure in informing you that your Company, starting from this year, by initiating this Go-green will send the soft copies of Annual Reports to the shareholders who have already registered their e-mail addresses with the **company's R&TA - Link Intime India Private Limited.**

Further with a view to encourage the same, member who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with the depository through their concerned depository participants. And members who hold shares in physical form are requested to register their e-mail addressed with **company's R&TA - Link Intime India Private Limited.**

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, 2012.

Financial Results

Particulars	Amount in ₹	
	Year ended 31 st March 2012	Year ended 31 st March 2011
Total Income	257653792.11	409029110.98
Profit/(Loss) before Depreciation and Tax	7032305.46	50340100.00
Less: Depreciation	572154.31	479048.64
Profit/(Loss) before Tax	6460151.15	49861051.36
Less: Provision for Tax	160864.00	2885979.05
Net Profit /(Loss) after Tax	6299287.15	46975072.31

Year under review

During the year under review, your Company registered a total income of ₹ 257653792.11 as against ₹ 409029110.98 in the previous year. Profit before depreciation and tax stood at ₹ 7032305.46 as against Profit of ₹ 50340100.00 in the previous year. Your company reported net profit of ₹ 6299287.15.

Dividend

Your Directors have recommended a dividend of ₹ 0.10 per equity share for the financial year ended on 31st March, 2012.

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, 2012 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, 2012 on a going concern basis.

Subsidiary Company

Your Company has a subsidiary company namely Sukartik Clothing Private Limited with a stake of 50.21%. The Balance Sheet, Statement of Profit and Loss 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. Ramakant Gaggar and Mr. Sharad Rathi, 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.

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: 3rd September 2012

Suresh Gaggar
Director

Ramakant Gaggar
Director

Report on Corporate Governance

(As required under Clause 49 of the Listing Agreement of the Stock Exchange)

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. On the company's website www.garnetint.com information useful to investors are available. 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 them 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 Gagar	Director	Promoter, Non-Executive; Non Independent	1	Nil	Nil
Mr. Ramakant Gagar	Director	Promoter; Non-Executive; Non-Independent	2	Nil	Nil
Mr. Deven Mehta	Director	Promoter; Non-Executive; Non-Independent	3	Nil	Nil
Mr. Dinesh Nandwana	Director	Non-Executive; Independent	10	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. Sharad Rathi**

Mr. Sharad Rathi is a member of Institute of Chartered Accountants of India having over 19 years of varied experience in the field of merchant banking, project financing, syndication of loans, IPO's, PE, debt assignments etc..

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

Sr. No.	Name of the Company
1.	Blue Square Corporate Service P. Ltd.

Mr. Sharad Rathi does not hold any Chairmanship/Membership in committees of other companies.

Mr. Sharad Rathi does not have any equity shares in the Company as on 31st March 2012.

ii) **Mr. Ramakant Gaggar**

Mr Ramakant Gaggar is a Commerce Graduate having vast experience in administration and secretarial matter. Mr Ramakant gaggar is the Compliance officer of the Company having good knowledge of Corporate and other allied laws.

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

Sr. No.	Name of the Company
1	Alaukik Mines & Power P Ltd
2.	ARSS Engineering Limited
3.	Bhuta Investment P. Ltd.
4.	Maxwell Management Services P. Ltd.
5.	Sukartik Clothing P Ltd.
6.	Evergreen Infotech & Datacom P. Ltd.
7.	GVS Chemical Pvt. Ltd.
8.	Minex Explore Pvt. Ltd.
9.	Rajlaxmi Industries Ltd.

Mr. Gaggar holds 908743 equity shares in the Company as on 31st March 2012

c) **Board Meetings and Annual General Meeting:**

During the financial year 2011-2012, 6 Board Meetings were held on 23rd April 2011, 10th May 2011, 10th August 2011, 16th August 2011, 8th November 2011, and 13th February 2012. The last Annual General Meeting of the Company was held on 29th September 2011. 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	6	Yes
Mr. Deven Mehta	5	Yes
Mr. Dinesh Nandwana	5	Yes
Mr. Sharad Rathi	5	Yes
Mr. Ramakant Gaggar	6	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 2011-2012, Five Audit Committee Meetings were held on 10th May 2011, 10th August 2011, 16th August 2011, 08th November 2011 and

13th February 2012. 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. 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.
 - 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. Subsidiary company:

- a) The company has one subsidiary company namely Sukartik Clothing Private Limited. Mr. Suresh Gaggar, Mr. Navratan Gaggar and Mr. Ramakant Gaggar are on the the Board of the subsidiary company.
- b) The audit committee of the company reviews the financial statements of and investments made by the subsidiary company.
- c) The minutes of subsidiary company are placed before the board of directors of the company.
- d) Significant transactions and arrangements entered into by the subsidiary company are, periodically, also brought to the attention of the board of the company.

5. Remuneration Committee

- a) Composition of Remuneration Committee and the number of meetings attended:
During the financial year 2011-2012, Mr. Deven Mehta, Mr. Suresh Gaggar and Mr. Ramakant Gaggar were Members of the Remuneration Committee but there were no meetings of the remuneration committee held.
- b) Terms of reference:
The committee has the mandate to review and recommend compensation payable to the executive directors and senior management of the company. It shall also administer the company's stock option plans, if any, including the review and grant of the stock options to eligible employees under plans. The committee may review the performance of the Executive Directors, if any and for the said purpose may lay down requisite parameters for each of the executive directors at the beginning of the year.
- c) Remuneration Policy:
 - i) Management Staff :
Remuneration of employees largely consists of basic remuneration and perquisites. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his individual performance, etc.
 - ii) Non-Executive Directors :