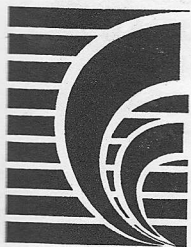


ANNUAL REPORT

2009-2010



GARNET CONSTRUCTION
L I M I T E D

GARNET CONSTRUCTION LTD.

BOARD OF DIRECTORS

SHRI KISHAN KUMAR KEDIA
SHRI ARUN KUMAR KEDIA
SHRI SANJAY KUMAR KEDIA
SHRI SANTOSH GINORIA
SHRI SHIROMANI CHAUHAN
SMT. VAISHALI SAYYED

CHAIRMAN AND MANAGING DIRECTOR
DIRECTOR - MARKETING
FINANCE DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR

AUDITORS

SHANKARLAL JAIN & ASSOCIATES
12, ENGINEER BUILDING,
265, PRINCESS STREET,
MUMBAI 400 002.

BANKERS

AXIS BANK LTD.
S. V. ROAD,
MALAD (WEST),
MUMBAI - 400 067

ALLAHABAD BANK
S. V. ROAD,
ANDHERI (WEST),
MUMBAI - 400 058

REGISTERED OFFICE

17, MILAP APARTMENTS,
S.V. ROAD,
MALAD (WEST),
MUMBAI 400 064.

CORPORATE OFFICE

401, LAXMI MALL,
LAXMI IND. ESTATE, LINK ROAD,
ANDHERI (WEST),
MUMBAI - 400 053.

WORKS

VILLAGE

HONAD
DHEKU
KUMBHIVALI
DHAMNI
AMBIVALI
KARLA

TALUKA

KHALAPUR, DIST. RAIGAD
KHALAPUR, DIST. RAIGAD
KHALAPUR, DIST. RAIGAD
KHALAPUR, DIST. RAIGAD
KHALAPUR, DIST. RAIGAD
MAVAL, DIST. PUNE

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of **GARNET CONSTRUCTION LIMITED** will be held on Wednesday, the 29th September, 2010 at 10.00 a.m. at Ashish -1 Banquet, Land Mark Building, Link Road, Mid Chowky, Malad (West), Mumbai - 400 064, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, and the Profit & Loss Account for the year ended on that date and the reports of Directors' and Auditors' thereof.
2. To appoint a Director in the place of Shri Shiromani Chauhan who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Smt. Vaishali Sayyed who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By order of the Board
For Garnet Construction Limited

Kishan Kumar Kedia
Chairman & Managing Director

Place : Mumbai
Dated : 26th August, 2010

Regd. Office : 17, Milap Appartment, S. V. Road,
Malad (West), Mumbai - 400 064.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The register of Members and the Share Transfer Book will remain closed from 20th September, 2010 to 29th September, 2010 (both days inclusive) for the purpose of ensuing Annual General Meeting.
3. Members are requested to notify any changes in their address quoting their folio number to the Company's share department.
4. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
5. Members are requested to bring their copies of the Annual Report at the Meeting.
6. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least eight days prior to the meeting so that the required information can be made available at the meeting.

Details of Director Appointed / Seeking re-appointment in forthcoming Annual General Meeting :

The brief resume of Directors seeking re-appointment :

1. Shiromani Chauhan (76)

Shri. Shirmonai Chauhan is graduate and having tremendous knowledge of management and corporate advisor services and he is associate with company for more than 7 years, he is not hold any other directorship in other company.

2. Vaishali Sayyed (32)

Smt. Vaishali Sayyed associated with the Company for more than five years and looking after the back office administration and she is well versed with office administration and other system she is hold nil directorship other Company.

DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 18th Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

| | (Rs. In Lacs) | |
|-------------------------------------|----------------------|---------------------|
| | As on 31.03.2010 | As on 31.03.2009 |
| Income | 507.62 | 630.27 |
| Profit before Depreciation and Int. | (262.07) | (367.70) |
| Depreciation | 80.84 | 16.41 |
| Interest | 18.76 | 38.31 |
| Profit before Tax | (162.47) | (312.99) |
| Provision for Taxation | 0.00 | 0.00 |
| Provision for Deferred Taxation | 18.27 | (2.16) |
| Fringe Benefit Tax | 0.00 | 4.00 |
| Profit After Tax | (144.30) | (319.15) |
| Share Capital | 1390.22 | 790.22 |
| Reserve & Surplus | 4792.30 | 856.63 |

DIVIDEND

Due the losses your directors do not recommend any dividend for the year.

OPERATIONAL REVIEW

During the year under review the Company has incurred loss of Rs. 144.30 Lacs as against previous year losses of Rs. 319.15 Lacs, the same is due to increase of construction cost. There is cancellation of existing booked plot / bungalow is also resulting in losses for the current year. However, the management is confident in achieving better result in coming financial year.

