

***FOURTEENTH  
ANNUAL REPORT AND ACCOUNTS  
2002-2003***



**SARLA GEMS LIMITED**

## **SARLA GEMS LIMITED**

### **BOARD OF DIRECTORS**

B. L. Agarwal

B. L. Bohara

P. R. Jain

### **AUDITORS**

**MALOO & CO.**

Chartered Accountants

### **REGISTERED OFFICE**

Block No. 3, Module 1 & 2 (Ground Floor)

SDF (E), FEPZ, 24 Parganas (S)

West Bengal

### **FACTORY**

Block No. 3, Module 1 & 2 (Ground Floor)

SDF (E), FEPZ, 24 Parganas (S)

West Bengal

### **REGISTRAR & SHARE TRANSFER AGENTS**

S. K. Computers

34/1A, Sudhir Chatterjee Street

Kolkata - 700 006

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SARLA GEMS LIMITED

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**NOTICE**

Notice is hereby given that the Fourteenth Annual General meeting of the Members of Sarla Gems Limited, will be held at registered office at Block No. 3, Module 1 & 2 (Ground floor) SDF(E), FERZ, 24 Pargana(S), W.B. on Tuesday, the 30th day of September, 2003 at 10.00 a.m. to transact the following business :

**ORDINARY BUSINESS**

01. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the year ended as on that date together with the Report of the Auditors and the Directors thereon.
02. To appoint a Director in place of Mr. P. R. Jain, who retires by rotation and being eligible offers himself for re-appointment.
03. To appoint M/s. Maloo & Co., Chartered Accountants, the retiring Auditors of the company as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors.

**SPECIAL BUSINESS :**

04. To consider and if thought fit, to pass with or without modification, the following resolution as Special resolution :-

"RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors of the Company for keeping the register of members/debenture holders together with the index of members, index of debenture holders and copies of all returns prepared u/s 159 & 160 of the Companies Act, 1956 and also the copies of the certificates and documents as required to be annexed thereto u/s 160 & 161 of the Companies Act, 1956 at the office of M/s. S. K. Computers, 34/1A, Sudhir Chatterjee Street, Kolkata - 700 006, the Registrar & Transfer Agents of the Company.

"RESOLVED FURTHER that Mr. B. L. Bohara, Director be and is hereby directed to intimate the Registrar of Companies, West Bengal in this regard."

Regd. Office : Block No. 3, Module 1 & 2  
(Ground Floor) SDF (E), FEPZ,  
24 Parganas (S) West Bengal

BY ORDER OF THE BOARD

Date : 27.06.2003

**B.L. AGARWAL**  
(Director)

**NOTES :**

1. A Member entitled to attend and vote at the Meeting is also entitled to appoint a proxy/proxies to attend and vote instead of himself/herself and the proxy need not be a Member.
2. A proxy to be effective must be deposited with the Registered office of the Company not less than 48 hours before the Meeting.

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**SARLA GEMS LIMITED**

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3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 23rd September, 2003 to Tuesday, 30th September 2003 (Both days inclusive).

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

**Item No. 4**

For taking the matters relating to share transfers & registrations in an efficient manner and to provide quality service to the shareholders, the Company has appointed M/s. S. K. Computers , 34/1A, Sudhir Chatterjee Street, Kolkata - 700 006 as Registrar & Transfer Agent in place of earlier Registrar & Transfer Agent M/s. AMI Computers (I) Ltd., 60A & B, Chowringhee Road, Kolkata-700020 of the Company and hence the Register of Members and other documents, Registers and Statements are required to be kept at their Office at the address given in the Resolution.

As per Section 163(1) of the Companies Act, 1956 approval of shareholders is required for keeping the register of Members and debentureholders at a place other than the Registered Office. Hence the proposed Resolution is sought to be passed.

None of the Directors is interested in the aforesaid Resolution.

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BY ORDER OF THE BOARD

Date : 27.06.2003

**B.L. AGARWAL**  
**DIRECTOR**

## SARLA GEMS LIMITED

**DIRECTORS' REPORT****TO THE SHAREHOLDERS**

Your directors have pleasure in presenting their 14th Annual Report together with Audited Accounts for the period ended 31st March, 2003.

**1. WORKING RESULTS :**

The results for the year ended 31st March, 2003 are summarized below :

	For the Year ended 31st March, 2003 (Rs. In lacs)	For the Year ended 31st March, 2002 (Rs. In lacs)
Sales & other Incomes	187.13	167.09
Profit before depreciation	9.60	162.38
Depreciation	16.06	16.09
Profit/(Loss) after depreciation	(6.46)	146.29
(Loss) brought forward	(410.43)	(556.72)
Total loss carried to Balance Sheet	(416.89)	410.43

**2. DIVIDEND :**

Because of huge accumulated losses your Directors did not recommend payment of dividend in regard to the year under review.

**3. OPERATIONS :**

During the year under review, the company suffer from loss after providing depreciation. Your directors are hopeful to wipe off the losses in the near future.

**4. DIRECTORS :**

Pursuant to Section 256 of the Companies Act, 1956 Mr. P. R. Jain retires by rotation at the forthcoming Annual General Meeting but being eligible has offered himself for reappointment.

**5. DIRECTOR'S RESPONSIBILITY STATEMENT :**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that :

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed :
2. Appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs at the end of the financial year and of the Profit of the Company for the financial year ended March 31, 2003.

