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ANNUAL REPORT 2007-2008

NOTICE

NOTICE is hereby given to the Members of **GEMSTONE INVESTMENTS LIMITED** that the **14th Annual General Meeting** of the Members of the Company will be held on **MONDAY, THE 29TH OF SEPTEMBER, 2008 AT 4.00 P.M. AT S 15, HAZARI BAUG, STATION ROAD, VIKROLI (W) , MUMBAI 400 083** to transact with or without modifications, the following items of business:

Ordinary Business:

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2008 and Profit & Loss Account for the year ended March 31, 2008, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Lalit D Gandhi, who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint the Statutory Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business:

4. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow at any time and from to time, money or monies as they may deem requisite for the purpose of the business of the Company, from Individuals, Banks, Financial Institutions, Body/Bodies Corporate whether incorporated in India or abroad, Non-residents and /or their Groups, Association of Persons and such other person or

persons as the Board of Directors may think fit, notwithstanding that the money or monies to be borrowed together with money or monies, if any, already borrowed (apart from temporary loans obtained from the bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and its free reserves, that is to say, reserves not set apart for any specific purpose but so that the monies so borrowed shall not exceed Rs.20,00,00,000 (Rupees Twenty Crore Only) at any time over and above the aggregate of the paid-up capital and its free reserves, as aforesaid."

5. To consider and, if thought fit, to pass the following resolution which will be proposed as Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 16, 31, 94, 95 and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Authorized Capital of the Company be and is hereby increased from Rs.3,10,00,000/- (Rupees Three Crore Ten Lakh Only) consisting of 31,00,000 (Thirty One Lakh) Equity Shares of Re.10/- each to Rs.10,00,00,000/- (Rupees Ten Crores Only) divided into 1,00,00,000 (One Crore) Equity Shares of Re.10/- each.

RESOLVED FURTHER THAT consequent upon the aforesaid increase in the Authorized Capital as aforesaid, the existing Clause V of the Memorandum of Association of the Company be deleted and substituted by the following:

'V. The Authorised Share Capital of the Company is Rs. 10,00,00,000 (Rupees Ten Crores Only) divided into 1,00,00,000 (One Crore) Equity Shares of Re.10/- each, with power to the Board of Directors to increase or reduce the capital and to divide its shares in the capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special rights and to provide for such rate of dividend on the shares as may be determined by the Directors and to vary or modify or abrogate any such rights, privileges or conditions in such a manner as may, for the time being, be provided by the regulations of the Company and to consolidate or sub-divide the shares and issue shares of higher or lower denominations.'

RESOLVED FURTHER THAT consequent upon the increase in the Authorised Capital of the Company as aforesaid, the existing Article 3 of the Articles of Association of the Company be deleted and substituted by the following:

'3. The Authorised Capital of the Company is Rs. 10,00,00,000 (Rupees Ten Crores Only) divided into 1,00,00,000 (One Crore) Equity Shares of Re.10/- each, with power to the Board of Directors to increase or reduce the capital and to divide its shares in the capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special rights and to provide for such rate of dividend on the shares as may be determined by the Directors and to vary or modify or abrogate any such rights, privileges or conditions in such a manner as may, for the time being, be provided by the regulations of the Company and to consolidate or sub-divide the shares and issue shares of higher or lower denominations.'

6. To consider and, if thought fit, to pass the following resolution which will be proposed as Special Resolution:

Mr. Premchand Shah the Managing Director has resigned on 27th August, 2008 due to ill health, the Company pays due regards for driving the company to such heights and managing the company to such success. The company to fill in the vacancy of the Managing Director the following Resolution is proposed for the members, if considered fit to pass with or without modification.

"RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 310 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the appointment of Shri Narendra Ganatra as the Managing Director of the Company in place of Mr. Premchand Shah, for the period of 5(five) years with the effect from 27th August, 2008 upon the terms and conditions, including remuneration and minimum remuneration as set out in the Agreement entered into between the Company and Shri Narendra Ganatra, a draft whereof as placed before this meeting is hereby specifically approved with the authority to the Board of Directors to alter and/or vary the terms and conditions of the said appointment and/or Agreements so long as the same is within the limits specified under Sections 198, 269, 309, 310 and Schedule XIII of the Companies Act, 1956 or any statutory modification or reenactment thereof, for the time being in force, or any amendment thereto, as may be agreed between the Board of Directors and Shri Narendra Ganatra;