Presently, the Company is developing Magic Hill project and as per the management opinion the same will be completed in coming financial year. Beside, the Company is also planning to start its Goregaon project in current year and expected to complete the same in coming financial year, beside starting one or two residential project at Khopoli.

DIRECTORS

Shri Shiromani Chauhan and Smt. Vaishali Sayyed, Directors are retire at the ensuing annual general meeting and offers themselves for re-appointment. You are requested to reappoint them.

FIXED DEPOSITS

Your Company has not accepted any fixed deposit during the year under review which falls under the definition of Section 58 A of the Companies Act, 1956.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report and the certificates from the Company's Auditors confirming the compliances of conditions on Corporate Governance as stipulated in Listing Agreement is annexed thereto.

The Management discussion and analysis and the compliance of corporate governance are annexed to this report.

AUDITORS

The Auditors M/s Shankarlal Jain & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible offer themselves for reappointment. You are requested to consider their reappointment for the next financial year and fix their remuneration.

The Specific notes forming part of the Accounts referred to in the Auditors' Report are self-explanatory and do not require any further elucidation.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Director make the following statement to Section 217 (2AA) of the Companies Act, 1956:

- i. that in the preparation of Annual Accounts, the applicable accounting standards had been followed along with the proper explanation relating to material departures if any, further there is a change in accounting policy in relation with recognition of sales as well as income.
- ii. that the Directors had 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 as at the end of the Financial year and of the Profit & Loss of the Company for that period.
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act so to prevent and detect fraud and other irregularities.
- iv. that the Directors had prepared the accounts on a going concern basis.

LISTING FEES

The Company confirms that the Annual Listing Fees due to Bombay Stock Exchange Ltd., Mumbai for the Financial Year 2010 - 2011 has been paid.

CUSTODIAN CHARGES :

The Company confirms that the Custodian Charges due to National Securities Depository Ltd., and Central Depository Services (India) Ltd., have been paid for the financial year 2010-11 as applicable and payable as per the SEBI circular in this regard.

STATUTORY DISCLOSURES

- A) Particulars of the employees of the Company pursuant to Section 217 (2A) of the Companies Act, 1956 is not required to be given as none of the employees of the Company drawn remuneration in excess of amount prescribed in the section.
- B) Particulars required to be furnished by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988:
- i) Part A and Part B relating to Conversion of Energy and technology Absorption are not applicable to the Company as your Company is not a manufacturing Company.
- ii) Foreign Exchange Earning and Outgo: - The Company has incurred Rs. 47,266/- towards the foreign traveling and lodging and boarding expenses during the year under review.

ACKNOWLEDGEMENT

Your Directors thanks the banks for their valuable and timely financial assistance and support provided to the Company. Your Directors also thanks to the customers, suppliers, Government Institutions and others for the co-operation extended to the Company. The Board also places on record its appreciation for the assistance and co-operation received from staff and you the shareholders.

Place : Mumbai
Dated : 26th Aug. 2010

**For and on behalf of the Board of
Garnet Construction Limited**

**Kishan Kumar Kedia
Chairman & Managing Director**

ANNEXURE TO DIRECTOR'S REPORT

Corporate Governance Report

a. Company's philosophy on code of Governance

The Garnet Construction Ltd. believes that good corporate governance is essential to achieve long term goals and also to enhance the shareholders value. The Company is engaged in construction activity and rendering good quality of industrial as well as residential construction at Khopoli to strive for continuous improvement in all other areas to create value that can sustain over a long term for all its shareholders, employees, customers, government and others.

b. Board of Directors :

The Board of your Company consists of Six Directors including non-executive independent Director. Your Company has an optimum combination of Executive and Non-Executive Directors with not less than 50% of the Board of Directors comprising of Non-Executive Directors. All the members of the Board are eminent with sound knowledge and background in different field.

The Board is headed by Shri Kishan Kumar Kedia. The non executive director constitutes more than half of the total numbers of directors.

