

***SIXTEENTH
ANNUAL REPORT AND ACCOUNTS
2004-2005***



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SARLA GEMS LIMITED

SARLA GEMS LTD.

B. G. Hanu
Director

SARLA GEMS LIMITED

BOARD OF DIRECTORS

B. L. Agarwal

B. L. Bohara

Mahendra Singh

Puja Grewal

AUDITORS

M/s. MALOO & CO.

3, Mangoe Lane

2nd Floor

Kolkata - 700 001

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

Phone : (033) 2219-4815/6797

SARLA GEMS LIMITED

NOTICE

Notice is hereby given that the Sixteenth Annual General meeting of the Members of SARLA GEMS LIMITED, will be held at Block No. 3, Module 1 & 2 (Ground floor) SDF(E), FERZ, 24 Parganas (S), W.B, on Friday, the 30th day of September, 2005 at 10.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended as on that date together with the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri B. L. Bohara, who retires by rotation and being eligible offers himself for re-appointment in accordance with Section 256 of the Companies Act, 1956.
3. To appoint Ms. Puja Grewal as Director who retires at the Annual General Meeting having been appointed as Additional Director earlier in terms of Section 206 of the Companies Act, 1956 and being eligible offers herself for re-appointment.
4. To appoint Auditor, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at remuneration fixed by the Board of Directors.

Block No 3, Module 1 & 2 (ground Floor)
SDF(E), FEPZ, 24 Pargana (S),
West Bengal
The 16th day of August, 2005

By order of the Board

B. L. BOHARA
Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, 23rd day of September, 2005 to Friday, 30th day of September 2005 (both days inclusive).

SARLA GEMS LIMITED

3. Queries on Accounts of the company, if any, may please be send to the registered office of the company seven days in advance of the Meeting, so as the answer may be made available at the Meeting.

4. Reappointment of Director :-

At the ensuing Annual General Meeting, Shri. B.L.Agarwal, retires by rotation and being eligible, offer himself for re-appointment. The Information or details pertaining to them pursuant to Clause 49(VI)(A) of the Listing Agreement with the Stock Exchange(s) are furnishes in the statement on Corporate Governance published in the Annual Report.

5. Members attending the Annual General Meeting are requested to bring the following with them (as applicable)

- (a) Their folio number/Client ID.
- (b) Attendance slip.
- (c) Copy of Annual Report 2004-05.
- (d) Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.

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By order of the Board

Block No 3, Module 1 & 2 (ground Floor)
SDF(E), FEPZ, 24 Pargana (S),
West Bengal
The 16th day of August, 2005

B. L. BOHARA
Director

DIRECTORS' REPORT

TO
THE SHAREHOLDERS

Your Directors have pleasure in presenting their 16th Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2005.

1. FINANCIAL RESULTS

	For the year Ended 31-03-2005 (Rs. in Lacs)	For the Year Ended 31-03-2004 (Rs. in Lacs)
Sales & Other Income	2604.36	1.38
Profit/(Loss) before Depreciation	15.29	(21.44)
Depreciation	0.89	8.41
Net Profit / (Loss) Before Tax	14.40	(29.85)
Provision for Tax under MAT	(1.13)	—
Net Profit / (Loss)	13.27	(29.85)
Amount carried to Reserves	Nil	Nil

2. DIVIDEND

Because of huge accumulated losses, The Board of Directors do not recommend payment of dividend for the year under review.

3. OPERATIONS

Detailed discussion in relation to the operations of the company has already been done in the Management Discussion and Analysis, separately annexed to the Annual report.

4. PUBLIC DEPOSITS

Your Company has not accepted any deposits during the year under review.

5. INDUSTRIAL RELATIONS

Your company had harmonious industrial relations at all levels of organization. Your Directors wish to place on record the maximum co-operation extended by the employees in maintaining congenial working atmosphere.

6. DIRECTORS

Pursuant to section 256 of the Companies Act, 1956, Shri B.L. Bohara retires by rotation at the forthcoming Annual General Meeting but being eligible offers themselves for reappointment.

7. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed, appropriate accounting policies have been selected and applied

SARLA GEMS LIMITED

consistently and judgments 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, 2005.

1. 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.

8. CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange(s), a Management Discussion and Analysis Report and Corporate Governance Report together with the certificate from the Auditors of the company certifying compliance of the same have been made a part of the Annual Report.

9. AUDITORS

M/s. Maloo & Co., Chartered Accountants, Kolkata Auditors of the Company, will retire at the conclusion of forthcoming Annual General Meeting, and being eligible offer themselves for re-appointment.

10. AUDITORS' REPORT

The Report of the Auditors pertaining to the Accounts in respect of the year ended 31st March, 2005 read with Notes on Accounts are self-explanatory and, therefore, do not warrant any comments.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

Your company has no activity relating to conservation of energy or technology Aabsorption. During the year under review, there were no Foreign Exchange Earning & Outgo.

12. PARTICULARS OF EMPLOYEES

None of the employees employed 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.

13. ACKNOWLEDGEMENT

Your Directors are grateful to the Company's Bankers, Financial Institutions and also to the Central and State Governments for their continued support. Your Directors are particularly grateful to you for your unstinted support.

Your directors also wish to place on record their appreciation of the hard work and dedication of the employees at all levels.

By order of the Board

Block No 3, Module 1 & 2 (ground Floor)
SDF(E), FEPZ, 24 Pargana (S),
West Bengal
The 16th day of August, 2005

B. L. BOHARA
Director

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT :-

The Gems and Jewellery industry is performing well and contributing significantly to the exports of the country.

OPPORTUNITIES & THREATS :-

While expansion of exports in the sector was an opportunity to be capitalized on, domestic market also saw growth. Latest trend and fashion in the costume jewellery experienced a rapid change. Similarly in the Indian market of gold and precious jewellery, introduction of Italian style and Chinese jewellery became a real threat to the existing Indian producers.

OUTLOOK OF THE COMPANY :-

The current situation has arisen due to demand of the cheap Chinese products. The demand for imported products rise up substantially and the inflow of material from China covered major market. Because of earlier sluggish situation, to revive up and come up to the original capacity would take time.

RISKS AND CONCERNS :-

Your directors keep a close watch on risks and concerns facing the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :-

The Internal control system ensures adequate audit and periodic internal/management audit. The audit is undertaken with more accent on business processes rather than the transaction orientation and is subject to review at divisional head level as well as the top management level.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE :-

	For the year Ended 31-03-2005 (Rs. in Lacs)	For the Year Ended 31-03-2004 (Rs. in Lacs)
Sales & Other Income	2604.36	1.38
Profit/(Loss) before Depreciation	15.29	(21.44)
Depreciation	0.89	8.41
Net Profit / (Loss) Before Tax	14.40	(29.85)
Provision for Tax under MAT	(1.13)	—
Net Profit / (Loss)	13.27	(29.85)
Amount carried to Reserve	Nil	Nil

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. The company has always considered the Board of Directors of the company as a trustee of shareholders.

BOARD OF DIRECTORS

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

Six Board Meetings were held during the year on 30-04-2004, 30-06-2004, 31-07-2004, 25-08-2004, 31-10-2004 and 31-01-2005.

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 Director(s)	Category	Board Meeting Attended	Attendance at last AGM	Directorship in other Companies		Member in Committee of Directors in other Companies	
				Chairman	Director	Chairman	Member
Mr. B.L. Bohara	Independent Director	6	Yes	NIL	NIL	NIL	NIL
Mr. B.L. Agarwal	Independent Director	6	Yes	NIL	NIL	NIL	NIL
Mr. Mahendra Singh	Independent Director	NIL	No	NIL	NIL	NIL	NIL
Mr. P. R. Jain	Independent Director	6	Yes	NIL	NIL	NIL	NIL
Ms. Puja Grewal	Independent Director	NIL	No	NIL	NIL	NIL	NIL

Mr. B. L. Bohara being eligible offers himself for re-appointment at the ensuing Annual General Meeting, his brief resume is as under :

Mr. B. L. Bohara, aged about 53 years, is an industrialist. He has very good exposure in various projects and operational matters in the jewellery Industry. It is because of his able leadership, the company has overcome many hindrances. The Board considers that having regard to his wide knowledge and rich experience, it will be in the interest of the Company to appoint Mr. B. L. Bohara, as a Director of the Company.