RESOLVED FURTHER THAT the amount of remuneration to Shri Narendra Ganatra in the Financial year shall not exceed the ceiling of 5% of the net profits of that financial year and 10% of the net profits to all

such managerial personnel taken together in that financial year as laid down in the Schedule XIII to the Companies Act, 1956;

RESOLVED FURTHER THAT in the event of any statutory amendment, modification, and/or relaxation by the Central Government to the Schedule XIII or to any of the Sections of the Companies Act, 1956, the Board of Directors be and are hereby authorized to vary or increase the remuneration within such prescribed limit and the aforesaid Agreement between the Company and Shri Narendra Ganatra be Suitably amended to give effect to such amendments, modifications, relaxations and/or variations without any further reference to the Company in a General Meeting;

RESOLVED FURTHER THAT till such time Shri Narendra Ganatra continues to remain the Managing Director he shall not be liable to retire by rotation;

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take such steps as may be necessary, proper and expedient to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modifications the following resolution as Special Resolution.

The Company has appointed Mr. Narendra Ganatra as Managing Director on 27th August, 2008, which leads to change in Management of the Company, the company as a measure abundant precaution proposes to pass the following resolution with or without modification as Special Resolution

"RESOLVED THAT as a measure of abundant precaution this resolution for approval of change in management by Mr. Narendra Ganatra in place of Mr. Premchand shah, be and is hereby deemed to have been passed under the proviso of regulation 12 of SEBI (SAST) Regulation, 1997, proviso to regulation 12 frames an offer not to be made in case the shareholders by special resolution have considered the change in the management that has taken place with its consequences and have thereafter consented to such change."

8. To consider and if thought fit, to pass with or without modifications the following resolution as Special Resolution.

"RESOLVED THAT in accordance with the provisions of section, 81 (1A) and other applicable provisions if any, of the Companies Act, 1956 (the said Act) and in terms of the provisions of the Articles of Association of the Company and subject to the approval of Government of India (GOI), Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Stock Exchange and other authorities , if any, and subject to the consents , permissions and sanctions of all concerned authorities, if any to the extent required to such conditions and modifications as may be prescribed or may be imposed while according such consents, which may be considered appropriate by the Board of Directors of the company or any authorized committee thereof, (hereinafter referred to as "the Board") in its absolute discretion, consent of the Company be and is hereby accorded to the Board to create, offer, issue, allot, and deliver in one or more tranches, on a preferential basis upto 48,25,000 (Forty Eight Lakhs and Twenty five thousand) convertible warrants ("Warrants") to promoters and non – promoters or prospective investors of the company or any of its nominees or affiliates, each warrant convertible at the sole option of the holder, any time before the expiry of 18 months from its allotment into 1 (One) fully paid up Equity share of the company of Rs 10/- each : -

TABLE A

Serial Number	Name of the Allottes	No of warrants
1	Vinesh Kothari	375000
2	Varsha Kothari	430000
3	Jayesh Thakkar	350000
4	Kumar Krishnan	400000
5	Manish Joshi	450000
6	Sanjay Parekh	625000
7	Mahesh Varde	500000
8	Heena Varde	275000
9	Jaydeep Padaliya	550000
10	Heena Padaliya	100000
11	Anant Palan	375000
12	Nitin Savarna	395000

at an exercise price decided by the Board of Directors which is not lower than minimum price specified as per Clause 13.1.1 of Chapter XIII of SEBI Guidelines as stated below and 10% shall be payable before the allotment of warrants and balance on or before 18 months from the date of allotment or else the money received for the allotment shall be forfeited by the Company:

- Average of weekly high and low of closing prices of the related shares quoted on the stock exchange during six months preceding the relevant date or
 - Average of weekly high and low of closing prices of the related shares quoted on the stock exchange during two weeks preceding the relevant date and at any other price above Exercise price, as may be finalized by the Board on the following terms and conditions."
- (a) The warrants shall be converted within 18 months from the date of allotment. The Equity shares so issued on conversion shall be subject to the Memorandum and Articles of Association.
 - (b) The amount to be paid up on the warrants at the time of allotment shall not be less than 10% of the exercise price, and the rights to be attached to them, and other such terms and conditions of the warrants may be decided in accordance with SEBI Guidelines and other provisions of applicable law, by the "Board".
 - (c) The relevant date for the purpose of calculating the minimum exercise price for the Warrant under Chapter XIII of SEBI Guidelines is 29th August, 2008 being a 30 days prior to 29th September, 2008 (i.e., 30 days prior to the date on which Meeting of General body of shareholders is held in terms of Sec. 81(1A) of the Companies Act, 1956, to consider this proposed issue.)
 - (d) The Equity Shares allotted on conversion shall rank *pari passu* in all respects with the then existing Equity Shares of the Company.