Board Meetings and procedure

The Board of Directors of your Company met twelve times during the year on 29.04.09, 01.06.09, 27.06.09, 29.07.09, 17.08.09, 02.09.09, 14.10.09, 03.11.09, 10.12.09, 16.12.09, 29.01.10 and 29.03.10. The details pertaining to the name and category of Directors on the Board, their attendance at the Board Meetings held during the financial year 2009 - 10 and at the last Annual General Meeting of the Company and the no. of Directorship on the Board or membership/chairmanship in committee held by them across all the Companies are as under :

| Name of Directors | Position / Status | Attended Board Meeting | Last AGM | Directorship | No. of other Committee Membership/ Chairmanship |
|------------------------|-------------------|------------------------|----------|--------------|---|
| Mr. Kishan Kumar Kedia | ENI | 12 | Y | 2 | - |
| Mr. Arun Kedia | ENI | 12 | Y | 2 | - |
| Mr. Sanjay Kedia | ENI | 12 | Y | 2 | - |
| Mr. Santosh Ginoria | NEI | 8 | Y | - | - |
| Mr. Shiromani Chauhan | NEI | 6 | N | - | - |
| Mrs. Vaishali Sayyed | NEI | 4 | N | - | - |

ENI = Executive Not Independent, NEI = Non-executive Independent Director

c. Audit Committee

The Board of Directors has constituted Audit committee of Directors to exercise powers and discharge function as stipulated in Section 292A of the Companies Act, 1956 During the year four meetings were

held on 29.04.2009, 29.07.2009, 28.10.2009 and 28.01.2010 and all the members had attended the meeting. The role and terms of reference of the audit committee covers the matter specified for audit committees under clause 49 of the listing agreement and provisions of Companies Act, 1956. Presently the committee comprises of three Directors and majority of them are independent Director.

The Composition of Audit Committee is as under :

| S. No. | Name of the members | Status | Director Status |
|--------|---------------------|----------|-----------------------------|
| 1. | Shiromani Chauhan | Chairman | Non-Executive & Independent |
| 2. | Santosh Ginoria | Member | Non-Executive & Independent |
| 3. | Sanjay Kedia | Member | Executive & Non Independent |

Terms of reference:

The terms of reference of this committee are wide enough covering the matters specified for Audit Committee under Clause 49 of the Listing Agreement as amended.

- * Overseeing of the Company's financial reporting process and disclosure of financial information and financial/ risk management policies.
- * Review of Quarterly and Annual Financial Statements ensuring compliance with regulatory guidelines before submission to the Board of Directors.
- * Recommended appointment, removal of statutory auditors and payment of fees to them.
- * Review Management Discussion & Analysis of financial condition and results of operation.
- * Preparation of various financial statement for better fund planning
- * Review the Statement of significant related party transaction.

Remuneration Committee

The Board has not constituted any Remuneration Committee which is non mandatory however the details of remuneration paid to the Directors for the year 2009 - 10 are as under :

Managerial Remuneration :

| | | |
|------------------|---|---------------|
| Salary | : | Rs. 33,00,000 |
| Commission | : | - |
| Other Perquisite | : | - |
| Total | : | Rs. 33,00,000 |

d. Shareholders / Investors Grievance Committee

The Board has constituted a share transfer committee consisting of Mr. Kishan Kumar Kedia, Mr. Sanjay Kedia and Mr. Arun Kedia, and Mr. Arun Kedia is designated as Compliance Officer. Your Company is making all attempts to ensure that correspondences are expeditiously attended to the full satisfaction of the Shareholders. All valid share transfers have been processed in time and as on date no complaint of any of the above matter is pending.

e. General Body Meeting

Particulars of Last Three Annual General Meeting held are as follows :

| AGM/EGM held | Day, Date & Time | Venue |
|--------------|----------------------------------|--|
| AGM | Tuesday, 29.09.2009, 10.00 a.m. | Ashish Banquet, Malad (West), Mumbai - 400 064. |
| EGM | Wednes., 21.01.2009, 10.00 a.m. | Ashish Banquet, Malad (West), Mumbai - 400 064. |
| AGM | Friday, 26.09.2008, 10.00 a.m. | Ashish Banquet, Malad (West), Mumbai - 400 064. |
| AGM | Saturday, 29.09.2007, 10.00 a.m. | Ashish Banquet, Malad (West), Mumbai - 400 064. |
| EGM | Monday, 12.03.2007, 10.00 a.m. | Ashish Banquet, Malad (West), Mumbai - 400 064. |

No special resolution were put through postal ballot last year and nor is there any proposal for this year. The postal ballot exercise shall be conducted from time to time of the provisions referred in respect of matters where applicable.

f. Disclosures

The related party transactions are furnished under the head notes to accounts.

There were no instances of non-compliance or penalty / strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to Capital Markets during the last three years.

g. Means of Communication

The quarterly results are published in the "The Free Journal and Navshakti" newspapers. The Company do not have its website for displaying results or official news. Further the company has complied with the requirement of SEBI EDIFAR on regular basis.

Management discussion and analysis is a part of the Annual Report.

General Shareholders Information**1) AGM - Date, time and venue :**

Date : 29th September, 2010
 Time : 10.00 a.m.
 Venue : Ashish - 1 Banquet, Land Mark Building, Link Road,
 Mid Chowky, Malad (West), Mumbai - 400 064.