

GARNET INTERNATIONAL LTD.

31<sup>ST</sup> ANNUAL REPORT  
2012-2013

# GARNET INTERNATIONAL LTD.

## **BOARD OF DIRECTORS**

MR. DINESH NANDWANA  
MR. DEVEN MEHTA  
MR. SURESH GAGGAR  
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 31<sup>st</sup> Annual General Meeting of Garnet International Limited will be held on Saturday, 6<sup>th</sup> day of July 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 2013 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. Dinesh Nandwana who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Deven Mehta who retires by rotation and being eligible, offers himself for re-appointment.

### SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification (s) the following as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 and read with Schedule XIII of the said Act (including any statutory modification(s) or re-enactment thereof, for the time being in force) and as approved by Board of Directors, approval of Members of the Company be and is hereby accorded to the appointment of Mr. Suresh Gaggar as Managing Director of the Company for a period of three (3) years commencing from 6th July, 2013 and on the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Suresh Gaggar, Managing Director, the draft whereof is placed before this meeting and for the purpose of identification, is initialed by the Chairman hereof, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement as may be agreed to between the Board of Directors and the Managing Director.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary steps for the aforesaid purpose and matters incidental thereto."

5. To consider and if thought fit, to pass, with or without modification (s) the following as a special resolution:

"RESOLVED THAT M/s. MVK Associates, Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to fill in casual vacancy caused by the resignation of M/s. R.S. Agrawal & Associates, Chartered Accountants and that the said new Statutory Auditors of the Company shall hold office from the date of this meeting till the conclusion of next Annual General Meeting of the Company at such remuneration as may be determined by the Board of Directors of the Company."

By order of the Board

Place: Mumbai  
Dated: 29<sup>th</sup> May 2013

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. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 5<sup>th</sup> July 2013 to Saturday, 6<sup>th</sup> July 2013 (both days inclusive).
4. 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.
5. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the companies and has issued Circulars stating that service of notice/document including Annual Report can be sent by e-mail to its members.

To support this green initiative of the government, members 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. Members who hold shares in physical form are requested to register their e-mail addresses with the Registrar of the Company.

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

Item No. 4

Subject to necessary approval by the Members in the Annual General Meeting, the Board of Directors of the Company in its Meeting held on 29<sup>th</sup> May, 2013, have recommended for the appointment of Mr. Suresh Gaggar as Managing Director of the Company for a period of three years with effect from July 6, 2013 to July 5, 2016.

Mr. Suresh Gaggar aged 50 years, is Post Graduate (M.Com.). He is very dynamic person having vast experience, in-depth knowledge and strong understanding of various intricacies of the Securities Market 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. He is Director of the company since 4th March 1996.

The Board of Directors of the Company has subject to provisions of Sections 198, 269, 309, and other applicable provisions if any, of the Companies Act, 1956, read with Schedule XIII of the said Act, appointed Mr. Suresh Gaggar as Managing Director for a period of three years with effect from July 6, 2013, on the remuneration terms and broad terms and conditions detailed hereunder:

Salary:-Nil

Mr. Suresh Gaggar shall not be subject to retirement by rotation during his tenure as Managing Director

A copy of the draft agreement referred to in the resolution is available for inspection by the members at the Registered Office of the Company on any working day excluding public holidays and Sundays, between 11.00 A.M. to 1.00 P.M. up to and including the date of Annual General Meeting.

In compliance with the applicable provisions of the Companies Act, 1956, Ordinary Resolution as per the terms set out in Item No 4 of the accompanying Notice is being placed before the members in the Annual General Meeting.

None of the Directors of the Company except Mr. Suresh Gaggar and Mr. Ramakant Gaggar are, in any way, concerned or interested in the resolution.

The Directors recommend the resolution for approval of members.

Item No. 5

The Statutory Auditors of the Company, M/s. R.S. Agrawal & Associates, Chartered Accountants have tendered their resignation from the office of the Statutory Auditors of the Company with effect from 29<sup>th</sup> May 2013 due to their other pre-occupations. Your Company proposes to appoint M/s. MVK Associates, Chartered Accountants as Statutory Auditors of the Company to fill in the casual vacancy caused by resignation tendered by M/s. R.S. Agrawal & Associates, Chartered Accountants. The proposed new auditors M/s. MVK Associates, Chartered Accountants have given a certificate to the effect that their appointment, if made, will be in accordance with the provisions of Section 224 of the Companies Act, 1956.