GEMSTONE INVESTMENTS LIMITED

- (e) The Warrants shall not be sold , transferred , hypothecated or encumbered in any manner during the period of lock in provided under SEBI Guidelines except to the extent and in manner permitted thereunder."

"RESOLVED FURTHER THAT the purpose of giving effect to this resolution, the Board of Directors of the Company, be and is hereby authorized to do deeds, acts and thing and take action on matters, give such directions or instructions for the settling any question, doubt or difficulty which may arise with regard to the offer, issue or allotment of the said shares and to take appropriate actions to bring into effect the above decision."

By Order of the Board of Directors

**S/d
Director**

Place: Mumbai

Date: 29th August, 2008.

NOTES:

1. **ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. PROXY FORM IS ENCLOSED.**
2. Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956 setting out the material facts relating to items of Special Business, are attached hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 25th September, 2008 upto 29th September, 2008 (both days inclusive)
4. Members/Proxies are requested to bring the Attendance Slip, enclosed herewith, duly filled in, for attending the meeting.
5. All document referred to, if any, in the Notice and the Explanatory Statement are kept open for inspection at the Registered office of the Company between 11.00 a.m. and 1.00 p.m. on all working days (except Saturdays and public holidays) up to the date of the meeting.

EXPLANATORY STATEMENTS

(Pursuant Section 173 (2) of the Companies Act, 1956)

Item No: 4

The Board of Directors has ambitious plans to incorporate a new subsidiary company and to be registered with various institutions like National Stock Exchange, Bombay Stock Exchange Limited, NCDEX, MCX and other various institutions for financial market participants, dealing in shares, bullions, commodity, forex etc. The funds would be required for the new business expenses and such borrowings would be in excess of the aggregate of the paid-up capital and the free reserves of the Company, it is necessary to obtain the consent of the Company in general meeting in compliance of Section 293 (1) (d) of the Companies Act, 1956.

Item No: 5

In view of the expansion and diversification programmes to be undertaken by the Company and the proposed private placement of Preferential Issue, your Directors anticipate increase in the Capital base of the Company. In order to accommodate such increase in the capital, it has been proposed to increase the existing Authorised Capital from Rs.3,10,00,000 (Rupees Three Crore Ten Lakhs Only) consisting of 31,00,000 (Thirty One) Equity Shares of Re.10/- each to Rs.10,00,00,000/- (Rupees Ten Crores Only) divided into 1,00,00,000 (One Crore) Equity Shares of Re.10/- each. As such increase involving alteration of Clause V of the Memorandum of Association and Article 3 of the Articles of Association, requires the approval of Members pursuant to Sections 16, 31, 95 and 95 of the Companies Act, 1956, your Directors recommend this resolution for your approval by way of Special resolution. None of the Directors of the Company is materially interested in this item of business.

A copy of the Memorandum and Articles of Association of the Company is open for inspection by Members of the Company on all working days between 11.00 A.M. and 1.00 P.M.

Item No: 6

The Company has appointed Mr. Narendra Ganatra as Managing Director of the Company, he draws with him 17 years of experience in the field of Financial Services, Financial Structuring, as he is a visionary he will be able to diversify the activities of the company in other related fields and will be able to drive the company to new heights with his talent and experiences.

Item No: 7

The company deems to take effective steps to ensure that people who are capable of running the company abundantly fill vacancies. Mr. Narendra Ganatra to form a new management at the helm of the Company, which tantamount to change in control of the management of the Company. As provided in the guidelines of Takeover framed by SEBI states that such a change in management to propose constitute a change in the management control of the Company attracting and may attract the Takeover guidelines wherein it becomes mandatory where the incoming management has to make an open offer to the existing shareholders in accordance with these regulation. However, proviso to regulation 12 frames an offer not to be made in case the shareholders by special resolution have considered the change in the management that has taken place with its consequences and have thereafter consented to such change. We are herewith passing this resolution as a measure abundant precaution to ensure that the business of the company is not disturbed in the nature due to retrospective applicability to this resolution to be so approved by the SEBI at a later date.