## SARLA GEMS LIMITED

3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.
6. **CORPORATE GOVERNANCE**  
Pursuant to clause 49 of the listing Agreement with the Stock Exchange(s), a Management Discussion and Analysis and Corporate Governance Report together with the certificate from the Auditors of the Company certifying compliance of the conditions of the Corporate Governance have been made a part of the Annual Report.
7. **AUDITORS :**  
M/s. C. S. Shah & Co., Chartered Accountants, Kolkata retire at the forthcoming Annual General Meeting and have expressed their unwillingness to be considered for re-appointment as Auditors of the Company. Special Notice has been received from a member proposing M/s Maloo & Co. Chartered Accountants, Kolkata to be appointed as Auditors of the Company from the conclusion of this meeting till the conclusion of the next Annual General Meeting. The Company has obtained necessary certificates under Section 224(1) (B) of the Companies Act, 1956 from the Auditors.
8. **AUDITOR'S REPORT :**  
The Report of the Auditor's pertaining to the Accounts in respect of the year ended 31st March, 2003 read with the Notes on Accounts are self-explanatory and, therefore, do not warrant any comments.
9. **PARTICULARS OF EMPLOYEES :**  
None of the employees throughout the year or part of the year was in receipt of remuneration, the aggregate of which exceeds the limit as prescribed under 217(2A) of the Companies Act, 1956 for disclosure in the Report of Board of Directors.
10. **CONSERVATION AND ENERGY, TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNING AND OUTGO :**  
Your Company has no activity relating to conservation of energy or Technology Absorption. During the year under review, there were no Foreign Exchange Earnings & Outgo.
11. **ACKNOWLEDGEMENT :**  
Your Directors take this opportunity to offer their sincere thanks to all employees, Financial Institutions and Banks for their valuable assistance and cooperation. Equally, your Directors acknowledge the trust and confidence by you in the Company.

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24 Parganas (S), West Bengal

Date : 27.06.2003

For & on behalf of the Board

B. L. Agarwal, Director  
B. L. Bohara, Director.

## SARLA GEMS LIMITED

**MANAGEMENT DISCUSSION & ANALYSIS****Industry structure and development :-**

The year under review continued to witness world wide recession and adverse market situation to our existing line of production of costume jewelry and gold/precious jewelry. Though in the last year, the company's net worth turned positive and the company's profit amounting to Rs.146.27 lacs but market situation became worse and resulted in accumulation of huge losses.

**Opportunities and threats :-**

In the over all context of global jewelry scenario, the domestic segment also witnessed a significant change. Latest trend and fashion in the costume jewelry experienced a rapid change. Similarly in the Indian market of gold and precious jewelry, introduction of Italian style and Chinese jewelry became a real threat to the existing Indian producers.

**Outlook of the company:-**

The current situation has arisen because of the international prices goes up. The demand for cheap Chinese products have picked up substantially and the scenario witnesses the inflow of material from China. Because of earlier sluggish situation we had taken a decision to curtail our activities and for us to revive and come up to original capacity would take time.

There is undoubtedly an air of expectation that the world recession is nearing its end and demand boost is round the corner. The outlook of the company for the coming year is buoyant.

**Discussion on financial performance with respect to operation performance :-**

	31-03-2003	31-03-2002
Sales	917862	2103320
Other income	953467	14606023
Total Expenditure	2517630	2080548
Profit before depreciation	960061	16238153
Depreciation	1606362	1609358
Profit/ Loss) before Tax	(646301)	14628795

The total income for the year declined by 88.80% in comparison to the previous year due to dull market conditions. The total expenditure for the year have gone up by 21%.

**Internal control system and their adequacy :-**

The company's endeavor to have a self compliant internal control system has paid good dividends.

The system adequacy audits and periodic internal/management audits have enabled the processes to be robust. A detailed functional audit is undertaken with more accent on business processes rather than transaction orientation and is subject to review at the divisional head level as well as the top management level.

## CORPORATE GOVERNANCE REPORT

### SGL PHILOSOPHY ON CODE OF GOVERNANCE

In today's fast changing corporate environment as well as rising awareness amongst the investors and shareholders the excellence is judged by the standard of corporate management which is guided by the corporate governance code. However it is not merely a guideline but its essence lies in the company's endeavors to continuously strive for higher level of transparency and accountability, full disclosure, fairness in operation and efficient performance with an ultimate goal of maximizing shareholders value. In line with the essence of corporate governance it has always been your company's endeavors to adopt effective corporate governance by creating an environment based on professionalism, entrepreneurship and pursuit for excellence. The company has always considered the Board of directors of the company as trustees to the shareholders.

### BOARD OF DIRECTORS

The Board of Directors of the Company comprises of three Directors. All of them are non-executive independent directors.

Six Board Meetings were held during the year on 25-04-2002, 26-04-2002, 10-05-2002, 31-07-2002, 25-10-2002, 31-01-2003.

The Composition of the Board of Directors, attendance of directors at the Board Meetings and at the last Annual General Meeting and also the number of Directorship and Committee Memberships held by them in other companies are given below :-

Name of Directors(s)	Category	No of Board Meeting Attended	Attendance at last AGM held in 21.09.03	No. of Directorship in other Companies		No. of Membership in Committee of Directors in other Companies	
				Chairman	Director	Chairman	Director
1. Mr. B.L.Bohra	Non-executive,independent director *a.	6	Yes	NIL	NIL	NIL	NIL
2. Mr. B.L.Agarwal	Non-executive,independent director	6	Yes	NIL	NIL	NIL	NIL
3. Mr. P.R.Jain	Non-executive,independent director	6	Yes	NIL	NIL	NIL	NIL

\*a Designated as Chairman

### AUDIT COMMITTEE

The Company had constituted Audit Committee on 26-04-2002 as stipulated under Clause 49 of the Listing Agreement with Stock Exchange(s) and to meet the requirements of Section 292A of the Companies Act, 1956. The Audit Committee also reviews with the management the quarterly and annual financial statements before submission to the Board. The minutes of the Audit Committee Meetings are circulated to the Board, discussed and taken note of.