The Resignation letter received from M/s. R.S. Agrawal, Chartered Accountants together with the certificate received from M/s. MVK Associates, Chartered Accountants in terms of Section 224 (1-B) of the Companies Act, 1956, is available for inception of the members of the Company at the Registered Office of the Company between 11:00 AM and 2:00 PM on all working days till the date of the Annual General Meeting.

None of the Directors of the Company is interested or concerned in this resolution.

REQUEST TO MEMBERS

1. Members are requested to bring their copy of the Annual Report to the Meeting.
2. Members who have multiple folios in identical names in the same order are requested to send all the Share Certificates to the Registrar of the Company.

## **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, 2013.

### ***Financial Results***

Particulars	Amount in ₹	
	Year ended 31 <sup>st</sup> March 2013	Year ended 31 <sup>st</sup> March 2012
Total Income	25618409.92	257653792.11
Profit/(Loss) before Depreciation and Tax	1512408.54	7032305.46
Less: Depreciation	572916.17	572154.31
Profit/(Loss) before Tax	939492.37	6460151.15
Less: Provision for Tax	274994.00	160864.00
Net Profit /(Loss) after Tax	664498.37	6299287.15

### ***Year under review***

During the year under review, your Company registered a total income of ₹ 25618409.92 as against ₹ 257653792.11 in the previous year. Profit before depreciation and tax stood at ₹ 1512408.54 as against Profit of ₹ 7032305.46 in the previous year. Your company reported net profit of ₹ 664498.37.

### ***Dividend***

Your Directors does not recommend any dividend for the financial year ended on 31<sup>st</sup> March, 2013.

### ***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, 2013 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, 2013 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. They have expressed their desire not to seek re-appointment. The Directors wish to put on record their appreciation for the services rendered by them.

The Company has received a notice from a member proposing the appointment of M/s. MVK Associates, Chartered Accountants as Statutory Auditors of the Company to hold office from conclusion of the ensuing Annual General Meeting till the conclusion of next Annual General Meeting. They have confirmed their eligibility and have given their consent for the proposed appointment. Members are requested to appoint Auditors at the ensuing Annual General Meeting.

#### ***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: 27<sup>th</sup> May 2013

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](http://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 Gaggar	Director	Promoter, Non-Executive; Non Independent	0	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	Nil
Mr. Dinesh Nandwana	Director	Non-Executive; Independent	8	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) **Dinesh Nandwana**

Mr. Dinesh Nandwana is a member of Institute of Chartered Accountants of India having over 25 years of experience of administration. He is Chairman of Vakrangee Softwares Limited, a company pioneer in the e-governance domain and has one of the largest capacities in delivering large scale document and print management solutions.

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

Sr. No.	Name of the Company
1.	Vakrangee Softwares Limited
2.	Vakrangee IT Solutions Limited
3.	Vakrangee Technologies Limited
4.	Vakrangee Infraprojects Limited
5.	Omnis Infra-Power Limited
6.	Omnis Edu-Health Limited
7.	Vakrangee Lacteus and Hortus Limited
8.	Vakrangee Finserve Limited
9.	Vakrangee Holdings Pvt Ltd
10.	NJD Biotech Pvt Ltd
11.	eDoc Vision Infotech Pvt Ltd
12.	Vakrangee Capital Pvt Ltd
13.	MDN Share & Stock Brokers Pvt Ltd
14.	MDN Multi Commodities Pvt Ltd
15.	Vakrangee Energy Pvt Ltd

Mr. Dinesh Nandwana 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 31<sup>st</sup> March 2013.

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
8.	SJ Finstock Pvt Ltd
9.	DND Financial Services P Ltd

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 2013

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

During the financial year 2012-2013, 11 Board Meetings were held on 18<sup>th</sup> April 2012, 14<sup>th</sup> May 2012, 30<sup>th</sup> June 2012, 16<sup>th</sup> July 2012, 14<sup>th</sup> August 2012, 3<sup>rd</sup> September 2012, 5<sup>th</sup> November 2012, 29<sup>th</sup> January 2013, 8<sup>th</sup> February 2013, 25<sup>th</sup> February 2013 and 30<sup>th</sup> March 2013. The last Annual General Meeting of the Company was held on 29<sup>th</sup> September 2012. 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. Deven Mehta	10	Yes
Mr. Dinesh Nandwana	10	Yes
Mr. Sharad Rathi	10	No
Mr. Ramakant Gaggar	11	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 2012-2013, Five Audit Committee Meetings were held on 14<sup>th</sup> May 2012, 14<sup>th</sup> August 2012, 3<sup>rd</sup> September 2012, 5<sup>th</sup> November 2012 and 29<sup>th</sup> January 2013. 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:
- 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.
  - 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.
  - 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.
  - Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
  - Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    - 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.
    - 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**