GEMSTONE INVESTMENTS LIMITED

Item No: 8

The company is undertaking an expansion programme in the field of financial markets with the incorporation of new subsidiary in the fields of broking in shares and commodities. In order to meet the immediate exigencies, the Directors of the company have made provisions for borrowing money by way of convertible equity warrants at Rs. 52/- each, which shall be converted into Equity share of Rs. 10/- each within the stipulated time frame.

In terms of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI Guidelines") the following disclosures are being made:-

➤ **Object of the Issue:**

The objects of the proposed Preferential Issue of Warrants is for Acquisition/ Merger, promoting companies in the financial sector new financial products, and also partner/enroll with various institutions like National Stock Exchange, Bombay Stock Exchange Limited, NCDEX, MCX and other various institutions for financial market participants, dealing in shares, bullions, commodity, forex etc.

Pricing of the issue:

The equity shares of the Company are traded on the Stock Exchanges where the shares of the Company are listed during six months or two weeks preceding the relevant date i.e. 29th August, 2008 as arrived in accordance with the provisions of SEBI (Disclosure and Investor Protection) Guidelines.

In view of the above, the conversion price of Rs. 52/- per Equity Share of the proposed issue of warrants on preferential basis is in accordance with the provisions of SEBI (Disclosure and Investor Protection) Guidelines.

➤ **Intention of the Promoters, Directors, Management personnel to subscribe to the offer:**

The promoters of the company are not subscribing to the present preferential issue.

➤ **Share holding pattern**

Sr.No.	Category of Shareholders	Pre-issue Shareholding as on 30 th June, 2008		Post-issue Shareholding (assuming full conversion)	
		Number	%	Number	%
1	Promoters				
	Premchand Shah	37150	1.24	37150	0.47
					0.47
2	FI's , Mutual Funds, Insurance Co's, Banks	NIL	Nil	Nil	0
					0
3	Body Corporate	15,99,062	53.30	15,99,062	20.44
					20.44
4	Individuals	1347357	44.91	1347357	17.22

GEMSTONE INVESTMENTS LIMITED

	Vinesh Kothari	NIL	NIL	375000	4.79
	Varsha Kothari	NIL	NIL	430000	5.50
	Jayesh Thakkar	NIL	NIL	350000	4.48
	Kumar Krishnan	NIL	NIL	400000	5.12
	Manish Joshi	NIL	NIL	450000	5.75
	Sanjay Parekh	NIL	NIL	625000	7.99
	Mahesh Varde	NIL	NIL	500000	6.39
	Heena Varde	NIL	NIL	275000	3.51
	Jaydeep Padaliya	NIL	NIL	550000	7.03
	Heena Padaliya	NIL	NIL	100000	1.28
	Anant Palan	NIL	NIL	375000	4.79
	Nitin Savarna	NIL	NIL	395000	5.05
					78.89
5	NRI's	2000	0.07	2000	0.02
6	Clearing Members	14431	.48	14431	0.18
	TOTAL	30,00,000	100	78,25,000	100

➤ **Proposed time within which allotment will be completed:**

The Warrants are proposed to be allotted within 15 days of the passing of the Special Resolution approving their allotment. Provided that where the allotment is pending on account of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval.

➤ **Consequential changes if any in the Board of Directors and the voting rights and the shareholding pattern:**

There will be no change in the Board of Directors and Management as a consequence of the preferential issue of warrants. The Equity shares arising out of conversion of warrants shall have the same voting rights as available to the existing Equity Shareholders.

➤ **Whether there will be a change in control over the company:**

The preferential issue will not result in change in the control of the Company.

➤ **Identity of allottee with percentage of expanded capital to be held by them:**

The allottees in the proposed preferential issue are as follows:

Sr.No.	Name	No. of Warrants	Post issue capital held after conversion	Percentage of post preferential Capital
1	Vinesh Kothari	375000	375000	4.79
2	Varsha Kothari	430000	430000	5.50
3	Jayesh Thakkar	350000	350000	4.48
4	Kumar Krishnan	400000	400000	5.12
5	Manish Joshi	450000	450000	5.75